

Montana State Legislature
Legislative Audit Division

Strategic Plan

For the Period 2017 – 2067

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The 2024/2025 Biennium

CONTENTS

1. TRANSMITTAL LETTER TO THE LEGISLATIVE AUDIT COMMITTEE
2. LEGISLATIVE AUDIT DIVISION MISSION, VISION, AND VALUES
3. THE STRATEGIC ENVIRONMENT – CHALLENGES AND OPPORTUNITIES
4. ORGANIZATIONAL GOALS AND OBJECTIVES
5. TEAM-BASED GOALS AND OBJECTIVES
6. KEY PERFORMANCE INDICATORS
7. EXPERIENCES AND RESULTS

TRANSMITTAL LETTER

December 2022

The Legislative Audit Committee
of the Montana State Legislature:

We have now passed the mid-point in our first 10-year strategic planning cycle and we have seen significant progress in many areas. The beginning of the current biennium was marked by the continuing impact of the coronavirus pandemic and even though we are happy to have most of these experiences in the rearview mirror, we are still dealing with the lingering aftereffects. Prominently for us, these have included a truly unprecedented influx of federal funding that has benefitted the state's financial position, but has strained our people and other resources.

However, our efforts to properly anticipate and plan for the future are also beginning to bear fruit. Our mission to increase public trust in state government starts with our own way of doing business and the staff of the Legislative Audit Division have not shirked this responsibility. We have asked ourselves some hard questions about longstanding practices, we have been innovative in opening the door to new ways of thinking, and we have made real progress in addressing strategic challenges. The remainder of this document discusses these efforts and outlines where we see both challenges and opportunities in the next biennium and beyond.

Respectfully submitted,



Angus Maciver
Legislative Auditor

LEGISLATIVE AUDIT DIVISION MISSION, VISION AND VALUES

Mission Statement

The mission of the Legislative Audit Division is to **increase public trust in state government** by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

Organizational Vision

The Legislative Audit Division will be **the Legislature's most respected source for independent, accurate, and reliable analysis** that will make Montana a national leader in promoting government accountability.

Values & Guiding Principles

The Legislative Audit Division maintains a work environment that:

- Commits to **innovation**
- Invests in **professional development**
- Facilitates **open and honest communication**
- Promotes **teamwork** grounded in **trust and creativity**
- Allows staff to maintain **work life balance**

In our work with state agencies, the Legislature, and other stakeholders, we hold ourselves to the high standards of **professionalism, transparency, independence, and objectivity** while fostering **cooperative, collegial** relationships and facilitating **open dialogue**.

THE STRATEGIC ENVIRONMENT – CHALLENGES AND OPPORTUNITIES

Effective organizations are all good at one thing: communication. We like to think our report products stand by themselves unaided, but this sometimes leads us to diminish the importance of how to communicate an effective **external message**. We are operating in an increasingly noise-filled world, and legislators and other users of our reports have a lot more options as sources of information. We need a more compelling message and we need to deliver it to a larger group of people. This necessitates some changes in how we understand the needs of our main audience (the Legislature), and how we package and present information externally.

Term limits, political polarization and declining trust in the institutions of government all have the potential to negatively impact independent audit and accountability functions. An effective remedy for these negative impacts can be found in efforts to improve **intergovernmental collaboration** and increase our mutual understanding of the role of the independent audit. The Audit Committee can lead efforts to engage with multiple parties regarding the current effectiveness and future direction of the legislature's audit functions. Engagement and collaboration need to take place both inside and outside the legislative branch to be effective and provide a meaningful basis for change.

LAD employees are our most valuable resource. Over the next biennium, our office will continue to experience significant organizational change which will challenge our employees. Now more than ever, it is crucial to prioritize employee engagement and well-being to sustain employee productivity and retention. Actively **engaging employees for change** means we have the opportunity to strengthen practices to ease the adoption of change and inspire continued engagement.

