

# *CITY OF FORT LAUDERDALE*

## OFFICE OF THE CITY AUDITOR

### Audit of Performance Measures

Report #08/09-03

September 21, 2009

# *City of Fort Lauderdale*

## **Our Vision**

**The City of Fort Lauderdale is committed to improving productivity, streamlining expenses and developing a stronger, more effective organization.**

**This City's vision embraces:**

- **Fiscal Responsibility**
- **Accountability**
- **High Ethical Standards and**
- **Quality Delivery of Services**

## **Our Values**

- **Respect** for the dignity of our citizens and co-workers and the diversity of all groups.
- **Integrity** as demonstrated by honesty and fairness and conduct beyond reproach.
- **Courage** to do the right thing, for the right reason, in the right way.
- **Teamwork** through recognition that excellence is achieved by cooperation, communication and collaboration.
- **Service** to the public, our elected officials and other employees that is exemplary and exceeds expectations.
- **Creativity** as the foundation for ingenuity and innovation in the delivery of service.
- **Accountability** for our decisions, actions and results.



CITY OF  
**FORT LAUDERDALE**

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City Auditor's Office

## **Memorandum**

No: 08/09-14

Date: September 21, 2009

To: Mayor John P. "Jack" Seiler  
Vice-Mayor Bruce G. Roberts  
Commissioner Charlotte E. Rodstrom  
Commissioner Bobby B. DuBose  
Commissioner Romney Rogers

From: John Herbst, CPA, CGFO, MBA  
City Auditor

Re: Audit Report #08/09-03: *Audit of Performance Measures*

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The City Auditor's Office has completed its audit of the City's performance measures. The objectives of our audit were:

1. To determine if departmental performance indicators reported in the annual operating budget align with the City's Vision and Values, stakeholders' interests and departmental goals and objectives.
2. To determine if departmental performance indicators are valid, understandable, timely, unique, and cost justified.
3. To determine if the Annual Operating Budget document is the best vehicle for communicating the activities and results of performance measures.
4. To review departmental performance measurement data collection methods for (1) reliability of source and (2) accuracy.
5. To determine if departmental performance indicators have been benchmarked to industry standards or represent best practice based on literature from other leading government organizations.
6. To determine if there is a performance measurement feedback loop which drives process improvement.

Our review of the performance measurement reporting system would not necessarily identify all deficiencies that might be significant deficiencies or material weaknesses. All of the findings are

considered to be control deficiencies, none are considered to be significant deficiencies or material weaknesses.

- A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
- A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected.
- A *material weakness* is defined as a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a *material* misstatement of the financial statements will not be prevented or detected.

#### Summary of findings:

1. Departmental performance indicators did not correspond to the stated departmental goals and objectives approximately 60% of the time. However, it was noted that all of the departmental goals and objectives could be tied back to the City's Vision and Values.
2. 10 of the 37 (27%) measures analyzed could not be verified within a 2% error tolerance to the source data.

#### Summary of auditor comments:

1. Performance indicators were developed with limited stakeholder involvement.
2. Approximately 90% of the indicators that we reviewed were limited to output or workload and excluded efficiency or effectiveness indicators.
3. The City's existing measures lack timeliness and some lack understandability.
4. The City does not have an effective system in place to ensure the timely collection and reporting of performance information.
5. 3 of the 6 or 50% of departments reviewed during the audit were not benchmarking their performance measures to other comparable governmental organizations.
6. Management is not using performance data to constructively promote process improvement and we also noted the absence of a formalized performance feedback loop.

Management's responses to the findings and recommendations are included in the report. We did not audit management's responses and accordingly, we express no opinion on them. We are pleased to note that management generally concurs with our recommendations and has begun to implement some of the suggested improvements in the current budget.

