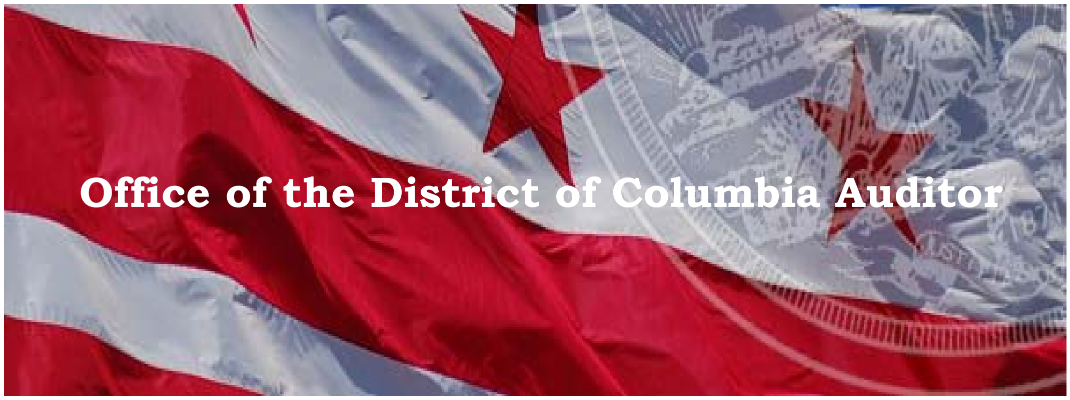

Audit of the Department of Small and Local Business Development's Fiscal Year 2011 Performance Accountability Report

February 21, 2013

Audit Team:
Joshua Stearns, Analyst
Ingrid Drake, Analyst

A Report by the Office of the D.C. Auditor
Yolanda Branche, D.C. Auditor

Table of Contents

Acknowledgments

For their time, information, insight, and cooperation during the audit process, we want to thank the staff of the Department of Small and Local Business Development. As audit liaison, Ted Archer, Director of Strategic Operations, was particularly responsive in providing us with needed information.

Summary

Pursuant to the Government Manager's Accountability Act of 1995, the Department of Small and Local Business Development (DSLBD) publishes annually a Performance Accountability Report (PAR). The PAR provides information about agency progress in achieving its goals for the previous year. This information is presented in both narrative and quantitative form. The narrative describes progress in implementing initiatives that had been identified at the beginning of the year. The quantitative information is presented as a number of Key Performance Indicators (KPIs), which provide data about the outputs and outcomes achieved by the different programs and activities of the agency. The PAR is presented to the District Council, so that the information can be used as part of the Council's oversight function. The report is also made public and can be found on the District government's website.

The District Auditor is tasked by the Government Manager's Accountability Act of 1995 to conduct annually an audit of "selected" KPIs. The Auditor judgmentally chose DSLBD Fiscal Year (FY) 2011 PAR to audit this year.

The objectives of the audit were to determine whether:

- DSLBD accurately and reliably reported certain Key Performance Indicators (KPIs) from their FY 2011 PAR (specifically KPIs 1.3, 3.1, 4.1, and 4.3);
- All ten KPIs reported by DSLBD in their FY 2011 PAR were "effective" performance measures; and
- DSLBD developed and implemented adequate internal controls to ensure that it accurately and reliably reported the following performance measures included in the FY 2011 PAR: KPI 1.3, KPI 3.1, KPI 4.1, and KPI 4.3.

Key Findings and Recommendations:

We found that DSLBD had deficiencies regarding the collection and reporting of data used in some of their performance indicators.

DSLBD lacked an effective and reliable process for gathering and reporting the number of trash bags collected – DSLBD relied on an ineffective process to gather and report the number of trash bags collected, which was included in the 2011 PAR as KPI 1.3. This process involves repeated transcription of data, involving increased risk of error being introduced to the data. In addition, there are no steps in the process to verify that data has been reported accurately. DSLBD should strengthen its internal controls to ensure the reporting of accurate information.

DSLBD lacked an effective and reliable process for gathering and reporting the number of participants in small business training and education activities – DSLBD did not consistently use sign-in sheets to record the number of participants in training and education activities. In addition, some participation data was stored in a database outside of agency control and this data was lost midway through 2011, rendering agency records incomplete. DSLBD should design policies and procedures that will ensure that participation data is being reliably collected and maintained.

DSLBD storage of certification records was disorganized – DSLBD's record room is maintained in a disorganized manner, raising the risk of important agency records being lost. DSLBD management should identify additional storage space and develop and implement a records retention policy.

Additional concerns regarding DSLBD's Performance Measures

In their 2011 PAR, DSLBD included no KPIs that reported on the outcomes of agency programs and activities. All ten reported KPIs merely reported the workload or output of the agency. Outcome measures are of greater value because they provide a clearer picture of how DSLBD's stakeholders are actually benefitting from DSLBD's activities. We urge DSLBD to identify and publish more outcome measures.