Recruiting the future generation of talented and committed staff is vital to ensure LAD can continue to fulfill its mission. Presently the three audit functions internally manage most administrative tasks relating to recruitment efforts. Auditors complete many administrative and human resources related tasks, disrupting audit timelines, and contributing to staff burnout. Identifying efficiencies and coordinating administrative tasks will allow us to continue to recruit excellent employees, decrease the administrative burden on auditors, and improve productivity.

We also need to sharpen our focus on **professional development** and continue investing in a highly qualified workforce. Our work demands ever-increasing levels of specialization and expertise and we need to support staff who are increasing their skills and pursuing advanced certifications. We are fortunate in being required to provide a minimum level of training under *Government Auditing Standards*, but quantity doesn't beat quality and we need to emphasize training that is individualized, incorporates new technology, and is relevant to the modern workplace.

Everybody likes to talk about how new **technology** can drive **innovation**, but not everybody wants to think about how to make this work in practice. We need an effective framework for understanding the role of technology in our work or managing investments in new technology products or services. Without focused effort in this area, we risk missing opportunities to be more efficient in our work. We are also risking our ability to maintain parity with the rest of the government enterprise and to use technology effectively to conduct our audits of state agencies. Having a younger workforce is good, because they are more open to new technology, but they also have high expectations for the role technology should play in the workplace and we need to meet these needs.

Finally, if we want to be successful in all these areas, we can't ignore the importance of good **internal communication**. If we don't have a shared understanding about how our internal processes work or how decisions get made, communication suffers in all other areas. Strengthening our commitment to clear internal communication and sharing information effectively will help us be more successful in everything else we do.

ORGANIZATIONAL GOALS AND OBJECTIVES

EXTERNAL MESSAGE

Organizational Goal:

Increase the impact and effectiveness of our work by delivering a more compelling message to a larger audience.

Objectives:

- A. Expand the Division’s social media presence and enhance outreach efforts with traditional media to provide for wider distribution of reports and more regular communication on audit-related products and committee activity.
- B. Streamline the process for composing and preparing external correspondence to improve efficiency and decrease staff time spent on regular boilerplate communications with agencies and other stakeholders.
- C. Build on recent pilot projects to reinvent our existing paper-based reporting processes and formats to emphasize a digital-first approach and transition to online formats and content.

INTERGOVERNMENTAL COLLABORATION

Organizational Goal:

Strengthen the Legislature’s institutional capacity to provide independent audit and accountability services by increasing the depth and extent of intergovernmental collaboration within and between the Audit Committee, the division and external parties.

Objectives:

- A. Work with the executive branch to establish and monitor timeliness expectations for the FY 2024 and 2025 annual comprehensive financial reporting and federal compliance cycles, including the need for statutory reporting deadlines.
- B. Compile and integrate input from the other branches of government, legislative leadership, and the appropriations process to identify legislative priorities in the design of a risk-based financial audit model.
- C. Provide critical analysis of different funding options for financial audits and federal compliance testing that emphasize fair value, cost-effectiveness, and equitable distribution across multiple agencies.

ENGAGING EMPLOYEES FOR CHANGE

Organizational Goal:

Strengthen our cultural commitment to both valuing and retaining employees while navigating change in the workplace.

Objectives:

- A. Identify tools and techniques to better gauge employee well-being and identify potential needs.
- B. Develop targeted methods for frontline managers to best engage and support employees.
- C. Formalize the office-wide change management process with embedded elements to support employee involvement, empowerment, and well-being.

RECRUITING THE FUTURE

Organizational Goal:

Reimagine recruitment efforts officewide to increase efficiency and more effectively manage staff resources.

Objectives:

- A. Assess current recruitment practices and needs across the three functions to identify potential automation and alternative HR and administrative resources.
- B. Evaluate which recruitment processes can be consolidated, automated, contracted, or reassigned to non-audit staff without impacting candidate quality.
- C. Develop and implement new recruitment practices that optimize efficiency and align with appropriate staff roles.

PROFESSIONAL DEVELOPMENT

Organizational Goal:

Invest in our highly qualified workforce by increasing the professional development and training support we provide to staff.

Objectives:

- A. Develop a user-friendly comprehensive office-wide training curriculum covering the skills and competencies necessary at all levels.

