



Office of the District of Columbia Auditor

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Review of the District of Columbia's Performance Measurement System

September 26, 2012

A Report by the Office of the D.C. Auditor
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Table of Contents

Acknowledgements.....	Page 2
Executive Summary.....	Page 3
Introduction.....	Page 7
Objectives, Scope and Methodology.....	Page 7
Background.....	Page 9
Results of Auditor’s Review.....	Page 11
Conclusion.....	Page 25
Agency Comments.....	Page 26
Auditor’s Response to Agency Comments...	Page 27

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Executive Summary

We conducted a review of the District of Columbia's Performance Measurement System to determine whether District agencies implemented recommendations contained in a 2008 report issued by our office entitled "Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness."

The objectives of this review were to determine:

- what policies and procedures the Office of the City Administrator (OCA) developed and implemented to manage findings and recommendations made in audit reports.
- whether relevant District agencies have complied with 16 key recommendations contained in the audit report entitled "Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness," issued March 26, 2008.

We found that the Office of the City Administrator did not develop written policies and procedures to manage findings and recommendations made in audit reports. We recommended that OCA management should develop formal written policies and procedures to implement findings and recommendations made in audit reports and formally designate an Agency Risk Manager who has overall responsibility for resolving findings and recommendations made in audit reports.

Based on our review to determine compliance with the 16 original recommendations, we found that District agencies implemented 8 recommendations, partially implemented 4 recommendations, and did not implement 4 recommendations. The following is a list of the 8 implemented recommendations, 4 partially implemented recommendations, and 4 recommendations that were not implemented.

IMPLEMENTED RECOMMENDATIONS

1. Agency managers should improve the validity, reliability, significance, and balance of their performance measures by adopting measures published by national professional associations such as the International City-County Management Association, the Government Finance Officers Association, and the American Public Health Association. Agencies should also review the performance measures used by similar agencies in neighboring jurisdictions to identify useful outcome measures whose results can be compared. The Office of the City Administrator should assist agencies in these efforts.

2. The Mayor, City Administrator, and Council must ensure that agencies submit performance plans that cover all significant programs and activities. At a minimum, agency heads and their managers should establish performance measures for all programs defined in the performance-based budgeting structure.
3. The City Administrator and the governing bodies for independent agencies should require agency personnel under their supervision to collect and report data for all of the performance measures included in annual performance plans. To hold agency personnel accountable for collecting and reporting data, the City Administrator and independent governing bodies should regard a performance goal as not met if an agency fails to collect and report data for that measure. This policy would give agencies an incentive to invest more time and attention in designing and selecting appropriate performance measures.
4. The Office of the City Administrator should provide technical assistance and coordinate training for agency staff involved in setting performance goals, tracking performance, and reporting results. A particular focus of technical assistance and training, which could rely on external sources such as local universities, should be helping agencies develop more outcome-oriented measures of performance and set more meaningful performance targets.
5. The inter-agency Performance Management Council should be revived to serve as a forum for technical assistance, allowing agencies with solid performance measurement systems to provide additional assistance and guidance to other agencies.
6. The Office of the City Administrator, with the assistance of the Office of the Chief Financial Officer, should publish a comprehensive and user-friendly guidebook to performance management in the District government, similar to Fairfax County Measures Up: A Manual for Performance Measurement, now in its Tenth Edition.
7. The City Administrator should establish and enforce quality control and data verification standards for the District government's performance system. The standards of quality control should require agencies to define each performance measure, describe the source of the data, identify who collected and recorded the data, document the timing of the data collection, and state how the summary statistics were calculated. Agencies should retain adequate documentation for all performance data included in annual performance reports.

8. The Mayor and City Administrator should develop a separate format for reporting performance information that allows the Mayor to present performance highlights, display data in forms that are user-friendly and understandable to the public, and explain the reasons for performance results. Although it is useful to include performance information in the District's budget documents, the budget should not be the sole format for presenting performance data because the scope of information that can be included is too limited. The annual New York City Mayor's Management Report and Prince William County's Annual Service Efforts and Accomplishments Report offer useful models for detailed reporting and discussion of performance trends that promote accountability and inform the public.

PARTIALLY IMPLEMENTED RECOMMENDATIONS

1. Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. Efficiency measures would be particularly useful for the largest programs within an agency and those that provide high-priority services to the public. The Office of Budget and Planning should help agencies develop the necessary data collection methods and calculations.
2. Agencies should continue expanding their use of performance measures that provide external assessments of performance by independent, objective individuals or groups. In particular, agencies should expand their use of resident or customer surveys, as well as trained observer ratings, in order to increase the integrity of the performance data and draw on information from multiple sources.
3. Agencies should set ambitious but achievable performance targets by examining trends in past performance, the performance levels attained in other jurisdictions (particularly in other urban or regional jurisdictions), performance standards set by relevant professional associations, and standards set by federal or local law. In addition, agencies should cease the practice of setting performance targets that are lower than actual performance in prior years, unless there is a compelling rationale such as a substantial reduction in funding.
4. Agency performance reports with measures that show changes on a percentage basis should also include the original and new levels of performance to allow policymakers and residents to interpret the impact of the percentage change.

RECOMMENDATIONS NOT IMPLEMENTED

1. The City Administrator and the governing bodies for independent agencies should require agencies to justify and receive written approval to change performance measures and goals, in order to promote accountability for results and ensure that trends can be tracked over time. To prevent the gaps in performance reporting that arise from frequent shifts in performance measures, the Office of the City Administrator and the governing bodies for independent agencies should require agency personnel to collect data on a new measure for at least one year until the old measure is fully phased out.
2. The Department of Human Resources' Workforce Development Administration should establish a training class dedicated exclusively to performance measurement, supplementing the class presently offered in performance-based budgeting. Training in performance measurement should be made part of the mandatory annual training in management and supervisory skills required for employees who are part of the Management Supervisory Service.
3. The City Administrator and the governing boards of independent agencies should require agency directors to state in writing that they have reviewed the data in their annual performance reports and certify the accuracy of the data.
4. The Mayor, City Administrator, Council, and Chief Financial Officer should require agency heads to justify all budget increase requests in terms of explicit performance outcomes. Independent agency heads should adopt the Mayor and City Administrator's policy of linking individual employee evaluations to agency performance goals.