On the other hand, DSLBD must be careful not to introduce too much turnover in published KPIs. In the last four years, DSLBD has already used and discarded a high number of KPIs. Since 2008, the agency has reported 38 different KPIs with only one being consistently reported year to year. This inconsistency hinders the ability of the Council, the public, and other stakeholders to gain a full picture of whether progress is being made in achieving the agency's objectives and its mission.

Objectives, Scope and Methodology

The objectives of the audit were to determine whether:

1. DSLBD accurately and reliably reported certain Key Performance Indicators (KPIs) from their FY 2011 PAR (specifically KPIs 1.3, 3.1, 4.1, and 4.3);
2. All ten KPIs reported by DSLBD in their FY 2011 PAR were "effective" performance measures; and
3. DSLBD developed and implemented adequate internal controls to ensure that it accurately and reliably reported the following performance measures included in the FY 2011 PAR: KPI 1.3, KPI 3.1, KPI 4.1, and KPI 4.3.

The scope of the audit was the DSLBD FY 2011 PAR and the activities conducted by DSLBD to gather and report the KPIs contained therein. The FY 2011 DSLBD PAR is included in this report as Appendix A.

To accomplish our audit objectives, we utilized the following methodology:

- Interviewed DSLBD officials responsible for performance accountability matters;
- Interviewed DSLBD staff responsible for gathering the data used to calculate KPIs 1.3, 3.1, 4.1, and 4.3;
- Interviewed Office of the City Administrator (OCA) staff involved in the creation of agency Performance Accountability Reports;
- Reviewed documentary evidence used to calculate KPIs 1.3 and 3.1;
- Accessed DSLBD databases to review documentation for KPIs 4.1 and 4.3;
- Conducted limited data reliability testing of databases containing key information used to report KPIs 4.1 and 4.3;

- Reviewed written instructions provided to DSLBD by OCA on effective performance measures;
- Researched how other jurisdictions and relevant organizations have defined “meaningful” or “effective” performance indicators;
- Tested DSLBD data used to calculate KPIs 1.3, 3.1, 4.1, and 4.3; and
- Evaluated the internal controls for gathering and reporting the data in KPIs 1.3, 3.1, 4.1, and 4.3.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

"The Government Managers Accountability Amendment Act of 1995" (GMAA)[1] mandates that all District of Columbia government agencies transmit to the Council of the District of Columbia (Council) a performance plan at the start of each fiscal year that covers all publicly-funded activities of the agency. Agency performance plans must include the objectives that the agency is working towards, a list of initiatives that will be implemented in order to achieve agency objectives, and a set of performance measures and targets that will be used to gauge progress from year to year. Agencies work with the Office of the City Administrator (OCA) to develop their performance measures, reaching a mutual agreement as to which performance measures will best capture progress toward their objectives. At the end of each fiscal year, each agency reports progress toward the initiatives they announced at the beginning of the year and provides data for each performance measure, showing whether the agency met the established target. OCA and the agency work together to create a Performance Accountability Report (PAR), which includes both a narrative description of progress toward each initiative announced in the performance plan and a chart showing the data for each performance measure. In the PARs, OCA also assigns a performance rating for each initiative and performance measure, judging them either "Fully Achieved," "Partially Achieved," or "Not Achieved."

Performance management best practices and OCA instructions call for agencies to use performance measures that provide information about outcomes rather than simply measuring outputs or workload. To provide an example of what this means, we quote from OCA's "Building and Measuring a City That Works" document, cited earlier.

[1] D.C. Code §1-614.11-14 (2012).

> "Let's take an example from DDOT. The District Department of Transportation has a Mission to ensure 'that the mobility needs of people and goods are met safely.' To fulfill part of that Mission, DDOT has an Objective to 'Ensure that the District's transportation infrastructure is in a state of good repair.' To track their progress toward meeting that Objective, [DDOT uses the following] outcome measure: 'Percent of streets in Good or Excellent condition.' Knowing that DDOT's repaving volume has the single biggest impact on street conditions, the department also measures the output: 'Percent of blocks in paving plan completed.'"[2]

Agency performance plans and Performance Accountability Reports provide the Council with important information that can be used to conduct oversight and review the operations of District agencies. In addition, because the PARs are made public, residents are also informed about the progress of District agencies in achieving their annual goals.

The mission of the Department of Small and Local Business Development (DSLBD) is to foster the economic growth, development, and retention of District-based businesses. In FY 2011, DSLBD operated through three major divisions: Commercial Revitalization, Business Opportunities and Access to Capital, and Certification.

Commercial Revitalization: Promotes the retention, recruitment, and enhancement of small businesses in commercial districts throughout the city.

Business Opportunities and Access to Capital: Provides training and other technical assistance to District-based businesses. In addition, DSLBD makes

[2] "Building and Measuring a City That Works: A Guide to Performance Management in the District of Columbia." Office of the City Administrator. 2009. p. 20-21.

various efforts to provide businesses with improved access to capital.