- B. Develop a formal structure for the training cycle, including defined roles of responsibility.
- C. Increase our support for staff pursuing advanced professional certifications and establish formal processes for recognizing and rewarding specialized skills.

TECHNOLOGY INNOVATION

Organizational Goal:

Improve our ability to innovate in all aspects of our work and integrate new technology that adds value to our products.

Objectives:

- A. Implement the operational phase of the cloud-based audit management platform, including creating a comprehensive rollout and training plan, and access control design.
- B. Further define our role within the office, continue to build our relationship with OLIS, and identify measurements for success.
- C. Coordinate with IS to perform a security needs assessment to determine LAD's security posture.
- D. Identify staff needs and opportunities for increasing efficiency through use of technology and facilitating training for this purpose.

INTERNAL COMMUNICATION

Organizational Goal:

Strengthen our commitment to clear internal communication and improve the way we make decisions about the policies and processes that guide our work.

Objectives:

- A. Redesign our framework for implementing legal requirements, professional standards, and industry best practices to emphasize clarity, transparency and responsibilities that are specific to each LAD function.
- B. Establish communication protocols relating to participation and information-sharing that apply to leadership activities and the people responsible for them.
- C. Complete process mapping for all major internal administrative processes and pursue further streamlining and automation opportunities.

TEAM-BASED GOALS AND OBJECTIVES

In addition to our organizational goals and objectives, each of our teams has identified priority strategic initiatives for the current period. These are discussed in summary format as follows.

Accountability, Compliance and Transparency (ACT) Team

Increase the visibility and effectiveness of our efforts to fight fraud, waste and abuse in state government.

By enhancing the visibility and responsiveness of our Hotline process we will be able to demonstrate to citizens that they have an effective and meaningful method for reporting potential problems with state programs or employees. We can increase the relevance and familiarity of these functions among legislators by assessing the ACT team's internal and external statutory responsibilities and their role in the overall LAD organizational structure, addressing potential statutory changes, dedicated staffing or budget needs, and appropriate peer state comparisons. The quality and impact of our Hotline processes can be improved by continuing to invest in staff competence and development, which will ensure our work in this area is viewed by both agencies and complainants as credible, fair, and thorough.

Financial Audit Team

Ensure financial-compliance audits provides timely and meaningful audit services.

According to current state law, the Financial Audit Team completes a biennial audit of each state agency, unless otherwise provided by law. We also complete an annual audit of the state's Comprehensive Annual Financial Report (CAFR), annual audits of most of the state's component units, and a biennial audit of the state's federal program administration (Single Audit). Agency audit results feed into the audit of the CAFR and Single Audit and often times involve competing priorities. The financial audit team has been working with the committee's external consultant to assess the potential for changes in the current statutory financial audit model. These efforts will continue through the next biennium and will involve consideration of significant changes in our business practices to address improved timeliness in reporting, responsiveness to risk, and our ability to balance staff workload.

Performance Audit Team

Improve the scope and relevance of performance audit projects to ensure they meet the needs of the Legislature and maximize our ability to address important public policy issues across state government.

Based on the evolving needs of our primary audience—the Legislature—our performance audit product is evolving and moving into the future. The performance audit function is exploring new methods of evaluating performance and policy-oriented analysis aspects in its work, while still including more traditional compliance-oriented work. We have developed and are piloting a new type of performance assessment designed to be more responsive to the legislature’s need for timely, objective reviews of government programs. These assessments include targeted research and discrete questions that allow the performance team to increase efficiency, maximize staff resources, and deliver products in a timelier fashion. Additionally, we will carry out internal reviews to streamline processes and ensure our audit products continue to meet the highest industry standards.

Information Systems Audit Team

Increase the value of technology audits with risk-based audit planning that results in us focusing on agencies where our work has the largest impacts.

As the state looks to modernize IT and leverage the benefits of technology, we need to understand the risks that come with these strategic moves. IS auditors have the opportunity to provide assurance that these strategies and goals can be accomplished. To take advantage of this opportunity, we have restructured our statewide risk assessment and planning process to better identify where our work is needed most. This approach also incorporates a more productive way of working and communicating with agencies. We will also review various types of IS audits and how they should be presented to the legislature and public for better understanding of the impact and priority of our work.

