

**APPLYING THE PRINCIPLES OF THE  
GOVERNMENT PERFORMANCE AND  
RESULTS ACT  
and STRATEGIC PLANNING  
To The  
INSPECTOR GENERAL/AUDIT FUNCTION**

A Case Study  
Submitted to the

Office of Management and Budget

by

**U.S. ARMY AUDIT AGENCY**

A GPRA and Strategic Planning Pilot Project  
for Performance Measurement

**The kinds of programs and agencies** that may find this case study relevant include:

- \* Inspector General activities;
- \* Audit activities;
- \* Activities that, because of the nature of their work may have adversarial relationships (that is, Internal Revenue Service, Occupational Safety and Health Administration, Environmental Protection Agency - any regulatory agency); and
- \* Service sector agencies in general.

**Acknowledgments:**

Army Audit's Strategic Planning Branch prepared this case study with valuable information, support, review, and advice from their colleagues. Special thanks to Francis E. Reardon, The Auditor General; the Agency Quality Council; Mike Ham; and many others who contributed insightful comments to the planning and evaluation effort, apart from their major contributions to the substance which the case study attempts to convey.

The American Society for Public Administration (ASPA) Government Accomplishment and Accountability Task Force provided the key trigger for this study. The Office of Management and Budget (OMB) provided the very helpful outline to organize the thought process and presentation. The National Academy of Public Administration (NAPA), particularly through Joe Wholey, provided continuing encouragement and feedback to help focus plans and better discern which parts of Army Audit's development process were important.

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# OVERVIEW

Army Audit Agency was established in 1946 to perform internal auditing services on an Armywide basis. Throughout the years, our role has remained constant. We continue to assist the Secretary of the Army in satisfying statutory and fiduciary responsibilities by conducting independent audit and consulting services. More importantly, we continue to assist Army managers in making informed decisions, resolving issues, and using resources effectively. However, in recent years the way we perform our role has changed dramatically.

In 1993, we formally surveyed our clients Armywide to identify areas where we could improve our audit and consulting services. Through Army managers' responses to our survey, we learned that key areas in the services we provided to our clients needed improvement, and our clients viewed our role in the Army as adversarial. In response to these criticisms, we realized that both our role and how it was perceived needed to change, if we were to survive. We've come a long way since initially surveying our clients, and we still have a long way to go--but we have made progress and believe we're on the right track.

Most of our "journey" has been accomplished through the plan, do, check, act methodology. This case study outlines our strategic planning process, the performance measures we used to evaluate our operational effectiveness, and initiatives that worked and didn't work.

# HISTORY AND CONTEXT FOR OUR PLANNING

**Army Audit Agency is the only** inspector general/audit function participating as a Government Performance and Results Act (GPRA) pilot project. We are the central internal audit agency within the Department of the Army. Our annual spending is approximately \$50 million; program staffing is about 700, including about 600 professional auditors, situated at primary client locations throughout the world. We:

- \* Provide audit and consulting services to all organizations, activities, programs and functions of the U.S. Army;
- \* Help Army managers at all levels in making informed decisions, resolving issues, and using resources effectively; and
- \* Assist the Secretary of the Army in satisfying statutory and fiduciary responsibilities.

We primarily do three types of engagements:

- \* Financial engagements - focus on Chief Financial Officers Act requirements, such as auditing the Army's annual financial statements and analyzing performance measurement data;
- \* Operational engagements - relate to the Army's primary functions, such as readiness, logistics, and acquisition; and
- \* Consulting engagements - encompass a wide array of subjects. For example, contractor support in Haiti, operation costs in Kuwait and Bosnia.

We normally produce three types of products at the conclusion of our engagements:

- \* Formal reports - include major findings and recommendations;
- \* Memorandum reports - include suggestions for improvement, if necessary; and
- \* Consulting reports - include results of the engagement in various formats depending on the client's needs.

## Prior Strategic Planning Efforts

**Historically, we have operated** under the direction of War Department Order 135 - 12 November 1946, which authorizes an audit function in the Department of the Army. Until recently, we believed the value we provided to our clients was secondary to our audit mission. We felt our primary role was as "watchdog" of Army resources not to work as partners with Army managers. We believed that by becoming partners with the Army, we would threaten our independence. We also faced the problem that the nature of our work, combined with our lack of concern for our clients' needs, set the foundation for an adversarial relationship between Army managers at all levels and ourselves. In the past, we attempted to present meaningful findings and recommendations that were of value to the Army. We also continually trained our auditors in how to produce better products, and provided data that was valuable to the Army's decision-making process. However, we weren't totally successful because we defined value by what was important to us, and the value it presented to the inspector general community such as number of reports, or dollar savings rather than what Army managers or soldiers needed: real-time feedback that would help them make informed decisions, resolve issues, and use resources effectively.

Although we realized we needed to improve our relationship with the Army, and perceptions needed to change, we weren't sure how. We had tried various improvement initiatives to foster a better client relationship in the past, but none of them significantly improved our relationship with our clients.

**In 1992 we experienced a leadership change** with the appointment of a new Auditor General. We had just completed a reorganization to accommodate personnel cuts we were directed to take. This reduced our workforce by 25 percent, which was consistent with the Army's military and civilian downsizing cuts through FY 95. However, this was only the beginning of the Department of Defense's post cold-war drawdown and we knew that the risk for further reduction still existed. We quickly realized that if we were to survive in the coming environment, we had to improve our relationship with and prove our value to our client, the Army.