Certification: Processes applications from businesses seeking to become recognized as Certified Business Enterprises (CBEs). The Certification Division also monitors and reports whether District agencies and public/private development projects comply with requirements to spend a certain percentage of their budget on CBEs.

DSLBD's actual operating expenditures in 2011 were $7.8 million. DSLBD had approximately 24 employees. Figure 1 shows DSLBD's 2011 expenditures by division.

Figure 1: DSLBD Expenditures in Fiscal Year 2011 (dollars in thousands)

Division	2011 Actual Expenditures
Agency Management (Administration)	493
Commercial Revitalization	6,213
Business Opportunities and Access to Capital	509
Certification	588
TOTAL	**7,803**

DSLBD reported ten KPIs in their 2011 PAR. The KPIs were intended to measure progress in achieving DSLBD's four objectives:

1. Extend economic development to District neighborhoods through commercial revitalization initiatives and programs.
2. Assist small businesses with accessing capital and expanding business opportunities.
3. Increase training and education resources available to small and local businesses.
4. Increase participation of District-based businesses in the local economy through District government and public/private partnership business opportunities.

While one of the audit objectives involved a focus on KPIs 1.3, 3.1, 4.1, and 4.3, we present all ten of DSLBD's FY

2011 KPIs, a description of each, their performance targets, and actual performance levels as reported in DSLBD's FY 2011 PAR in Figure 2.

Figure 2: DSLBD FY 2011 PAR Objectives and Key Performance Indicators

KPI	Key Performance Indicator	FY11 Target	FY11 Actual	Description
OBJECTIVE 1: Extend economic development to District neighborhoods through commercial revitalization initiatives and programs.				
1.1	Number of D.C. Main Streets Organizations	7	7	The D.C. Main Streets program fosters retail investment by providing services and funding to help communities retain and recruit businesses, improve commercial properties and streetscapes, and attract consumers.
1.2	Number of Business Improvement Districts (BIDs)	8	8	BIDs are commercial areas that collect a "self tax" from property owners to provide services and programs to the entire BID. DSLBD manages certification of BIDs, annual tax assessment projections, and the BID charter extension process.
1.3	Number Bags of Trash Collected	200,000	121,604[3]	DSLBD provides financial assistance to Main Street Organizations and BIDs so that they can hire Commercial Clean Teams that collect trash and provide other services to improve the appearance of neighborhood commercial corridors.
OBJECTIVE 2: Assist small businesses with accessing capital and expanding business opportunities.				
2.1	Number of Microloans Provided to Certified Business Enterprises (CBEs)	0	2	The Revolving Micro-loan Fund provides funds to sustain and/or increase the level of business activity for CBEs.
OBJECTIVE 3: Increase training and education resources available to small and local businesses.				

[3] From the DSLBD FY 2011 PAR: "Number of trash bags collected is based on Clean Team reports. In FY 2011, DSLBD did not receive all reports due to leadership transitions in Clean Team management."

3.1	Number of Participants in Small Business Training and Education Activities	3,000	3,658	DSLBD provides training courses and workshops to address a broad variety of start-up and development issues, from establishing a business to building business credit and finding loans.
OBJECTIVE 4: Increase participation of District-based businesses in the local economy through District government and public/private partnership business opportunities.				
4.1	Percent of Certification Applications Processed within 45 Business Days	80%	88.03%	DSLBD processes applications from new businesses seeking to become certified and from existing CBEs seeking to renew their status or to "upgrade" their certification by adding another category in which they qualify (e.g., small, disadvantaged). This KPI measures how many of those applications were either approved, denied, withdrawn, or closed within 45 business days.
4.2	Average number of Business Days for Certification Application Determinations	30	28	This measured the time period between the date an applicant submitted supplemental documents to DSLBD and the date DSLBD made a determination (approved, denied, withdrawn, closed) on the application.
4.3	Number of Certified Business Enterprises (CBEs)	1,179	1,216	This reflects all certified businesses enterprises as of 9/30/2011.
4.4	Number of Completed Certification Applications	0	1,042	DSLBD "completed" an application when it made a determination of either approved, denied, withdrawn, or closed.
4.5	Number of Certification Applications Approved	0	704	The number of CBE applications approved by DSLBD in FY 2011.

Results

CERTIFICATION RESULTS

DSLBD accurately and reliably reported two of the four KPIs reviewed

The Auditor reviewed KPIs 1.3, 3.1, 4.1, and 4.3 for accuracy and reliability. The accuracy of a performance measure was determined by testing DSLBD's supporting data and using that data to determine whether we could reproduce the number reported in the PAR. The reliability of the measure was determined by evaluating the procedures used to collect the data. If the procedures did not include sufficient controls to prevent error, we considered the performance measure to be unreliable; even if reported accurately in 2011, we could not be sure the performance measure would be reported accurately in the future. We reported our results using one of three certification ratings: Certified, Certified with Qualifications, or Not Certified.[4] Figure 3 provides definitions for each of the three ratings.

