

# The ER Checklist

*Michael Kelly and Garry Sears*

## Introduction

This article is about expenditure reviews in the public sector.

Expenditure reviews in national governments around the world have gone under many names over the years – comprehensive, a-base, resource, program integrity, strategic, and most recently, spending reviews. They typically have an organization-wide scope. They sometimes focus on additional funding required to meet new program demands (often in the regulatory areas), though given worldwide economic trends these days and the need to contain government spending, they are more often driven by the need to reduce costs. They strive for process improvements and efficiencies, and also examine outcomes and cost-effectiveness, but not to the same depth as your traditional program evaluation or business case analysis.

These reviews are like going to the dentist – something that needs to be done, with a lot of unease and potential short term pain. Timelines are usually tight – sometimes only a few months. They are stressful for the organization as no manager likes to have his or her activities and resources scrutinized, and of course, employees fear the loss of their jobs. Expenditure reviews also question the way things are done, and challenge managers to do the same (or more) with less funding, often in a context where delivery models have a long history and are supported by a strong organizational culture. Often, processes have been established in response to government-wide policies and initiatives, all with good intentions but resulting in unintended and inefficient behaviour by pro-

gram managers or functional specialists deep within the organization.

Historically, some departments have applied a uniform across-the-board reduction and let managers each work out their own reductions. Although seen as more equitable, the downside of this approach is that high-priority activities are hit as hard as low priority activities, efficient organizations are penalized more than less efficient ones, and the focus is very short term. This is basically a cop-out that evades public accountability and can create major issues in the long term.

The premise of this article is that it is more effective to do *baseline assessments* of the programs and services across the organization using a standard methodology and a “checklist.” These assessments allow senior management to assess the implications of proposed changes to activities, processes and resources, and provide direction as to the appropriate resource targets for each program/service. Baseline assessments also generate opportunities which can be assessed in depth, prioritized from an organization-wide perspective, and used to develop an action plan.

## Why a checklist?

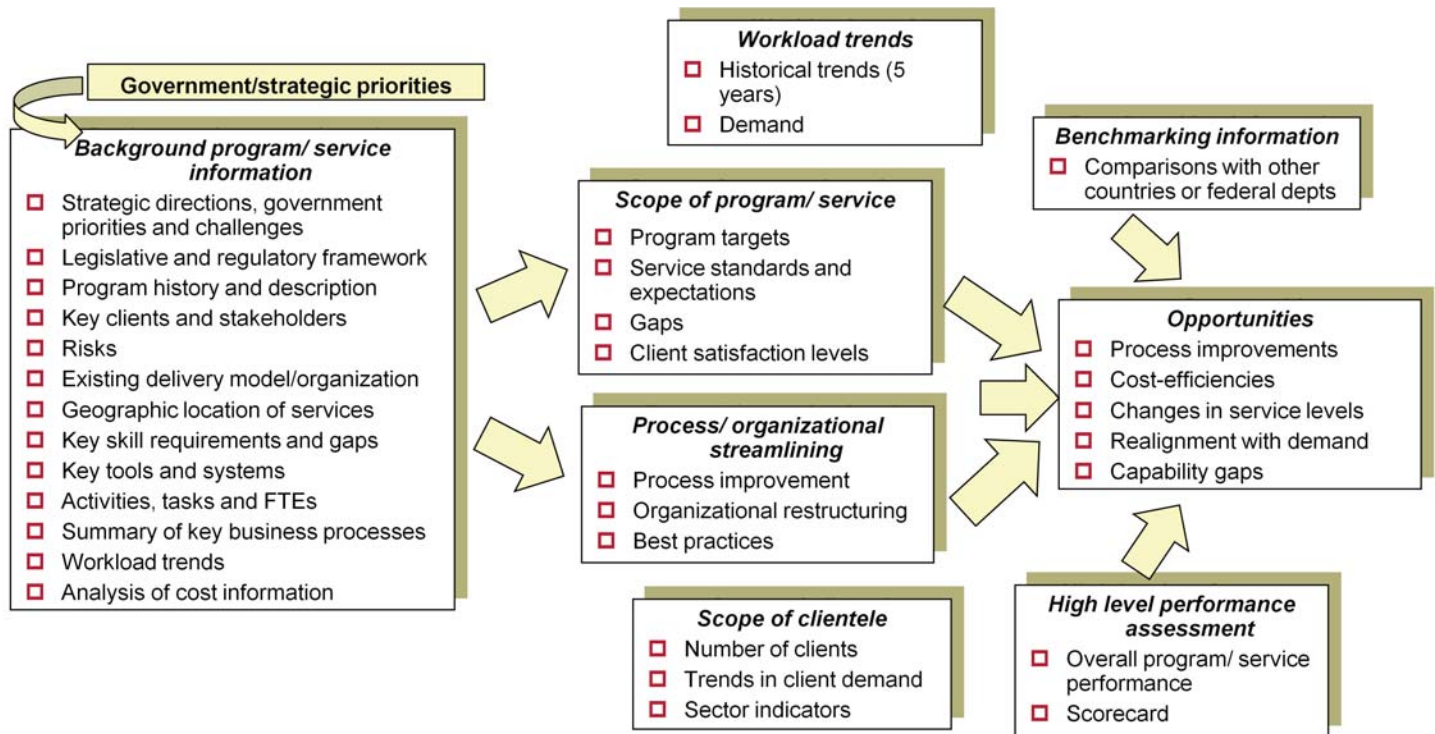
A checklist is a tool used to reduce failure that compensates for the limitations of human memory and attention. Mundane examples where the risk of failure is very low include a “to do” list and a shopping list (although the chef to the prime minister might argue a checklist is vitally important when ordering the ingredients for a head-of-state dinner – a high risk event). Other well-known and studied examples are the