Although OCA and other District agencies have made significant progress since the original audit report on the District's performance measurement system was published in March 2008 by implementing 8 of 16 key recommendations, there is more progress to be made. Four recommendations have been partially implemented and 4 recommendations have not been implemented at all. With proper attention to these outstanding issues, the District's performance measurement process can better meet its goal of improving the performance of city government. As stated in the title of the March 2008 report, the District's performance measurement system still needs long-term stability and commitment to maximize effectiveness.

Introduction

We conducted a review of the District of Columbia's Performance Measurement System to determine whether District agencies implemented recommendations contained in a 2008 report issued by our office entitled "Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness."

Objectives, Scope, and Methodology

The objectives of this review were to determine:

- what policies and procedures the Office of the City Administrator (OCA) developed and implemented to manage findings and recommendations made in audit reports.
- whether relevant District agencies have complied with 16 key recommendations contained in the audit report entitled "Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness," issued March 26, 2008.

The scope of this review was Fiscal Year (FY) 2010 through FY 2011, as of August 31, 2011. (October 1, 2009 to August 31, 2011)

Shortly after the original audit, OCA assumed responsibility for developing policies and procedures for performance measurement that governed all District agencies. OCA also assumed central responsibility for the tracking and reporting of performance data in coordination with all District agencies. OCA had not begun formally managing the performance measurement process when the original audit report was published in 2008. Therefore many of the 16 original recommendations were addressed to District agencies or Agency Directors. However, in the current review, rather than assessing whether District agencies or Agency Directors complied with the recommendations, we assessed whether OCA established policies and/or procedures that complied with the recommendations.

In conducting the recommendation compliance review, we reviewed FY 2010 and FY 2011 performance plans and performance reports available on the Office of the City Administrator's website. We also reviewed the District's FY 2010 and FY 2011 budgets; selected OCA e-mail correspondence on performance measurement; District

guidebooks, instructions, and training material on performance measurement; and performance guidebooks and information published by national associations and other jurisdictions.

We conducted interviews with representatives from OCA who administered the District's performance measurement system. We selected a sample of 6 agencies with whom we conducted interviews to obtain the agencies' perspectives on how well OCA and other relevant agencies have implemented the recommendations contained in the original report. The 6 sample agencies were: (1) the Office of the Chief Financial Officer (OCFO); (2) the Department of Employment Services (DOES); (3) the Metropolitan Police Department (MPD); (4) D.C. Public Schools (DCPS); (5) the Department of Health (DOH); and (6) the Department of Public Works (DPW). The sample for this review was the same sample used in the original 2008 report. The 2008 report stated, "The Auditor established this sample by selecting the agency with the largest locally-funded budget within each of six appropriation titles in the District of Columbia's annual operating budget. The sample includes some of the most important agencies providing direct services to the public (such as MPD, DCPS, and DPW), as well as an internal services agency (OCFO). Additionally, the sample includes agencies that report to the Mayor (DOES, MPD, DOH, and DPW), an independent agency (OCFO), and an agency (DCPS) that was independent until June 2007, when control of the school system was transferred to the Mayor."

We conducted this performance 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.

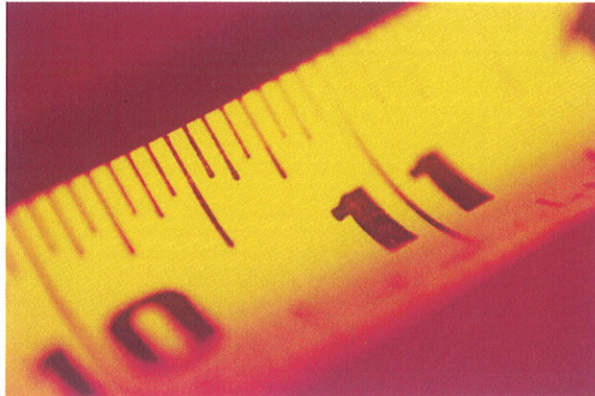
Background

In March 2008, our office published a report entitled “Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness.” The objective of this 2008 audit was to assess the extent to which the District of Columbia government’s performance measurement system reflected best practices identified by researchers and practitioners. The 2008 report included recommendations for improved performance measurement in the District of Columbia.

Since the original audit, OCA has made significant progress in improving the District’s performance measurement system. OCA currently oversees the process whereby every District agency completes a performance plan each fiscal year. In 2010, OCA published a guide to performance management in the District that described the following elements that every agency is to include in performance plans:

- Agency Mission – A short comprehensive description of why an organization exists. It succinctly identifies what an organization does (or should do), and the organization’s clients.
- Summary of Services – What does the agency do? A brief summary of the programs and services managed and delivered by your agency.
- Objectives – A broad statement describing desired outcomes, but more specific than the Department’s mission; objectives support the mission and identify specific themes or opportunities for an agency to accomplish in order to achieve its mission. Like the agency’s mission, objectives rarely change from year-to-year.
- Initiatives – What does an agency intend to accomplish that is new, better, or different? Initiatives are statements of an anticipated level of achievement, usually time limited and very specific. An initiative may include reference to targets and/or standards, and is designed to help the Department meet its objectives. All initiatives contained in the agency performance plans should be externally focused.
- Key Performance Indicators (KPIs) – A standard of measure used to gauge quantifiable components of performance especially by comparison with a standard or target. Valuable metrics/measures should provide insight into the performance of a program in terms of inputs, outputs, efficiency, service quality, and/or outcomes. Each metric/measure should also be tied to a specific objective.

Throughout the year, each agency records performance data in OCA's online database called KPI Tracker. At the end of each fiscal year, OCA compiles the performance data in KPI Tracker and publishes a Performance Accountability Report (PAR) for each agency.



