



# The Purpose of Performance Audits

## What Is the Purpose of Performance Audits?

The purpose of performance audits conducted by the Office of the Legislative Auditor General is to help legislators oversee and evaluate state agency operations and state program results. Audits answer the following basic questions:

- Is an agency being run as efficiently as it could be?
- Is a program meeting the needs of the public?
- Is an agency or program serving as the Legislature intended?

The Office of the Legislative Auditor General wants to be responsive to the needs and concerns of legislators, as well as Utah taxpayers. Any legislator can make an audit request simply by writing a letter to the Audit Subcommittee.

## What Types of Audits Are Conducted?

Audits fall into three categories:

- **Operational Audits**—These audits determine if an agency is operating at the lowest possible cost to the taxpayer.
- **Program Audits**—These audits determine if state programs are meeting their objectives.
- **Compliance Audits**—These audits determine if administrators are following what the legislators intended.

## How Is an Audit Conducted?

Once an audit request has been reviewed and approved by the Audit Subcommittee, auditors are assigned to a project. Naturally, a first consideration in assigning auditors is who is available, but much attention is paid to auditors' skills and strengths too.

The audit team gets together to talk about the audit and the kind of things they will be looking for once they start work "in the field." Some of the talk will be based on understanding why the audit was requested and planning ways to find out if the complaint(s) can be supported with evidence. Once the conceptualizing is completed, the team meets with the director and key staff of the agency. Introductions are made, office space is set up, and general audit procedures are explained.

The next step is conducting a preliminary survey. Quick tests are set up to see how valid the complaints are. If the audit is not the result of allegations, the team sets up tests based on what it has discussed and decided might be areas worth investigating. These tests give a quick review and check of management control. From the survey or "risk assessment," the investigation can be channeled into areas needing further and more extensive investigation.

## What Is an Audit Finding?

The results of the investigation are called audit findings. Five elements compose any audit finding. The first element is termed the statement of condition. It describes what exists—what is happening in a program or agency. The next element is criteria. Criteria are measures and the acceptable levels of those measures are used to decide if the agency or program is meeting its goals. Third is effect—asking the question "So what?" Effect is a measure of the difference between the desired criteria and the actual status (statement of condition).

Usually the hardest to prove is cause, or why the effect happened. To make a finding real, an auditor must show the cause of the problem because the cause leads to the last element—the recommendation. Plans must be made to correct the deficiency, or there is no purpose for conducting an audit.

## How Are Findings Developed?

Various methods are used to develop audit findings. Sometimes the auditor uses accounting and financial methods to show findings in cost areas. Sometimes, procedures such as flow-charting are done to show weaknesses in work processes. Employee activities are observed, or employees might be interviewed by the auditor. Auditors like to ask a lot of questions because they are not experts in every field they may be auditing. They do have skills in recognizing good management practices because the results are about the same everywhere.

This is what performance auditing is really about—recognizing good management practices. Legislative auditors are the watchdogs of state government. They ensure that state agencies and programs provide the intended services in order to serve the public efficiently and effectively.