checklists used by pilots in preparing to fly a plane or to deal with an emergency while in the air.

The utility of checklists received a major boost following the publication of an article by Atul Gawande in *The New Yorker* in 2007 followed by his best-selling book “The Checklist Manifesto” in 2009. Gawande is a doctor in Boston, Massachusetts who has advocated for the use of checklists in hospitals due to their demonstrated effectiveness in reducing errors in patient care, resulting in fewer fatalities and also reduced costs. As Gawande explains, substantial parts of what hospitals do, most notably, intensive care, are now too complex for staff to carry them out reliably from memory alone. He describes how a critical care specialist at Johns Hopkins hospital, Peter Pronovost, decided in 2001 to give checklists a try in order to tackle the common problem of infections associated with “lines” that are inserted into patients for a variety of purposes.

Pronovost developed a checklist consisting of a series of basic steps of what a doctor should do when inserting a line into a patient, beginning with “wash hands with soap”, followed by “clean the patient’s skin with antiseptic” and so forth – a total of five basic steps. All of these steps were no-brainers, and it seemed silly to make a checklist of them. Still, Pronovost asked nurses in the I.C.U. at the hospital to observe the doctors for a month as they put lines into patients, and record how often they completed each step. Surprisingly, in more than a third of patients, they skipped at least one. Gawande goes on to describe how the use of this checklist became mandatory, and led to dramatic

## THE OVERALL APPROACH



results. The line infection rate after ten days went from eleven percent to zero. Over the course of the next fifteen months, this simple checklist was estimated to have prevented forty-three infections and eight deaths, and saved two million dollars in costs.

Checklists have applications in the management world as well. An example in Gawanade's book is the use of a checklist to guide the acquisition of a multi-million dollar business by an investment company.

Over the past few years we have developed a methodology that uses a checklist to guide the conduct of expenditure reviews in the public sector, which is the subject of this article.

### Applying a checklist to expenditure reviews: the concept

A checklist of key considerations (or elements) to be examined when conducting baseline assessments is summarized in the chart below. Taken individually, the elements are already well known to managers and reflect common sense. Together, they provide an overall picture of a program or organization at a point in time. The challenge is that not all the elements are of equal importance in each baseline assessment. For example, gov-

ernment strategic priorities are more critical in the case of a policy function, while service levels are key for internal services such as finance or human resources. Our experience is that each and every element needs to be examined as there are always surprises — an activity may be much more time consuming or costly than expected when subjected to objective and quantitative analytics. Examining each service or program using the same checklist ensures more consistency in the analysis, subjects all programs and services to the same level of review, and helps to develop a common language around opportunities for improvement or cost savings.

