

Testimony of

The Hon. Kathleen Patterson

D.C. Auditor

Before the

**District of Columbia Council
Committee of the Whole**

2015 Performance Hearing

February 26, 2015

**The John A. Wilson Building
Washington D.C. 20004**



Chairman Mendelson and other members of the Committee of the Whole, I am Kathy Patterson. I am pleased to be here today as the D.C. Auditor to discuss the performance of the Office of the D.C. Auditor. As you know, I have been serving in this position since mid-December, and thank you and the Council, again, for selecting me for this important role. I am accompanied today by Deputy Auditor Lawrence Perry, Assistant Deputy Auditor Laura Hopman, Amy Bellanca, who serves as legal counsel and liaison to the D.C. Council, and our finance officer, Hussein Aden.

To report on the performance of the Office of the District of Columbia Auditor, I will refer to statements reflected in the Committee of the Whole report on my confirmation and a 2011 confidential report on the Office of the D.C. Auditor prepared for your predecessor, which you made public during the confirmation process.

Committee of the Whole Report

In the COW report, it was stated that ODCA had “fallen short of both its original mandate” (which is to “improve the economy, efficiency, and accountability of the District government”) and the expanded mission of its model, the Government Accountability Office, whose mission has evolved from a narrower focus on financial audits to a broad assessment of programs and policies. The report further stated that the committee envisions ODCA serving as “a true partner of the Council, assisting its committees with program evaluations, policy analyses, and decisions on a broad range of government programs and activities.”

To respond to these concerns and reflect commitments I made to you, I have created a Program Evaluation unit within ODCA, and anticipate having a director of that unit on board in a few weeks. I have hired a chief of staff with experience and expertise in a broad range of District government issues who will assist me in the operations of the office and be a resource for our auditors and analysts. Attached to my testimony is a new, draft organizational chart reflecting these changes which were shared with the full staff earlier this week.

I have revisited the FY 2015 work-plan developed last year, to bring greater focus on issues that are priorities for the Council, including an assessment of the efforts of the Department of Fire and Emergency Medical Services to meet the 2007 recommendations of the *Task Force on Emergency Medical Services*, better known as the *Rosenbaum Task Force*.

We are overseeing the final report by the National Academy of Sciences on the Public Education Reform Amendment Act of 2007, and are working with you and Education Committee Chairman Grosso on presenting the comprehensive information gathered in that process in a hearing or other public forum so that it can be of use, not only to the Council, but to the public.

In the two months of my tenure, we have met with 5 of the 11 members of the Council and members of their staff to consult on specific requests, and to refine work we have underway to better reflect Councilmember concerns. As I indicated at my confirmation hearing, I will ensure that my staff and I coordinate as closely as possible with the Council to see that the work we produce is relevant and impactful.

2011 Report on the Auditor's Office

The following are recommendations from *The Review of the Office of the District of Columbia Auditor*, written in 2011, and comments on the actions taken to date.

- Require ODCA to submit to the Council an annual audit schedule for review and comment.

My predecessor as Auditor, Yolanda Branche, and Deputy Auditor Lawrence Perry, initiated such an annual audit work plan, and it has been submitted to the D.C. Council for the last several years, including a version submitted for FY 2015, just before I took office. I don't believe there has been significant comment on that work plan, and I would welcome comments of the Council, going forward. Our work plan should reflect the priorities of the Council to a greater extent than has been the case in recent years, and I will work to grow our collaboration so that the ODCA work plan more closely reflects legislative priorities. I have considered the potential value of developing a 2-year rather than an annual plan, to coincide with Council periods, and welcome your thoughts on that.

- Mandate or request ODCA prepare an annual or biennial report identifying its top-priority issues, and provide a summary assessment of District programs deemed to be the most at risk for waste, fraud, abuse and mismanagement.

Our annual (or biennial) work plan should meet the recommendation for a report that identifies key priority issues and I would readily concede that it does not, yet, reflect solely priority issues. You have my commitment that it will do so increasingly over the coming months.

ODCA initiated an annual risk-assessment in FY 2013 during the tenure of my predecessor, and there have been two cycles of that kind of assessment, essentially identifying agencies or divisions of agencies that pose an element of risk based on metrics that include total budget, asset liquidity, complexity of operations, public interest, and concern for fraud. Last year, the office shared a preliminary list of agencies and divisions with Councilmembers for their comment, and we received responses from you, Mr. Chairman, and from Councilmember McDuffie. The staff also solicited input from the executive branch and that was used to establish a list of risk-based audits we could undertake. . Today, we are conducting an audit of the Metropolitan Police Department's Patrol Services Division and considering reviews of operations at the University of the District of Columbia and Department of Youth Rehabilitation Services based on the risk assessment.