The new Auditor General was instrumental in pushing for the improvement and change of our organization. In the spring of 1992, we redefined our organization by establishing a Quality Council and an Office of Productivity Improvement to formally coordinate our effort to provide quality service to our clients. Among others, the Quality Council was specifically tasked with deciding what subprocesses we needed to evaluate for improvement and approving process improvement recommendations. We used the principles of Total Quality Management (TQM) as a guideline for our goal to provide timely valued service. Simultaneously, we employed independent consultants to offer input into our quality and improvement processes. To start improving our processes, the council chartered seven improvement groups--composed of personnel

from all levels of the agency--to improve productivity, quality, and morale. These seven improvement groups related to:

- Audit planning and programming
- Audit execution
- Service to the client
- Audit reporting
- Organizational management
- Communications
- Personnel management

After making some initial changes, we dissolved many of the teams because the scope of work was too extensive. We realized we needed to focus on more specific subprocesses rather than tackle an entire process all at once. For example, instead of focusing on the audit execution process, we needed to focus on its' subprocesses: survey phase, in-process reviews, and tentative findings and recommendations.

In early 1993, in order to obtain input from outside the organization, our Service to the Client improvement group developed a client survey and solicited opinions from more than 800 Army managers at all levels. Additionally, we conducted over 80 personal interviews with senior Army managers. The survey and interview results showed that we needed to make significant improvements. In the summer of 1993, we expanded the survey to our staff. The results of the client and staff surveys were catalysts to our efforts to improve our value to our client. On average, our clients rated our services at 3.6 on a scale of 1 to 5, with 5 being the highest. Additionally, the client surveys and followup interviews, showed that we specifically needed to improve our audit process, communication, and the benefits that our products provided.

**In the spring of 1993**, we hired two contractors to lead us through the stages of TQM and help us establish a road map to improve our organization. They provided training in TQM and facilitated our process action teams. To begin improving our audit process, we created process action teams (PAT), to identify and solve problems. The PATs were comprised of agency employees from all levels. The first four teams focused on specific subprocesses within our core process--reporting process, staffing findings, 60% in-process reviews, and unprogrammed work requests. For example, the PAT reviewing the 60% in-process review suggested we eliminate the mandatory requirement for the review. As a result of the recommendation and implementation, we



reduced our audit cycle time by an average of 5 to 10 days. Not only do we focus on improving our processes during this time, but we continue to do so today.

We also realized that in order to accomplish the large tasking of truly improving the service to our client and raising the value of our products, we would need a roadmap to effectively implement and track our process changes. Thus, during this same time period, we also held a number of offsite conferences for various agency employees and the quality council in order to define our mission, vision, and values. These were the initial steps toward developing a strategic roadmap for our organization.

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## OUR STRATEGIC PLANNING AND PERFORMANCE MEASUREMENT PROCESS

### How It Was Developed

**In the spring of 1994, the Quality Council formed a temporary strategic planning group**--made up primarily of 23 senior-level managers and various other agency employees--that developed our strategic plan, with the help of a consultant. Because we wanted this to be an agency plan with employee "buy-in" at all levels, the group asked more than 150 agency employees for input on the strategic areas, objectives, and strategies in the plan.

Our strategic plan focused on the future, so it was important for us to examine future actions we could and couldn't control that would affect our ability to carryout our mission. The strategic planning group identified and agreed on what future trends and assumptions would most likely affect us both positively and negatively. Some future trends and assumptions we believe will continue to exist until 1998 include:

- Travel fund reductions of 25 percent.
- Continued pressure to downsize.
- Continued pressure for timely consulting/audit services.

The group then evaluated our mission and vision statements and values. The vision statement helps us understand where we are trying to go. We translated the **vision statement into strategic objectives**--then into strategic outlines (how we will achieve

the goal)--and, finally **into an implementation plan**. The specifics of the implementation plan include:

- Who is responsible for ensuring each objective of the plan is completed.
- When each objective should be completed.
- What type of resources are needed to complete each objective.
- How is the completion of an objective (whether successful or not) measured.

In translating our vision, we analyzed the existing strengths, weaknesses, opportunities and constraints that characterized our current services. The analysis helped us decide where we needed to focus our long-term improvement efforts.

**We published our first strategic plan in the summer of 1994.** To complement our strategic plan, **we completed our FY 95 Annual Performance Plan in September 1994.** This annual plan was our short-term road map toward achieving our 5-year strategic plan. It also provided a method to objectively measure increased efficiencies and improvements in the way we serve our clients. We sent a draft of the annual plan to all field office personnel and all levels of management for comments, then incorporated the comments into the annual plan and presented it to the Quality Council. The council made final revisions and approved the plan.

Our annual plan is more of a day-to-day action plan, compared with our strategic plan which is an overall long-term plan. Management communicates the annual goals more extensively because they require daily actions. To achieve our annual plan goals, we tried to incorporate them into each person's everyday working situation.

In addition to our strategic and annual plans, we looked for a comprehensive tool to help us attain our strategic objectives. The GPRA requirement of developing short-range plans to make progress toward long-range strategic goals and measuring progress toward achieving strategic objectives appeared to be what we were trying to do. Much of our work with strategic planning and the TQM process was consistent with what GPRA required. Therefore, we decided we would be an excellent GPRA pilot project candidate, and it would provide us with the tool for early hands-on experience for performance based management. To that end, we

decided to apply for the GPRA pilot program, and in January 1995 OMB officially approved our nomination.

## Challenges We Faced

**We faced many external and internal challenges** during this time of change. The **external challenges** were proving that our services were of value to the Army and changing how the Army viewed us. We learned through the client surveys that Army managers saw the services we provided as having little value, and viewed our role as adversarial. We knew that this client perception needed to change. We also realized that although we couldn't change the nature of our work and that we had to remain independent, we could change the way we treated our clients. Our shift in how we dealt with our clients, led us to make service to our clients the primary focus in our first strategic plan.

