2026 IIA Atlanta Government and Not-for-Profit Online Conference

Advancing Government Efficiency through Performance Audits: Insights from the Field

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Your Guide Forward

Meet the Speakers

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Today’s Agenda

Performance Audit Benefits and Value Add to Stakeholders

Gain the skills to assess and enhance the performance of government agencies and programs through performance audits focused on effectiveness, efficiency, and economy.

Learning Outcomes

Value of Performance Audits
Understand how performance audits strengthen government accountability and operational efficiency by assessing effectiveness, economy, and overall performance.

Types of Audit Objectives
Identify and explain the three core performance audit objectives: economy, efficiency, and effectiveness.

Yellow Book Audit Findings
Define the 5 essential elements of a Yellow Book compliant audit finding, commonly known as the 5 C’s: criteria, condition, cause, consequence, and corrective action plans/recommendations.

Polling Question #1

Which of the following best describes your current understanding of the performance audits?

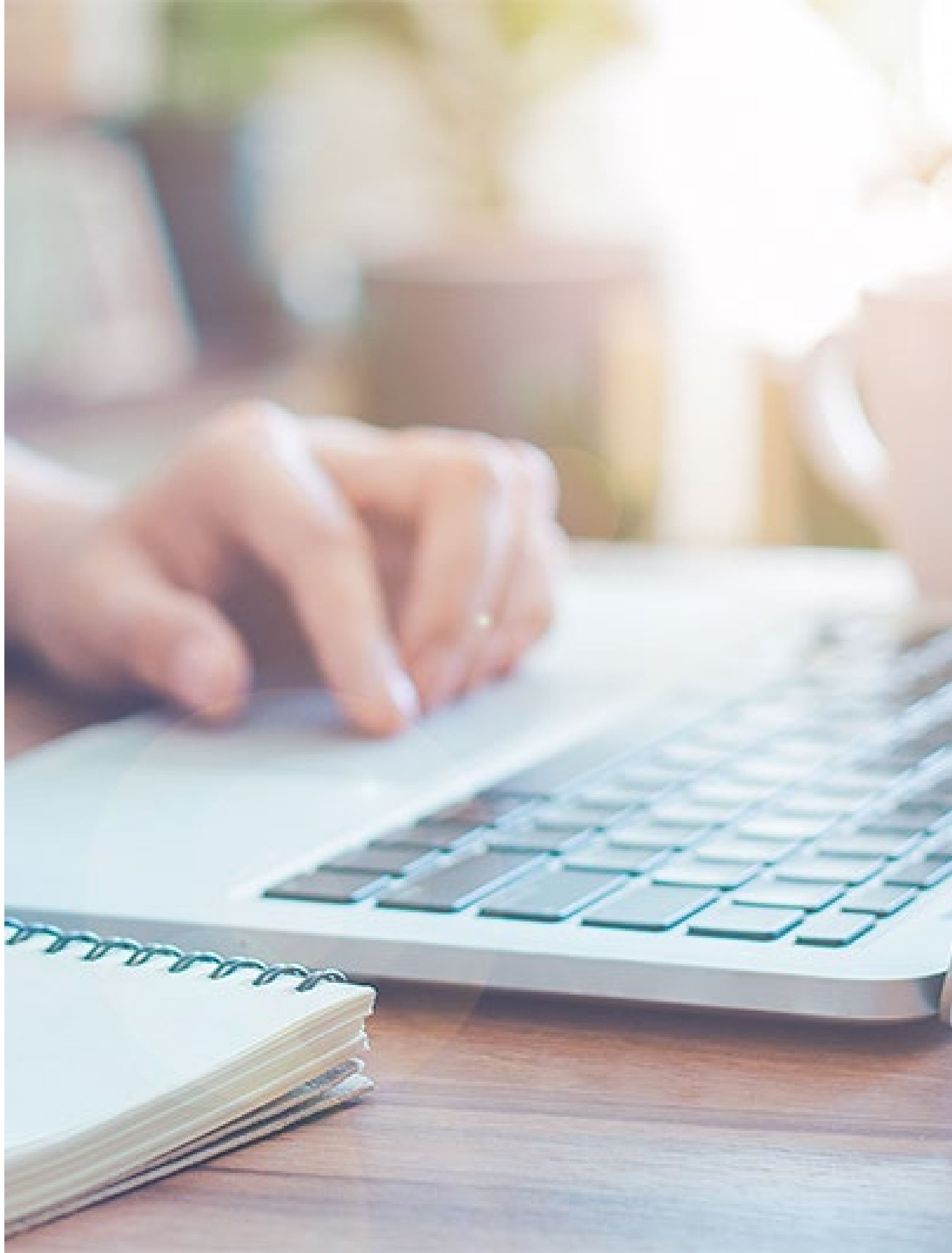
A) I’ve conducted one
B) I’ve participated in one
C) I’ve heard of them
D) The is new to me

