

Best Practices in Performance Measurement

Part 1: Developing Performance Measures

A National State Auditors Association Best Practices Document



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Best Practices in Performance Measurement in Government

Part 1: Developing Performance Measures

Purpose

The Performance Audit Committee of the National State Auditors Association developed this document as a tool for audit organizations and government agencies to use in developing performance measures. Although the document is intended to address many of the best practices identified, it should not be considered all-inclusive. Further, the practices listed here may not be applicable in all situations, and other practices may accomplish the same things. However, this document can be extremely helpful as a starting point for both agency managers and auditors in deciding what practices are more likely to result in a well-designed performance measurement system. This is the first of three documents that address performance measurement. The other two documents address Collecting Data for Performance Measures and Reporting and Using Performance Data.

Background

Performance measurement is a critical element of accountability for public resources. It is important to know and understand the public resources used to provide government services and whether these resources were spent in accordance with laws, rules, and regulations. It is also important to know that managers of governmental programs have adequate control procedures to safeguard the assets they are responsible for managing. Equally important is the ability to show what was received from the use of these resources and whether the public is receiving an acceptable benefit.

Public program managers should fully understand the operations of the programs they manage. Good performance information provides these managers with the tools they need to manage for results. Managing for results goes beyond the managers themselves. All employees of the organization should fully understand their mission, goals, and objectives and the performance data that will be used to measure the results toward accomplishing the goals and objectives. Performance should be measured to ensure:

1. Services are of adequate quality.
2. Jobs get done.
3. Resources are efficiently and effectively used.
4. Public resources are spent on appropriate and meaningful activities.

Planning

Before beginning the process of developing performance measures, public program managers must first know what they are measuring. That involves developing a mission statement, establishing goals, setting objectives, and developing an action plan.

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MISSION STATEMENTS: A system of performance measurement should be built on a clear organizational mission. Organizations generally develop mission statements based on their enabling laws and rules. The organization should ensure that those mission statements:

1. Identify who the entity is and what it does.
2. Identify why the things the entity does are important.
3. Make sense to the average citizen.
4. Enable the public to understand why public dollars are being spent on these efforts.

AGENCY AND PROGRAM GOALS: Agency managers should develop clear goals for the organization as a whole and its individual programs that follow the organizational mission. Goals help answer the question, "Where is the organization going?" Among the things to be considered in developing good goals:

1. The goals must support the mission.
2. Each goal should represent a desired result that can be measured.
3. The goals must be realistic and achievable.
4. Each goal should make sense to others outside the organization.

OBJECTIVES: Objectives are more specific than goals in that they provide specific and measurable targets to be accomplished. Good objectives flow from the established goals and should include a degree or type of action to be taken along with a timetable for accomplishment. Among the things to be considered in developing good objectives:

1. Objective should be clear, concise, and presented in a logical sequence.
2. Specific results should be identified in each objective.
3. The results for each objective must be measurable.
4. Each objective must have a specific time frame for completion.
5. Completion of each objective should lead to attainment of goals.
6. Each objective must be realistic and achievable.
7. Each objective should make sense to others outside the organization.

The following questions should be asked for each objective to ensure that the objectives are clear, concise, measurable, and can be implemented.

- A. What are the legal requirements for the program?
- B. What results are expected, by when, and can they be achieved?
- C. What are the anticipated costs and benefits?
- D. Will the results have an impact on other areas of government?
- E. Is the organization properly organized to implement the objectives?
- F. If change is necessary, how long will changes take?
- G. Are there any external constraints to implementation?

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ACTION PLANS: Strategic objectives should be established through the development of action plans. In developing an implementation or action plan, an agency generally would be expected to do the following for each program objective:

1. Determine who will be responsible and accountable for implementation.
2. Provide detailed action plan steps that do the following:
 - A. Define each step that must be accomplished.
 - B. Organize steps in logical sequence.
 - C. Assign the person or persons responsible for each step.
 - D. Establish expected start and finish dates for each step.
3. Establish time frame for completion of entire action plan. The overall completion dates should be consistent with the completion dates for individual steps.
4. Identify what resources are needed and any savings that are anticipated.