Once we started making changes, we faced the external challenge of convincing Army managers that our focus had indeed shifted to improving our service and relationship with them. To overcome this we continually met with Army managers, and announced and marketed our intentions to change. We discussed with our clients the specific improvements we were going to make so they would know what to expect and hold us accountable for. What really convinced our clients was when they actually saw the results of our "reengineering", i.e. when we invited them to our in-process reviews or got their insight and input even before we began an audit.

Simultaneously, we faced **internal challenges** associated with making cultural changes to better serve our clients. Management widely endorsed the top-down (developing the strategic plan) and the bottom-up (improving processes) approach to demonstrate a concrete and visible management commitment. It also helped to ensure that all employees were involved in the changes and the outcome of the changes. Our biggest challenge was to convince those staff members who had been around for 10 to 20 years and were "successful" in the way they did their jobs up to this point, to change. It was difficult to get them to understand that the way they had been doing their jobs wasn't going to work anymore. We had to convert the agency, as a whole, from an introverted, task-oriented group into a entrepreneurial customer-service force that would be equipped to deal with the changing demands and expanding expectations of the Army leadership. We had to be concerned with the value our clients received from our products, rather than our own feelings of a job well done.

Another internal challenge we faced was that some employees wanted to set only achievable goals for fear that failure to meet the goals would generate negative criticism for both themselves and the agency. A secondary fear was that if we didn't perform at the appropriate level, would Congress reduce us? We tried to establish goals that balanced the challenges against their potential negative effects.

Yet another challenge was whether to set individual or organizational goals. Many staff members wanted individual goals, because they weren't sure their peers would hold up

their end of the bargain. Unfortunately, this type of thinking isn't conducive to a TQM environment. After much discussion, we decided we needed to "push the envelope" and set goals that would make us all work together toward becoming a more client-oriented agency. If we didn't meet goals in this process, we would search for the cause and correct it as a group, rather than as individuals.

**Another internal challenge we faced was our structure.** Up until about a year ago, we were structured with a headquarters and four regional offices. This structure didn't give one person total oversight for each functional area; in fact, it created a duplication of efforts and layering of supervision. As a result, we often didn't address clients' concerns, nor did we realize when we weren't addressing them. To overcome this problem, we restructured our organization to meet the Army's changing ways. We consolidated our management by Army functions at our operations center. For example, one manager is responsible for individual issues related to training and readiness, logistics, or environmental, etc. The general impact was reduced layering, increased accountability and more personalized client service.

### What Type Of Process

We used the **top-down** approach to develop our strategic plan and inform personnel that we would have to significantly change the way we do business and how we perceive our client base. We also stressed that change must take place, and all employees must be willing to work toward meeting both our long- and short-term goals. As previously discussed, we involved all levels of the organization either through input to our strategic plan or through involvement in improvement groups and process action teams. We realized quickly that management's commitment to the process was as important as meeting the goals themselves. Generally, most personnel embraced our strategic planning and performance measurement process with full approval and acceptance; however, there were and still are a few naysayers.

The annual planning process, like the strategic plan, is more top-down than bottom up. However, our management realized that the audit teams working at the field offices throughout the world have the greatest impact on our success to meet the strategic and annual goals. To capture the "grass roots" opinions and concerns for both our long-term and annual performance goals, we recently changed the makeup of our Quality Council. The council no longer includes senior level managers, but instead consists of operating level managers and working level staff. We changed the council makeup because we believed that people involved in the agency's day-to-day operations have valuable insight into what our problems are and how "things" should be done. Our goal is to empower the workforce to develop and implement solutions to most of their day-to-day problems without having to obtain approval from senior management.

## External Involvement

To ensure that we received support for our mission, vision, and values, we obtained endorsements from the Secretary of the Army and Chief of Staff. To show our commitment to the Army and that we were receptive to its wants and needs, we used the Army's input from the initial surveys of our organizational assessment to define our mission, vision, and values.

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# SUMMARY OF OUR STRATEGIC PLAN AND PERFORMANCE MEASUREMENTS

**Our function** is to help Army activities promote economy, efficiency, and effectiveness in the administration of programs and operations. We also help to prevent and detect fraud and abuse in these areas. Through our strategic plan we first defined our mission and long-term goals.

***Our mission is to serve America's Army by providing objective and independent auditing and consulting services. These services help the Army make informed decisions, resolve issues, use resources effectively, and satisfy statutory and fiduciary responsibilities.***

**To accomplish this mission**, we must be independent and unrestricted in our selection of the audits we do, and of the material we review and examine during our audit engagements.

## Long-Term Goals

The **strategic plan** provides our vision and long-term direction and is the basis for many of our managements decisions. The plan is our road map for continuous development of a flexible organization to achieve our mission successfully. We are striving to put the right people in the right place at the right time to meet external and internal client needs in the most efficient and effective manner, while providing world class audit service. In our strategic plan we established long-term goals and

objectives for our four strategic areas to help us realign our vision and achieve success. These goals and how we will achieve them are:

<b>Long Term Goals</b>	<b>How We Will Achieve These Goals</b>
<b>1. Service To The Client:</b>	
External Clients Rate Our Service 4.5+	<ul style="list-style-type: none"> <li>1) Clients implement recommendations 95% of the time.</li> <li>2) Right engagement conducted at right time and adds value.</li> <li>3) Engagements completed timely.</li> </ul>
Increase Market Share By 50%	<ul style="list-style-type: none"> <li>1) Identify, develop and market current and new products and services to client.</li> </ul>
<b>2. Quality Organization And Human Resources:</b>	
Flexible Organization	<ul style="list-style-type: none"> <li>1) Put right people in the right place at the right time.</li> <li>2) Develop method for evaluating and changing organizational structure when needed.</li> </ul>
Enhance Employee Education And Training Program	<ul style="list-style-type: none"> <li>1) Provide quality and timely training.</li> </ul>
Exceed Employee Expectations	<ul style="list-style-type: none"> <li>1) Greater employee involvement.</li> <li>2) Improve work environment.</li> </ul>
Employees Are And Understand How They Are Empowered	<ul style="list-style-type: none"> <li>1) Delegate responsibility and authority to lowest practicable level.</li> <li>2) Communicate and encourage employee ownership.</li> </ul>
<b>3. Advanced Technology:</b>	
Hardware And Software Best Suited For Both Internal and External Needs	<ul style="list-style-type: none"> <li>1) Develop information management plan that quantifies our communication and ADP needs.</li> </ul>
Leader In The Application Of Advanced Techniques	<ul style="list-style-type: none"> <li>1) Use advanced techniques and export capabilities as developed.</li> </ul>
<b>4. Total Quality Management:</b>	
Fully Implemented In AAA By 1998	<ul style="list-style-type: none"> <li>1) TQM awareness and formal training for all employees.</li> <li>2) Consistently employ TQM techniques.</li> </ul>
Assist Army Activities In Implementing TQM	<ul style="list-style-type: none"> <li>1) Develop a generic TQM plan.</li> <li>2) Develop a program to do TQM audits.</li> </ul>

We monitor our progress toward achieving these goals in a variety of ways. For example:

- To determine whether we are completing engagements in a timely manner, we track our performance on a quarterly basis. Specifically, we evaluate the time it takes from the start of an engagement to report publication. In the first half of FY 96, we completed 77 formal reports in an average of 255 days per report--compared to 390 days during FY 94.
- For identification, development and marketing of current and new products, we measure the number of new services we provide. For example, we recently created a new line of service--Organizational Self-Assessment Review Program. Under this program, we assist Army activities when they apply for the Presidential Quality Award or the Army Communities of Excellence Award (Selected by the Secretary of the Army). We began these assessments about a year ago and have completed 16 so far. Of the 16 we've completed, at least two clients have been selected as finalists for a Community of Excellence award.

To achieve success with our long-term goals, we also developed annual performance goals to measure our progress each year. For example, in FY 95 our overall goal was to enhance our value to the Army by providing objective, independent auditing and consulting services whose outcomes benefit Army managers. In order to achieve our overall goal, we created the following annual goals.

- Increase client satisfaction.
- Reduce average time to complete engagements.
- Increase command agreement with audit products.
- Increase percent of audits with dollar savings.
- Decrease overall cost per labor day.
- Increase percent of process action team recommendations implemented.
- Increase the number of agency decision support systems and requests for the systems.

We review these goals continuously and change them if necessary. For example, upon closer analysis of our goals, we realized that some didn't give us realistic

feedback. As a result of our analysis, we changed four of these goals in FY 96. The changed goals are discussed further in our Lessons Learned Section.



To make sure we are giving our clients the service they desire, we measure their satisfaction through the results of our client surveys. Our long-term goal is to achieve an average rating of 4.5 out of a possible 5.0 by the end of FY 98. Our annual goal for FY 96 is to increase our average client satisfaction rating from 3.9 to 4.2. To successfully achieve these results, we tried to link our annual performance goals to our long-term goals. The chart located at Annex B shows the linkage of our annual performance goals to each of our long-term strategic areas and our FY 95 results.

### Key External Factors

The key external factors that could significantly affect the achievement of our long-term and annual performance goals are budget and personnel reductions that we routinely face in today's environment. As we will discuss in more detail later, Congress recently reduced our budget. Additionally, the Army may propose internal initiatives that could reduce our budget by as much as 30 percent. In this light, it will become increasingly more difficult to meet some of our long-term and annual goals. For example, one long-term goal is to become a more flexible organization by putting the right people in the right place at the right time. This will become increasingly more difficult as our travel budget is reduced and we are unable to send people (either temporarily or permanently) to where the Army needs our assistance.

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## **USE AND IMPACT OF THE STRATEGIC PLAN AND ANNUAL PERFORMANCE GOALS**

**The strategic planning process** made us realize we could no longer justify our existence merely through the audit authority. We have to put stock in the value our audit and consulting services bring to the Army. Our strategic plan provides us with a long-range path and encourages everyone to focus on improving our client satisfaction with each action taken.

Our senior management group has now begun to incorporate strategic and annual goals into their own performance agreements and appraisals. This has driven management to use the performance indicators as a gauge to measure their own performance. It has also given them a source of answers about what they need to change to achieve the strategic objectives.

## Organizational Restructuring

During FY 95 we continued with our total organizational restructuring process as part of the strategic planning process. By the end of FY 96, this restructuring process will include:

- Disestablishing all regional offices, restructuring and streamlining our Operations Center.
- Consolidating audit support and administrative functions--reducing administrative positions.
- Putting a greater percentage of our audit workforce in direct audit positions and reducing our management structure.
- Delegating more decision making authority and responsibility to operating level supervisors and managers.
- Overhauling our automation infrastructure in its entirety.