We would like to thank the various departments for their cooperation and assistance during this review.

cc: George Gretsas, City Manager  
Harry Stewart, City Attorney  
Jonda Joseph, City Clerk

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**CITY OF FORT LAUDERDALE**  
**CITY AUDITOR**  
**Performance Measures**

**PURPOSE**

To conduct an audit of the City of Fort Lauderdale's "Performance Indicators" to determine if these measures support both the City's Vision and Values and departmental goals and objectives, are accurately compiled, valid, and used effectively to promote performance improvement.

**EXECUTIVE SUMMARY**

The performance measures audit focused on a review of the City's Departmental Performance Indicators (PI) and Performance Measurement Data. The City of Fort Lauderdale (CFL) currently collects and reports selected departmental performance measures once a year in the Annual Operating Budget. Our audit determined that CFL does not have an effective Performance Management System in place. Overall, there was limited linkage between the reported measures and the departmental goals and objectives. Additionally, there was a significant disparity between departments in their support for performance measurement and in how they utilize performance data to manage and improve their operations.

Leading governments across Florida that serve as role models for organizational excellence have implemented robust performance management systems and actively participate in programs like the Governor's Sterling Award, the Florida Benchmarking Consortium, and the International City/County Managers Association (ICMA) performance benchmarking reporting program. These systems and programs drive process improvements and demonstrate to all interested stakeholders the effective and efficient use of the public funds by their government.

The City Auditor's review of CFL performance indicators and performance measurement data revealed the following opportunities for improvement:

- CFL should require departments to implement a robust performance management system to ensure accurate reporting of performance information with the following key characteristics: Valid, Understandable, Timely, Unique, and Cost Justified.
- CFL should require departments to align performance indicators with the City Vision and Values, and with departmental goals and objectives.
- CFL should require departments to develop a balanced scorecard of output, efficiency, and effectiveness indicators and report such information at least quarterly to all stakeholders.
- CFL should establish a process for benchmarking its performance indicators to other leading governmental organizations and consider participating in the Governor's Sterling Award. (Appendix 4)

## **STATEMENT OF OBJECTIVES**

1. To determine if departmental performance indicators reported in the annual operating budget align with the City's Vision and Values, stakeholders' interests and departmental goals and objectives.
2. To determine if departmental performance indicators are valid, understandable, timely, unique, and cost justified.
3. To determine if the Annual Operating Budget document is the best vehicle for communicating the activities and results of performance measures.
4. To review departmental performance measurement data collection methods for (1) reliability of source and (2) accuracy.
5. To determine if departmental performance indicators have been benchmarked to industry standards or represent best practice based on literature from other leading government organizations.
6. To determine if there is a performance measurement feedback loop which drives process improvement.

## **PERFORMANCE MEASURES OVERVIEW**

Leading governments across Florida that serve as role models for organizational excellence have implemented robust performance management systems and actively participate in programs like the Governor's Sterling Award, the Florida Benchmarking Consortium, and the International City/County Managers Association (ICMA) performance benchmarking reporting program. The impetus for developing comprehensive performance management systems has been the demand for accountability of local governments as well as the public's desire for the government to demonstrate the efficient and effective use of the resources entrusted to them.

Citizens depend on the City's services and are increasingly adamant not only that they be produced in sufficient quantity and with adequate timeliness to satisfy public needs, but also that they meet reasonable standards of quality. Governments that have been the most aggressive in the pursuit of service quality and efficiency also tend to be those most interested in measuring and proactively managing performance.

Meaningful performance measures are a vital tool for demonstrating accountability throughout the organization. True accountability means more than just assuring the public that the revenues are properly collected and reported and that expenditures are made in accordance with prescribed procedures. Accountability includes assurances to the public that government resources are being spent wisely and that services of high quality are being produced efficiently.

The following report provides a blueprint for a highly effective performance management system, which will drive performance improvement and promote a culture of accountability. We propose an approach that will focus on key performance measures that promote accountability to stakeholders and encourage a commitment to continuous improvement. The recommended approach is modeled on the “Service Efforts and Accomplishments” (SEA) reporting system developed by the Governmental Accounting Standards Board (GASB) and utilized by most leading governmental organizations.