Figure 3: Certification Categories and their Definitions

Certified	Reported performance measure result is accurate (+/- 5%) AND Adequate procedures are in place for collecting and reporting performance data.
Certified with Qualifications	Reported performance measure result is accurate (+/- 5%) BUT Adequate procedures are not in place for collecting and reporting performance data.
Not Certified	Actual performance is not within five percent of reported performance OR

[4] Our certification process is based on one used by the Maricopa County (AZ) Internal Audit Department. Their process has been recognized by the Government Accounting Standards Board as the "gold standard" of performance measurement auditing.

	Actual performance measurement data could not be verified due to inadequate procedures or insufficient documentation.

Source: ODCA created certification categories based on the Maricopa County (Arizona) document entitled "Performance Measure Certification," published May 2008.

Based on our review, KPIs 4.1 and 4.3 were certified, KPI 1.3 was certified with qualifications, and KPI 3.1 was not certified.

1. KPI 1.3: Number of Bags of Trash Collected

Results**: Certified with Qualifications**

The reported performance indicator is accurate but adequate procedures were not in place for collecting, calculating, and reporting the performance data. DSLBD reported in the FY 2011 PAR that 121,604 bags of trash were collected. Using DSLBD's documentation, the Auditor was able to calculate that 119,743 bags of trash were collected, which is 98% (within +/- 5%) of the figure reported in the PAR. However, we identified significant shortcomings in the internal controls used to manage the process of gathering and reporting the data for this KPI. There were numerous stages in DSLBD's process between the initial reporting of data from the Clean Teams and DSLBD reporting the KPI to OCA. At no point in this process was any attempt made to verify that the data was correct nor were there safeguards to prevent errors from being introduced into the data. Until these shortcomings are addressed, we cannot be sure that the measure will be accurately reported in the future.

2. KPI 3.1: Number of Participants in Small Business Training and Education Activities

Results: **Not Certified**

The accuracy of this performance indicator could not be verified due to insufficient documentation. DSLBD explained that the training and education activities that were used to calculate this KPI were managed by three separate divisions within the agency. Data from one of the three divisions was no longer in DSLBD's possession; therefore, we could not review it. In addition, DSLBD could only produce very limited corroborating documentation from the other two divisions. Consequently, we could not verify that the performance measure was reported accurately.

3. KPI 4.1: % of Certification Applications Processed Within 45 Business Days

Results: **Certified**

The reported performance indicator is accurate and adequate procedures were in place for collecting and reporting performance data. DSLBD reported in its FY 2011 PAR that 88.03% of its certification applications were processed within 45 business days. Using data contained within CBE Online, the database used by DSLBD to track CBE applications, we were able to calculate that 85.87% of DSLBD's certification applications were processed within 45 business days in FY 2011, which is 97% (within +/-5%) of the figure reported in the FY 2011 PAR. In addition, we determined that the procedures in place to gather and report this data are sufficient to ensure the data was reported reliably.

4. KPI 4.3: Number of Certified Business Enterprises

Results: **Certified**

The reported performance indicator is accurate and adequate procedures are in place for collecting and reporting performance data. DSLBD reported in its FY 2011 PAR that there were 1,216 Certified Business Enterprises (CBEs). Using DSLBD's data, the Auditor was able to confirm that there were 1,215 CBEs in FY 2011, which is 99% (within +/-5%) of the figure reported in the FY 2011 PAR. DSLBD speculated that the difference of one CBE was due to typographical error when the data was reported to OCA. We determined that adequate procedures were in place to ensure that this data was gathered and reported reliably.

Based on our review, we found that two KPIs were certified, one KPI was certified with qualifications, and one KPI was not certified. Figure Four presents a summary of the Auditor's certification ratings of the four selected KPIs.

Figure 4: Summary of Auditor's Certification Ratings of DSLBD's KPIs

Key Performance Indicators	**Certified**	**Certified with Qualifications**	**Not Certified**
1.3: Number of Bags of Trash Collected		**X**	
3.1: Number of Participants in Small Business Training and Education Activities			**X**
4.1: Percent of Certification Applications Processed within 45 Business	**X**		
4.3: Number of Certified Business Enterprises	**X**		

PERFORMANCE MEASURE EFFECTIVENESS

Not all of the KPIs contained in DSLBD's PAR were "effective" performance measures

We analyzed the ten KPIs reported in the DSLBD FY 2011 PAR to determine whether the KPIs were "effective" performance measures. To determine whether a KPI was "effective," we first questioned whether the KPI provided information about agency progress in achieving its objectives or desired outcomes. We then continued with an assessment of whether the KPIs had the appropriate characteristics of an effective measure.

To determine the effectiveness of the KPIs, we asked OCA for any written instructions they provided to the agencies about how to create performance measures. OCA gave us a copy of a document entitled "Building and Measuring a City That Works: A Guide to Performance Management in the District of Columbia."[5] This 39-page document includes an overview of performance management principles, lists the performance management documents to be used by District agencies, and provides step-by-step guides to the development of performance plans and performance indicators. The section on performance indicators includes the following list of six characteristics that "good" performance measures should have:

- Simple: Keep measures simple and straightforward.
- Results-oriented: Focus primarily on outcomes, efficiencies, and outputs.
- Selective: Concentrate on the most important indicators of performance. Do not use more measures than necessary.
- Useful: Provide information of value to the agency and decision-makers.
- Accessible: Provide periodic information about results.
- Reliable: Provide accurate, consistent information over time.