Our restructuring effort is necessary to improve productivity and provide faster, more useful and cost-effective audit services to the Army. We designed the restructuring plan to complement our strategic plan. However, the costs of our restructuring are high and represent a significant short-term reduction of productivity. We have spent a considerable amount of time planning and overseeing the restructuring activities. Much of our workforce has new roles and operating methods and procedures to learn and get used to. But we firmly believe restructuring will yield highly valuable results, in spite of the turmoil and the potential for reduced productivity over the next 12 to 18 months.

## Changes To The Agency

The strategic planning process initiated required us to change the way we do business. Some of the changes we've made have been successful and some still represent challenges that we still need to overcome. Annex D provides a sample of some initiatives that have worked well and some that haven't.

## Communication

**Internally**, we have distributed both our strategic and annual plans to all personnel. Since completion of the FY 95 annual plan, we have also published our FY 96 annual

plan. We have briefed both plans to all employees, and we report the results of our performance quarterly. We also include articles on the annual plans in our internal newsletter. We encourage everyone to read the plans, discuss their uses, and understand how they can incorporate the annual goals into their day-to-day activities. Additionally, we communicate both the strategic and annual plans to personnel during briefings, and learning sessions conducted at agency-sponsored training schools. We also provide feedback to all personnel through our weekly staff call notes and through the use of the Agency's Electronic Library. By continuously highlighting both the long-term and annual goals, we hope staff members will take them into consideration in their day-to-day activities.

In addition to keeping our personnel informed of changes, we also keep Army leadership informed. Our senior leadership briefs the Secretary of the Army, the Chief of Staff, and senior army leadership at all levels, from Headquarters Department of the Army to major commands and installations. This helps keep Army managers involved and up-to-date in our changes.

Additionally, we have also started helping Army activities with their strategic planning and performance measurements. For example, we are currently working with Manpower and Reserve Affairs. We anticipate providing this service even more frequently as we get closer to government-wide implementation of GPRA.

**Externally**, we have briefed our strategic and annual plans to over 25 government agencies, including the Defense Contract Audit Agency (DCAA), General Accounting Office, and Federal Emergency Management Agency. For example, we taught at one of DCAA's Quality Conferences and made a comprehensive overview presentation on what GPRA and strategic planning was and how we implemented them. We also discussed our lessons learned and how DCAA could learn from our successes and mistakes. In order to inform others of our changes, we also have a summary of our mission, vision, values, and strategic goals. The summary emphasizes our commitment to client satisfaction through quality products and services.

### Evaluation Of Progress

Our client survey is the primary tool we use to measure our success. After each engagement we ask five or six clients who were directly involved in the engagement to rate our performance and to let us know where we need to improve (see Annex D). The process allows us to monitor each engagement, measure our overall progress, and identify challenges that we can then address.

Additionally we evaluate our progress toward meeting our strategic plan's objectives and annual performance goals on a quarterly basis. We brief these results to the

Quality Council and field office managers and then distribute them throughout the agency and to our boss--the Secretary of the Army. Additionally, the Quality Council periodically reviews the implementation plan included in our strategic plan to evaluate our status with each goal and how that goal affects us achieving our strategic objectives.

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## **COSTS**

Two major events are underway that may affect our ability to attain our performance goals and strategic objectives. In the short term and possibly longer, these events will cause organizational turbulence, resource reallocations, and challenges which inhibit efficient and effective operations.

### Total Quality Management Program

Since implementation in 1992, we have routinely invested significant resources in process action and improvement teams. During FY 95 we used about 5 percent of our total available time for the year on process action and improvement teams and other related reengineering initiatives. However, over time the benefits of the program should far exceed the investment cost. Investment costs will remain high until quality ideas and processes become a universally accepted mode of operation agencywide. Because of the learning phases of our culture change, additional hidden costs are increased such as employee stress and loss of productivity. Nevertheless, we believe these quality initiatives are necessary and worthwhile and will pay off in the end.

### Congressional Budget Reductions

As part of deliberations on the DOD budget, during FY 95 Congress initially directed our FY 96 budget be reduced by \$10 million. Because of our progress in strategic planning, annual planning and performance measurement in particular, we were able to prove our value to the Army and taxpayers. As a result, we convincingly secured congressional support for a reduction of only \$5 million, and Army leadership reduced it to a \$3 million cut. The budget reduction affected us in FY 96 and will continue to affect us in the future. For example, we may have to furlough employees or not be able to do some of our programmed high-priority work. We find these cuts extremely disconcerting when we can point to agreed to dollar savings from our reports (one measure of value) at 41 to 1 (first quarter

FY 96) to every dollar spent. Therefore it is difficult to sustain enthusiasm for a process that saves the Army funds or has them put to better use--yet is rewarded with reduced dollar and personnel resources.

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## LESSONS LEARNED

As our organization has become more experienced with strategic planning and performance measurement, we recognize certain factors and commonalities as critical to the success of both programs. We believe these critical success factors and common sense approaches to strategic planning must remain within our focus. This will enable us to continually progress toward achieving the challenging yet rewarding tasks of strategic planning and performance measurement.

There were several factors that contributed to the effective use of strategic planning. **The first and most important was the top-down support.** Without this support, our agency could not have successfully started these processes. Our senior managers' commitment was the driving force behind our strategic planning and performance measurements. Continued support of these programs will foster confidence at all levels of the agency to bring forth future improvement initiatives.

**Another important factor in our success** with strategic planning and performance measurement **was getting our entire organization involved** early and cultivating an organizational culture that is flexible. There was some resistance within our organization, and we found that some changes took longer to implement and operate smoothly than we originally anticipated. However, with this knowledge and the expectation that things will constantly change and personnel must adapt, we are more prepared to undertake the significant challenges we will face in the future. While our culture is better, not everyone is accepting the changes we are making. Those who don't or won't accept the change can hurt client relations and product value in the end. We are trying to deal with these individuals on a one on one basis, through training and performance standards.