### **MANAGING FOR RESULTS:**

*Managing for results is a process that allows a government to focus on its Vision, Values, Goals and Objectives by integrating performance results into decision-making, management, and public reporting. Implementation follows a six-step process:*

#### **1. Strategic Planning**

Developing a broad set of goals and objectives, based on a clear understanding of the needs of the City. The City’s strategic plan should target those long-term goals and objectives which are important in a broader horizon, taking into account the current needs and possible changes in the operating environment and service demand. The plan should outline the City’s priorities in terms of strategic goals it is trying to attain. The plan should involve input from all interested parties, including citizen stakeholders, but ultimately elected officials will have the final word on organizational direction. The plan itself may be in the form of a mission statement, such as the City’s Vision statement, or merely a set of principal areas where the City wants to see progress.

#### **2. Program Planning**

Requires a look into how departments deliver their services and determining whether those services contribute to achieving the City’s broader goals and objectives. This may be achieved by developing department level goals and objectives that align with the City’s Vision and Values and a set of strategies for producing outputs necessary for achieving those goals and objectives. These specific departmental goals and objectives will likely be pieces that contribute to the overall City Vision and Values, requiring combined efforts of multiple departments to achieve the targeted City goal.

#### **3. Developing Meaningful Performance Indicators**

Involves coordination and input from relevant parties (elected officials, management, staff, residents, and other stakeholders). The result should be a balanced (output, efficiency, and effectiveness) set of meaningful measures aimed at evaluating progress (or lack thereof) in meeting stated goals and objectives so as to gauge overall performance.

Quality performance indicators are characterized by being: Valid, Reliable, Understandable, Timely, Resistant to Manipulation, Comprehensive, Non-redundant, Sensitive to the Cost of Data

Collection, and Focused on Controllable Facets of Performance. In addition the indicators should include a section for “explanatory data”, which provides the department an opportunity to justify why the indicator was chosen and allows them to analyze and rationalize certain outliers in the data collected.

**4. Budgeting for Results**

The City should allocate resources based on its priorities, which should fully integrate with the stated goals and objectives. This is typically done by reformatting the line-item budget to allocate resources based on strategies for achieving the City’s goals and objectives.

**5. Collecting, Evaluating, and Using Performance Data for Management Decisions**

This involves both a formal and informal review of the measurement data, by reviewing overall assessments of what the performance data are telling the City about efficiency and effectiveness of its programs and services. This data is typically reported periodically (quarterly) to senior management and elected officials. Management may review trends in performance and make broader policy decisions regarding the City’s goals and objectives, while also allowing management to use reported data for the forecasting of future allocation of resources. In addition, the reported measures may provide management with the information necessary to make day-to-day decisions on the operation of their departments.

**6. Reporting Results**

This quarterly communication is generally directed at elected officials, senior management, and other community stakeholders. It serves to provide a set of clear, decipherable “vital few” performance measures that generally illustrate the extent to which the City is achieving its goals and objectives for each department. This reporting is designed to assist users in assessing the efficiency and effectiveness of the programs and services and may be in the form of “report cards” or more comprehensive reports that provide a sweeping view of City performance. In addition it is recommended that the quarterly reports be placed on the City's website for review by the broader audience.

## **SCOPE & METHODOLOGY**

- The (CAO) judgmentally selected 6 City of Fort Lauderdale departments (Fire-Rescue, Fleet Services, Human Resources, Information Technology, Parks and Recreation and Police) for review.
- The CAO interviewed the department directors/Chiefs and senior departmental staff, inquiring about the existing performance indicators and performance measurement data published in the annual operating budget to evaluate the alignment of those indicators/measure with the City's Vision and Values and Departmental Goals and Objectives.
- The CAO also compared FY07/08 actual source data with the performance indicators reported in the annual operating budget. The CAO conducted attribute testing to determine the validity, understandability, timeliness, uniqueness and reliability of reported performance indicators.
- The CAO reviewed the City's process for the dissemination and utilization of reported performance information.