Results of Auditor's Review

The Office of the City Administrator Did Not Develop Written Policies and Procedures to Manage Findings and Recommendations Made in Audit Reports

GAO's Standards for Internal Control in the Federal Government state, "Monitoring of internal control should include policies and procedures for ensuring that the findings of audits and other reviews are promptly resolved." Although the Office of Risk Management (ORM) is tasked with the responsibility to track all findings and recommendations contained in audit reports, ORM can only monitor agency implementation of findings and recommendations. It is up to individual agencies to actually implement audit recommendations.

In interviews with OCA staff, we found that OCA did not develop formal written policies and procedures to manage audit findings and recommendations that were directed to OCA. Also, OCA did not formally designate an Agency Risk Manager. An Agency Risk Manager typically has overall responsibility for resolving and managing findings and recommendations made in audit reports. Instead, OCA had an informal unrecorded process for implementing recommendations. As a result, it was possible that OCA may have neglected to implement important recommendations contained in audit reports.

Recommendation:

OCA management should develop formal written policies and procedures to implement findings and recommendations made in audit reports and formally designate an Agency Risk Manager who has overall responsibility for resolving findings and recommendations made in audit reports.

District	Agencies	Implemented	8
Recommendations,	Partially	Implemented	4
Recommendations,	and Did Not	Implement	4
Recommendations			

Based on our review to determine compliance with 16 key recommendations contained in the audit report entitled “Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness,” we found that District agencies implemented 8 recommendations, partially implemented 4 recommendations, and did not implement 4 recommendations. The following is a summary of the 16 original recommendations and the results of our review. We also provide examples of agency actions regarding the recommendations.

IMPLEMENTED RECOMMENDATIONS

Original recommendation: *Agency managers should improve the validity, reliability, significance, and balance of their performance measures by adopting measures published by national professional associations such as the International City-County Management Association, the Government Finance Officers Association, and the American Public Health Association. Agencies should also review the performance measures used by similar agencies in neighboring jurisdictions to identify useful outcome measures whose results can be compared. The Office of the City Administrator should assist agencies in these efforts.*

After reviewing the performance measures of the sample agencies and interviewing all sample agency points-of-contact, we found that 5 of the 6 sample agencies have adopted measures published by national professional associations or similar agencies in neighboring jurisdictions.

For example, DPW stated that they looked to guidelines and best practices published by the International City/County Management Association (ICMA) and the Metropolitan Washington Council of Governments when they developed their performance measures and goals. DPW also stated that they reviewed the performance measures of other jurisdictions. When we compared DPW’s FY 2010 KPIs to published ICMA standard measures, we found that DPW used 4 KPIs that were identical or extremely similar to ICMA standard measures.

OCFO stated that they looked to other jurisdictions when they developed performance measures, but because OCFO did not prepare an annual performance plan or report during the scope of the review, we could not verify their statements.

We also found that OCA provided training and resources to agency representatives with a focus on what makes a “good” performance measure. Starting in FY 2011, OCA required agencies to incorporate performance measures developed by national associations and other jurisdictions into their performance plans. Each agency was required to have one standard measure.

Original recommendation: *The Mayor, City Administrator, and Council must ensure that agencies submit performance plans that cover all significant programs and activities. At a minimum, agency heads and their managers should establish performance measures for all programs defined in the performance-based budgeting structure.*

After reviewing the performance measures and budgets of the sample agencies and interviewing all sample agency points-of-contact, we found that OCA made it a requirement in FY 2010 that all large agencies that broke down their operating budget by program had to also break down their performance plans by division. We found that 5 of the 6 sample agencies complied with this requirement. OCFO did not prepare an annual performance plan or report during the scope of the review, so we could not assess their compliance.

The only issue that arose in the sample was that in one case (DCPS), the divisions listed in the PAR were inconsistent with the programs listed in the budget. OCA even acknowledged this possible conflict in their FY 2010 guide to performance management that was given to all agencies. However, OCA’s guide did not suggest a solution to this possible conflict. Table I presents the problem found when comparing the DCPS FY 2010 PAR and the FY 2010 DCPS operating budget.

Table I

Divisions in the DCPS FY 2010 PAR	Programs in the DCPS FY 2010 Operating Budget
Office of the Director / Agency Management	Agency Management Program
Office of the Chief Academic Officer	School System Management
Office of Special Education	Special Education Local
Office of Human Capital	<i>No corresponding program</i>
Office of the Chief Operating Officer	<i>No corresponding program</i>
Office of Data and Accountability	<i>No corresponding program</i>
Office of Family and Public Engagement	<i>No corresponding program</i>
<i>No corresponding division</i>	Agency Financial Operations
<i>No corresponding division</i>	Instructional Programs
<i>No corresponding division</i>	Instructional Support Services
<i>No corresponding division</i>	Student Support Services
<i>No corresponding division</i>	Non-Instructional Support Services
<i>No corresponding division</i>	Non-Programmatic Departments

The lack of consistency between the performance documents and the budget made it difficult for us to link funding and performance for DCPS.

Original recommendation: *The City Administrator and the governing bodies for independent agencies should require agency personnel under their supervision to collect and report data for all of the performance measures included in annual performance plans. To hold agency personnel accountable for collecting and reporting data, the City Administrator and independent governing bodies should regard a performance goal as not met if an agency fails to collect and report data for that measure. This policy would give agencies an incentive to invest more time and attention in designing and selecting appropriate performance measures.*

After reviewing the performance measures of the sample agencies and interviewing all sample agency points-of-contact, we found that OCA developed multiple assessment categories for the initiatives and KPIs in agency performance reports: fully achieved, partially achieved, not achieved, data not reported, workload measure, and baseline measure. In the last two categories, no rating was applicable.

We also found that 3 of the sample agencies did not report data for one or more KPIs in their FY 2010 PARs. OCFO did not prepare an annual performance plan or report during the scope of the review, so we could not assess their compliance with this recommendation. OCA properly assigned all KPIs that were missing data to the “data not reported” category. OCA stated that they assessed an initiative or KPI as “data not reported” only after many conversations with the agency point-of-contact to confirm that it was impossible to provide data for that measure.