[5] "Building and Measuring a City That Works: A Guide to Performance Management in the District of Columbia." Office of the City Administrator. 2009. p.19.

We also reviewed similar lists of criteria for performance measures developed by other jurisdictions, including Fairfax County, Virginia; Maricopa County, Arizona; and the state of Texas. There was a significant amount of similarity among all the lists we reviewed, but because OCA's list was actually provided to District agencies, we chose to use OCA's list as our basis for analyzing the ten KPIs put forth in DSLBD's FY 2011 PAR. We evaluated each KPI to determine whether the KPI met the criteria contained in OCA's list. For those KPIs that met three or fewer of the characteristics on OCA's list, we judged the KPIs to be "Not Effective." KPIs that had four or more of the characteristics on the OCA list were judged "Effective." We found that three KPIs were "Not Effective" and seven were "Effective." Figure 5 contains the results of the Auditor's determination of whether each of the ten KPIs was effective.

Figure 5: Effectiveness of DSLBD's FY 2011 KPIs

Objective 1: Extend economic development to District neighborhood through commercial revitalization initiatives and programs.		
KPI 1.1: Number of D.C. Main Streets Organizations	**Not Effective**	
Simple	✓	A simple measure since it only counts the number of Main Street organizations in existence at the end of the fiscal year.
Results Oriented	**X**	Not results-oriented because the existence of Main Streets organizations cannot fairly be called an output of DSLBD activity in FY 2011.
Selective	**X**	Not selective since this is not an indicator of agency progress toward meeting its objectives.
Useful	**X**	Does not provide valuable information about agency performance to the Council or to citizens.
Accessible	**X**	Measures that are accessible provide information about agency performance across time – this one does not since it simply tallies the number of Main Street organizations at the end of the year.
Reliable	✓	Our review resulted in no evidence that this indicator was unreliably reported.
KPI 1.2: Number of Business Improvement Districts	**Not Effective**	
Simple	✓	As with KPI 1.1, a very simple measure since it merely counts the number of Business Improvement

		Districts (BIDs) in existence at the end of the fiscal year.
Results Oriented	**X**	BIDs are created when local business owners choose to create them. DSLBD is only involved in certifying their application and is not directly responsible for the number in existence.
Selective	**X**	Not selective as this measure does not provide important information about agency progress toward agency objectives.
Useful	**X**	This measure does not provide valuable information to the Council about agency performance.
Accessible	**X**	This indicator provides only a snapshot of conditions, and does not provide information about agency performance over time.
Reliable	✓	The measure is reliably reported.
KPI 1.3: Number of Bags of Trash Collected		**Not Effective**
Simple	✓	DSLBD provides funds to D.C. Main Streets organizations and Business Improvement Districts to help them pay for "Clean Teams." The Clean Teams are hired to help keep neighborhood commercial districts free of trash, graffiti, and stickers. This KPI is calculated by adding together the number of trash bags collected by each Clean Team over the course of the year. The KPI is therefore a simple measure.
Results-Oriented	✓	Because DSLBD helps to fund the Clean Teams, this indicator is a measure of outputs as a result of agency action.
Selective	**X**	OCA's guidelines instruct agencies to "concentrate on the most important indicators of performance." This measure is not one of the most important indicators available to measure progress toward agency objectives and thus is not selective.
Useful	**X**	This measure is not useful because it does not provide valuable information to decision-makers about agency achievements.
Accessible	✓	Trash collection data is reported monthly by each Clean Team.
Reliable	**X**	As mentioned elsewhere in this report, this data is collected in a manner that involves significant risk of the data being reported erroneously.

Objective 2: Assist small businesses with accessing capital and expanding business opportunities.		
KPI 2.1 Number of Microloans Provided to Certified Business Enterprises	**Effective**	
Simple	✓	This is a simple performance measure in that it merely counts the number of loans provided to CBEs via the Microloan fund.
Results-Oriented	✓	The measure counts as a results-oriented measure, as it measures the output of the agency.
Selective	✓	This measure counts as one of the most important indicators of progress in this area.
Useful	✓	Stakeholders benefit from this reporting of how much use the revolving loan fund is getting, so it counts as useful.
Accessible	✓	Data provided reflects agency activity throughout the year and thus meets the definition of "accessible."
Reliable	✓	Our review resulted in no evidence that this indicator was unreliably reported.