## **OBJECTIVE 1**

*To determine if departmental performance indicators align with the City's Vision and Values, Stakeholder's Interests and Departmental Goals and Objectives.*

### **FINDING 1.**

#### *Condition*

For the six departments selected, the CAO performed a comparison between the City's Vision and Values and the departmental goals and objectives. In addition, the CAO reviewed the departmental goals and objectives to determine if each goal had a corresponding performance measure. The CAO determined that the departmental performance indicators did not correspond to the stated departmental goals and objectives approximately 60% of the time. However, it was noted that all of the departmental goals and objectives could be tied back to the City's Vision and Values. (Appendix 1)

#### *Criteria*

A fundamental concept of a highly effective performance management system is to require that the performance indicators integrate and fully align with the stated departmental goals and objectives. This will help ensure that the City is achieving what it intended to achieve.

#### *Cause*

Development of the performance indicators appears to have been completed as an independent exercise, without a conscious effort to integrate them with the departmental goals and objectives. Moreover, management has not periodically reviewed the

relationship between the goals and objectives and performance indicators to ensure that these different elements articulate with each other.

*Impact*

The absence of periodic review and revision of departmental performance indicators has led to a misaligned system of performance measures. When goals and objectives do not have a corresponding performance indicator to measure their progress, management is not equipped with adequate information to determine if the goals and objectives are being achieved effectively and with efficiency.

**Recommendation**

The CAO recommends that the City Manager instruct the department directors to review their performance indicators to ensure that the key departmental goals and objectives are properly aligned with these indicators. Each major goal should have a corresponding performance indicator to measure progress towards the efficient and effective attainment of the stated goal.

**Management Response**

The Office of Management and Budget will require departments to review in detail their performance indicators and ensure goals and objectives are aligned with the indicators documented.

**AUDITOR COMMENT 1.**

*Condition*

The CAO's review of 6 City departments revealed that their performance indicators were developed with limited stakeholder involvement.

*Criteria*

The development of performance indicators is best achieved by incorporating feedback from everyone that can provide valuable input and are affected by City operations and performance. These stakeholders may include Commissioners, senior management, staff, non-profits, faith-based providers, businesses, other using departments, grantor agencies, and citizens. This inclusive process helps management to refine their goals, objectives and performance indicators to those key "vital few" which best evaluate the performance of the department based on the needs of all the stakeholders.

**Recommendation**

The CAO recommends that the City Manager undertake a citywide effort with staff to review and revise performance indicators on an annual basis prior to the commencement of the budget process. Furthermore, the City Manager should seek and incorporate all stakeholders' input on a biennial basis to ensure that the measures meet the needs of all parties. This revised process will yield more meaningful measures and ensure a renewed buy-in from all impacted constituencies.

### **Management Response**

The City on an annual basis will review and update performance measures and have them coincide with the goals and objectives established.

### **OBJECTIVE 2**

*To determine if departmental performance indicators are valid, understandable, timely, unique, and cost justified.*

### **AUDITOR COMMENT 2.**

#### *Condition*

The CAO reviewed the existing departmental performance indicators and discovered that of the 159 total indicators for the 6 selected departments, 144 or approximately 90% are output or workload measures. This number signifies that departments are looking primarily at the quantity of work performed and not whether achievement of certain tasks is either efficient or effective.

#### *Criteria*

A meaningful performance management system requires that we measure the right things. Accordingly, the performance indicators should be balanced among indicator types (output, efficiency and effectiveness).

- *Output* measures indicate the amount of work actually performed on a particular activity;
- *Efficiency* measures are primarily used to measure the relationship between amount of resources used and work completed;
- *Effectiveness* measures look at the extent to which an organization meets a certain objective by comparing an intended result to actual accomplishment.

A balancing of indicators provides management with an in-depth look at the performance of departments. In addition, a balanced approach will document the achievement of goals and show how well the department performed in utilizing its resources to accomplish its mission.