Some agencies reported that they could not obtain the necessary data in time for the annual PAR. In those cases, it would be better for OCA to adjust performance plans and reports when it is known that an agency cannot obtain data in time for the annual PAR. OCA could either report data for the previous year or the measure could be removed altogether.

In terms of the use of the phrase, “The City Administrator and the governing bodies for independent agencies” that appears in the original recommendation, we found that the Office of the City Administrator managed the creation of performance plans and reports for virtually every District agency that appeared in the District’s operating budget in FY 2010 and FY 2011. Also, OCA managed the performance plans and reports for at least 9 independent agencies. We did not attempt to assess the compliance of the independent agencies that were not managed by OCA.

Original recommendation: *The Office of the City Administrator should provide technical assistance and coordinate training for agency staff involved in setting performance goals, tracking performance, and reporting results. A particular focus of technical assistance and training, which could rely on external sources such as local universities, should be helping agencies develop more outcome-oriented measures of performance and set more meaningful performance targets.*

We found that OCA communicated regularly with agency representatives and provided sufficient training and informational documentation to District agencies during the scope of the audit. Specifically, we found that:

- OCA hosted 4 working group sessions in FY 2010
- On January 20, 2010, OCA sent an email to agencies with information on FY 2010 performance plans and first quarter performance data. A KPI Tracker user manual was included as an attachment to the email.
- On February 17, 2010, OCA sent an email to agencies on FY 2010 performance plans.
- On April 26, 2010, OCA sent an email to agencies on FY 2010 performance plans. The FY 2010 performance management guidebook was included as an attachment to the email.
- On June 6, 2010, OCA sent an email to: (1) notify agencies of measures that the Council of the District of Columbia added for FY 2010, (2) remind agencies of performance plan deadlines, (3) provide a list of ICMA recommended measures, and (4) provide information on workload measures.
- On October 7, 2010, OCA sent an email to agencies with information on FY 2010 PARs and FY 2011 plans.

After interviewing all sample agency points-of-contact, we found that 4 sample agencies were aware of some level of training provided by OCA during the scope of the audit. However, DOH and OCFO had limited knowledge of OCA training. OCA used an email distribution list entitled "Performance Management Council" to communicate with agencies. We noted that no representatives from DOH and OCFO were included on the email list as of February 16, 2012. This may have contributed to the lack of awareness of training described by DOH and OCFO.

Original recommendation: *The inter-agency Performance Management Council should be revived to serve as a forum for technical assistance, allowing agencies with solid performance measurement systems to provide additional assistance and guidance to other agencies.*

After interviewing all sample agency points-of-contact, we found that 3 sample agencies were aware of a revived Performance Management Council and 3 were not. OCA provided evidence of 4 optional Performance Management Council meetings during the scope of the audit. Part of the lack of awareness of the Performance Management Council may have resulted from the fact that in some cases, only high level agency management was invited to Performance Management Council meetings. As a result, the agency employees who actually collect and report the data were not always included in the discussions.

Original recommendation: *The Office of the City Administrator, with the assistance of the Office of the Chief Financial Officer, should publish a comprehensive and user-friendly guidebook to performance management in the District government, similar to Fairfax County Measures Up: A Manual for Performance Measurement, now in its Tenth Edition.*

We found that OCA published a comprehensive performance management guidebook for FY 2010, without the assistance of OCFO. OCA also released supplemental guidance for FY 2011 and OCTO published a technical manual for users of KPI Tracker that was published in 2008. OCA stated that the guidebook was not updated since its release. However, OCA issued instructions to agencies on any changes as well as provided agencies with periodic email communication. Rather than issue separate clarifications, OCA could simply update the existing guidebook to avoid confusion.

Original recommendation: *The City Administrator should establish and enforce quality control and data verification standards for the District government's performance system. The standards of quality control should require agencies to define each performance measure, describe the source of the data, identify who collected and recorded the data, document the timing of the data collection, and state how the summary statistics were calculated. Agencies should retain adequate documentation for all performance data included in annual performance reports.*

We found that there were 4 textbox areas in KPI Tracker that required agencies to include the following items for each performance measure:

- Collection method: the methods used to collect the data
- Data validation: how agencies confirm that the data they receive is accurate
- Contact person(s): names and phone numbers of the individuals to be contacted with questions about the measure
- Reason for measure: why the measure is evaluated

OCA stated that KPI Tracker stored the date and time of each agency's data entry and calculated the summary statistics. OCA also stated that the onus was on the agency to maintain backup documentation for the data they reported in KPI Tracker. OCA did not formally request this backup documentation.

After interviewing all sample agency points-of-contact, we found that 4 of the sample agencies stated that OCA established quality control and data verification standards. DCPS stated that they were not aware of quality control and data verification standards for performance data and OCFO had no comment on this topic as they did not develop performance plans and reports in coordination with OCA. Agencies generally stated

that they maintain adequate documentation for all performance data included in annual performance reports. However, we did not verify that agencies maintain adequate documentation due to the resource constraints of the review.

Original recommendation: *The Mayor and City Administrator should develop a separate format for reporting performance information that allows the Mayor to present performance highlights, display data in forms that are user-friendly and understandable to the public, and explain the reasons for performance results. Although it is useful to include performance information in the District's budget documents, the budget should not be the sole format for presenting performance data because the scope of information that can be included is too limited. The annual New York City Mayor's Management Report and Prince William County's Annual Service Efforts and Accomplishments Report offer useful models for detailed reporting and discussion of performance trends that promote accountability and inform the public.*

We found that OCA published separate performance plans and reports for almost all District agencies in FY 2010 and FY 2011. In addition, the District's FY 2010 and FY 2011 annual operating budgets continued to present a summary of the performance information that is included in each sample agency's PAR, except for OCFO.

Two other jurisdictions have produced performance reports that have been awarded the Association of Government Accountant's Certificate of Achievement in Service Efforts and Accomplishments (SEA) Report Review Program Gold Award: The New York City Mayor's Management Report and the City of Palo Alto SEA Report and Citizen Centric Report. OCA could continue to improve the District's performance reports, using the reports of New York City and the City of Palo Alto as models for readability, explanation of results, and emphasis on customer service.

