Testimony of

The Hon. Kathy Patterson

D.C. Auditor

Before the

Council of the District of Columbia
Committee of the Whole

2016/2017 Performance Oversight Hearing on the

Office of the D.C. Auditor

March 15, 2017

Room 123
The John A. Wilson Building
1350 Pennsylvania Avenue N.W.
Washington, DC 20004
Good morning, Mr. Chairman and members of the Committee of the Whole. I am Kathy Patterson, and I serve as the District of Columbia Auditor. I am joined today by the Office of the D.C. Auditor Deputy Auditor Lawrence Perry and General Counsel Amy Bellanca.

It is our pleasure to come before you to discuss the performance of the Office of the D.C. Auditor. I will discuss our most recent peer review, our performance planning process and Key Performance Indicators, as well as other initiatives the office has undertaken in the past year.

2016 Peer Review

For the Office of the D.C. Auditor to continue to comply with the Generally Accepted Government Auditing Standards – or GAGAS -- promulgated by the Government Accountability Office, we must undergo a peer review once every three years. We invited the Association of Local Government Auditors to conduct our 2016 triennial peer review. They sent a team of three auditors to review our policies and procedures, internal monitoring, a sample of audits and work papers and other documentation. They also conducted in-office interviews with staff, including me. I am pleased to report that we received the highest of three possible ratings, and it is the first time that ODCA has received the highest rating. This was a clean audit and found we are in full compliance with GAGAS.

The last ODCA peer review, in 2013, was akin to a qualified audit, in that the reviewers noted several deficiencies, or departures from GAGAS auditing standards. The most significant had to do with documentation of supervision by managers. We document the review of an auditor’s work through our audit management software, called TeamMate, in which various steps of an audit are signed off on by the supervisory auditor, who is a member of the management team. The finding in 2013 was that not all of the work in the sample had been signed off on through reviews documented in TeamMate.

In our 2016 review, the three reviewers provided a supplemental letter that noted areas in which they determined that the office excelled, including:

- A semi-annual quality assurance review report which they described as “an excellent tool for assessing the effectiveness of ODCA’s quality control system and identifying areas for improvement.”

- ODCA’s specific policy that requires our staff to document their assessment of the evidence used to support findings and recommendations. They described this work paper as “a thorough and effective way to assess the sufficiency and appropriateness of audit evidence.”

- Our debriefing document which we use when we complete the survey and field work phases of audits which the reviewers described as “an effective way for summarizing the results of the work completed to date.”

Informally, that is, not in a letter, the team leader for our peer review suggested to me that we might consider coming to the Council and recommending that our annual work plan be a document that the Council actually enacts or approves by vote. He made the recommendation as a strategy that can help assure that the Council concurs with what we have established as priorities for the office. I welcome your thoughts on this proposal!
Our next triennial peer review will be in 2019. For that next assessment we are considering contracting with the National Legislative Program Evaluation Society, which is a staff section of the National Conference of State Legislatures, or with the National Association of State Auditors, Comptrollers and Treasurers. Both are professional associations that represent state rather than local government entities. We hold memberships in both the state and local organizations, and have a relationship with NLPES based on the Council’s membership in NCSL.

ODCA Performance Planning and KPIs

I am delighted to report on both a process and a product. Attached to this testimony is our FY 2016 Performance Report which includes four key performance indicators, or KPIs, that were developed by a staff working group. ODCA analysts and auditors met at least nine times to identify, select, and edit the proposed performance indicators. They reviewed the metrics used in other audit offices, and in other District agencies, and reviewed professional literature on the topic of audit performance metric design, implementation and verification. After I approved the four proposed KPIs, four subcommittees met to develop standard operating procedures to track each KPI. (Example: when we measure how long a particular audit takes, what is the starting point? Our answer: when we send a letter notifying an agency director that we are undertaking an audit.) We are in the process of revising our office Policies and Procedures, and these performance indicators, and how they are to be measured, will be a part of the revised manual.

The downside of this very productive process is that it occurred this past year – which means that the KPIs included in the report are new. Three out of four have not been measured previously, so it will take some time to be able to report on the trends which we hope will show progress in our performance. The performance indicators are:

1. The number of times the Council has acted based on ODCA reports or other ODCA information.
2. The percentage of recommendations implemented within one year.
3. The percentage of surveyed auditees and stakeholders who responded that an engagement was “very valuable” or “valuable.”
4. The percentage of engagements completed within 10 months.