### The overall approach

A baseline assessment is carried out for each program or service using a common checklist and template to ensure there is a common understanding of the scope of each program or service, the intended results, targeted resource levels in comparison to benchmarks, and potential improvement opportunities.

The checklist: 14 items in an expenditure review

#### 1. Strategic directions and priorities.

The objectives of the program or service, the legislation and regula-

tions in place, program history, history, key challenges, and the overall context and pressures on the program or service.

#### 2. Risks.

Key risks being addressed, including level of risk, whether the risk is increasing, decreasing or stable, mitigation measures in place and gaps that exist.

#### 3. Current delivery model.

How the current program or service is delivered, key distinguishing features, and the organizational delivery structure.

#### 4. Stakeholders, expectations and satisfaction levels.

Stakeholder interviews and existing client surveys/evaluations can be used to assess stakeholder satisfaction levels.

#### 5. Scope of clientele.

The number and type of clients served, external (e.g., parties regulated, beneficiaries of Gs & Cs, other federal departments or levels of government) or internal (managers, employees).

#### 6. Activities, FTEs and expenditures.

The main tasks, products and approximate full-time equivalents.

Expenditure information is reported by object, and over a three to five year period.

7. **Main business processes.**

High level process maps for activities that are process oriented, identifying the key steps and the various organizations within the department.

8. **Workload trends.**

Is workload increasing, decreasing or stable? The number of transactions, ideally over a five year period.

9. **Skills.**

Are there gaps in the skills and competencies required? The main skill requirements for each activity and gaps or issues that may exist in terms of competencies.

10. **Tools and systems.**

Key tools such as information systems, technologies, or reference guidelines that are used to support the work and any gaps or issues that may exist.

11. **Performance assessment.**

Performance levels achieved in relation to resources with a view to improving performance or shifting resources to or away from non-performing services.

12. **Benchmarking of resources, delivery models and best practices.**

How resource levels compare with other similar organizations, other delivery models, and best practices.

13. **Opportunities for improvement and/or cost-efficiencies.**

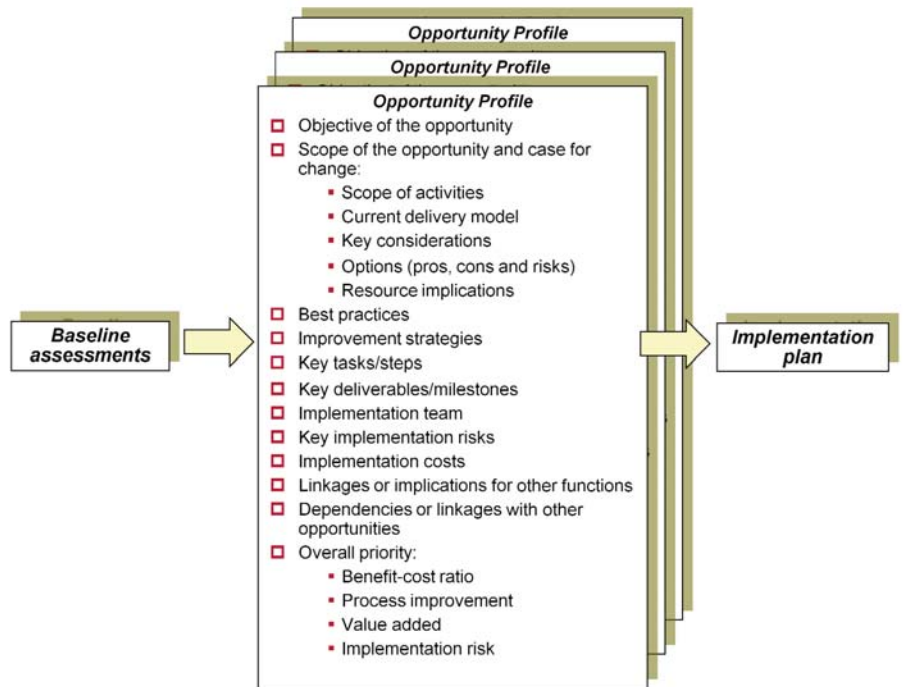
Considering strengths and weaknesses, risks, performance results and gaps, the benchmarking, and cost savings/gaps.

