Montana State Legislature

<u>Legislative Audit Division</u>

Strategic Plan Appendix

Key Performance Indicators

The 2024/2025 Biennium

KEY PERFORMANCE INDICATORS

We are committed to performance and accountability. These Key Performance Indicators (KPIs) focus on strategic and operational improvement, create an analytical basis for decision-making, and help focus attention on what matters most. Our KPIs are focused primarily at the organizational level and provide a means of assessing our progress toward our goals measured against established benchmarks. These benchmarks are based on historical experience or industry norms. Results are shown for the most recently completed period, with trend data (where available) for 10 fiscal years.

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

STAFF TURNOVER RATE

Description

Staff Turnover Rate measures turnover in LAD permanent staff positions. The turnover rate is calculated for each fiscal year to show the number of employees terminating as a percentage of the average employee count for the year. The average employee count is based on the number of Full-Time Equivalent (FTE) staff at the beginning and end of the fiscal year.

Performance Benchmark

The performance benchmark is established as maintaining a turnover rate of less than 10% annually. This benchmark is based on historical experience and generally accepted industry expectations.

Time Period & Trend

Result is shown for the most recently completed fiscal year. Trend data shows values for the past 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).
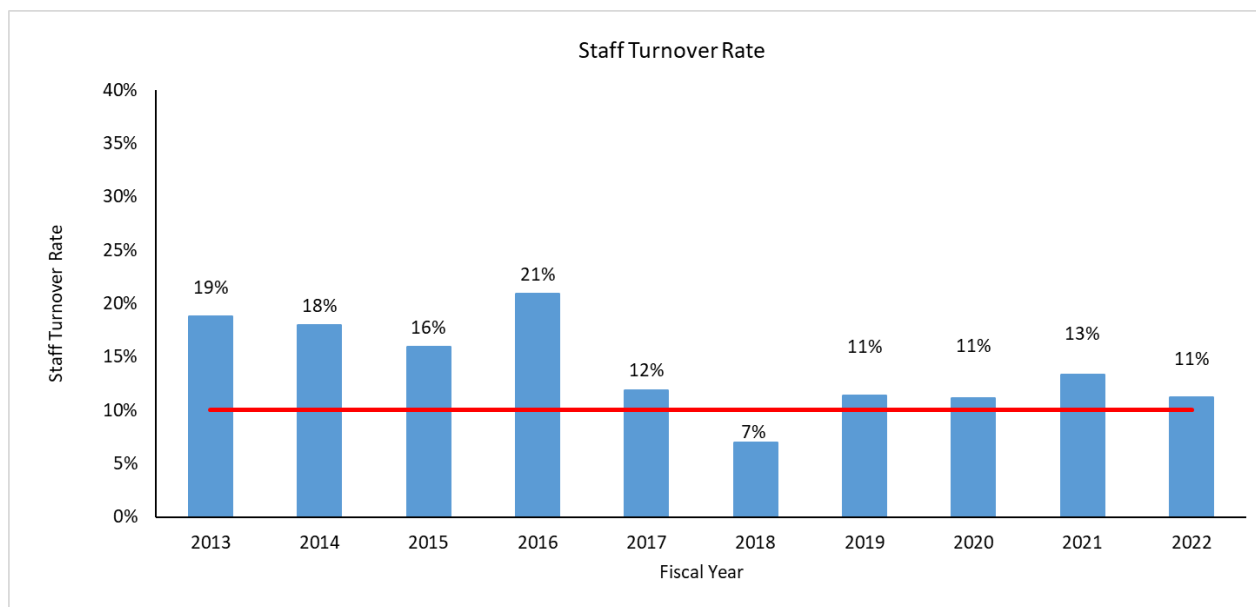
Result

A sustained focus on competitive compensation and employee engagement have stabilized our turnover rate at or around our benchmark. For fiscal years 2021 and 2022, we recorded turnover rates of 13% and 11%, which slightly exceeds our performance benchmark. Given the highly competitive nature of the labor markets in the recent past, maintaining a turnover rate close to 10% should be considered a good outcome. Still, we remain committed to pursuing strategic goals that drive down turnover and increase staff retention.

RETAINED EMPLOYEE EXPERIENCE

Description

Retained Employee Experience measures the median tenure of all permanent LAD staff at the end of each fiscal year. Tenure is calculated from the employee's start date with LAD, with median tenure reflecting the collective organizational experience of all the staff we retain in a fiscal year.

Performance Benchmark

The performance benchmark is established as maintaining median staff tenure at or above seven years annually. This benchmark is based on the national median tenure for public sector workers.

Time Period & Trend

Result is shown for the most recently completed fiscal year. Trend data shows values for the past 10 fiscal years.