### **Recommendation**

The CAO recommends the City Manager require the departments to review and revise their performance indicators so as to incorporate a balanced number of key output, efficiency, and effectiveness indicators, which correspond to stated departmental goals.

The CAO recognizes that performance measurement can be technically complex. We therefore recommend that the City provide training sessions to staff on the methodology and value of performance management, so as to ensure a better

understanding of the uses and benefits of performance measures and gain citywide support of the system.

### **Management Response**

For each key performance indicators, departments will be required to list/identify key output, efficiency and effectiveness measures, in relation to the departmental goals and objectives listed.

### **AUDITOR COMMENT 3.**

#### *Condition*

As outlined below, there are 5 key characteristics that effective performance indicators should exhibit. Our review revealed that CFL's existing measures lack timeliness and some lack understandability. Timeliness is not being achieved because the performance indicators are only reported annually. (See Auditor Comment 4).

Understandability is not being achieved because some indicators are written using departmental jargon not readily understandable by the layperson.

#### *Criteria*

Best practices suggest that when performance indicators are being developed they should contain certain characteristics such as:

- Valid, they, measure what they purport to measure; that is, a high score on a given measure does, in fact, reflect possession of the underlying dimension or quality;
- Understandable, each measure has an unmistakably clear meaning and is easily comprehended by individuals with limited knowledge of the entire operation;
- Timely, the measure can be compiled and distributed promptly enough to be of value to an operating manager or policy makers i.e. monthly or quarterly;
- Unique, by favoring non-redundant measures over duplicative measures, the best sets of performance measures limit information overload for managers, other decision makers, and consumers of local government reports. Each measure contributes something distinctive; and
- Cost justified, performance data is easily captured and extracted from existing applications or can be derived through a reliable proxy.

### **Recommendation**

The CAO recommends that the City Manager require department directors to review their existing performance indicators to ensure that all measurement data be valid, understandable, timely, unique and cost justified.

### **Management Response**

Departments will be required to review their existing performance indicators to ensure all measurement data contains the attributes listed above.

### **OBJECTIVE 3**

*To determine if the Annual Operating Budget document is the best vehicle for communicating the activities and results of performance measures.*

### **AUDITOR COMMENT 4.**

#### *Condition*

The City of Fort Lauderdale does not have an effective system in place to ensure the timely collection and reporting of performance information. The current system reports performance information to senior management, elected officials or other community stakeholders only during the publication of the annual operating budget. The CAO noted that some departments informally capture and use other performance information to assist managing daily operations, however that process is fragmented and not used consistently by every department.

#### **Recommendation**

The CAO recommends that the City Manager direct the department directors to establish a robust performance management system comprised of a "vital few" key performance indicators. Such measures should be collected and updated on a continual basis. At a minimum, such performance information should be reported to management, Commissioners, and other stakeholders by implementing a quarterly "Performance Management Report" that is presented to the City Commission and posted on the City's web page for stakeholder review.

**Auditor Note:** The CAO regards an optimal performance management system to be one which achieves the following: (1) gathers meaningful performance information that is linked to the City's Vision and Values, as well as departmental goals and objectives; (2) reports information that is of interest to the various stakeholders in the City (citizens, elected officials, managers, etc.); (3) reports information that is utilized by City and department managers for decision-making and improvement of operations; (4) and establishes accountability over performance of staff, managers, and City operations.

### **Management Response**

The City will require departments to identify a vital few key performance indicators, which will be reported to the City Commission on a quarterly basis and posted on the City's web site for stakeholder review.

## **OBJECTIVE 4**

*To review departmental performance measurement data collection methods for (1) reliability of source and (2) accuracy.*

### **FINDING 2.**

#### *Condition*

The CAO judgmentally selected 37 departmental performance indicators reported in November 2008 and compared those indicators to the actual source data. In doing so, the CAO allowed for a 2% tolerance factor to allow for reporting error, narrowing the focus to only material discrepancies. As detailed in Appendix 2, 10 of the 37 (27%) measures analyzed by the CAO could not be verified within the 2% error tolerance. One could not be reproduced from the data sources.