Objective 3: Increase training and education resources available to small and local businesses.		
KPI 3.1: Number of Participants in Small Business Training and Education Activities	**Effective**	
Simple	✓	The measure is simple to understand and is self-explanatory. It tallies the total number of participants in the various small business education activities conducted by DSLBD in FY 2011.
Results-Oriented	✓	Participants in training and education activities could be considered outputs for this program, so the measure is results-oriented.
Selective	✓	This measure provides an important indicator of performance in this area of DSLBD activity.
Useful	✓	The information provided is of clear value to the agency and other decision-makers in District government.
Accessible	✓	The data is updated after each training session, and so provides information throughout the year.
Reliable	**X**	We have noted serious deficiencies in the reliability of this measure, most notably having to do with the fact that the agency does not consistently use sign-in sheets to document attendees.

Objective 4: Increase participation of District-based businesses in the local economy through District government and partnership business opportunities.		
KPI 4.1: % of Certification Applications Processed within 45 Days	**Effective**	
Simple	✓	This measure is simple to calculate and simple to understand, being essentially self-explanatory.
Results-Oriented	✓	An exemplary performance indicator, providing clear and direct evidence of how the agency is completing one of its most important tasks.
Selective	✓	One of the most important indicators of progress toward this goal – this indicator shows the ability of the agency to recognize businesses as local and thereby improve their chance at participating in the local economy.
Useful	✓	This performance measure provides information about the efficiency of DSLBD operations in the core area of their work – certifying small and local businesses so that they may receive a greater share of economic activity in the District.
Accessible	✓	The measure captures activity throughout the year.
Reliable	✓	Our examination showed that the processes used to calculate this KPI were reliable.
KPI 4.2: Average Number of Business Days for Certification Application Determinations	**Effective**	
Simple	✓	A simple measure to calculate and to understand.
Results-Oriented	✓	As with KPI 4.1, this performance measure provides information about one of the agency's key activities – processing applications from small and local businesses that seek to increase their involvement in the local economy.
Selective	X	To some degree, this duplicates information in KPI 4.1. OCA guidelines encourage agencies to choose only the most important indicators of progress. This KPI measures the same activity as KPI 4.1 and does it in a less effective manner.
Useful	X	This measure can be misleading without a standard against which to judge stated performance, thus reducing its usefulness to leaders and other decision-makers.
Accessible	✓	Accessible since it measures activity that takes place throughout the year.
Reliable	✓	All five of the KPIs for Objective Four use the same database and collection process, one that we found to be reliable.

KPI 4.3: Number of Certified Business Enterprises		**Effective**
Simple	✓	A simple measure to calculate and understand. This KPI, along with the KPI 4.4 and KPI 4.5, are included in DSLBD's PAR as "Workload Measures," and thus intended to capture the amount of work done by DSLBD.
Results-Oriented	**X**	KPI 4.3 is not results-oriented since the agency cannot be thought of as "producing" CBEs. In addition, because certifications last two years, some CBEs would remain CBEs every year even without any action on the part of DSLBD.
Selective	✓	The number of CBEs in existence is directly tied to the overall efforts of DSLBD, thus knowing the number of CBEs is an important indicator of performance.
Useful	✓	Although the agency does not "produce" CBEs, expanding their number is a goal of the agency and the number in existence provides valuable information about the number of "customers" served by DSLBD.
Accessible	**X**	Reported only as a snapshot of the number of CBEs in existence at the end of the fiscal year.
Reliable	✓	All five of the KPIs for Objective Four use the same database and collection process, one that we found to be reliable.
KPI 4.4: Number of completed certification applications	**Effective**	
Simple	**X**	The measure appears simple, but upon closer examination, we found that calculations of the number of "completed" certification applications were based on a somewhat confusing definition of a "closed" certification application.
Results-Oriented	✓	Provides important information about the output of one of the agency's key centers of production
Selective	**X**	KPIs 4.4 and 4.5 appear to provide almost identical information about the number of applications processed by DSLBD. In addition, counting the number of applications processed is not "concentrate[ing] on the most important indicators of performance," especially in light of KPIs 4.1, 4.2, and 4.3, which collectively provide better information.
Useful	✓	Provides valuable information to management and Council about agency productivity over time
Accessible	✓	Is tracked throughout the year.
Reliable	✓	All five of the KPIs for Objective Four use the same database and collection process, one that we find to be reliable.

KPI 4.5: Number of Certification Applications Approved	Effective	
Simple	✓	A simple measure to calculate and understand.
Results-Oriented	✓	This measure is results-oriented, as it captures a basic output of DSLBD.
Selective	X	Because it overlaps significantly with KPI 4.4, KPI 4.5 is not selective.
Useful	X	The number approved may vary significantly based on factors not in the control of DSLBD. Thus the indicator does not provide useful information to decision-makers.
Accessible	✓	Because it measures activity that takes place throughout the year, it is accessible.
Reliable	✓	All five of the KPIs for Objective Four use the same database and collection process, one that we find to be reliable.

INTERNAL CONTROL FINDINGS

We found that DSLBD had deficiencies regarding the collection and reporting of data used in some of their performance indicators. These deficiencies are presented in the following three findings.