Charting

The chart shows KPI values (blue columns with median values above) and the performance benchmark (red line).
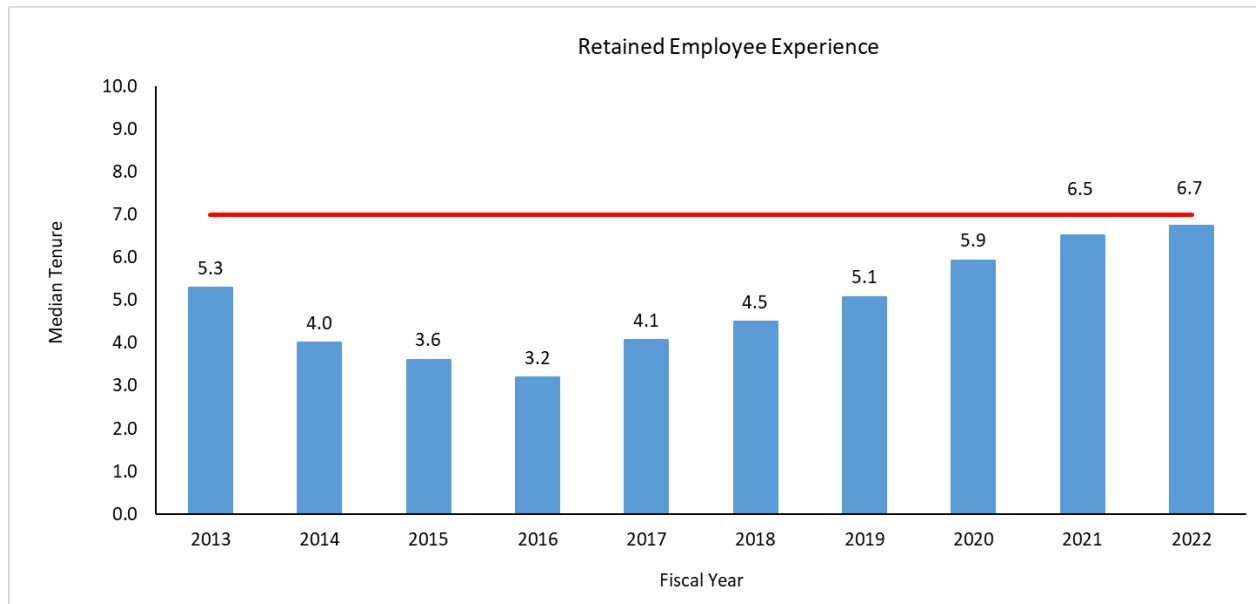
Result

For fiscal year 2022, our median length of staff tenure was 6.7 years. Since 2016, we have steadily increased our median retained employee experience, but we are currently below our target benchmark of at or above seven years. Retaining more staff for longer periods requires continued focus on providing career opportunities, professional development, and a supportive culture. Building retained employee experience above our benchmark will increase the knowledge and insights we bring to our work, resulting in higher-quality products and services to the legislature.

EMPLOYEE ENGAGEMENT

Description

Employee Engagement measures the extent to which LAD employees feel engaged. Employees participate in an annual employee engagement survey independently administered by the Legislative Branch Human Resources Manager. The survey consists of a series of questions designed to assess employee engagement. Respondents answer questions on a negative/neutral/positive scale, and the KPI measures the percentage of all responses that are recorded as positive.

Performance Benchmark

The performance benchmark is established at 85% positive response based on review of initial survey results and expectations regarding the potential for future improvements.

Time Period & Trend

Result is shown for the most recently completed fiscal year. Trend data will be shown for 10 fiscal years as it becomes available.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).
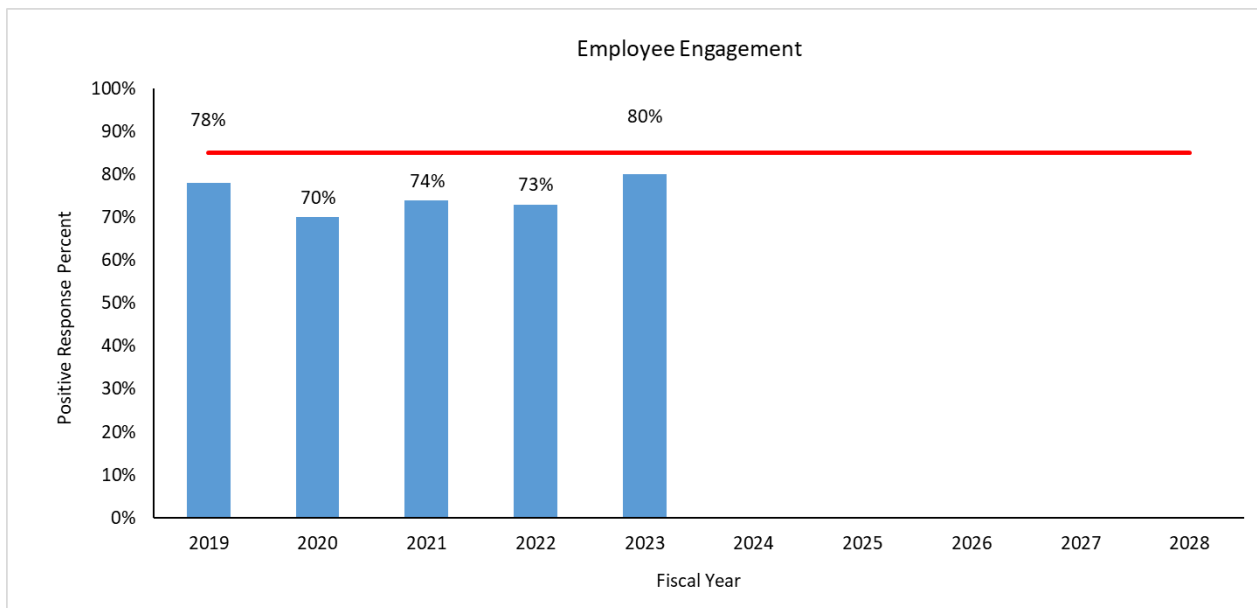
Result

Despite workload pressures and other challenges, LAD employee engagement is trending in the right direction. Positive response increased in the FY 2023 survey to 80%, approaching our benchmark of 85%. A review of results shows positive sentiment increasing across all LAD teams/functions, with some issues improving and others becoming more negative.