Service Support Team

Improve our knowledge and understanding of LAD information resources and protect our organization from either having too much or not enough information.

Everything we do rests on the quality and usefulness of the information we collect, analyze and store. Some this information is well-understood and well-controlled, but other sources and records are not identified or categorized in a systemic manner. If we don’t maintain a structured understanding of our information resources, we are in danger of not meeting legal mandates (records management), audit industry standards, or management and operational needs. Conversely, we are also in danger of maintaining too much information, which carries risks of information overload, unclear or unsupported decisions, data loss/breach, or lack of responsiveness to transparency requests.

KEY PERFORMANCE INDICATORS

We are committed to performance and accountability. These Key Performance Indicators (KPIs) provide a focus for strategic and operational improvement, create an analytical basis for decision making and help focus attention on what matters most. Our KPIs are primarily focused at the organizational level and provide a means of assessing our progress towards our goals measured against established benchmarks. These benchmarks are based on historical experience or industry norms. An appendix to this document provides more detailed explanations and historical /trend data for each metric.

Metric	Benchmark	Result
Staff Turnover Rate	< 10%	11%
Retained Employee Experience	> 7 Years	6.7 Years
Employee Engagement	> 85%	80%
Employee Absenteeism	< 4.0%	3.8%
Direct Hours	> 65%	63%
Billing Rate Inflationary Change	± 5.0%	- 6.2%
Project Budget Accuracy	± 10%	+ 12%
Project Timely Completion	± 30 Days	+ 55 Days
Hotline Timely Resolution	< 60 Days	31 Days
Value-Added Impacts	> 200%	268%
Agency Engagement	> 80%	84%
Recommendation Concurrence	> 90%	88%
Recommendation Implementation	> 80%	69%

Results Key

Good Performance
Needs Improvement
Cause for Concern

EXPERIENCES & RESULTS

The following addresses experience and results from implementation of strategic goals and objectives over the past two years.

- ✓ Implementation of our **new career ladder structure**, position expectations and competitive compensation for audit staff has been completed, allowing us to compete more effectively in recruitment and retention of highly qualified staff
- ✓ We completed the transition to a **new annual evaluation cycle**, saving time and administrative resources, while also providing more meaningful and timely performance feedback for all LAD staff
- ✓ We introduced expanded **remote work policies and practices**, allowing us to keep staff turnover and retention close to performance benchmarks, despite extremely challenging labor market conditions
- ✓ We expanded our ability to provide real-time access to **online training resources** for LAD staff, increasing our ability meet their professional development needs and keeping costs down
- ✓ The work of the Audit Committee and the financial audit team with an external consultant has produced proposals for significant changes in Montana's **financial audit model** and a sharper focus on risk-based audit approaches
- ✓ The implementation phase of our **cloud-based audit management software** platform continues after completion of the initial procurement cycle under budget and within expected timeframes
- ✓ We successfully recruited for a new **Content Editor** position, allowing us to begin expanding work on innovative changes in our reporting formats
- ✓ Engagement via both **social and traditional media** has increased the reach and visibility of the division's work, with more frequent and more substantive media coverage
- ✓ Our continued focus on **performance and accountability** resulted in the addition of new Key Performance Indicators addressing agency engagement, value-added impacts, and employee retention

- ✓ We strengthened our commitment to quality through expansion of our existing **peer review program** to include specific focus on work conducted under the performance audit standards
- ✓ Our citizen-focused efforts to improve the responsiveness of the division's Hotline functions continue to result in better turnaround times for allegations of **fraud, waste or abuse** in state government
- ✓ The **Financial-Compliance** team completed a very challenging federal Single Audit cycle ahead of deadlines, despite the influx of significant pandemic funding and the addition of several new major programs
- ✓ The **Performance** audit team launched a new pilot audit product designed to decrease turnaround times for reporting to the legislature
- ✓ The **Information Systems** audit team began implementation of a statewide technology risk assessment and testing process, which will better align with IT risk management concepts and identify high risk audit areas