**Auditor Note:** The CAO noted that the Information Technology department was unable to reproduce the performance measure reported in November 2008 concerning the number of network users, but could provide data on the number of current network users.

#### *Criteria*

A generally accepted principle in reporting of performance data is that the measures reported must be reliable. Performance measures are reliable to the extent that they are verifiable, provide a faithful representation of some observed phenomena, and are reasonably free of error and bias. Verifiability is demonstrated when an independent observer obtains comparable results.

#### *Cause*

The CAO found that reporting errors resulted in part from human input error. There were also instances where the department was unable to provide an explanation for the error in reporting. The CAO believes that the observed reporting discrepancies are largely due to the fact that many departments do not have a substantial stake in the current performance measures.

#### *Impact*

Discrepancies and inaccuracies in reporting of performance information may lead to poor decision making, undermines confidence in the value of the performance measurement system by both employees and residents and breeds distrust.

### **Recommendation**

The CAO recommends that the City Manager require department directors to develop a system to promote more accurate collection of data so that the reporting of performance measures may serve as a reliable indicator of actual performance. In addition, the City Manager's internal audit function should be tasked with verifying the data.

### **Management Response**

City Departments will be required to have a system in place that will facilitate an accurate collection of data for key performance measures and the subsequent reporting of the performance measures. Also, the internal audit division will include in their annual work plan, reviews of selected departments performance measures in order to verify the data.

### **OBJECTIVE 5**

*To determine if departmental performance indicators have been benchmarked to industry standards or represent best practice based on literature from other leading government organizations.*

### **AUDITOR COMMENT 5.**

#### *Condition*

The CAO determined that 3 of the 6 or 50% of departments reviewed during the audit were not benchmarking their performance measures to other comparable governmental organizations. Further, 1 of the 3 departments engaging in benchmarking practices of their performance measures did so informally, while the other two departments benchmarked their performance measures formally, via set industry standards.

#### **Auditor Note:**

The CAO found that leading governmental organizations review and compare their performance indicators to industry standards and other leading organizations in an effort to provide themselves with a benchmark for goal setting and achievement. Organizations such as International City/County Managers Association (ICMA) and Florida Benchmarking Consortium (FBC) are two such groups that have developed programs for the exchange of performance information among governmental entities. The CAO provided each department with FBC best practices of departmental performance measures as well as the performance indicators used by ICMA for their Comparative Performance Measurement FY 2007 Data Report (approximately 220 local government participating members).

### **Recommendation**

The CAO recommends that the City Manager:

- Require departments to adopt a formal benchmarking procedure for their performance measures to ensure they are operating efficiently and effectively relative to other leading organizations.
- Enroll in benchmarking organizations such as the ICMA Comparative Performance Measurement Program and the Florida Benchmarking Consortium.
- Consider participating in the Governor's Sterling Award program.

**Management Response**

Departments will identify appropriate benchmarking comparisons and will annually review and assess their success as measured by other selected benchmarking organizations.

**OBJECTIVE 6**

*To determine if there is a performance measurement feedback loop which drives process improvement.*

**AUDITOR COMMENT 6.***Condition*

The CAO determined that the City of Fort Lauderdale is not using performance data to constructively promote process improvement and noted the absence of a formalized performance feedback loop (see Appendix 3).

**Auditor Note:** The CAO encourages the use of performance feedback loops because they are an excellent tool for promoting open dialogue and awareness of opportunities to improve service delivery. Feedback loops encourage a regular flow of performance information which is an essential element of a business model focused on continuous process improvement.

**Recommendation**

The City Manager should engage the department directors to establish a performance feedback loop utilizing performance data to analyze how operational processes can be reengineered to promote efficiency and effectiveness.

**Management Response**

Departments will continue to engage in a process to analyze how processes are working in order to maximize efficiency and effectiveness.

**Engagement Staff:**

James Hamill, Audit Manager

Cole Copertino, Assistant City Auditor I