EMPLOYEE ABSENTEEISM

Description

Employee absenteeism measures the number of hours absent from work recorded as Sick Leave or Leave Without Pay for all LAD staff as a percentage of total hours worked in a fiscal year. The absenteeism rate is a proxy for employee satisfaction/engagement and effective management control of the appropriate use of allocated leave hours.
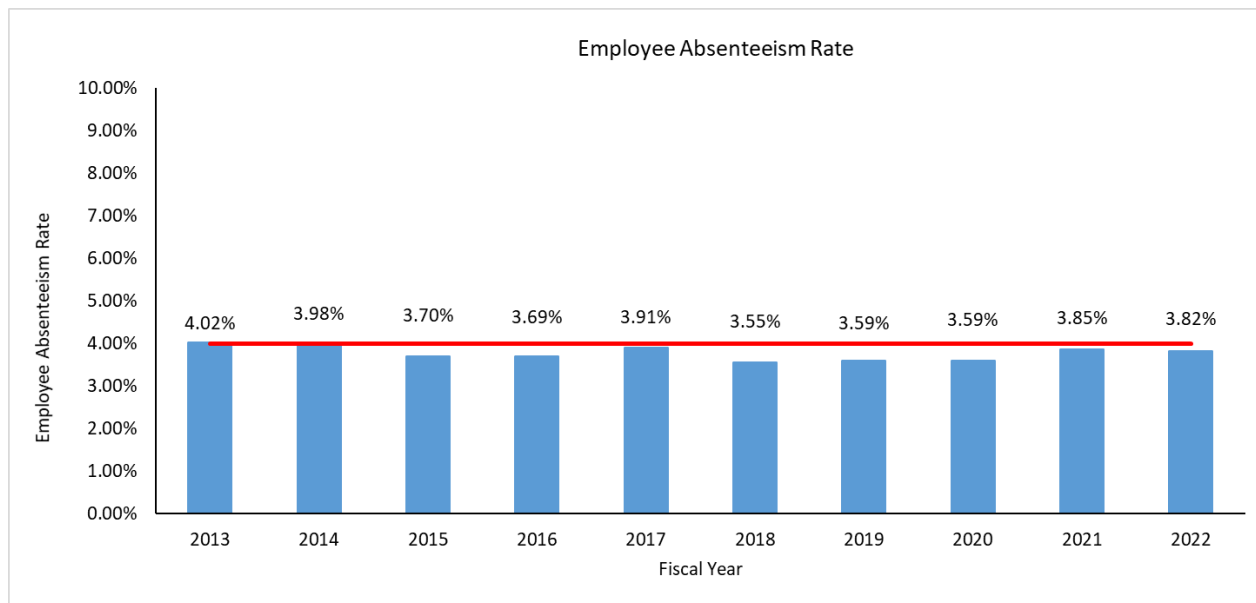
Performance Benchmark

The performance benchmark is established as maintaining an absenteeism rate of less than 4% annually. This benchmark is based on historical experience and general expectations for governmental employers.

Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data shows values for the past 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).

Employee Absenteeism Rate

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rate	4.02%	3.98%	3.70%	3.69%	3.91%	3.55%	3.59%	3.59%	3.85%	3.82%

Result

For fiscal year 2022, we recorded an absenteeism rate of 3.8%, which meets our performance benchmark of less than 4%. The absenteeism rate has remained steady between 3.5% and 4% in recent years. Maintaining this low absenteeism rate is one indication of an engaged and well-managed workforce.

DIRECT HOURS

Description

Direct hours measure the productivity of the LAD workforce using direct hours recorded for work on audit projects and supporting activities. The direct hour rate is calculated based on the total hours recorded for all audit staff in a fiscal year. Measuring direct hours involves assessing the appropriate balance between work hours specific to audits versus other assigned responsibilities, training, and employee leave hours.
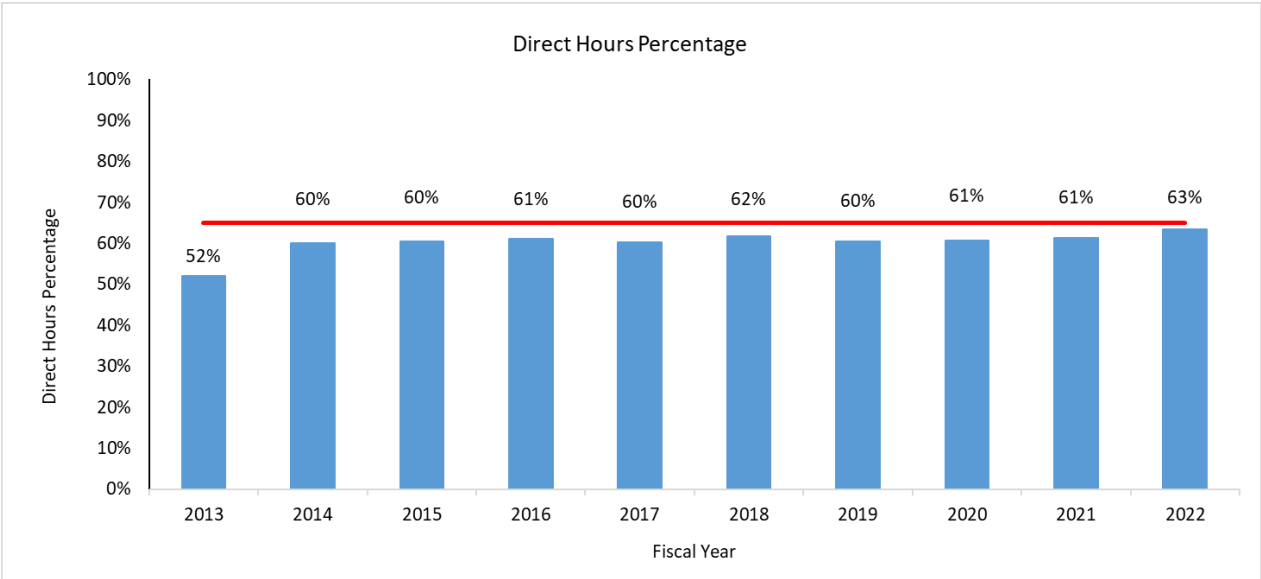
Performance Benchmark

The performance benchmark is established as maintaining direct hours in excess of 65% annually. This benchmark is based on historical experience and generally accepted industry expectations.

Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data shows values for the past 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).

Result

Although moving in the right direction, we need to focus more on direct hours as our main productivity metrics.

For fiscal year 2022, we recorded direct hours at 63%, approaching our performance benchmark of 65%. We believe the recent implementation of expanded remote work practices in LAD has positively impacted productivity as measured by direct hours, but further time and analysis will be necessary to confirm this.

BILLING RATE INFLATIONARY CHANGE

Description

Billing rate inflationary change is an efficiency metric that measures changes in the audit billing rate relative to inflation in the general economy. The billing rate is paid by agencies through appropriations and is calculated each fiscal year. This metric compares the change in the billing rate amount with the change in inflation as measured using the Consumer Price Index.

Performance Benchmark

The performance benchmark is established as maintaining changes in the billing rate between + 5% and – 5% of the neutral inflationary rate. This benchmark is based on historical experience.

Time Period & Trend

Results are calculated for 10 fiscal years. Trend data is developed using changes in both the actual billing rate and the rate of inflation.

Charting

The chart shows KPI values (blue columns for the actual billing rate and percentage values showing above or below the inflationary rate) and the performance benchmarks (red and green lines).
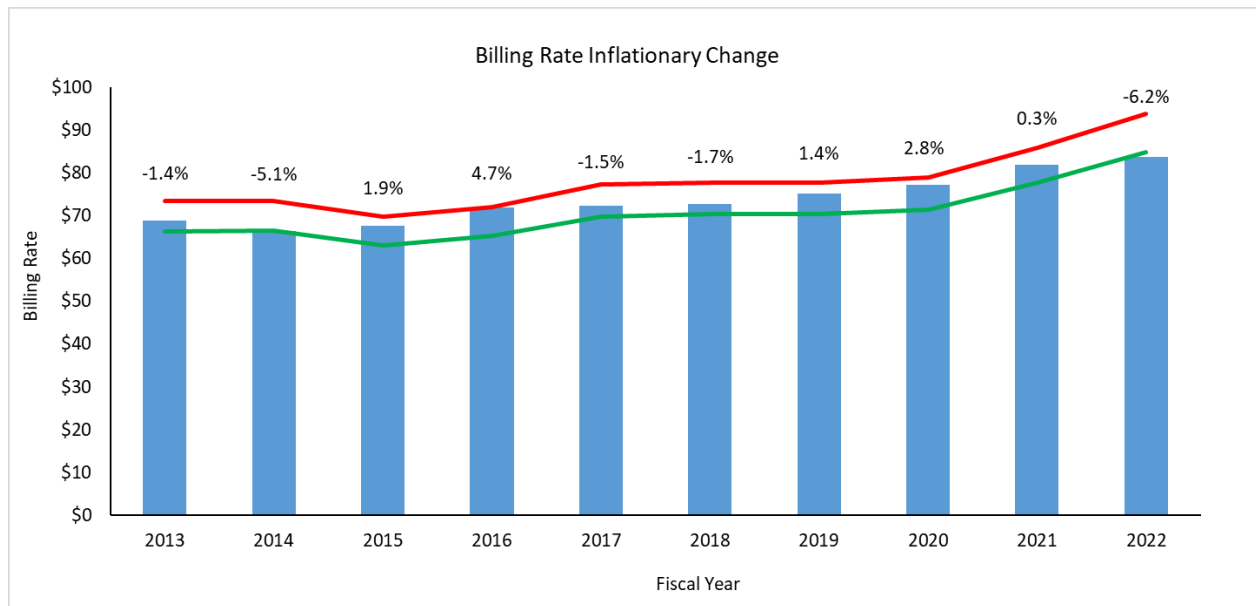
Result

Even though our billing rate increased to $83.85 in FY 2022, the increase was not enough to keep up with inflation in the general economy. For FY 2022, our billing rate was 6.2% below the neutral inflationary rate, outside our benchmark target range of ± 5%. Our billing rate calculation is always backward-looking to some extent, so we expect to see steeper increases in future years as inflationary pressures on wages and other costs show up in LAD expenditures.