DSLBD lacked an effective and reliable process for gathering and reporting the number of trash bags collected

Our evaluation of the internal controls found that DSLBD lacked written policies and procedures regarding how to gather and report the number of trash bags collected (KPI 1.3). To gather this data, DSLBD relied on an ineffective process that involves repeated transcription of data – first reported by the Clean Teams to the BIDs/Main Street organizations, then reported to DSLBD, where a staffer maintained a spreadsheet of the data. This spreadsheet of data is then transferred to another staffer at DSLBD who reported the data to OCA. As data is manually transferred at each of these levels, the risk of error is increased. Additionally, there were no checks built into the process for DSLBD to verify the accuracy of data provided by the Clean Teams. As a result, the Council and citizens of the District cannot be confident about the accuracy of information provided by DSLBD regarding trash bag collection.

Recommendation:

DSLBD should develop written policies and procedures for collecting and reporting the number of trash bags collected. The policies and procedures should include internal controls that will help to ensure the reporting of accurate information.

DSLBD lacked an effective and reliable process for gathering and reporting the number of participants in small business training and education activities

Our evaluation of the internal controls found that DSLBD lacked written policies and procedures to determine the number of participants in small business training and education activities (KPI 3.1). DSLBD did not consistently use sign-in sheets at its training and education activities. Without documentary evidence to verify the number of attendees reported by DSLBD, the number reported is unreliable. In addition, since training and education are provided by different parts of the agency, there are multiple sources of data that are combined to produce the final figure reported to OCA. However, no one ensured that each division was gathering the data in the same way, no one verified that the data reported by each division was accurate, and the data was kept in separate databases. Additionally, one division of the agency used a database provided by an outside vendor. Data from the vendor's database was lost and as a result, there is no evidence to support the number of attendees or verify that the events themselves actually took place. Management failed to take steps to ensure continued access to important agency records. The effect of these weaknesses is that the Council and public of the District cannot be sure that the data reported for KPI 3.1 is accurate or will be reported accurately in the future.

Recommendation:

DSLBD management should design policies and procedures that will ensure that the agency is properly collecting and maintaining adequate documentary evidence regarding the number of participants at DSLBD training and education activities.

DSLBD's storage of certification records was disorganized

Based on our review of documents stored in DSLBD's record room, we found that some records were incomplete or missing. In addition, many other records were improperly stored. Certification files were stacked on tables, on top of filing cabinets, and on carts. Many of the records stored in this way (i.e., outside the filing cabinets) were files that had been inactive for five years or more. These inactive files should have been archived according to the District's record retention regulations. Partly as a result of this disorganization, we were unable to find some of the files. According to DSLBD, the records room was disorganized because there was not enough room in the filing cabinets for all the files. In addition, DSLBD lacked a formal document retention policy, which hindered the ability of staff to transfer old and unused records to a separate storage space.[6]

In addition to the problem of improperly stored files, we also found that some files lacked records of transactions that were recorded in CBE Online, DSLBD's computer database that tracks certified businesses and businesses that apply for certification.

The result of the disorganized record room and lack of a document retention policy is that the records are in danger of being misplaced, lost, or needlessly difficult to find. In addition, for transparency's sake and proper agency management, DSLBD must be consistently able

[6] D.C. Code § 2-1706 (b) (2012) says "It shall be the responsibility of each agency to develop: […] (2) A continuing program for the economical and efficient management of its records in compliance with the instructions and directives issued by the Administrator with respect to the organization, retention, disposal, storage, photographing, and microphotographing of its records."

to produce documentary support for all agency transactions.

Recommendations:

DSLBD management should identify additional storage space for agency records. In addition, management should adhere to the District's recordkeeping policy.

Additional Concerns Regarding DSLBD's Performance Measures

It is also important to note that we identified additional shortcomings in DSLBD's use of performance measures: the lack of outcome measures and the high turnover of reported KPIs.

Of the ten KPIs that DSLBD reported in the FY 2011 PAR, none were outcome measures. An outcome measure is more valuable to managers, the Council, and to District residents as it provides a more complete picture of the impact of agency activities. DSLBD has used outcome measures in the past. For example, in their FY 2011 Performance Plan, DSLBD proposed measuring the "% of training class participants rating service as good or excellent." This performance measure would provide information about progress toward their objective to increase training and education resources to small businesses that is more comprehensive than solely reporting how many participants attended the classes and other training sessions. The FY 2011 Performance Plan also proposed "total dollar value of District contracts awarded to CBEs." This performance measure would be more effective in measuring progress toward DSLBD's Objective Four ("Increase participation of District-based businesses in the local economy through District government and public/private partnership business opportunities") than counting the number of CBE applications processed.

While we recommend that DSLBD include more outcome measures as KPIs, DSLBD must be careful about making too many additional changes to its KPIs. The Auditor observed that there has been a great deal of turnover in DSLBD's reported KPIs between FY 2008 and FY 2011. For example, four of the 11 KPIs reported in their FY 2010 PAR were not reported in the FY 2011 PAR. Overall, dating back to their FY 2008 PAR, DSLBD has reported 38 different KPIs with only one (percentage of certification applications processed within 45 business days) being consistently reported during the four-year period.[7] This inconsistency hinders the ability of Council, District residents, and other stakeholders to gain a full picture of whether progress is being made at the agency in achieving its objectives and mission.