Develop Performance Measures

Performance measures should be developed as part of the action plan. A comprehensive and balanced set of performance measures should compare actual performance with expected results. The different types of performance measures are discussed later in this document. No minimum or maximum number of performance measures needs to be established, but at least one outcome measure should be established for each objective. A good process for developing performance measures would include:

1. Defining the desired performance measures based on the agency's mission, goals, and objectives. As part of that process, agency management would be expected to
 - A. Obtain input from staff members at all levels.
 - B. Obtain input from customers.
 - C. Obtain input from policy makers.
 - D. Make sure the performance measures represent a balance of different types of measures.
2. Assessing each performance measure by asking the following types of questions:
 - A. Is it meaningful?
 - B. Is it focused on customer needs and demands?
 - C. Is it accurate and are reliable data available?
 - D. Is it simple enough to be understood?
 - E. Is it cost effective to collect and report the data?
 - F. Can the data be compared over time?

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- G. Is the measure compatible with other performance measures?
 - H. Is the measure useful to others?
3. Selecting key performance measures to be reported to external customers, stakeholders, and policy makers. Among the issues to be considered:
- A. The key performance measures should reflect success of the objectives and should focus on achieving the expected results.
 - B. Outcome, efficiency, and quality indicators will be most useful for external reporting.
4. Determining information needs by asking the following types of questions:
- A. What performance information is accumulated currently? Is the information useful?
 - B. What other information should be accumulated? Is the information readily available?
 - C. Will new data collection processes be needed and what resources will be needed?
 - D. How often will the information be collected?
5. Clearly defining each performance measure so that all users can easily understand the following:
- A. The source of the data for the measure.
 - B. The methods used to calculate the measure.
 - C. The time frame for which the measure will be reported.
6. Establishing performance targets
- A. What has past performance been?
 - B. What is expected in the future?

Types of Measures

The Governmental Accounting Standards Board (GASB) categorizes performance measures in its 1990 report titled *Service Efforts and Accomplishments Reporting: Its Time Has Come*. Those categories are input measures, output measures, outcome measures, efficiency measures, and explanatory information.

1. **Input measures** show the amount of resources, either financial or otherwise, used for a specific service or program. Input measures include labor, materials, equipment, and supplies. Demand for governmental services may also be considered an input indicator.

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EXAMPLES	• Budget allocation
	• Number of employees
	• Number of clients eligible for program
	• Number of permit applications received
	• Number of customers requesting service
	• Number of child abuse reports received
	• Amount of grant funds received
	• Number of miles of highway

2. **Output measures** show units produced or services provided by a service or program. Output measures include the amount of products or services provided, the number of customers served, and the level of activity to provide services.

EXAMPLES	• Miles of highway resurfaced
	• Pupils enrolled in schools
	• Inmates housed in correctional facilities
	• Patients treated and released
	• Registered automobiles inspected
	• Police reports filed
	• Number of permit applications reviewed
	• Traffic citations issued

3. **Outcome measures** show results of the services provided. Outcome measures assess program impact and effectiveness and show whether expected results are achieved.

EXAMPLES	• School graduation rate
	• Standardized testing scores
	• Corrections recidivism rate
	• Increase in new business
	• Change in highway death rate
	• Reduction in incidence of communicable diseases
	• Change in air and water quality
	• Change in criminal activity

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4. **Efficiency measures** reflect the cost per unit of output or outcome.

E X A M P L E S	• Number of students graduating as a % of number of students enrolled
	• Average expenditure per student
	• Cost per day per corrections detainee
	• Cost per vaccination/inoculation
	• Average cost per mile of construction or maintenance of roadways
	• Hospital occupancy rates
	• Turnaround time per application processed
	• Number of people receiving service compared to number of people eligible for service

5. **Explanatory information** can explain the environment and other factors that might affect an organization's performance. This information may give a more complete understanding of the reported measures and identify variables that affect performance.

Another indicator type that should be considered is a **quality indicator**. A quality indicator shows the effectiveness in meeting the expectations of customers, stakeholders, and other groups. Quality indicators show the quality of the services delivered.

E X A M P L E S	• Accreditation of institutions or programs
	• Awards or recognition for excellence
	• Number of customer complaints
	• Number of defect-free reports compared to total reports issued
	• Accuracy of information
	• Number of corrections institutions under court supervision
	• Average life of roadways
	• Periodic customer feedback