PARTIALLY IMPLEMENTED RECOMMENDATIONS

Original recommendation: *Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. Efficiency measures would be particularly useful for the largest programs within an agency and those that provide high-priority services to the public. The Office of Budget and Planning should help agencies develop the necessary data collection methods and calculations.*

The OCA performance management guidebook defines an efficiency measure as one that “reflects the economical and effective acquisition, utilization, and management of resources to achieve program outcomes or produce program outputs.” After reviewing the performance measures of the sample agencies and interviewing all sample agency points-of-contact, we found that although OCA made efficiency measures a requirement in FY 2010, not all agencies included efficiency measures in their FY 2010 and FY 2011 performance plans and PARs. Also, some agencies used efficiency measures that were not significant or strongly related to their mission.

For example, DOH included only one efficiency measure in their FY 2010 PAR: Facility cost per DOH employee. While the information that this measure tracks may be useful to DOH, it does not relate to DOH’s most significant programs or those that provide high-priority services to the public. Also, DOH’s FY 2011 performance plan did not appear to include any efficiency measures.

We found that OCA handled the development of data collection methods and calculations for all performance measures, including efficiency measures. Representatives from OCFO stated that OCFO was coordinating a cost driver project. However, the cost driver project had no direct link with OCA’s development of agency performance plans and reports. If OCA and OCFO coordinate these efforts, they could help agencies track their efficiency more effectively.

Original recommendation: *Agencies should continue expanding their use of performance measures that provide external assessments of performance by independent, objective individuals or groups. In particular, agencies should expand their use of resident or customer surveys, as well as trained observer ratings, in order to increase the integrity of the performance data and draw on information from multiple sources.*

After reviewing the performance measures of the sample agencies and interviewing all sample agency points-of-contact, we found that most of the sample agencies had at least one KPI that provided an external assessment of performance. However, it didn’t appear that there was a coordinated central effort to encourage agencies to use external assessment of performance. One agency spoke of the costs associated with conducting external assessments. Another issue was the reliability and validity of data obtained through some types of external assessments, such as Survey Monkey. OCA could better enable agencies to successfully obtain external assessments of performance by (1) providing training on various types of external assessments and (2) selecting approved vendors for tools such as online surveys. Also, OCA could encourage agencies to use external data to make tangible improvement to services.

Original recommendation: *Agencies should set ambitious but achievable performance targets by examining trends in past performance, the performance levels attained in other jurisdictions (particularly in other urban or regional jurisdictions), performance standards set by relevant professional associations, and standards set by federal or local law. In addition, agencies should cease the practice of setting performance targets that are lower than actual performance in prior years, unless there is a compelling rationale such as a substantial reduction in funding.*

After reviewing the performance measures of the sample agencies and interviewing all sample agency points-of-contact, we found that agencies regularly looked to past performance, other jurisdictions, federal and local law, and professional associations when setting performance targets. However, agencies sometimes set targets lower than actual performance in previous years.

For example, we found that DOES set several performance goals lower than the previous year's performance. The DOES KPI of "% of back wages collected from employers" achieved 99.82% in FY 2010 but DOES set the FY 2011 goal at 97%. The DOES KPI of "% of workers comp formal hearings resolved" achieved 83.08% in FY 2009 and 84.84% in FY 2010, however both the FY 2010 and FY 2011 goals were set at 80%. The DOES KPI of "# of adult participants completing workforce development training program" had a goal of 1,000 for FY 2010, however, that KPI achieved 1,453 in FY 2009. Table II presents the DOES KPIs that were set lower than the previous year's performance.

Table II

KPI	Performance Result	Performance Goal in Subsequent Fiscal Year
% of back wages collected from employers	99.82%	97%
% of workers comp formal hearings resolved	83.08%	80%
% of workers comp formal hearings resolved	84.84%	80%
# of adult participants completing workforce development training program	1,453	1,000

However, sometimes an agency sets a target lower than actual performance in previous years for legitimate reasons. For example, DCPS stated that they once set the target for an attendance KPI lower than past performance. They achieved a 98% attendance rate in the previous year, but kept the next year's target at 95% because that was the Federal No Child Left Behind standard. Also, sometimes an agency has to set the target before the previous year's results are finalized or they must adjust targets that are impacted by budget cuts.

OCA could develop and implement a policy requiring agencies to set performance targets that are an improvement from actual performance in prior years. If there is a compelling rationale to set a performance target lower than actual performance in prior years, OCA could include a footnote in the agency's performance plan and PAR explaining the rationale.

Original recommendation: *Agency performance reports with measures that show changes on a percentage basis should also include the original and new levels of performance to allow policymakers and residents to interpret the impact of the percentage change.*

After reviewing the FY 2010 performance reports and FY 2011 performance plans of the sample agencies, we found that 3 agencies had KPIs that showed changes on a percentage basis (MPD, DOES, and DPW) and 2 agencies did not have any KPIs that showed changes on a percentage basis (DCPS and DOH). OCFO did not prepare an annual performance plan or report during the scope of the review, so we could not assess their compliance with this recommendation.

Three of MPD's FY 2010 KPIs reflected change on a percentage basis. None of the three KPIs included original and new levels of performance in the FY 2010 PAR.

The DOES FY 2010 PAR had one KPI that reflected change on a percentage basis and the report did not present the original and new levels of performance.

DPW did not have any KPIs that reflected change on a percentage basis in their FY 2010 PAR. The DPW FY 2011 plan included 3 KPIs that reflected change on a percentage basis. DPW included baseline data for 2 of the 3 KPIs.

OCA could develop and implement a policy requiring agencies to present original and new levels of performance for all KPIs that reflect change on a percentage basis.