[7] Includes KPIs appearing in DSLBD's Performance Plans, Performance Accountability Reports, and agency chapter in the Proposed Budget and Financial Plan, prepared annually by the Mayor.

Conclusion

Performance Accountability Reports provide the Council and residents with valuable, quantifiable indicators of the progress an agency made in the previous year toward achieving their objectives and goals. For Performance Accountability Reports to be useful, the information presented in the Performance Accountability Report (PAR) must be reliable and accurate.

Our audit of the Fiscal Year 2011 PAR of the Department of Small and Local Business Development (DSLBD) found weaknesses in the internal controls that DSLBD used to gather and report key performance indicator data. As a result of deficiencies in the collection of key performance indicator data, the Council and residents did not receive consistently accurate information regarding the progress DSLBD made toward meeting the objectives of the agency.

We also found that certain key performance indicators were not effective measures. We strongly urge DSLBD to identify key performance indicators that clearly measure outcomes, rather than just outputs. Key performance indicators that measure outcomes are more useful in determining whether the resources of the District were used most effectively.

By improving the accuracy of data collection and ensuring that key performance indicators are effective, DSLBD will improve the quality of information that is provided to the Council and residents regarding the operations of DSLBD.

Sincerely,

Yolanda Branche
D.C. Auditor

Agency Comments

On January 16, 2013, the District of Columbia Auditor submitted the draft report titled "Audit of the Department of Small and Local Business Development's Fiscal Year 2011 Performance Accountability Report" to the Department of Small and Local Business Development.

The Auditor received written comments from the Department of Small and Local Business Development on February 6, 2013. We are pleased to note that DSLBD concurred with each of our findings and has indicated that they have already begun implementing process changes that are consistent with our recommendations.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF SMALL AND LOCAL BUSINESS DEVELOPMENT

RECEIVED

FEB - 6 2013

OFFICE OF THE
DC AUDITOR

MEMORANDUM

TO: Yolanda Branche, DC Auditor
Office of the DC Auditor

FROM: Harold B. Pettigrew, Jr.
Director

DATE: February 6, 2013

SUBJECT: DSLBD Comments for "Audit of the Department of Small and Local Business Development's Fiscal Year 2011 Performance Accountability Report"

This memorandum includes DSLBD comments regarding the draft report titled "Comments for "Audit of the Department of Small and Local Business Development's Fiscal Year 2011 Performance Accountability Report".

Summary
DSLBD agrees with the recommendations outlined in the audit report and has already begun implementing strategies consistent with each recommendation.

Recommendations and Responses

1. Recommendation #1 – DSLBD should develop written policies and procedures for collecting and reporting the number of trash bags collected. The policies should include internal controls that will help to ensure the reporting of accurate information.

   DSLBD has developed draft standard operating procedures for collecting and reporting the number of trash bags collected. This document identifies the scope, requirements, responsibilities, procedures, and internal controls for ensuring accurate reporting. In addition, DSLBD has launched an online reporting tool for trash collectors to collect data at the site of trash collection. These standard operating procedures will be implemented in FY13.

2. Recommendation #2 – DSLBD Management should design policies and procedures that will ensure that the agency is properly collecting and maintaining adequate documentary evidence regarding the number of participants at DSLBD training and education activities.

DSLBD has developed draft standard operating procedures for collecting and maintaining adequate documentary evidence regarding the number of participants in training and education activities. In addition, in fiscal year 2012 DSLBD designated a central online system to record training and education activities. These standard operating procedures will be implemented in FY13.

3. Recommendation #3 - DSLBD management should identify additional storage space for agency records. In addition, management should adhere to the District's recordkeeping policy.

   DSLBD has drafted an internal records retention policy and schedules consistent with the District's records retention policy and schedules. It is anticipated that DSLBD's records retention policy and schedules will be finalized and implemented in FY13. In addition, DSLBD is making the necessary investments to adopt "paperless" standards for all of its processes across operating divisions.

Should you require any further information, please call me at (202) 727-5077 or email at harold.pettigrew@dc.gov.

Audit of the Department of Small and Local Business Development's Fiscal Year 2011 Performance Accountability Report

Recommendation	Agency Agrees Date Agency will implement recommendation	Agency Disagrees Alternative Recommendation
1. DSLBD should develop written policies and procedures for collecting and reporting the number of trash bags collected. The policies should include internal controls that will help to ensure the reporting of accurate information.	**Agrees** **9/30/2013**	
2. DSLBD Management should design policies and procedures that will ensure that the agency is properly collecting and maintaining adequate documentary evidence regarding the number of participants at DSLBD training and education activities.	**Agrees** **9/30/2013**	
3. DSLBD management should identify additional storage space for agency records. In addition, management should adhere to the District's recordkeeping policy.	**Agrees** **9/30/2013**	