Learning Outcome 1: Value of Performance Audits

Understand how performance audits strengthen government accountability and operational efficiency by assessing effectiveness, economy, and overall performance.

What is a Performance Audit?

- Focus on economy, efficiency, and effectiveness
- Differs from financial and compliance audits



Performance Audit Value and Benefits

Performance audits evaluate how well a government/entity program, function, or organization is operating.

Objective Examination
Performance audits are objective and systematic examinations of government programs or operations to assess their effectiveness and efficiency.

Enhance Policy and Governance
Policy changes and improvement of decision-making processes enhance overall governance and increase public trust in government operations.

Identify Inefficiencies and Waste
These audits identify inefficiencies and waste to achieve cost savings.

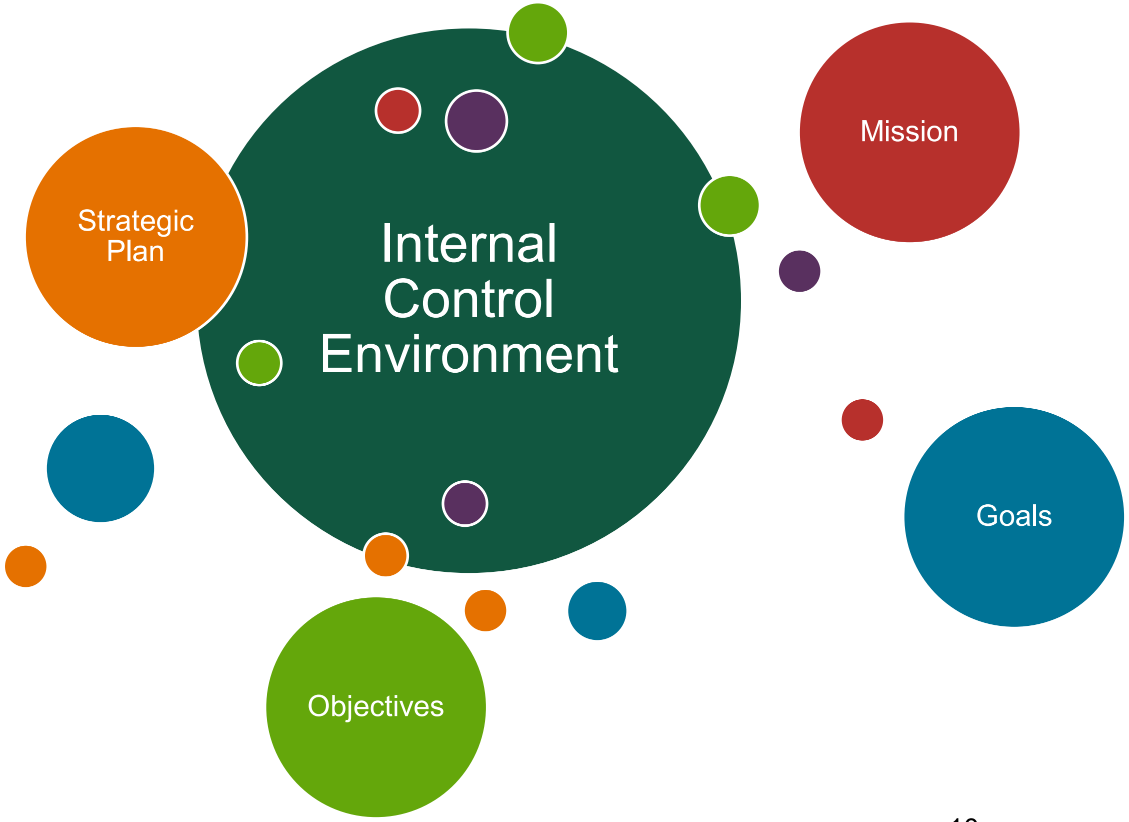
Performance Audit Oversight Value

- Objective analysis to management and others charged with governance and oversight to improve program performance and operations.
- Effective oversight reduces costs, improves operations, and strengthens public accountability.

Always align audit criteria with the entity's mission and stakeholder expectations.

Performance Audit Insight Value

Best practices and benchmarking information are shared horizontally across government and vertically through different levels of government based on the ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness.



- Evaluate the program's internal control environment to determine why a program may be operating ineffectively or inefficiently.