RECOMMENDATIONS NOT IMPLEMENTED

Original recommendation: *The City Administrator and the governing bodies for independent agencies should require agencies to justify and receive written approval to change performance measures and goals, in order to promote accountability for results and ensure that trends can be tracked over time. To prevent the gaps in performance reporting that arise from frequent shifts in performance measures, the Office of the City Administrator and the governing bodies for independent agencies should require agency personnel to collect data on a new measure for at least one year until the old measure is fully phased out.*

We found that the performance guidebooks and other information provided by OCA to agencies made it clear that KPIs should not change from year to year.

However, after reviewing the performance measures of the sample agencies and interviewing all sample agency points-of-contact, we found that 4 agencies had significant changes in their KPIs from FY 2010 to FY 2011. KPIs that were eliminated from FY 2010 agency performance plans were not referenced at all in FY 2011 plans. OCFO did not prepare an annual performance plan or report during the scope of the review, so we could not assess their compliance with this recommendation.

For example, DOH had a tremendous shift in KPIs from FY 2010 to FY 2011. We found that the FY 2010 performance plan had 52 KPIs that were not included in the FY 2011 performance plan. We found that the FY 2011 performance plan had 41 new KPIs that were not included in the FY 2010 plan. Also, the FY 2011 plan added 12 workload measures.

OCA generally required justification for changing KPIs, but it was done informally through email conversations. We found no evidence that OCA required agencies to collect data on a new measure until the old measure was fully phased out.

OCA could better manage changes to KPIs by: (1) requiring agency personnel to collect data on a new measure until the old measure is fully phased out, (2) including an explanation for changes to KPIs in performance plans and reports, and (3) developing a formal procedure for agencies to justify and obtain formal approval for changes to KPIs.

Original recommendation: *The Department of Human Resources' Workforce Development Administration should establish a training class dedicated exclusively to performance measurement, supplementing the class presently offered in performance-based budgeting. Training in performance measurement should be made part of the mandatory annual training in management and supervisory skills required for employees who are part of the Management Supervisory Service.*

After reviewing the D.C. Department of Human Resources class offerings we found a course called "Performance Measurement" that was advertised in the FY 2010 course catalog. However, a D.C. Human Resources representative stated that this course had never been conducted and it was not a mandatory course for Management Supervisory Service employees.

Original recommendation: *The City Administrator and the governing boards of independent agencies should require agency directors to state in writing that they have reviewed the data in their annual performance reports and certify the accuracy of the data.*

After reviewing the performance reports of the sample agencies, we found that there was no physical evidence of an agency director's signature on the published performance reports, nor was there a statement from agency directors certifying the accuracy of the data.

Furthermore, none of the interviewed sample agency points-of-contact were aware of a requirement for agency directors to state in writing that they reviewed the data in their PARs or certify the accuracy of the data. However, at least 4 of the 6 directors of the sample agencies chose to review the data before it was submitted to OCA. OCA could easily remedy this situation by adding a step in KPI tracker in which the agency director must sign off on the agency's final performance data.

Original recommendation: *The Mayor, City Administrator, Council, and Chief Financial Officer should require agency heads to justify all budget increase requests in terms of explicit performance outcomes. Independent agency heads should adopt the Mayor and City Administrator's policy of linking individual employee evaluations to agency performance goals.*

Most sample agency points-of-contact stated that their agencies did not directly link budget increases to performance results or consistently link agency goals with individual performance goals at all levels of the organization.

After reviewing the FY 2010 and FY 2011 operating budgets of the 6 sample agencies, we found that 3 agencies (DOH, DOES, and OCFO) listed and described the reasons for budget increases and decreases, but did not describe the budget increases and decreases in terms of explicit performance

outcomes. DCPS also did not describe budget increases and decreases in terms of explicit performance outcomes. Instead, DCPS linked budget increases and decreases to enrollment numbers which, DCPS stated, drove funding. Several of DPW's budget changes and one of MPD's budget changes were described in terms of anticipated performance improvements, such as reductions in fuel usage, reduced overtime, and shortened pickup times, but the DPW and MPD budgets did not describe all budget changes in terms of explicit performance outcomes.

OCA could improve the link between agency budgets and performance results by working with OCFO to establish a direct link between the budget formulation process and the performance planning and reporting process. OCA could also work with DCHR to require a direct link between individual employee performance goals and agency performance goals.

Conclusion

Although OCA and other District agencies have made significant progress since the original audit report on the District's performance measurement system was published in March 2008 by implementing 8 of 16 key recommendations, there is more progress to be made. Four recommendations have been partially implemented and 4 recommendations have not been implemented at all. With proper attention to these outstanding issues, the District's performance measurement process can better meet its goal of improving the performance of city government. As stated in the title of the March 2008 report, the District's performance measurement system still needs long-term stability and commitment to maximize effectiveness.

Sincerely,

A handwritten signature in blue ink, appearing to read "Yolanda Branche".

Yolanda Branche
District of Columbia Auditor

Agency Comments

On September 11, 2012, the Office of the District of Columbia Auditor submitted the draft report entitled "Review of the District of Columbia's Performance Measurement System" for review and comment to the City Administrator.

The Auditor received written comments from the City Administrator on September 25, 2012. The written comments are attached to this report.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CITY ADMINISTRATOR

Allen Y. Lew
City Administrator



September 25, 2012

Yolanda Branche
District of Columbia Auditor
717 14th Street NW, Suite 900
Washington, DC 20005

Re: *Office of the City Administrator's Comments on the District of Columbia Auditor Draft Report Entitled "Review of the District of Columbia's Performance Measurement System"*

Dear Ms. Branche:

This correspondence serves as the response of the Office of the City Administrator (OCA) to the draft District of Columbia Auditor report entitled "Review of the District of Columbia's Performance Measurement System," dated September 11, 2012. The draft report reviewed whether District agencies had implemented 16 recommendations contained in a 2008 District of Columbia Auditor report on the performance measurement system. In addition, the 2012 audit reviewed what policies and procedures OCA had developed and implemented to manage audit report findings and recommendations.

The draft report found that "OCA has made significant progress in improving the District's performance measurement system" and that 8 of the original 16 recommendations were fully implemented, 4 were partially implemented, and 4 were not implemented. In addition, the draft report made one additional recommendation regarding OCA's management of audit report findings and recommendations.