Because we are a legislative audit shop it is important to measure how effectively our work meets the needs of the Council and provides the rationale for Council actions. We are reporting eight instances in which our work was used by the Council, which includes testifying at Council hearings, providing background to Councilmembers and Council staff for hearings and other work, and having an impact on legislation considered or enacted by the Council.

These accomplishments include working with you, Mr. Chairman, and Councilmember Anita Bonds on two bills that will help us focus more closely on the highest priority issues. This committee and the full Council approved your bill to eliminate some of the out-of-date mandatory audits we had been tasked with producing. And Councilmember Bonds moved forward with legislation that will transfer some of our operational responsibilities for Advisory Neighborhood Commissions to the Office of ANCs.
Because performance reporting is not simply the final outcome, we also detail efforts undertaken to lead to results. In seeking to meet the goal of having a positive impact on Council efforts, we want to ensure that there is a strong and steady flow of information to Councilmembers and to your staff. We have begun tracking our interactions, and also tracking more closely the work of the Council with regard to topics and agencies that have been recent subjects of our reports. It’s said that what gets measured is what gets done, and I have already seen the positive effect of counting such contact. It reminds us that when we are undertaking an audit, we are well-advised to check in with the relevant oversight chairperson just in case there are issues that he or she will want us to address in our review. We maintain our independence, of course, but letting a Councilmember and staff know that we are beginning a particular audit and eliciting any specific questions the legislator or staff may have helps assure the information we develop is useful. Such outreach is becoming a standard part of our work.

Agency compliance with audit recommendations is fundamental to the work of auditors. Tracking the extent to which agencies follow our recommendations, and the timeliness of that compliance, also helps ensure that we are in good communication with agency staff as we conduct our audits. Ideally each recommendation developed in the course of an audit is accepted and adopted by an agency, and building consensus as we go through our audit steps is a goal.

We produce a compliance report each year, usually around the start of the calendar year in order to be of greatest use to the Council in your performance oversight hearings. This is one KPI that we already had been tracking. But between FY13 and FY15 we only tracked those recommendations made in “yellow book” audits, those following all of the Generally Accepted Government Auditing Standards steps. Starting in FY16 we are tracking all of our recommendations, including those resulting from program evaluations and non-GAGAS audits.

ODCA efforts to improve this metric include more focused recommendations that are clear, measurable, and reflect change that addresses the basic cause of the problem identified. Measuring whether each recommendation is implemented fosters stronger working relationships with executive branch agencies. You will note in our performance report that we got close to 50% of recommendations being implemented within one year in FY13 and FY14, but the percentage dropped in FY15 for several reasons. We will not have data on our FY16 results until we conduct that analysis later this year. Our FY17 goal is to improve on the earlier metrics by hitting 55%.

The third KPI is the percentage of auditees and stakeholders we surveyed who responded that the report was “very valuable” or “valuable, and we had a 90% response in FY16. I should explain, though, that this was based on a small sample as we began surveying just last year, and have not conducted surveys on all of our reports from FY16. This effort is a work in progress, based on practices in other state and local audit offices around the country. We use a Survey Monkey online questionnaire that we submit to representatives of the agency that was audited, and also typically share the survey with other interested parties we might have interviewed during the audit.

The final performance metric we report on is the length of time our audits take – and we are measuring what proportion of projects are completed within 10 months. By measuring the time our projects take, we hope to improve productivity – more bang for the taxpayer buck. And that includes both individual staff member productivity, but also improved supervision and better use of time. Many of our projects have enormous scope – including the report we will issue tomorrow on the Housing Production Trust
Fund – and there will likely continue to be audits that take well beyond ten months to complete. But moving the bulk of our projects toward a less-than-a-year timeframe seems reasonable, and will enable us to be more responsive to specific requests from Councilmembers.


Because we strive for continuous improvement, we are revising our policies and procedures insofar as our audits are concerned, and will be promulgating an updated policies and procedures manual later this year. ODCA’s policies and procedures manual outlines how we interpret GAGAS provisions, and also outlines the quality control measures we follow on all of our engagements, whether GAGAS or not. And those procedures are outlined in the document that is on our website, including the standards we follow when we write our reports. Audit and evaluation offices at all levels of government use a range of professional standards besides GAGAS, such as the Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General, and we have drawn upon this body of professional standards in drafting our policies and procedures manual.

At the same time we are strengthening the rules we follow in producing audit reports, we are also revising our office policies and procedures. The Office of the D.C Auditor has independent personnel authority, and in October, I issued a new set of regulations governing our performance and disciplinary policy. The goal of the ODCA personnel rules is to adhere to the letter and also the spirit of the District’s personnel law as enacted by the Council which is based on and emphasizes performance. ODCA’s new performance evaluation process includes a format for establishing individual work plans for each calendar year, and we are in our second year of using that process.

