Measurements for a Productive Audit Program

“Just Okay is not Okay”

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Audit Process Performance Measures

Why do we measure?

What do we measure?
Why Do We Measure?

• Report to Legislature
• Assist in conducting efficient operations
• Proper allocation of resources and time management
• Identification of strong/weak areas
• Timely feedback and consistent progress
• Increase productivity
• Continual improvement
• Assess our progress
What Do We Measure?

• The auditor, the initiative, and the Program

• To determine if the auditor is performing optimally, exceeding, or under-performing

• If any of the initiatives or programs need to be eliminated, modified, or enhanced
What Do We Measure?

- Productivity
- Time management
- Case management
- Cost effectiveness/materiality
- Quality and efficiency
Productivity

Number of:

- Audits started
- Audits completed
- Audits closed
Time Management

- Audit hours
- Direct audit hours
- Out of office hours
Case Management

• Average Days
  - Start to commencement
  - Start to closed case
  - First assessment to closed case

• Percentage of
  - Closed cases within 305 days
  - Closed cases within 60 days of statute expiration date
  - No changes
  - Tax compliance examinations resulting in an adjustment to a taxpayer’s account
  - Cases with extension

• Cases in inventory
Cost Effectiveness/Materiality

- Average
  - Tax per audit
  - Hours per audit
  - Tax per hour
- Low assessment
- Adjustments by tax schedule
- Net assessments by tax schedule
- Collections
- Refunds reduced
Cost Effectiveness/Materiality (continued)

- Audits per hour initiative
- Refund fraud/identity theft
- Protested cases
  - Withdrawn
  - Upheld
  - Reduced but liability still exists
- Return on investment by section and overall division
- Return on investment by auditor
Quality and Efficiency

• Case evaluation score
• Peer review
• Taxpayer survey
• Efficiency rating
• Team efficiency goal
• Error rate
• Team error rate
### Auditor Totals for the Period

<table>
<thead>
<tr>
<th>Auditor Totals for the Period</th>
<th>Average for the Period</th>
<th>Result</th>
<th>Indicator Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 Cases Closed</td>
<td>11.47</td>
<td>Good</td>
<td>Productivity</td>
</tr>
<tr>
<td>93.36 Average Days Start to Commencement</td>
<td>73.32</td>
<td>Requires Review</td>
<td>Case management</td>
</tr>
<tr>
<td>185.60 Commencement to Workpapers Ready</td>
<td>212.97</td>
<td>Good</td>
<td>Case management</td>
</tr>
<tr>
<td>185.15 Average Days Start to Case Closed</td>
<td>325.20</td>
<td>Good</td>
<td>Case management</td>
</tr>
<tr>
<td>38.95 Average Days First Assessment to Case Closed</td>
<td>48.54</td>
<td>Good</td>
<td>Case management</td>
</tr>
<tr>
<td>36.36% % Closed Case within 305 Days</td>
<td>63.29%</td>
<td>Requires Review</td>
<td>Case management</td>
</tr>
<tr>
<td>0.00% % Closed Case within 60 of Statute Expiration Date</td>
<td>0.00%</td>
<td>Good</td>
<td>Case management</td>
</tr>
<tr>
<td>15.00% % of No Changes</td>
<td>27.58%</td>
<td>Good</td>
<td>Case management/Cost effectiveness/Materiality</td>
</tr>
<tr>
<td>40.00% % of Cases with Extensions</td>
<td>39.01%</td>
<td>Requires Review</td>
<td>Case management</td>
</tr>
<tr>
<td>5,794.16 Average Tax per Case</td>
<td>48,125.36</td>
<td>Requires Review</td>
<td>Cost effectiveness/Materiality</td>
</tr>
<tr>
<td>74.71 Average Hours per Case</td>
<td>111.61</td>
<td>Good</td>
<td>Cost effectiveness/Materiality</td>
</tr>
<tr>
<td>77.75 Average Tax per Hour</td>
<td>431.19</td>
<td>Requires Review</td>
<td>Cost effectiveness/Materiality</td>
</tr>
<tr>
<td>0.00% Low Assessment</td>
<td>5.75%</td>
<td>Good</td>
<td>Cost effectiveness/Materiality</td>
</tr>
<tr>
<td>15.00% Small Audit Percentage</td>
<td>43.83%</td>
<td>Potential for Complexity</td>
<td></td>
</tr>
<tr>
<td>5.00% Medium Audit Percentage</td>
<td>26.79%</td>
<td>Potential for Complexity</td>
<td></td>
</tr>
<tr>
<td>25.00% Large Audit Percentage</td>
<td>24.22%</td>
<td>Potential for Complexity</td>
<td></td>
</tr>
<tr>
<td>2.94 Case Evaluation Score</td>
<td>2.75</td>
<td>Good</td>
<td>Quality and Efficiency</td>
</tr>
<tr>
<td>95.33% Case Evaluation Ratio</td>
<td>85%</td>
<td>Good</td>
<td>Quality and Efficiency</td>
</tr>
<tr>
<td>94.08% Direct Audit Percentage - set at 87%</td>
<td>87%</td>
<td>Good</td>
<td>Time Management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Miscellaneous</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Count of Positive Indicators</strong></td>
</tr>
<tr>
<td><strong>Total Indicators</strong></td>
</tr>
<tr>
<td><strong>Percent of Indicators</strong></td>
</tr>
</tbody>
</table>
## Miscellaneous