This letter provides OCA's response to the 4 recommendations that the Office of the District of Columbia Auditor (ODCA) found were not fully implemented, the 4 recommendations that ODCA found were not implemented, and the 1 additional recommendation.

If you have any questions or require additional information, please do not hesitate to contact Barry Kreiswirth, Senior Legal Advisor, at 202-615-2091 or barry.kreiswirth@dc.gov.

Thank you for the opportunity to provide comments in this matter.

Sincerely,


Allen Y. Lew

**OFFICE OF THE CITY ADMINISTRATOR'S COMMENTS
IN RESPONSE TO
THE DISTRICT OF COLUMBIA AUDITOR REPORT ENTITLED
"REVIEW OF THE DISTRICT OF COLUMBIA'S
PERFORMANCE MEASUREMENT SYSTEM"**

Below are the responses of the Office of the City Administrator to the new recommendation in the District of Columbia Auditor draft report entitled "Review of the District of Columbia's Performance Measurement System" ("Draft Report") and to the 8 recommendations from the 2008 District of Columbia Auditor report entitled "Performance Measurement System Needs Long-Term Stability and Commitment to Maximize Effectiveness" that the Office found in the Draft Report had not been fully implemented.

New Recommendation

ODCA Recommendation: OCA management should develop formal written policies and procedures to implement findings and recommendations made in audit reports and formally designate an Agency Risk Manager who has overall responsibility for resolving findings and recommendations made in audit reports.

OCA Comments: OCA has designated an Agency Risk Manager. In addition, OCA is working with the Office of Risk Management to develop a more robust system for tracking the resolution of recommendations made in audit reports. This system will apply to all District agencies subordinate to the Mayor. Given the small size of the OCA office and the limited number of audit recommendations that are directed to it, OCA does not believe that formal written policies and procedures specific to the Office of the City Administrator are necessary.

Partially Implemented Recommendations

ODCA Original Recommendation: Agency directors and their senior managers should begin implementing efficiency measures, drawing on the hundreds of efficiency measures that have been developed in agency strategic business plans, as a way to show how well they are using resources and provide useful information for the annual budgeting process. Efficiency measures would be particularly useful for the largest programs within an agency and those that provide high-priority services to the public. The Office of Budget and Planning should help agencies develop the necessary data collection methods and calculations.

ODCA 2012 Findings (Summary): ODCA found that although OCA made efficiency measures a requirement in FY 2010, not all agencies included efficiency measures in their FY 2010 and FY 2011 performance plans and PARs. Also, some agencies used efficiency measures that were not significant or strongly related to their mission; however, ODCA found that OCA handled the

Office of the City Administrator

Comments in Response to the Office of the District of Columbia Auditor Report Entitled "Review of the District of Columbia's Performance Measurement System"

September 25, 2012

development of data collection methods and calculations for all performance measures, including efficiency measures. In addition, ODCA noted that if OCA and OCFO coordinate these efforts, they could help agencies track their efficiency more effectively.

OCA Comments: OCA works closely each year with agencies to develop the key performance indicators (KPIs) for their performance plans. As part of that process, the agencies are requested to develop efficiency measures, where feasible. To strengthen this process, OCA will work with the Mayor's Office of Budget and Finance and the Office of the Chief Financial Officer, as necessary, to help District agencies identify and accurately report efficiency-based measurements.

ODCA 2008 Recommendation: Agencies should continue expanding their use of performance measures that provide external assessments of performance by independent, objective individuals or groups. In particular, agencies should expand their use of resident or customer surveys, as well as trained observer ratings, in order to increase the integrity of the performance data and draw on information from multiple sources.

ODCA 2012 Findings (Summary): ODCA found that most of the sample agencies had at least one KPI that provided an external assessment of performance. ODCA noted OCA could better enable agencies to successfully obtain external assessments of performance by: (1) providing training on various types of external assessments; and (2) selecting approved vendors for tools such as online surveys. Also, OCA could encourage agencies to use external data to make tangible improvement to services.

OCA Comments: OCA concurs with this recommendation. The Mayor recently began an initiative, grade.dc.gov, through which residents and other stakeholders assess agencies' service delivery through online and mobile portals. The pilot agencies for this program are the Department of Consumer and Regulatory Affairs, Department of Motor Vehicles, Department of Parks and Recreation, Department of Public Works, and Department of Transportation. In addition, several agencies measure customer feedback through their own surveys, including the Department of Human Resources, Office of Human Rights, and Department of Motor Vehicles. Moreover, OCA provides a customer service responsiveness rating for all District agencies participating in the performance management program on the Track DC website. The Track DC website provides agency-specific data and a comparison to the District-wide average. This data is updated on the Track DC website quarterly.

ODCA Original Recommendation: Agencies should set ambitious but achievable performance targets by examining trends in past performance, the performance levels attained in other jurisdictions (particularly in other urban or regional jurisdictions), performance standards set by relevant professional associations, and standards set by federal or local law. In addition, agencies should cease the practice of setting performance targets that are lower than actual performance in prior years, unless there is a compelling rationale such as a substantial reduction in funding.

Office of the City Administrator

Comments in Response to the Office of the District of Columbia Auditor Report Entitled "Review of the District of Columbia's Performance Measurement System"

September 25, 2012

ODCA 2012 Findings (Summary): ODCA found that agencies regularly looked to past performance, other jurisdictions, federal and local law, and professional associations when setting performance targets; however, agencies sometimes set targets lower than actual performance in previous years. ODCA noted OCA could develop and implement a policy requiring agencies to set performance targets that are an improvement from actual performance in prior years. If there is a compelling rationale to set a performance target lower than actual performance in prior years, OCA could include a footnote in the agency's performance plan and PAR explaining the rationale.

OCA Comments: OCA concurs with this recommendation and will carefully review proposed targets during the FY 2013 performance planning process to encourage agencies to set targets that exceed actual performance from prior years, while also being reasonably achievable. OCA will incorporate these requirements into its written policies.