Benchmarking/Best Practices

An additional element we will be adding to our policies and procedures guidelines will cover benchmarking programs when we undertake program audits. “Compared to what?” is a fair and frequent question when we assess a government program, service, or policy, and we are increasingly including comparisons with other jurisdictions in our reports. Our work on the Summer Youth Employment Program included a report comparing the District’s program with similar programs in seven other cities. We began our work on the Housing Production Trust Fund with a 5-city comparison, as a separate report. Our report on expenditures for Storm Jonas in early 2016 included data on how two area jurisdictions handled their procurement of snow removal services. Our report last fall on contracting out school food services included a very useful section on other major city school systems and their experiences with contracting, and with bringing food services back in-house. I mention this because we are having an internal discussion of how and when to include such comparisons in our audits – and are likely to have such benchmarking be more the norm than the exception going forward.

Podcasts and Blog

In June of last year we initiated a blog and series of podcasts, entitled Checked and Balanced. Our first blog entry, on the report we issued on the modernization of the Duke Ellington School of the Arts, was published in June, and our first podcast, on a report on the Department of Youth Rehabilitation Services, was posted in July. We hope these short written and audiotaped vehicles can improve the impact of our
work and let the community know more about the important topics, findings and recommendations that we produce.

**Contract Audits**

We received a modest increase in our non-personal services budget for this fiscal year to better enable us to seek out policy and program expertise in the District of Columbia and conduct contract audits on our behalf. I would like to highlight one such contractor, the Council for Court Excellence. This 35-year-old nonprofit civic organization completed a year-long review of the work of the Office of Administrative Hearings with recommendations for both legislative and management improvements to strengthen the work of the administrative court. It is my hope that Councilmember Allen and the Committee on the Judiciary will give serious consideration to the recommendations developed by the CCE working group.

I want to point out the very high quality of the work produced by CCE – but I also want to talk about the value proposition. Our one-year contract with CCE cost District taxpayers, through ODCA’s budget, about $110,000, which helped defray some of their staff costs. In return, we got something well in excess of a million dollars in time and subject-matter expertise provided pro-bono by the CCE members – lawyers and business and nonprofit leaders. This proved to be an excellent partnership, and on that basis we have contracted, again, with the Council for Court Excellence for a study of the working relationship between the Department of Behavioral Health and the criminal justice system – a study that we anticipate will be published in the fall.

There is a second contract audit that I would also like to mention – the report we released a little over a year ago entitled *The Durability of Police Reform: The Metropolitan Police Department and Use of Force 2008-2015* written by The Bromwich Group. We got a significant amount of press attention for this report, and just recently the report was cited in a paper on the Department of Justice’s “pattern and practice” investigations of local police departments by Samuel Walker, emeritus professor of criminology and criminal justice at the University of Nebraska at Omaha. In looking at the history of DOJ consent decrees and court-enforced reforms, Professor Walker described our report as “the best post-consent decree assessment of a department” discovered in his extensive research.

**“Journalist in Residence”**

Effective in October, 2016, I created a new role at the Office of the D.C. Auditor, that of “journalist in residence.” The idea was to bring on board an experienced journalist who would work with audit teams to help make our reports more user-friendly and teach our staff some tried and true journalist research methods. We were very lucky to persuade a veteran investigative reporter and editor, Chuck Babcock, to take on this role and he will be part of the staff for a year, on contract, on a part-time basis. One of the most experienced investigative journalists in Washington, he has a strong record of protecting the public interest as a reporter and editor at *The Washington Post and Bloomberg News*, with award-winning reports on campaign finance and waste and abuse in the federal government. He served as editor on our recent report on the D.C. Business Center and is following up on issues that arose in our audit of the Housing Production Trust Fund. At the conclusion of his year, we will evaluate the “journalist in residence” role, and decide whether to bring on board a second journalist as a successor to Mr. Babcock.
Finally, a preview of what we have coming out shortly. Tomorrow we are scheduled to release our audit of the District’s Housing Production Trust Fund, with recommendations on improving management of the program to better meet our affordable housing goals. Next week we will release the final of four reports on the Marion S. Barry Summer Youth Employment Program, and hope that will be particularly useful as the Council considers new legislation on the summer program. Also coming soon is an overview of the District’s investments in home visiting programs, an important intervention for at-risk newborns and their parents, prepared by DC Action for Children. Later this spring we will publish our next report on the school modernization program, and an audit of the management of the city’s vacant and blighted properties by the Department of Consumer and Regulatory Affairs.