Performance Audit Foresight Value

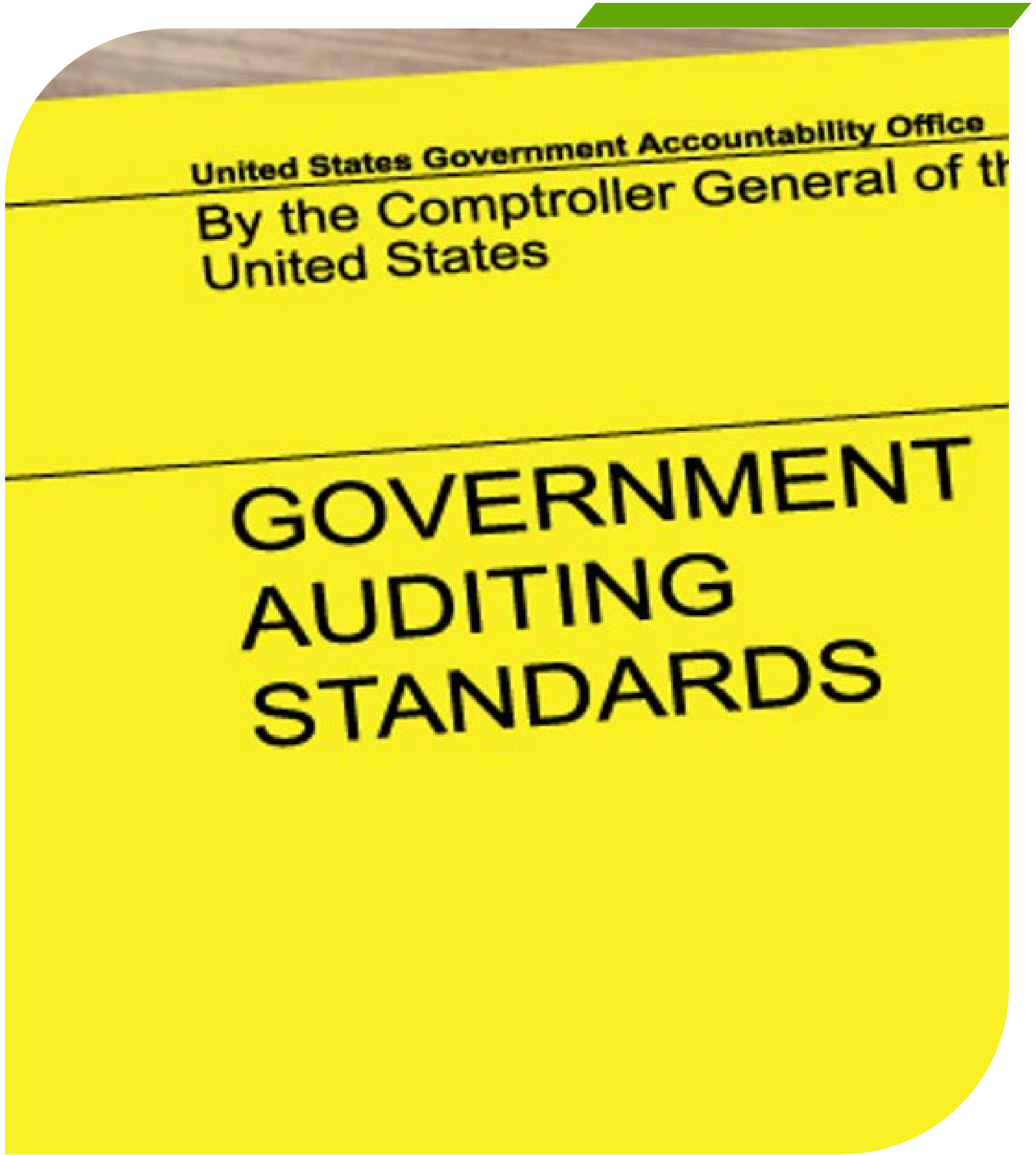
Risk Assessment

Identify	Identify fraud, waste, abuse, and mismanagement risks
Assess	Assess historical, current, and future impact
Recommend	Recommend mitigation responses

- Risks have a pervasive effect on an entity's internal control system and specific business processes within all levels of the organizational structure.
- Risk assessments play a key role in addressing risks and challenges historically, currently, and potentially faced by an entity.
- Mitigation strategies aim to help the entity systematically integrate the identification and management of risk into strategic and programmatic planning.

Learning Outcome 2: Types of Audit Objectives

Identify and explain the three core performance audit objectives: economy, efficiency, and effectiveness.



Role of the Yellow Book

Guiding Performance Audits

The Yellow Book is essential for guiding performance audits, setting standards for evidence, objectivity, and reporting.

Ensuring High-Quality Audits

It ensures high-quality and reliable audits through stringent standards and protocols, promoting credibility and trust.

The 3 E's in Audits

The Yellow Book emphasizes Economy, Efficiency, and Effectiveness, ensuring comprehensive and productive performance audits.

Types of Audit Objectives

Measuring Effectiveness

Effectiveness Audits: Effectiveness audits evaluate if organizational goals and objectives are being achieved as intended.

Assessing Outcomes

Performance audits evaluate whether the intended outcomes and objectives are being achieved effectively.

Impact and Relevance

Audits focus on the impact and relevance of goals to determine if they align with overall objectives.

Resource Efficiency

By evaluating performance, audits ensure that resources are used wisely, and objectives are met efficiently.

Ensuring Economy

Economy Audits: Economy audits assess if resources are acquired at the lowest cost while maintaining quality.

Cost-Conscious Procurement

Focusing on acquiring resources at the lowest cost while maintaining required quality, ensuring optimal spending.

Resource Allocation Strategies

Implementing strategies to allocate resources efficiently, ensuring that spending is optimized and value for money is achieved.

Evaluating Value for Money

Assessing if resources and funds are used effectively, ensuring that the organization gets the best value for its investments.

Informed Decision Making

Using economic evaluation to help organizations make better financial decisions and enhance their financial performance

Driving Efficiency

Efficiency Audits: Efficiency audits verify resources are used in an optimal manner to achieve the best outcomes.

Optimizing Processes

Efficiency focuses on optimizing business processes to ensure maximum productivity and minimum waste.

Ensuring Timeliness

Ensuring timeliness in operations is crucial for meeting deadlines and achieving organizational goals efficiently.