14. **Estimate of resources required.**

Top-down (e.g., comparisons with other benchmark organizations) as well as bottom-up (e.g., based on activities that need to be carried out, stakeholder expectations, program/service standards, and workload trends).

Each baseline assessment produces opportunities. Opportunities are examined further to ensure a common understanding of the scope of the changes proposed, their feasibility and an assessment of the pros, cons, risks and cost implications of the options.

**OPPORTUNITY PROFILES**



Opportunities may include process improvements or streamlining, program redesign, changes to the delivery model, changes in the scope of services or service levels, elimination of non added value activities, review of risk levels, greater standardization of processes or organization, better technology, improved information, centralization of services, streamlining, reducing infrastructure, outsourcing, cost recovery, greater cost-efficiency, etc.

**Some guiding principles**

- **Take a horizontal view across the department.** The opportunities and potential cost savings are identified from a departmental-wide focus as opposed to a strictly organizational one.
- **Establish clear resource targets for the organization as a whole.** For example, striving for an x% reduction in overall expenditures, or internal services not exceeding 20% of overall departmental expenditures.
- **Build on existing strategic directions and initiatives.** Including both government-wide and departmental-specific initiatives. For example, an expenditure review examining the evaluation function as part of an internal services review needs to consider

government-wide directions for evaluation (e.g., coverage of 100% of spending, which has resource implications) as well as departmental priorities (clustering of programs leading to fewer, larger evaluations and less burden on program managers).

- **Consider the change management implications.** The implications on staff, the feasibility of implementing the options identified, and any barriers to implementation. A clear communications plan is necessary to clarify what will be communicated to staff and when.
- **Engage management.** Through the deputy head, executive committee and ideally a steering/working group to oversee the work and guide/support the project team carrying out the work.
- **Seek dialogue with managers and staff.** Through interviews and workshops to validate the findings and encourage a meaningful discussion about opportunities. Working-level staff often have excellent ideas for improving processes, for example.
- **Ensure the project team has the required expertise.** For example, in the case of an expenditure review of internal services, ensure that specialists in each functional area (e.g., HR, IM/IT, planning, communications) are involved, which enables opportunities

to be identified immediately based on prior experience in other departments.

### Key questions and examples of issues opportunities and lessons learnt

The following table identifies the key questions associated with each checklist item, together with examples from actual expenditure reviews across the federal government undertaken by the authors over the past twenty-five years.

1. Are the **strategies and priorities** aligned with government-wide priorities? Are the objectives of the program or service clear and still relevant? Are the legislation and regulations up-to-date and effective?

*Aligning resources with strategic priorities.* In one departmental review, management committee is surprised that the majority of resources are devoted to what they had identified as lower priorities.

2. Are **risk mitigation measures** in place adequate?

*Shifting resources to the highest risk areas.* Often, in regulatory organizations, resources have been successful in addressing well known health risks but have not been reallocated to address new emerging risks where mitigation measures in place are limited.

3. What is the impact of the **current program delivery model** on resources? Could other delivery models be more cost-effective? Are there organizational issues?

*Need for more flexible organizations.* In a number of departmental reviews, a common issue is that matrix organizations are not quick and flexible enough to respond to today's context that has a high technology component, is ever changing and requires fluid project teams with highly specialized skills.

4. Do **stakeholders and/or clients** have any major issues or concerns? Are service standards/expectations being met? Are they proposing different delivery models?

*Not keeping up with stakeholder expectations.* In one assessment, not only were external stakeholders unhappy with the current delivery model, but they proposed a stronger regulatory role by government and were prepared to pay for it through user fees.

5. Are resources aligned with the **size of the clientele or sector** supported?

*Consider market importance.* Resource levels are perceived to be high but are in line with other countries when compared to the size of the sector and level of exports.

6. Are **FTE resources and expenditures** aligned with the scope of activities carried out? What is the trend in **spending**? What proportion of spending is devoted to salaries versus other major objects? Are high cost items being acquired in the most economical manner? Has there been lapsing of funds?