ODCA Original Recommendation: Agency performance reports with measures that show changes on a percentage basis should also include the original and new levels of performance to allow policymakers and residents to interpret the impact of the percentage change.

ODCA 2012 Findings (Summary): ODCA found that some of the sampled agencies' performance reports with measures did not show changes on a percentage basis and did not include the original and new levels of performance to allow policymakers and residents to interpret the impact of the percentage change.

OCA Comments: OCA concurs with this recommendation. OCA will incorporate into its written policies a requirement that agencies present original and new levels of performance for KPIs that measure change on a percentage basis.

Recommendations Not Implemented

ODCA 2012 Recommendation: The City Administrator and the governing bodies for independent agencies should require agencies to justify and receive written approval to change performance measures and goals, in order to promote accountability for results and ensure that trends can be tracked over time. To prevent the gaps in performance reporting that arise from frequent shifts in performance measures, the Office of the City Administrator and the governing bodies for independent agencies should require agency personnel to collect data on a new measure for at least one year until the old measure is fully phased out.

ODCA 2012 Findings (Summary): ODCA found that the performance guidebooks and other information provided by OCA to agencies made it clear that KPIs should not change from year to year. ODCA noted OCA could better manage changes to KPIs by: (1) requiring agency personnel to collect data on a new measure until the old measure is fully phased out, (2) including an explanation for changes to KPIs in performance plans and reports, and (3) developing a formal procedure for agencies to justify and obtain formal approval for changes to KPIs.

Office of the City Administrator

Comments in Response to the Office of the District of Columbia Auditor Report Entitled "Review of the District of Columbia's Performance Measurement System"

September 25, 2012

OCA Comments: OCA will incorporate into its written policies a more formal process by which agencies must submit a justification and obtain approval for changing KPIs and to include an explanation of changes to KPIs in performance plans. OCA currently allows agencies to add new KPI measurements through a one-year review phasing process that includes a baseline measurement for the first year. Thus, there generally is no gap in the collection of data. It is not always possible or advisable to continue to report on the old KPI, since that KPI may no longer apply to the agency (for example, because of a change in the agency's structure or budget) or it may no longer be deemed an appropriate measure for the agency.

ODCA 2008 Recommendation: The Department of Human Resources' Workforce Development Administration should establish a training class dedicated exclusively to performance measurement, supplementing the class presently offered in performance-based budgeting. Training in performance measurement should be made part of the mandatory annual training in management and supervisory skills required for employees who are part of the Management Supervisory Service.

ODCA 2012 Findings (Summary): ODCA found, after reviewing the D.C. Department of Human Resources (DCHR) class offerings, that a course called "Performance Measurement" was advertised in the FY 2010 course catalog. However, a DCHR representative stated that the course had not been conducted and that it was not a mandatory course for Management Supervisory Service employees.

OCA Comments: OCA concurs with this recommendation and will collaborate with DCHR's Workforce Development Administration to re-establish training classes dedicated to performance measurement in FY 2013.

ODCA 2008 Recommendation: The City Administrator and the governing boards of independent agencies should require agency directors to state in writing that they have reviewed the data in their annual performance reports and certify the accuracy of the data.

ODCA 2012 Findings (Summary): ODCA found that there was no physical evidence of an agency director's signature on the published performance reports, nor was there a statement from agency directors certifying the accuracy of the data. Furthermore, none of the interviewed sample agency points-of-contact were aware of a requirement for agency directors to state in writing that they reviewed the data in their PARs or certify the accuracy of the data. ODCA noted OCA could easily remedy this situation by adding a step in KPI tracker in which the agency director must sign off on the agency's final performance data.

OCA Comments: OCA concurs with this recommendation. OCA will incorporate into its written policies a requirement that agency directors sign off on the agency's performance reports.

Office of the City Administrator

Comments in Response to the Office of the District of Columbia Auditor Report Entitled "Review of the District of Columbia's Performance Measurement System"

September 25, 2012

ODCA 2008 Recommendation: The Mayor, City Administrator, Council, and Chief Financial Officer should require agency heads to justify all budget increase requests in terms of explicit performance outcomes. Independent agency heads should adopt the Mayor and City Administrator's policy of linking individual employee evaluations to agency performance goals.

ODCA 2012 Findings (Summary): ODCA found most sample agency points-of-contact stated that their agencies did not directly link budget increases to performance results or consistently link agency goals with individual performance goals at all levels of the organization. ODCA noted OCA could improve the link between agency budgets and performance results by working with OCFO to establish a direct link between the budget formulation process and the performance planning and reporting process and OCA could also work with DC HR to require a direct link between individual employee performance goals and agency performance goals.

OCA Comments: OCA will discuss with the Office of the Chief Financial Officer and the Mayor's Office of Budget and Finance to determine how the performance planning process can better inform budget formulation and decision making." OCA will also work with DC HR to better link individual employee performance goals and agency performance goals in FY 2013.

Auditor's Response to the Agency Comments

The Auditor appreciates the comments provided by the City Administrator on the draft report.

The Auditor offers the following response to comments provided by the City Administrator.

Auditor's Recommendation:

OCA management should develop formal written policies and procedures to implement findings and recommendations made in audit reports and formally designate an Agency Risk Manager who has overall responsibility for resolving findings and recommendations made in audit reports.

The City Administrator Response:

OCA has designated an Agency Risk Manager. In addition, OCA is working with the Office of Risk Management to develop a more robust system for tracking the resolution of recommendations made in audit reports. This system will apply to all District agencies subordinate to the Mayor. Given the small size of the OCA office and the limited number of audit recommendations that are directed to it, OCA does not believe that formal written policies and procedures specific to the Office of the City Administrator are necessary.

Auditor's Response:

We stand by our recommendation that OCA management should develop formal written policies and procedures to implement findings and recommendations made in audit reports. GAO's Standards for Internal Control in the Federal Government clearly state that "Monitoring of internal control should include policies and procedures for ensuring that the findings of audits and other reviews are promptly resolved." Despite OCA's assertion, the small size of OCA does not diminish the need for this important internal control.