

Testimony of

The Hon. Kathy Patterson
District of Columbia Auditor

Before the

Council of the District of Columbia
Committee of the Whole

Public Hearing on the
FY 2019 Budget for the Office of the D.C. Auditor
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Room 500
The John A. Wilson Building
1350 Pennsylvania Ave., N.W.
Washington, DC 20004

Good morning, Chairman Mendelson and members of the Committee of the Whole. I am Kathy Patterson, the District of Columbia Auditor. I greatly appreciate the opportunity to be here today to discuss the budget for the Office of the D.C. Auditor (ODCA) for Fiscal Year 2019.

I am joined by Hussein Aden, our agency fiscal officer, and Amy Bellanca, ODCA general counsel.

The ODCA FY 2018 budget is \$5.86 million which includes significant additional funds over previous years, reflecting Council priorities and smaller specific requests that I made in my testimony a year ago. The large addition was \$550,000 in 1-year funding to support an enrollment audit of the District of Columbia public schools – traditional and charter. Other additions represented support for technology needs including website design. The proposed FY19 budget will be a decrease to \$5.3 million. I appreciate the Council forwarding that spending level to the Executive, and I believe that will be adequate to meet our goals, with one possible and modest addition, which I will address.

Update on FY2018 budget enhancements

Councilmember Mary Cheh requested, and the Council funded, a comprehensive enrollment audit which is underway. We issued a request for proposals in November, and in late December awarded the enrollment audit contract to a partnership led by Cooperative Strategies, an Ohio-based consulting firm that has served more than 2,000 education-focused clients including school districts. The other two partners are the 21st Century School Fund and the Urban Institute, both based in the District. The partnership will receive up to \$490,000 and we expect a final report in September. As outlined by the Council in the budget process last year, the audit will both analyze how enrollment has been projected in recent years, and provide a basis for planning for enrollment going forward. According to the contract, the consultants will:

- Review and assess the processes by which DCPS, the Office of the State Superintendent of Education, and the Deputy Mayor for Education have predicted the enrollment in D.C. Public Schools with a focus on school years 2015-16, 2016-17 and 2017-18.
- Research and determine best practices in enrollment projections and assess the extent to which the District has utilized best practices in the last three school years, including how District of Columbia enrollment projections have been utilized in making budget and facilities decisions.
- Conduct a demographic analysis of the District's population including reasons for and areas of growth and change in recent years, with a focus on school-age populations, including the historic trends in public, public charter, and private school enrollment in the District.

- Provide a 5-year and a 10-year enrollment projection by grade level, pre-school through 12th grade and include a projected breakdown based on best-available data for DCPS, D.C. Public Charter Schools, and D.C. independent schools.
- Propose a replicable methodology for the District government to use going forward to project enrollment with the assumption that such projections will continue to be utilized in budgeting and facilities planning.

To support this work, we have also contracted for a survey of District of Columbia parents to attempt to understand more about the basis for decisions parents make among traditional neighborhood schools, public charter schools, and other options. The District-based survey firm is Belden Russonello Strategists, which has extensive experience in public education issues, and conducted citywide surveys for the D.C. Financial Responsibility and Management Assistance Authority.

The information technology enhancements approved in our current year budget included roughly \$74,000 to upgrade our connectivity to DC Net, a project that is underway in partnership with the Office of the Chief Technology Officer. As part of that upgrade, OCTO has included a new monthly charge for ODCA's VPN access to the DC.GOV network so that we can continue to use District-wide systems like PeopleSoft and SOAR. That additional recurring cost is to be \$21,000 annually, which would cover monitoring and support for equipment, secure access to the government network, and secure traffic on the network—all of which we have had access to heretofore without the monthly charge. The recurring cost was not included in the District's current services budget, so I am today requesting a \$21,000 addition to our proposed FY19 budget to cover the additional charges from OCTO that will carry over to the new year.

With the additional funding for an upgrade to our website, we engaged a website design firm and have a new prototype for our website, to make it more attractive and accessible, including improving the search feature. We hope to launch the new site this summer.