**Another important factor** that continues to make us successful **is keeping our clients involved.** As previously discussed, we surveyed over 800 clients. We didn't stop there, though after we compiled the survey results and identified what we were going to do to change, we let our clients (including those we surveyed) know what improvements we were going to make. Also as previously discussed, we marketed these improvements as often and to as many clients as we could. This was beneficial

for us in two ways. First, it let our clients know that we listened to their concerns and that we were going to correct the problems they identified. Second, it forced us to change and improve because our clients were looking for the changes we told them we were going to make.

Another important lesson we learned was that using a systematic process helped us focus on our strategic planning and performance measurement activities. The process we used was the **Plan-Do-Check-Act Cycle**.

In terms of **planning**, we use the strategic planning process to define the long term goals that we need to achieve. We then plan incremental steps toward achieving these long term goals through our annual performance goals.

Once we identify new ways or improved ways of completing our business processes, we must actually **do**, or implement these processes into our day-to-day activities.

However, we can't afford to wait until the end of the fiscal year to see if what we are doing helps us achieve our goals. Therefore, we constantly **check** our processes through the use of customer surveys, as well as our internally established performance measures.

When we see desirable results from our process improvements or performance goals we continue to use them. However, if we don't see improvements, it causes us to **act** by urging us to reengineer or eliminate activities.

For example, in our strategic planning process when we reevaluated our goals and measures we found some didn't "hit the mark." As a result of our reevaluation, we sometimes totally abandoned the original goals or particular measures. In FY 96 we changed four of the seven original FY 95 annual goals. Reasons why we changed two of the goals include:

- *Increase command agreement with audit products.* In FY 95 command agreed with 94 percent of the recommendation we made. However, only 80 percent of the recommendations our clients agreed to implement were actually implemented. Consequently we questioned whether our FY 95 goal gave us realistic feedback. At the same time, we realized that the goal wasn't consistent with the strategies included in our strategic plan-- that is to make sure our clients implement our recommendations 94 percent of the time. Thus in FY 96, we changed the goal to measure implementation of recommendations.
- *Increase percent of audits with dollar savings.* In FY 95, our performance

goal was to increase the percentage of formal audit reports that identify dollar savings from 32 percent to 37 percent. We believed this would help us identify how well we were helping Army managers use resources effectively. We didn't meet our goal of the number of reports that identified dollar savings, but the total dollar savings we identified in FY 95 were higher than the previous year. For FY 96, we shifted our focus from reports with dollar savings, to the amount of savings identified in a manner that will make it easier for senior Army managers to reprogram savings.

The other goals were also changed because they didn't provide us the performance information we needed.

One of the successes to performing our mission successfully and better manage our resources has been by using a combination of strategic planning and performance measurements. As we establish and refine our goals and measures, we must continually reevaluate them to determine if they measure progress toward our strategic objectives. We also use the results of our measures to understand the relationship and effects our day-to-day operations have on our overall outputs and outcomes. With this understanding, we use the results of our measures to make better informed management decisions. We had to make a conscious effort in linking our strategic goals to our annual goals and performance measures. We are still working on improving the link.

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## **NEXT STEPS**

We believe that our progress in strategic planning and performance measurement is encouraging, but we still have further to go. We see a need to continually update our strategic plan based on the knowledge gained from our experiences. We anticipate revising the strategic plan during FY 97, and creating an annual plan for FY 98 that improves the link with the strategic plan. We have developed an employee climate survey that allows us to obtain internal feedback agencywide on

how we as an agency are performing and what we need to do to continue improvement. We need to:

- Tie the strategic and annual plans into our budgeting system and business processes. Doing this will better enable us to achieve our vision of being a world class audit organization, and will also provide management with more realistic feedback for budgeting and business

decisions.

- Look at continuing to incorporate accountability for goals and measures into all levels of the agency's management. Additionally, we will explore the idea of completing annual performance partnerships with senior Army managers. These partnerships could entail an agreement on the amount of monetary savings we would try to identify in a given fiscal year.
- Develop a method for quantifying benefits that we provide the Army through our audit and consulting services. Some benefits from audits we conduct aren't always quantifiable. For example, we conducted an audit of Army National Guard and Army Reserve institutional training. We recommended that the Army streamline its training requirements development process by establishing one standardized, centralized, automated method. This process is critical because it significantly affects other Army mission areas such as resourcing and unit readiness. Although our audit provided many benefits, we can't quantify them and probably won't be able to until there is a similar engagement that affords us an opportunity to measure improvement. In the future, we'll need to find a method to identify and measure the benefits we provide the Army; but we must remember that it's the benefit to the client that's important not to ourselves or even some higher reporting authority.

Ultimately, we believe we have become a better, more focused organization through our strategic planning and performance measurement programs. We've shared our lessons learned with many organizations in the Army and some outside the Army. Our clients have started to notice our efforts to provide a truly valuable service, while proving we are an integral part of America's Army.



## Annex A

### METHODOLOGY

#### Case Study Methodology and References

We developed **this case study** principally through the firsthand experience and observations of our Strategic Planning Branch and senior level management. The Strategic Planning Branch, with the help of senior level management and many others wrote the GPRA Pilot Performance Plans for FY 95 and FY 96, wrote the FY 95 Annual Performance Report, and developed performance goals and measures.