Utilizing Resources Effectively

Utilizing resources effectively involves using the available resources in the most efficient way to achieve maximum output.

The Audit Lifecycle

Planning Phase

This phase involves defining the audit scope and objectives, identifying key risks, and developing an audit work program.

Fieldwork Phase

During fieldwork, auditors collect and analyze evidence to evaluate compliance with regulations and internal policies.

Reporting Phase

In this phase, auditors compile their findings and provide recommendations for improvement in an audit report.

Follow-up Phase

This phase involves monitoring the implementation of audit recommendations and ensuring corrective actions are taken.

Polling Question #2

Which phase do you think is most time-consuming?

A) Planning
B) Fieldwork
C) Reporting
D) Follow-Up

Audit Planning Considerations

Independence

Fundamental Principal

Independence is a fundamental principle in auditing, crucial for maintaining objectivity and integrity.

Avoid Conflicts of Interest

Auditors must avoid any relationships or interests that could impair their judgment and objectivity during the audit.

Ensuring Credibility

Maintaining independence ensures the credibility and reliability of the audit findings, which is essential for trust.

Due Dilligence

Thorough Evaluation

Due diligence involves a careful and thorough evaluation of financial records and documents.

Attention to Detail

It requires meticulous attention to detail, ensuring all relevant information is checked comprehensively.

Identifying Issues

Proper due diligence helps identify discrepancies, fraud, or errors, ensuring the audit's reliability.

Audit Planning Considerations Continued

Understanding the Audit Subject

Industry Specifics Knowledge

Understanding industry-specific regulations and practices helps in tailoring the audit to address unique challenges and standards.

Deep Understanding of Operations

Knowing the entity's operations thoroughly is essential for an effective audit. This helps in identifying standard practices and deviations.

Internal Controls Assessment

Evaluating the entity's internal controls is crucial to ensure compliance and safeguard against fraud and errors.

Identifying Risk Areas

Recognizing potential risk areas within the entity helps in focusing the audit on critical points, ensuring a thorough review.

Professional Skepticism

Questioning Mindset

Auditors should maintain a questioning mindset throughout the audit process to ensure comprehensive and accurate evaluations.

Critical Assessment of Evidence

Auditors must critically assess audit evidence to verify its authenticity and relevance, ensuring the validity of audit findings.

Awareness of Contradictory Evidence

Being aware of any contradictory evidence is essential for auditors to identify discrepancies and ensure accurate audit results.

Key Skills for Auditors

Critical Thinking and Problem-Solving

Auditors use critical thinking and problem-solving skills to identify issues and develop effective solutions.

Effective Communication

Communication skills are vital for auditors to clearly convey findings and engage with stakeholders.

Data Analysis and Interpretation

Auditors need strong data analysis skills to interpret complex information and draw accurate conclusions.

Soft Skills: Curiosity, Integrity, Adaptability

Soft skills like curiosity, integrity, and adaptability are essential for auditors to navigate diverse situations.

Planning: Scope and Objectives

Organizing the Process

Setting clear objectives and defining the scope are crucial first steps in planning an audit.

Conducting Risk Assessment

Risk assessment helps in identifying high-risk areas that need to be prioritized during the audit.

Identifying Criteria and Measures

Tools like logic models and stakeholder interviews provide valuable insights for a comprehensive audit work program.

Status Reports

Status reports provide the auditor and auditee opportunities to address challenges and scope limitations in real time.

Polling Question #3

What's the most important factor in planning a performance audit?

A) Clear Objectives
B) Stakeholder Input
C) Risk Assessment
D) Audit Criteria

Fieldwork: Evidence Testing and Analysis

Organizing the Process

A checklist or data collection matrix can be used to effectively organize the data gathering process.

Data Collection Methods

Fieldwork involves collecting qualitative and quantitative data through interviews, surveys, and observations.