PROJECT HOURS BUDGET ACCURACY

Description

Budget accuracy measures productivity and efficiency by comparing the time estimated for projects with the actual time spent to complete them. Budget accuracy is expressed as a percentage of the difference between the original target/estimate hours for a project and the actual hours recorded. The budget accuracy rate is calculated for every budgeted project, and the KPI result reflects the average for all projects.
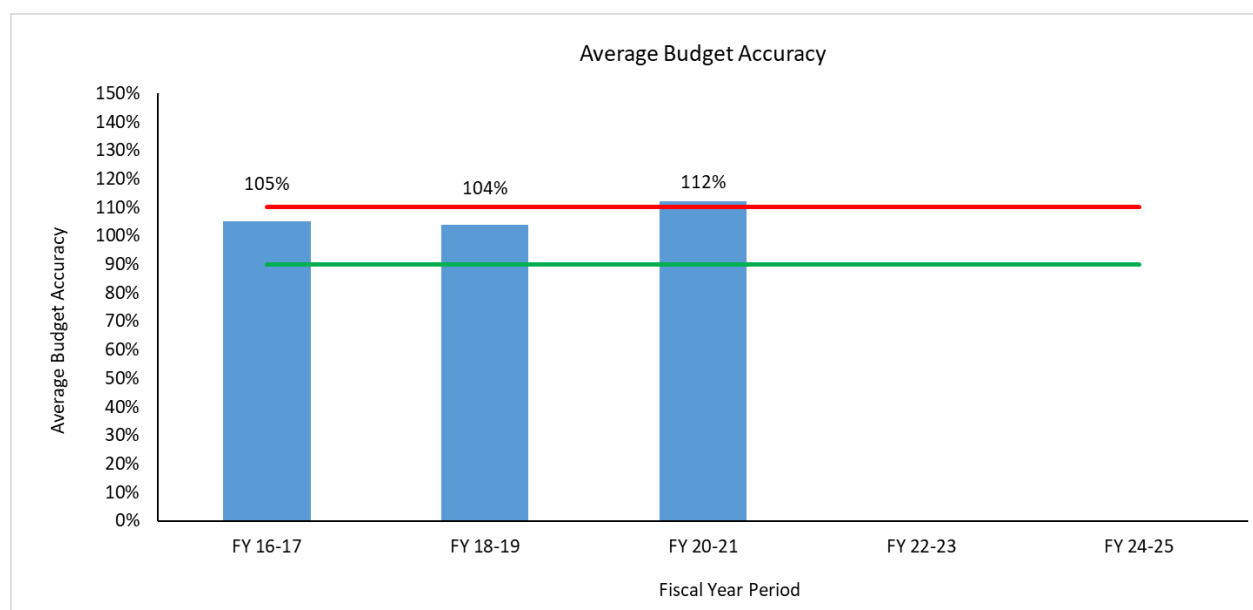
Performance Benchmark

The benchmark is established at ± 10% of the original budget (100%) and is based on prevailing industry standards and historical experience.

Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmarks (green and red lines).

Result

For FY 20-21, our projects averaged 112% of budgeted hours, meaning we averaged 12% over targeted hours. This is outside our benchmark range of ± 10% of budgeted hours. Budget accuracy was affected by over-runs in several large-scope performance and financial audits. It was also impacted by general timeliness issues experienced during the height of the covid pandemic. Project budget discipline is a key driver of overall productivity and will receive renewed scrutiny in the upcoming biennium.

TIMELY PROJECT COMPLETION

Description

Timely completion measures productivity and efficiency by comparing the initial target date with the actual date an audit report is delivered for release. Timely completion is the average number of days under/over the initial target date based on the actual difference in days for each project. Timely completion is calculated for projects over a 2-year/biennial audit period, and the KPI result reflects the average for all projects.
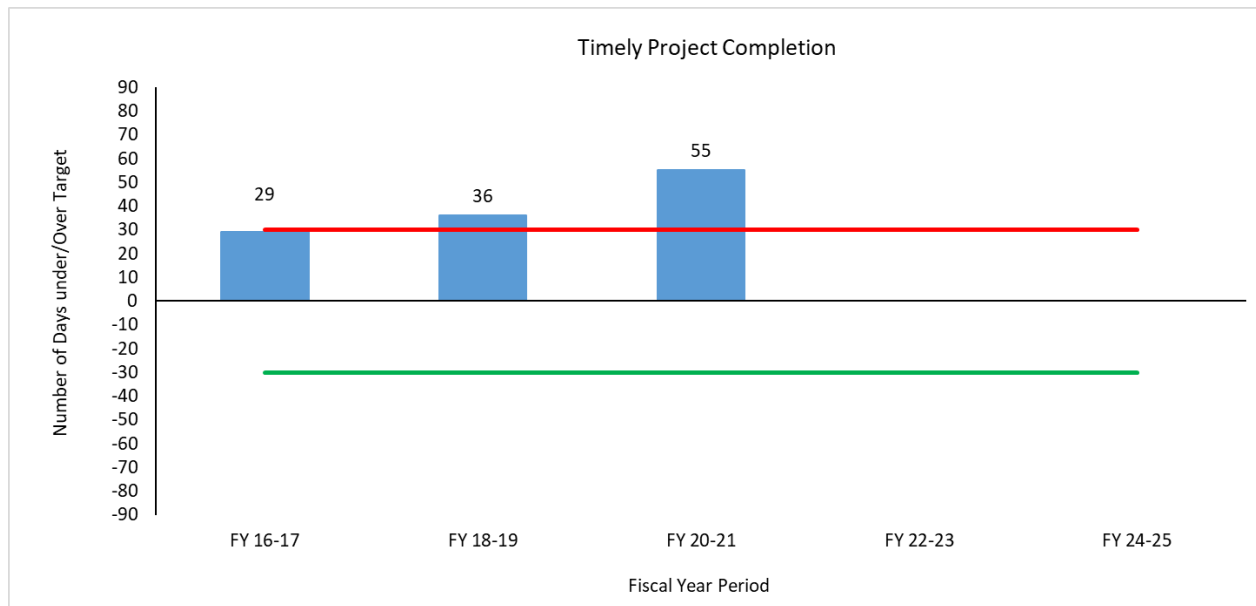
Performance Benchmark

The benchmark is established at ± 30 days average of estimated timelines and is based on prevailing industry standards and historical experience.

Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

Charting

The chart shows KPI values (blue columns with average values above) and the performance benchmarks (green and red lines).

Result

For FY 20-21, our projects were delivered an average of 55 days in excess of the established deadline. This increase from the previous period leaves us further away from achieving our benchmark performance of ± 30 days. This increase is attributable to performance or information systems audits that experienced more significant delays relative to reporting deadlines. Aside from the greater focus on project scope adjustments and time management, we are hopeful our new audit management software platform will help improve performance in this area.