#### The background references we used to develop this Case Study included:

- Internal organizational assessment (1992)
- External organizational assessment (1993)
- Strategic Plans (1994, 1996)
- Annual Plans (1995, 1996)
- Annual Performance Report (FY 95)
- Internal/external policy and organization documents

#### We changed our organizational structure and the way we do business because of:

- Responses from our initial client survey.
- Responses from our client survey questionnaire sent out after each engagement
- Responses from our internal surveys
- Recommendations from our process action teams

However, the most compelling evidence of our success, of course, is in the actual measures of performance as detailed in our FY 95 Annual Performance Report.

## Annex B

### FY 95 Annual Performance Goals and Results

Description of Goal	GOAL	RESULTS	SERVIC E TO THE CLIENT	QUALITY ORGANIZATION AND HUMAN RESOURCES	ADVANCED TECHNOLOG Y	T Q M
Increase Client Satisfaction	3.9 of 5.0	3.96	X			
Reduce Average Time to Complete Engagements:	10% In Days	In Days				
Formal Memorandum Consulting	351 198 121	317 182 115	X X X			
Increase Command Agreement with Audit Products	94%	94%	X			
Increase Percent of Audits with Dollar Savings	37%	34%	X			
Decrease Overall Cost per Labor Day	5% Decrease \$361/day	1.6% Increase \$386/day		X		
Increase Percent of Process Action Team Recommendations Implemented	70%	72%				X
Increase the Number of Agency: Decision Support Systems						
Requests for Systems	50% - 6 Systems 10% - 46 Requests	75% - 7 Systems 260 Requests			X X	

**Annex C**  
**CHRONOLOGY OF EVENTS**

March	1992	Appointment of New Auditor General
Spring		Total Quality Management Initiative Internal Climate Survey SES/GM-15 Creation of Mission, Vision, Values, Goals, Objectives
Summer		Quality Council Chartered Seven Improvement Groups Created Establishment of Quality Initiative Papers as Communication Tool
February	1993	Development of client Questionnaire
March		Client Questionnaire Results
May		First 4 Process Action Teams Established
May/June		Development of Internal Audit Staff Questionnaire
November	1994	Internal Audit Staff Survey Results
Early		Additional 7 Process Action Teams Established
Spring		Continuous Client Surveys After Engagements Begun
June		GPRA Nomination Package Prepared Army's Nomination of Agency as GPRA Pilot First Agency Strategic Plan
July		DOD Nomination of Agency as GPRA Pilot Preparation and Submission of FY 96 Performance Plan
Fall	1995	Began Compiling FY 95 Performance Data
January		OMB Official Designation of Agency as GPRA Pilot Project - FY 95-96
April		Preparation and submission of FY 96 Performance Plan
July		Agency Strategic Plan Update
October		Began Compiling FY 96 Performance Update
March	1996	FY 95 Annual Report Published.

## Annex D

### SUCSESSES AND SUCCESS CHALLENGES

Since we implemented strategic planning, there are a number of changes that we have made. Some were successful and some we are still working on to perfect. The following are examples of both.

#### ***Successes:***

We have begun to involve command in our in-process reviews. For example on the audit on Information Security we invited representatives from five different major commands and various offices at Headquarters, Department of the Army. This enabled us to involve our client in the audit and allowed our client an opportunity to provide input on the results of the audit, potential problems and solutions. This type of arrangement allows us to develop workable solutions in an efficient and effective manner and that will best satisfy the Army's needs and allow us to do our job.

We have also developed a new service--consulting engagements. This moves our role from that of only oversight to immediate participation. Consulting engagements shifts our focus from a "gotcha" mentality to working closely with our client to find immediate solutions. Involvement in the beginning allows us to provide a different perspective to the project, in hopes of alleviating problems before they become systemic. For example, we are currently working with a major command during their deployment to Bosnia. During this engagement we will evaluate the deployment system in place, accountability and controls for deployed assets, accountability and procedures for return of equipment from the United Nations Protective Forces and controls for high priority requisitions. We have and will continue to provide our clients with immediate feedback on problems that we may find and they may need to correct. Consulting engagements have been a success in a number of different fields, from Force XXI- Restructuring of the Army to integration and fielding of a new system Armywide.

#### ***Success Challenges:***

One aspect of our audit process that we've struggled with is the identification of monetary benefits. Routinely, more than one-third of our audit reports identify potential monetary benefits. Often these monetary benefits are agreed to with our clients, but many times they are not realized. For example, on one audit we identified \$222 million in savings but only \$29.9 million was realized. Our clients, at the Headquarters, Department of the Army, have told us that the primary reason for this is that we didn't

identify the monetary benefits by appropriation, management decision package, and program evaluation group. Identification of the monetary benefits in this manner makes it easier for our clients to reprogram their funds.

As a result of our clients concerns, beginning in FY 96, we developed a performance goal in our FY 96 annual plan to identify 65 percent of our sustained dollar savings by appropriation, management decision package, and program evaluation group. By classifying the monetary savings in this manner, our clients will more easily be able to reprogram dollars to satisfy unfunded requirements. Results for the first half of FY 96 show that we need to continue to work on this area. As of 30 March 1996, only 39 percent of our potential monetary benefits have been identified by appropriation, management decision package, and program evaluation group.

## Annex E

# U.S. Army Audit Agency's Client Satisfaction Questionnaire

Report Number \_\_\_\_\_ Report Title \_\_\_\_\_  
 Assignment Number \_\_\_\_\_ Customer Name (Optional) \_\_\_\_\_

What is your current position? (Please check the most appropriate space.)