I am pleased that ODCA began the risk-assessment process prior to my arrival, and I'd note that this is a work in progress. I would like it to more fully reflect Council priorities such as affordable housing and also to take into account changing circumstances that could or should prompt work on our part. From a vantage point that is clearly hindsight, for instance, I wish ODCA had acknowledged the risk inherent in a change of administrations, and the significant changes brought by an elected Attorney General, and had done an assessment that would have flagged for the Council issues in the transition that bear monitoring. As an arm of the Council, I would like us to be more nimble than we have been and to be more mindful of new developments.

- Review ODCA's statutorily-mandated audit requirements and eliminate mandates requiring ODCA to focus its resources on low-impact, insignificant audits.

I am pleased to say that with your leadership, Mr. Chairman, we are working on an omnibus bill to repeal or modify a number of statutory requirements. I am hopeful we will have a first round of mandate repeals this year, and can continue to assess the statutory requirements going forward.

- Implement a pilot program for outsourcing ODCA's less substantial responsibilities.

ODCA's review specifically referred to our work with Advisory Neighborhood Commissions as a responsibility of the office that could be managed in whole or in part through outsourcing. With Mr. Perry's leadership, we are moving to a new web-based financial reporting system for the ANCs and this should be a time-saver for ODCA when it comes to producing the statutorily-required annual financial report, as well as, managing the quarterly allotment process. My staff has also developed a series of potential legislative changes affecting ANCs and ODCA's relationship with ANCs, and this is an area where we will have further recommendations in the near future.

On Monday, my team and I met with Ana Harvey, the new director of the Department of Small and Local Business Development and I am hoping that as Ms. Harvey revitalizes that agency, our own efforts to oversee their work with contractors and with D.C. agencies can become more streamlined to improve efficiency and avoid duplication of efforts. The director and I agree that there will be value in turning more of our attention to issues such as job creation and business development in addition to monitoring compliance with current CBE expenditure requirements.

- Implement specific criteria for the inclusion of audit requirements in new statutes.

We have not yet come to you with recommendations to meet this concern, but it is one with which I agree, and I hope we can engage with you, Mr. Chairman, colleagues and Council staff. It may be that we can jointly develop a Council rule that reflects what is, and what is not, an appropriate role for the D.C. Auditor and that Councilmembers can consider that rule when drafting legislation that includes new statutory audit requirements.

- Work with ODCA to help it draw upon local resources, including GAO and the National Academies.

The Government Accountability Office is a significant resource for us, and there are a variety of ways in which we can use that resource, including staying abreast of GAO reports on subjects we are reviewing. I am in contact right now with a senior GAO official who oversees their public education work. It was GAO, in 1995, whose landmark report revealed a \$112 billion gap in funding for school construction nationally. And as you know, we have a mandate to audit the District's school modernization program on an annual basis. I hope that we, working with GAO and others, can help develop best practices on public school modernization to help not only D.C. Public Schools and the Department of General Services improve the quality and cost-effectiveness of our facilities, but provide benchmarks for other school systems as well.

There are other national organizations that can also serve as resources. The Office of the D.C. Auditor is a member of the Association of Local Government Auditors, the Institute of Internal Auditors, the National Association of State Auditors, Comptrollers and Treasurers and I anticipate also joining an affiliate of the National Conference of State Legislatures, the National Legislative Program Evaluation Society. Participating in the latter organization in particular should be helpful to ODCA staff in meeting your priority that we offer a broader range of reports on programs and legislation.

That concludes my assessment of our progress against expectations reflected in both the 2011 report and the 2014 Committee of the Whole confirmation report.

In terms of recent and upcoming audits and other reports, we recently issued:

- A letter report to Councilmember McDuffie detailing how the Board of Election's Election Day preparation and administration could be improved, including a recommendation that the Board have sufficient funding to purchase new voting machines, consider having an Americans with Disabilities Act coordinator, and take other steps to ensure sufficient training and deployment of Election Day workers.
- The letter report to Chairman Mendelson, *Certified Business Enterprise Expenditures of Public-Private Development Construction Projects for FY 2014*, which found that of 218 public-private projects with CBE Agreements, 10 met or exceeded their CBE expenditure goals, 36 submitted expenditure reports and are still working toward their goals, and 172 did not submit expenditure reports in FY 2014.

Upcoming reports from the Office of the D.C. Auditor include:

- A risk-based audit focusing on the Public Charter School Board and its oversight of public charter schools, including annual financial and compliance reviews.

- A letter report to Councilmember Cheh detailing allocations of local funds for homelessness services in FY 2014 provided by non-government organizations, nonprofits and a limited number of for profit organizations, including the proportion of funds spent for administrative purposes.
- A compliance audit of the Sick and Safe Leave Act that includes a survey of private D.C. businesses for compliance with the posting requirements of the law, and assessment of whether D.C. agencies met the Act's administrative requirements.
- An audit of the D.C. Public Schools Capital Improvement Fund and school modernization efforts undertaken by the Department of General Services in FYs 2010 - 2013, as required by the School Modernization Act of 2006.

Thank you very much. I would be happy to respond to your questions.