TIMELY HOTLINE RESOLUTION

Description

Timely resolution of Hotline cases measures productivity and efficiency managing cases reported via the LAD fraud, waste, and abuse Hotline. Each new case is logged at entry into our systems and tracked through the point where we officially assign a resolution status. The time elapsed in days between receiving and resolving a case is calculated, and the KPI reflects the average for all cases in a fiscal year.

Performance Benchmark

The benchmark is established at less than an average of 60 days for all cases and is based on prevailing industry standards and our own internal standard for case resolution timeliness.

Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data will be shown for 10 fiscal years.

Charting

The chart shows KPI values (blue columns with average values above) and the performance benchmark (red line).
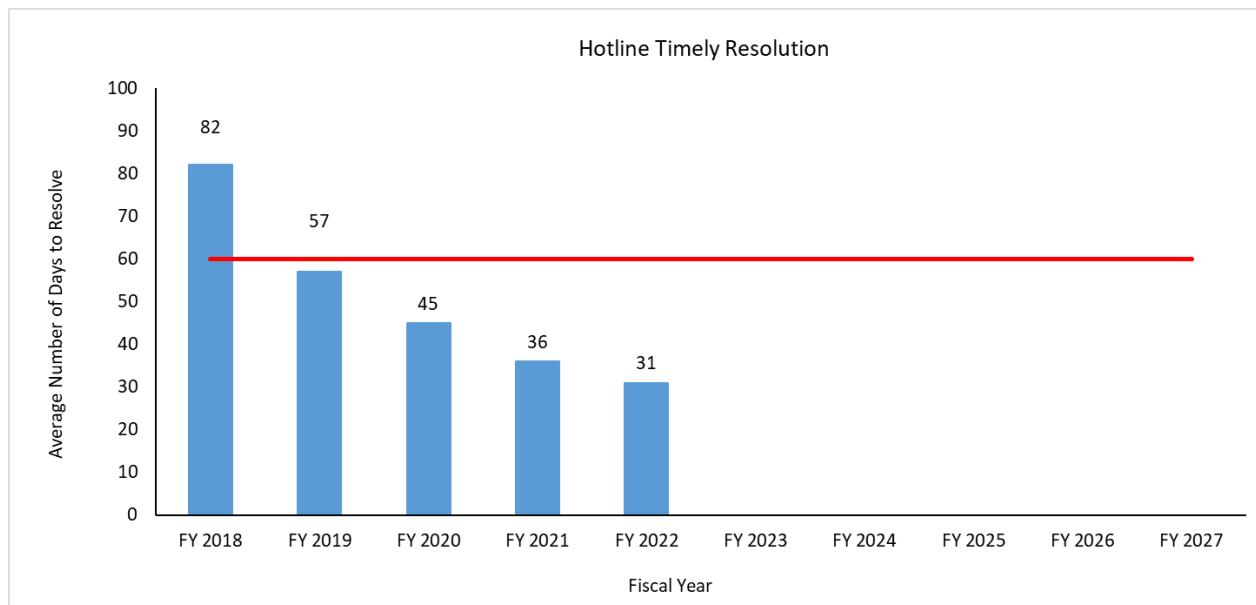
Result

For FY 2021 and 2022, the average number of days to resolve Hotline cases was 36 and 31. This is within our benchmark of 60 days and shows continuing improvement year-on-year. In FY 2022, at least some of the continuing decline in case resolution times was attributable to an overall decrease in the number of Hotline cases where LAD had jurisdiction to investigate. The decline in caseload makes it easier to assign available staff to Hotline cases in a timely manner.

VALUE-ADDED IMPACTS

Description

Value-added impacts are an outcome metric addressing the financial value of our work to state government or citizens. Value is broadly defined as cost savings, cost/loss avoidance, opportunity cost, revenue increases, errors and omissions, unallowable costs, process efficiency, resource allocation, or duplicative, unnecessary, or wasteful spending. The financial impact is calculated biennially and is used to establish a return on investment (ROI) percentage relative to the total expenditures for the audit function during the same period.

Performance Benchmark

The performance benchmark for ROI is 200%, which is based on industry norms and reflects the expectation that audit and accountability functions should be able to realize a positive return on operating costs.

Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).
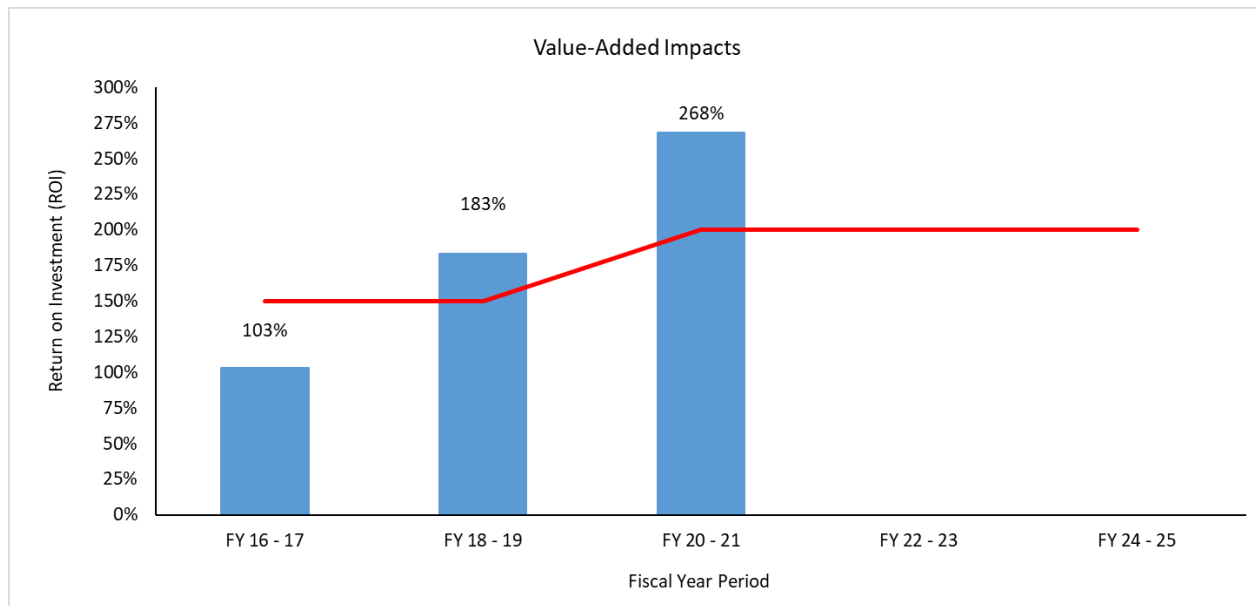
Result