<table>
<thead>
<tr>
<th>Select Auditor</th>
<th>Select Tax Type</th>
<th>In State</th>
<th>Result</th>
<th>Indicator Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor Totals for the Period</td>
<td>Sales and Use Tax</td>
<td>Average for the Period</td>
<td>12.19</td>
<td>Requires Review</td>
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<tr>
<td>8 Cases Closed</td>
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<td></td>
<td>Productivity</td>
</tr>
<tr>
<td>55.38 Average Days Start to Commencement</td>
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<td>56.88</td>
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<tr>
<td>188.63 Commencement to Workpapers Ready</td>
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<td>109.28</td>
<td>Requires Review</td>
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<tr>
<td>350.25 Average Days Start to Case Closed</td>
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<td>211.10</td>
<td>Case management</td>
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<tr>
<td>36.88 Average Days First Assessment to Case Closed</td>
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<td>42.02</td>
<td>Good</td>
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<tr>
<td>50.00% % Closed Case within 305 Days</td>
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<td>91.81%</td>
<td>Requires Review</td>
</tr>
<tr>
<td>0.00% % Closed Case within 60 of Statute Expiration Date</td>
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<td>0.08%</td>
<td>Case management</td>
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<tr>
<td>37.50% % of No Changes</td>
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<td></td>
<td>13.63%</td>
<td>Requires Review</td>
</tr>
<tr>
<td>50.00% % of Cases with Extensions</td>
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<td>9.39%</td>
<td>Case management</td>
</tr>
<tr>
<td>16,422.85 Average Tax per Case</td>
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<td>29,651.01</td>
<td>Requires Review</td>
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<tr>
<td>111.09 Average Hours per Case</td>
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<td>62.43</td>
<td>Case management/Cost effectiveness/Materiality</td>
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<tr>
<td>147.83 Average Tax per Hour</td>
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<td>474.94</td>
<td>Cost effectiveness/Materiality</td>
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<tr>
<td>20.00% Low Assessment</td>
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<td></td>
<td>34.33%</td>
<td>Good</td>
</tr>
<tr>
<td>25.00% Small Audit Percentage</td>
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<td></td>
<td>54.25%</td>
<td>Cost effectiveness/Materiality</td>
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<tr>
<td>0.00% Medium Audit Percentage</td>
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<td></td>
<td>13.14%</td>
<td>Potential for Complexity</td>
</tr>
<tr>
<td>25.00% Large Audit Percentage</td>
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<td></td>
<td>5.32%</td>
<td>Potential for Complexity</td>
</tr>
<tr>
<td>2.60 Case Evaluation Score</td>
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<td>2.75</td>
<td>Requires Review</td>
</tr>
<tr>
<td>73.72% Case Evaluation Ratio</td>
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<td></td>
<td>85%</td>
<td>Quality and Efficiency</td>
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<tr>
<td>93.29% Direct Audit Percentage - set at 87%</td>
<td></td>
<td></td>
<td>87%</td>
<td>Good</td>
</tr>
</tbody>
</table>

Count of Positive Indicators: 5
Total Indicators: 16
Percent of Indicators: 31.00%