*Outsourcing.* A high cost service can be acquired at a lower cost externally but managers resist due to the perceived higher risks in terms of quality control.

*New technologies.* In one assessment, major cost savings were identified by replacing traditional marketing methods with new web based distribution models and media.

7. What **process improvements** are possible? Do the processes reflect best practices?

*Process streamlining.* By reducing hand-offs, more standardization, improving information flow, implementing best practices, more cross-functional and horizontal processes, and centralizing where this makes sense.

8. Is **workload** increasing, decreasing or stable? What are the key workload drivers?

*Using baseline forecasts as a planning tool.* In tribunals/boards, projected baseline volumes by type of case are

used to reallocate resources and support the business case for additional resources when caseload volumes change.

9. Are there gaps in the **skills and competencies** required? How many vacancies are there? Has staff retention been an issue?

*Mix of staff skills and expertise.* For example, where benchmarking indicates that science and technical skills represent a much smaller proportion compared to similar organizations in other countries.

10. Do **tools and systems** reflect best practices? Do the technologies need to be updated? Are efficiencies possible? Is the information being used to best manage resources?

*Inadequate information for resource planning.* Discrepancies exist between corporate data sources as employees are involved in multiple programs, workload is counted and the time of staff is allocated in different ways, the data is collected through different types of time reporting. As a result, managers do not trust basic information required for resource planning.

11. **Performance assessment.** How is the program or service performing on a range of performance indicators? Are performance results related to resources or other considerations?

*Performance analysis in some regulatory programs reveals that the program area has consistently not met regulatory targets.* Better triage is required up front to process lower risk cases more quickly and focus resources on higher risks.

12. **How do resource levels compare with other similar organizations**, such as comparable agencies in other federal departments, provinces, or countries? The overall premise is that the relative cost of services should not exceed that of other organizations of comparable size and/or with a similar mandate.

*What is affordable.* Resource targets are established for each area based on

*benchmark comparisons. Process improvements and service expectations of clients need to be aligned with the resource reductions.*

13. **Are there opportunities for improvement and/or cost-efficiencies?** Are the opportunities feasible or simply a “wish-list”? What is their relative priority? Do certain opportunities need to be implemented first to enable others? What are the dependencies? Have these opportunities been pursued in the past with any success?

*Changes to delivery model. An issue across many departments, as HR, financial and other internal services have expanded over the years at the corporate, sector and branch level, resulting in duplication, confusion, and competition within the organization despite resource constraints.*

14. What is the **resource saving or gap** compared to existing resource levels? Salary or operating costs? How accurate is the estimate? What is the timeframe? What is the probability of success?

*Implementation is always the biggest challenge as the implications of resource reallocations or reductions become clearer.*

### Case Study

A review of internal services in a large department: Employing the checklist approach, this review carried out baseline assessments of some 20 internal services, ranging from planning to communications to IM/IT. This structured approach enabled the review to be completed within the targeted four month timeframe. Some fifty opportunities for cost savings and improvements were identified. The baseline assessments took a horizontal view of internal services across the department. The assessments generated detailed opportunity profiles which were validated with the departmental functional lead for each internal service, while workshops involving groups of managers validated the horizontal opportunities. Key success

factors for this project included: a target was identified up front regarding the targeted cost savings; the deputy head was directly involved throughout the project; each baseline assessment was led by a consultant with expertise in the particular functional area; a benchmarking exercise identified the number of FTEs devoted to each internal service across the federal government; and, preliminary baseline reports were produced within the first month of the project in order to put potential cost-saving and improvement opportunities on the table early.

### Methodological challenges

- **Strategic directions and priorities.** Departments often struggle with developing a robust strategic planning process that is led by senior management, and therefore key external trends, internal issues and strategic priorities may not be documented. In this situation, interviews are required to capture the salient points.
- **Risks.** People have many different interpretations of what a risk is. Typical risk profiles prepared by departments have generally not proven to be very useful as the risks are often internally focused (e.g., high staff turnover, lack of resources) and have little or no relation to resource levels. It is essential to distinguish between external and internal risks; to identify external risks that the department can influence and their relationship with resource levels; and to determine the acceptable level of risk, the level of controls, and reach agreement to the extent possible on acceptable risks.
- **Current program delivery model.** Often departmental managers are reluctant to consider new delivery models. Evidence from benchmarking against other departments or governments can identify alternatives to be examined.
- **Stakeholders, expectations and satisfaction levels.** The challenge is obtaining stakeholder feedback in a limited timeframe. Stakeholder interviews and existing client surveys/evaluations can be used to assess stakeholder satisfaction levels. Often,

a limited number of stakeholder interviews can help to identify any major issues or concerns of stakeholders.