Mr. Chairman, this concludes my written statement, and I would be happy to answer any questions.
Office of the District of Columbia Auditor
Fiscal Year (FY) 2016 Performance Report

The Office of the District of Columbia Auditor’s (ODCA) mission is to support the Council of the District of Columbia by making sound recommendations to improve the economy, efficiency, and accountability of the District government.

To evaluate how well we are meeting our mission, we use the following four Key Performance Indicators (KPIs). These metrics are designed to track our annual progress in meeting our goals to be responsive to the Council, craft Implementable recommendations, conduct work that is valuable to our stakeholders, and complete work products in a timely fashion.

<table>
<thead>
<tr>
<th>ODCA Key Performance Indicators (KPIs)</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Actual</th>
<th>FY 2017 Target</th>
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<tbody>
<tr>
<td>KPI #1: Number of times the Council has acted based on ODCA reports or other ODCA information</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>KPI #2: Percentage of recommendations implemented within one year</td>
<td>49%</td>
<td>53%</td>
<td>14%</td>
<td>Not available*</td>
<td>55%</td>
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<tr>
<td>KPI #3: Percentage of surveyed auditees and stakeholders who responded that engagement was “very valuable” or “valuable”</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>91%</td>
<td>92%</td>
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<tr>
<td>KPI #4: Percentage of engagements completed within 10 months</td>
<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
<td>57%</td>
<td>60%</td>
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* The data for FY 2016 is not available until the close of FY 2017.

We created KPI #1 to measure how effectively our work meets the needs of the Council and provides a basis for Council actions.

**Key Efforts:**
- Ensure there is a strong and steady flow of communication not just to Councilmembers but also to their staff;
- Track Council actions to record the impact and relevance of our work; and
- Track contacts (meetings, phone calls, emails, etc.) with Councilmembers and their staff members on Council audit requests and audits conducted or being conducted by ODCA.

**Definitions:**
“Acted” refers to Council citing ODCA’s work in a hearing, roundtable, briefing, report, or press conference. It also includes issuing a letter, requesting information, or introducing or enacting a law or resolution in response to ODCA work.

“ODCA information” may include testimony, meetings, briefings, letters, etc.
We created KPI #2 to quantify the relevance and usefulness of our recommendations to agency management.

**Key Efforts:**
- Improve recommendation writing skills – focus recommendations on root causes;
- Engage more directly with agency management throughout audits and evaluations; and
- Enhance efforts to uncover root causes for findings.

**Definitions:**
Recommendations deemed “no longer applicable” are not counted.

A recommendation is deemed implemented if the auditee provides proof of implementation within 12 months of report issuance.

In FY 2013-FY2015, only audit recommendations were tracked. Beginning in FY 2016, recommendations made in program evaluation reports and other work products will be tracked in this KPI.
We created KPI #3 to ascertain how valuable auditees and stakeholders find our work processes and products.

**Key Efforts:**
- Select an independent staff member to promptly solicit feedback from auditees and stakeholders;
- Use the survey results in post-audit review meetings to identify areas for improvement or best practice; and
- Create multiple channels of communication with our auditees and stakeholders.

**Definitions:**
"Stakeholders" are parties who had interest or involvement in the audit (e.g., other agencies who provided information, contractors, NGOs, Council staff, ANCs, and citizen groups, etc.).
KPI #4: Percentage of Engagements Completed within 10 Months

We created KPI #4 to assess the ability of our office to produce timely work products.

Key Efforts:
- Create appropriate and well-defined scope and objectives;
- Dedicate sufficient resources (staff members) to the engagement;
- Where issues of interest arise that are outside the engagement scope during the project, initiate a separate engagement if warranted, but avoid major revisions or expansions in scope;
- Ensure continued communication and engagement with the auditee throughout the audit so that the auditee is aware of findings and recommendations as issues arise during the audit;
- Maintain appropriately updated TeamMate file throughout the engagement (for example, records should be uploaded to TeamMate within two business days of receipt and be properly placed in a procedure step and include complete Source, Purpose, Conclusion annotation);
- Accurately estimate length of time to completion of engagement at initiation, including appropriate time for internal reviews, creating graphs, etc.; and
- Enhance individual staff productivity, improve use of time and improve supervision.

Definitions:
Start Date refers to the date that appears on the engagement letter to the auditee. In the case that there is no engagement letter, the start date is the date that appears on an internal workpaper completed at the initiation of the project.

End Date refers to the date of report issuance.

NOTE: To calculate this KPI we counted reports that were issued in FY 2016.