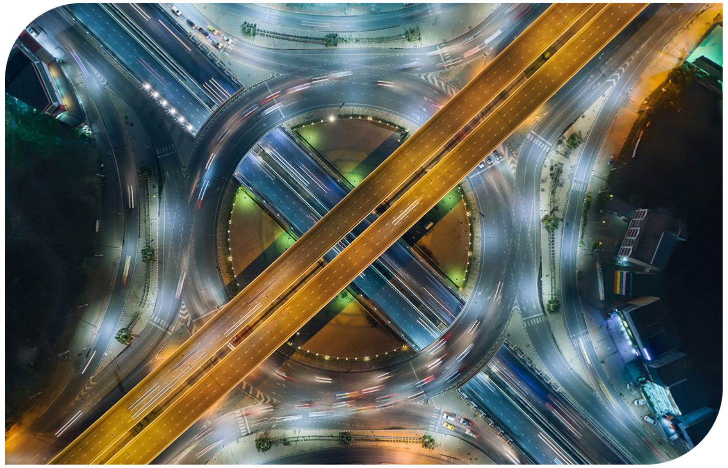
Ensuring Data Quality

Collected evidence must be sufficient, appropriate, and relevant to ensure accuracy and reliability.

Analyzing Collected Data

Analysis focuses on identifying trends, benchmarks, and anomalies to draw accurate conclusions.

Common Challenges



Access to data

Scope creep

Stakeholder resistance

Polling Question #4

What’s the biggest challenge you’ve faced (or expect to face) in a performance audit?

A) Getting reliable data
B) Managing scope
C) Gaining stakeholder buy-in
D) Writing actionable findings

Reporting: Communicating Findings and Recommendations

Include Background and Objectives

Recap the background and objectives to give context to your findings.

Explain Methodology

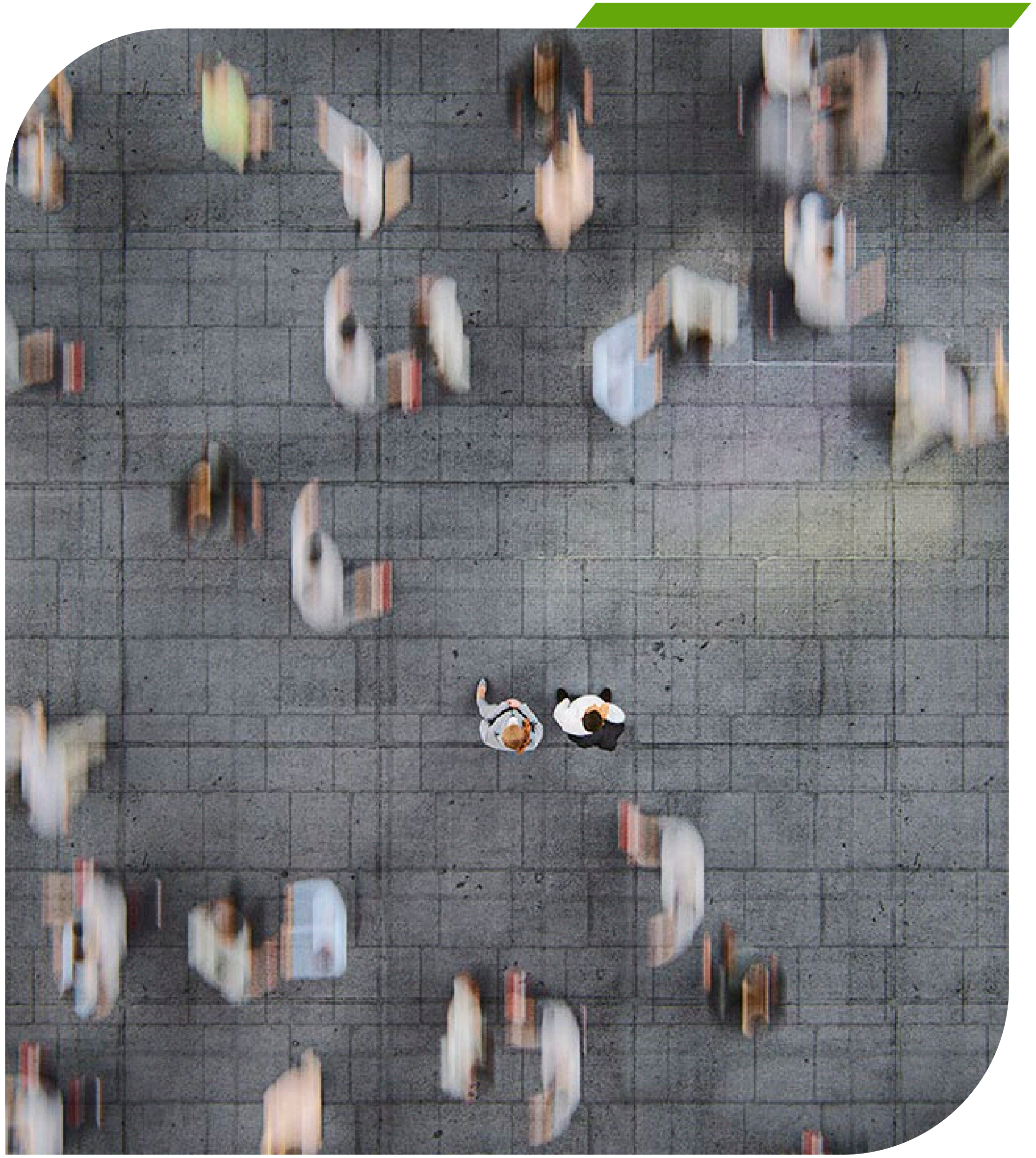
Detail the methodology used, ensuring clarity on how the data was collected and analyzed.