- **Scope of clientele.** Not to be confused with workload, the clientele defines the universe, for example, the number of establishments that could potentially be inspected in the case of a regulatory agency. This information is often not readily available and must be researched using external data sources. Defining the key indicators of the size or scope of the clientele can be a challenge.
- **Activities, FTEs & expenditures.** Depending on the scope of the program or service, the numbers of personnel (full-time equivalents) can be determined through interviews with managers, completion of questionnaires by staff, review of organizational charts (often unreliable) and telephone directories (more reliable), and reconciliation with expenditure information provided by finance. This can be complicated where staff spend time on multiple activities. Need to choose a specific date which will seem straightforward at the beginning of the review and become more controversial as time passes and changes occur. The quality of the expenditure information will depend on the reliability of the information in the corporate systems.
- **Main business processes.** Often business processes can be streamlined. The challenge is that preparing process maps and then analyzing them takes time, which is difficult within the typical short timeframe of an expenditure review.
- **Workload trends.** Assessing workload trends can be difficult where several workload indicators are involved, the workload is not easily measured, some transactions require considerable more time than others, or workload information is simply not available.
- **Skills.** Assessing current capabilities requires a combination of interviews with program/service providers coupled with benchmarking evidence.
- **Tools and systems.** The focus needs to be on the key systems or technologies that are strategic in terms of decision-making or delivery.

- **Performance assessment.** The Government of Canada's approach to performance measurement focuses entirely on reporting achievement of external results and therefore few indicators may be available relating to process efficiency, employee satisfaction, client service, etc. Where no indicators or performance information exist, it may be necessary to identify the key indicators based on benchmarks and conduct a summary assessment (often qualitative) based on whatever information is available.
- **Benchmarking of resources, delivery models and best practices.** Time consuming, this task is always controversial given the need to compare "apples to apples", and that people will always question the reliability of the comparisons. Comparing with a large number of organizations can help to minimize the margin of error but takes more work. Potential data sources can include information from previous benchmarking studies, industry standards, or simply the government directory. The resource comparison is nevertheless key to establishing agreement on the appropriate resource target for each program or service.
- **Opportunities for improvement and/or cost-efficiencies.** Employees will have completely different understandings of the same opportunity. Sufficient time must be allowed for managers and staff to understand the implications of opportunities, consider their merits and feasibility and chances of success.
- **Estimate of resources required and proposed changes.** This is generally done top-down (e.g., comparisons with other benchmark organizations) as well as bottom-up (e.g., based on activities that need to be carried out, stakeholder expectations, program/service standards, and workload trends). In the case of program activities, the top-down comparison can be done in relation to the clientele or sector served; and in the case of internal services, as a percent target in relation to total resources. The cost savings opportunities identified then need to be assessed as to whether they are sufficient to meet the agreed upon target

resource level, and the risks assessed in pursuing the potential reductions identified. Finally, the potential resource reductions or increases need to be summarized by activity, in terms of the impact on FTEs and funding levels. The cost savings/increases can be estimated using an average salary per full-time equivalent including salaries and operating costs.

### In conclusion

Expenditure reviews are a popular activity in governments around the world as governments struggle with the need to reduce expenditures. While sometimes governments decide to apply a uniform across-the-board reduction, the modern approach is to carry out individual baseline assessments of the programs and services throughout the organization

using a standard methodology and employing a checklist. Over the past twenty-five years, the authors have developed a 14 item ER checklist that enables a department to undertake a comprehensive review in a short period of time. The power of the checklist is that all programs or services are compared using the same criteria and typically cost-saving and improvement opportunities are identified that otherwise might be overlooked taking a less structured approach.

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