Positive ROI increased to 183% and 268% in the FY 18-19 and 20-21 periods. We expected these increases to occur as multi-year financial impacts were added to new and one-time-only values. We adjusted the ROI benchmark upwards to 200% to incentivize continued focus by staff on value generation as part of developing and documenting audit findings.

AGENCY ENGAGEMENT

Description

Agency engagement is an outcome metric that measures our success in building and maintaining productive relationships between the different branches of government. After completing each project, we send a survey to gather input from agency employees. The survey consists of questions designed to assess our adherence to professional standards. Respondents answer questions on a negative/neutral/positive scale, and the KPI measures the percentage of all responses that are recorded as positive.
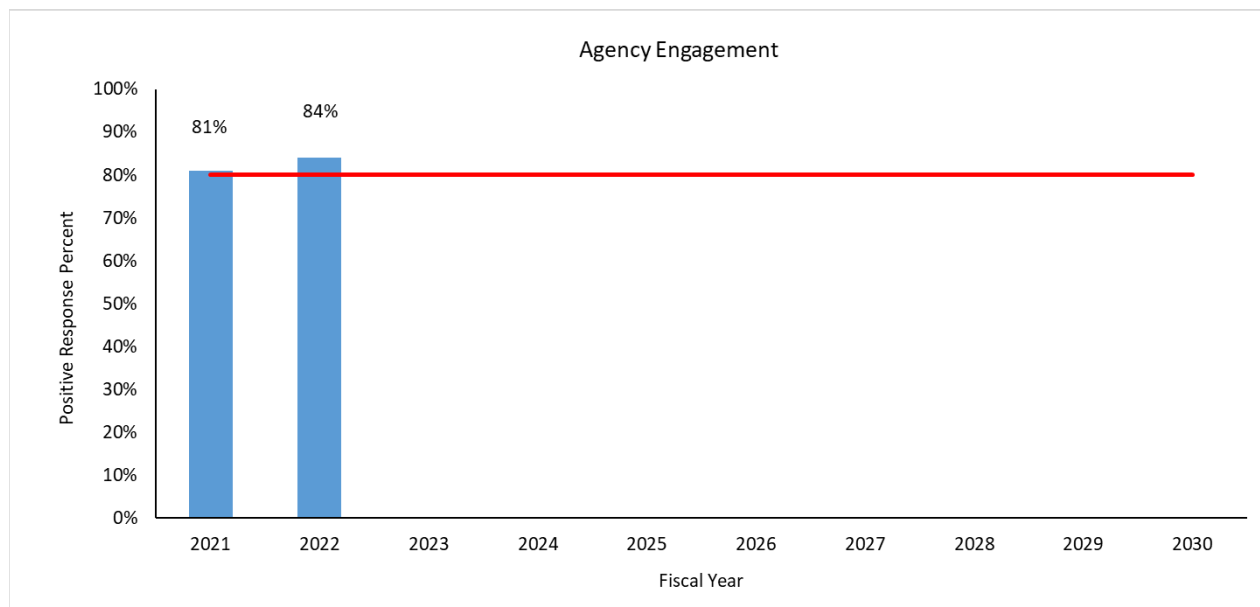
Performance Benchmark

The benchmark is established at 80% positivity based on review of initial survey results.

Time Period & Trend

Result is shown for the most recently complete fiscal year. Trend data will be shown for 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).

Result

Our first two rounds of surveys in FY 2021 and 2022 showed positivity rates of 81% and 84%. This performance exceeds our benchmark level of at or above 80% positivity and demonstrates we have built and are maintaining productive relationships with the agencies we audit.

RECOMMENDATION CONCURRENCE

Description

Recommendation concurrence is an outcome metric that measures the extent to which agencies agree with the substance of our recommendations and commit to a meaningful response. The concurrence rate is the number of recommendations that agencies either concur or conditionally concur with as a percentage of the total number of recommendations addressed to agencies.

Performance Benchmark

The performance benchmark of 90% concurrence is established to reflect industry norms and recognizes that in audit and accountability professions, some differences of opinion should be expected and that achieving 100% concurrence is neither normal nor necessarily achievable.

Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).
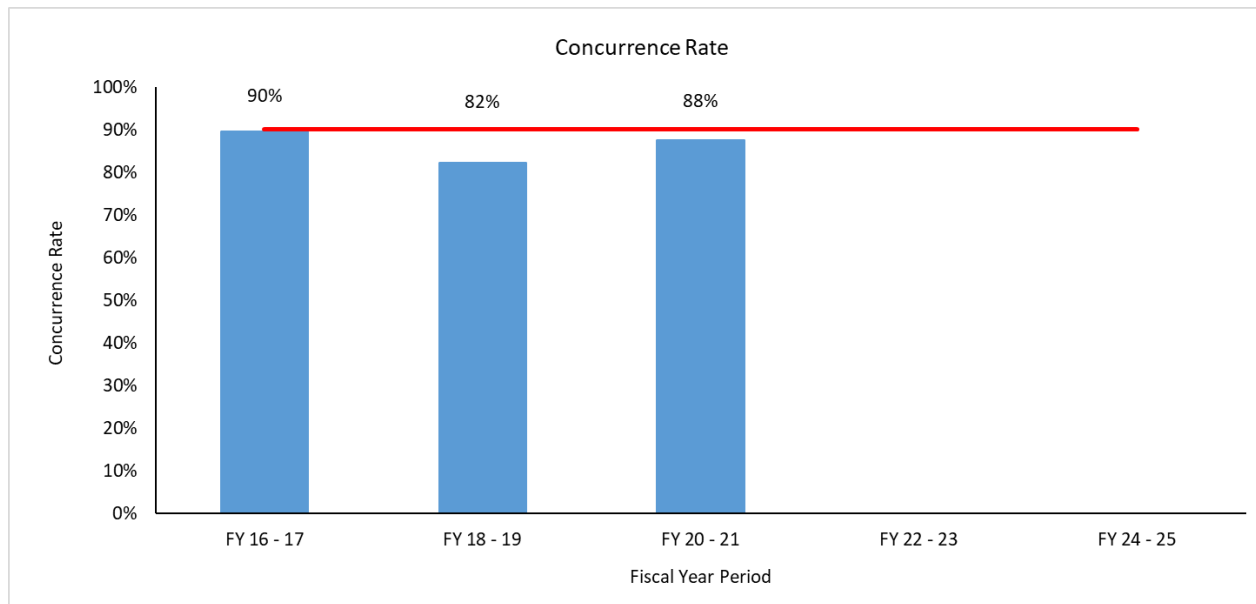
Result

For the FY 20-21 period, we had a recommendation concurrence rate of 88%, which is below our benchmark rate of 90%, but an improvement from the previous period. We expect continued improvement in the recommendation concurrence metric to levels at or above the benchmark level.

RECOMMENDATION IMPLEMENTATION

Description

Recommendation implementation measures the extent to which our recommendations have been fully implemented by agencies or through legislative action. The implementation rate is the number of recommendations that have or will be fully implemented as a percentage of the total number of recommendations.

Performance Benchmark

The performance benchmark of 80% implementation is established to reflect industry norms and recognizes that in audit and accountability professions, some differences of opinion should be expected and that achieving 100% implementation is challenging.

Time Period & Trend

Result is shown for the most recently completed two fiscal years. Trend data will be shown for five biennial periods covering 10 fiscal years.

Charting

The chart shows KPI values (blue columns with percentage values above) and the performance benchmark (red line).
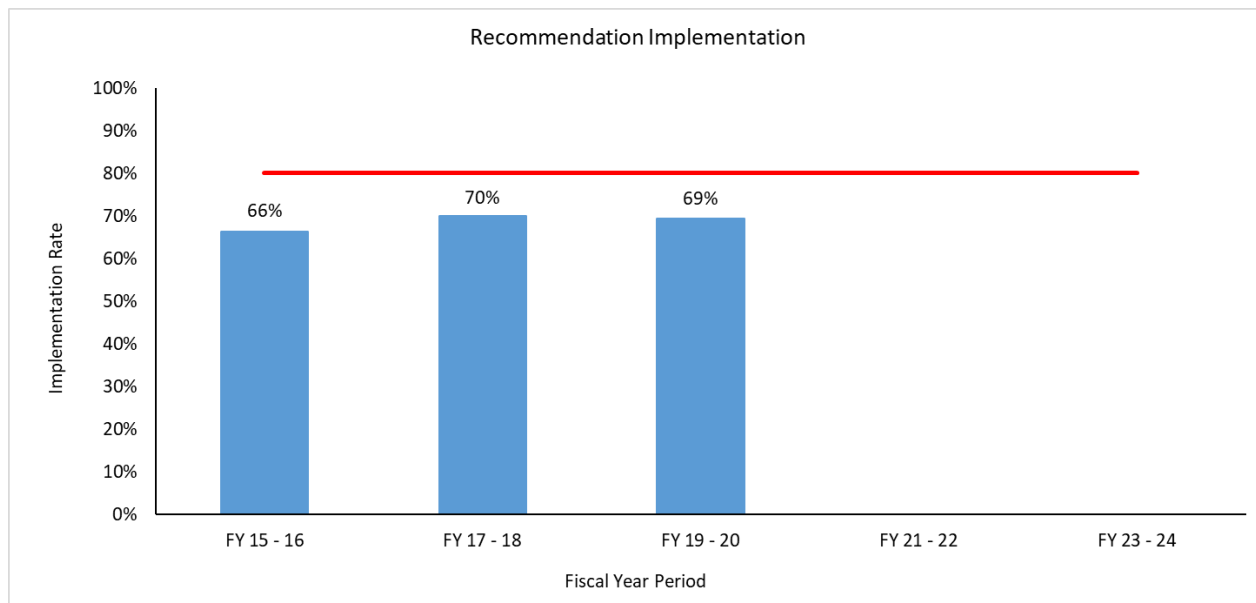
Result

For the FY 19-20 period, the implementation rate remained more-or-less static at 69%, which is still below our benchmark of 80%. LAD has no enforcement authority relative to its recommendations and must rely on the initiative of audited agencies and, ultimately, the law-making and appropriations authority of the legislature to push for changes. However, we are assessing different means of encouraging the implementation of recommendations, including changes in the audit follow-up process. These changes will be monitored for effects on this metric.