Present Findings and Conclusions

Communicate findings and conclusions succinctly, focusing on what was discovered and the implications.

Offer Recommendations

Provide actionable recommendations based on the findings, tailored to the audience's needs.



Desired Future State:

Follow-Up Audits

Follow-up audits are essential for verifying the implementation of recommendations, ensuring that corrective actions are taken.

Continuous Improvement

Effective follow-up drives continuous improvement and accountability within organizations, ensuring desired outcomes are achieved.

Learning Outcome 3: Yellow Book Audit Findings

Define the 5 essential elements of a Yellow Book compliant audit finding,c ommonly known as the 5 C's.

The 5 C's

Criteria

Criteria are the standards or benchmarks against which performance or compliance is measured.

Condition

Condition describes the current state of the audited entity or process in comparison with the criteria.

Cause

Cause identifies the reasons for the difference between the criteria and the condition.

Consequence

Consequence explains the impact or risk resulting from the condition not meeting the criteria.

Corrective Action Plans

Corrective action plans outline the steps to address the identified issue and prevent recurrence.

Example Yellow Book Compliant Audit Finding

Ineligible Participants in Free School Lunch Program

Criteria
Federal guidelines under the National School Lunch Program require that only students from households meeting specific income thresholds are eligible for free meals.

Condition
Approximately **5% of students** receiving free lunches were found to be **ineligible** based on income documentation reviewed during the audit.

Cause
The eligibility errors were due to **inadequate verification procedures** and **inconsistent training** of school staff responsible for reviewing applications.

Consequence (Effect)
This resulted in **misuse of federal funds**, reduced availability of resources for eligible students, and potential noncompliance with federal program requirements.

Corrective Action Plan (Recommendation)
We recommend that the school district implement **standardized training** for staff, adopt a **centralized verification process**, and conduct **periodic internal reviews** to ensure ongoing compliance with eligibility criteria.

Polling Question #5

Which makes a corrective action plan most effective?

A) It’s specific and actionable
B) It’s supported by data
C) It’s aligned with goals
D) All the above

Questions?

Contacts

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