Another increase to our FY18 budget was funding to cover the costs of the Retirement Savings Incentive Amendment Act of 2017 providing a government match for pre-tax retirement contributions made by ODCA and Council employees. To implement the new benefit a second DC 401(a) Match Retirement plan was created, and ODCA staff participating in the 457(b) program as of October 1, 2017, received a lump sum matching contribution in January, covering the first pay periods in the new fiscal year. On behalf of the ODCA staff, thank you for this additional retirement benefit. And I am hopeful that this incentive to save for retirement will be extended to others throughout the District government at some point in the future.

Thank you, Mr. Chairman, for each of the enhancements in the ODCA current year budget.

Rewarding high performing ODCA employees

In my budget testimony in 2016 I asked the Council to consider restoring the ability of agency directors to reward high-performing employees with cash bonuses – a practice included in the

Comprehensive Merit Personnel Act, but precluded by provisions included in Budget Support Acts in recent years. The Council has acted to the benefit of legislative branch staff, and we recently awarded the first performance bonuses in my tenure as D.C. Auditor. Four ODCA employees received the highest performance rating in our 2017 evaluations and each received an award of \$1,000 in recognition of their excellent performance.

Current year ODCA priorities

Turning to our priorities for the remainder of this fiscal year, we have one final report in our series on the Housing Production Trust Fund: a letter report that is a case study of one of the less-than-successful HPTF projects that we are calling a “cautionary tale.” Last week we released the third report, in combination with a database of trust fund projects approved between 2001 and 2016 and an interactive map available on our website, and for which we thank the OCTO GIS team. We created the database because our first report issued a year ago concluded that the information included on the agency’s website, and the annual reports provided to the Council, were not accurate. Using the loan agreements and project covenants, and detailed financial records in the District’s financial system, the ODCA staff reviewed 76,000 lines of transactional data to create an Excel spreadsheet with information on each project. Our data is static and we will not update it – but because the information is verified, and spans 2001 through 2016, we are hopeful that DHCD will upload our good data into their better database, and maintain accurate and publicly accessible records going forward.

I mentioned the enrollment audit we have underway. We are considering additional projects on public education, based on a request by the State Board of Education in January. By resolution, the state board asked ODCA to review “the criteria and standards that underlie high school graduation and examine school-level execution of these policies across all state-regulated LEAs” and “examine the effectiveness of the current oversight structure of DCPS and charter schools.” In addition, last week Councilmember Cheh in a “Dear Colleague” letter suggested that we audit the “DCPS Central Office policies the restrict or otherwise impede how DCPS teachers do their work.” I am continuing to discuss options with stakeholders. We do not wish to duplicate any other efforts, nor undertake something beyond our capacity, but we will attempt to be responsive to these requests.

Other projects that are upcoming include:

- A 2-part assessment of the District’s First Source program, starting with an audit of the Department of Employment Services’ management of the program, followed by an evaluation of the law itself and whether it has been implemented with fidelity and, if not, whether the law should be revised.
- A study of the startling increase in overtime expenditures by the District government, focusing on four executive branch agencies.
- A 2-part review of the District’s early intervention program with, initially, a letter report on budget issues within this program which is directed by the Office of the State

Superintendent of Education, followed by an audit of the program, which has included a survey of parents.

- A white paper on internal controls within the District government or -- more accurately - the lack of internal controls across the government, a study prompted by our recent school modernization audits.
- An audit of the city's worksite parking program that looks at how we manage and oversee subsidized parking for D.C. government employees including in owned and leased properties.
- A case study of how the Department of Consumer and Regulatory Affairs has managed the housing inspection process.
- A review of the performance of the Domestic Violence Fatality Review Board, whose oversight transitioned from the Office of the Chief Medical Examiner to the Office of Victim Services and Justice Grants.
- An evaluation of conditions within the District's Central Detention Facility and Correctional Treatment Facility which we hope will be particularly useful as the District considers when and how to develop a new jail.

Fiscal 2019 planning

Looking to the next fiscal year, we have 30 members of the staff at ODCA, and are interviewing for the one vacancy we now have. We will begin our planning process for projects to be launched in FY19 later this summer, and will be able to present a FY2019 work plan to the Council by the start of the next fiscal year. There is no shortage of appropriate subjects for our audits and evaluations, and we always welcome suggestions that come from the Council's oversight of policies and programs.

That concludes my prepared testimony, and I would be happy to answer any questions.