**1. Activity**

- Secretariat
- DA Staff
- Major Command
- Major Subordinate Command
- Installation/Activity
- Corps/Division/Brigade (Activity Army)
- Tenant Activity
- Other (Be specific): \_\_\_\_\_

Staff/Directorate/Division/Branch

**2. Job Title**

- Commander or Deputy
- Chief of Staff
- Director or Assistant
- Executive Officer
- Action Officer
- PEO/PM
- Internal Review
- \_\_\_\_\_
- Other (Be specific): \_\_\_\_\_

**3. Rank/Grade**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li><input type="checkbox"/> General Officer</li> <li><input type="checkbox"/> Field Grade Officer</li> <li><input type="checkbox"/> Company Grade Officer</li> <li><input type="checkbox"/> Warrant Officer</li> <li><input type="checkbox"/> Enlisted</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> SES</li> <li><input type="checkbox"/> GS</li> <li><input type="checkbox"/> WG</li> <li><input type="checkbox"/> Nonappropriated Fund</li> <li><input type="checkbox"/> Other (Be specific): _____</li> </ul> |
|---|--|

Political Appointee

4. In column A are segments of the engagement process. Please give us your feedback regarding our performance during the engagement. After checking those areas in which you have had experience (column B), circle the appropriate number for columns C through E.

A	B	C				D				E			
	Check If You Have Experi- ence With	Importance To You Low . . . . High				Meets Needs Seldom Usually				Timely Seldom Usually			
PLANNING & PROGRAMMING PROCESS													
Subject or Function Audited/Reviewed		1	2	3	4	1	2	3	4	1	2	3	4
Audit/Review Objectives		5				5				5			
ENGAGEMENT PROCESS													

Notification of Entrance Conf.		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
Entrance Conference		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
In-Process Reviews		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
Information Papers		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
Staffing Results		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
Draft Report/Product		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
Exit Conference		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4
Final Report/Product		1 5	2	3	4	1 5	2	3	4	1 5	2	3	4

Please indicate your agreement with each of the following statements by circling the appropriate number to the right of the statement. If the statement does not apply to you please circle 0. If you have any specific comments on these subjects, include at question 11.

- |              |                      |                   |
|--------------|----------------------|-------------------|
| Nor Disagree | N/A. Not Applicable  | 3. Neither Agree  |
|              | 1. Strongly Disagree | 4. Agree          |
|              | 2. Disagree          | 5. Strongly Agree |

	Not Strongly Applicable	1	2	3	4	Strongly Disagree . . . . . Agree
5. Our report/product:						
a. Addressed current issues.	N/A	1	2	3	4	
b. Addressed high priority issues.	N/A	1	2	3	4	
c. Gave sufficient details.	N/A	1	2	3	4	
d. Was received in a timely manner.	N/A	1	2	3	4	
e. Included what command has done well.	N/A	1	2	3	4	
f. Presented command's position fairly.	N/A	1	2	3	4	
	5					
	5					
	5					
	5					
	5					
	5					
6. Our report/product was beneficial as a basis for your organization to:						
a. Better use resources.	N/A	1	2	3	4	
b. Change policies/procedures.	N/A	1	2	3	4	
c. Prevent waste, abuse and illegal acts.	N/A	1	2	3	4	
d. Detect and resolve problems.	N/A	1	2	3	4	
e. Improve management controls.	N/A	1	2	3	4	
	5					
	5					
	5					



<p>7. The auditors:</p> <p>a. Interacted effectively with you and your personnel to get the data.</p> <p>b. Considered your concerns and suggestions.</p> <p>c. Worked with your organization to minimize disruptions.</p> <p>d. Adhered to Army protocol.</p> <p>e. Performed the audit/review in a timely manner.</p> <p>f. Had a positive attitude about your activity.</p> <p>g. Displayed a professional appearance and manner.</p> <p>h. Satisfactorily resolved your disagreements with audit recommendations.</p>	<p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p> <p>2</p>	<p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>3</p> <p>3</p>	<p>4</p> <p>4</p> <p>4</p> <p>4</p> <p>4</p> <p>4</p> <p>4</p> <p>4</p> <p>4</p>
<p>8. The auditors briefed the audit/review results:</p> <p>a. Often enough to keep you informed during the audit/review process.</p> <p>b. Before you received the tentative results and recommendations.</p> <p>c. To you before your higher command was briefed.</p>	<p>N/A 5</p> <p>N/A 5</p> <p>N/A 5</p>	<p>1</p> <p>1</p> <p>1</p>	<p>2</p> <p>2</p> <p>2</p>	<p>3</p> <p>3</p> <p>3</p>	<p>4</p> <p>4</p> <p>4</p>
<p>9. Satisfaction with our services and products will result in:</p> <p>a. Requesting our services in the future.</p> <p>b. Referring us to other organizations needing similar services.</p>	<p>N/A 5</p> <p>N/A 5</p>	<p>1</p> <p>1</p>	<p>2</p> <p>2</p>	<p>3</p> <p>3</p>	<p>4</p> <p>4</p>

	<p style="text-align: center;">Not Applicable</p> <p style="text-align: center;">Poor.....Exceptional</p>
--	---

<p>10. How do you rate our services compared to other organizations that provide similar or like services (i.e. GAO, DODIG, etc.)?  Note: If rating is 1 or 2, please comment in item number 11 on how we can improve our services.</p>	3	4	5	N/A	1	2
---	---	---	---	-----	---	---

Please write your comments below each of the following questions. Use additional paper if necessary.

11. Our intent with this survey is to better understand your needs, and to improve the products and services we provide to you. We cannot cover everything with a survey and we don't want to miss anything that is important to you. Please convey to us any problems you had with the way the audit/review was conducted, the results of the audit/review, or the reporting process.

12. List additional products and services that would improve our value to you. Please explain how they could be of assistance to you.