

Testimony of

The Hon. Kathleen Patterson, D.C. Auditor

Before the

Council of the District of Columbia
Committee of the Whole

Hearing on the
FY 2016 Budget Request for the
Office of the D.C. Auditor

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The John A. Wilson Building

Washington D.C. 20014

Mr. Chairman, thank you for this opportunity to discuss the Office of the DC Auditor's (ODCA) budget request for fiscal 2016. I am Kathy Patterson, and have been serving as the D.C. Auditor since mid-December, 2014.

The Mayor's submission includes a proposed budget for ODCA of \$4,339,741, which is consistent with the financial information provided to the executive in November, prior to my assuming the position of auditor. Subsequent to that, as you know, the Council submitted on our behalf a request for a total funds budget of \$5,636,941, including several enhancements over what was included in the November submission.

I will first address what the base or current services budget comprises, then will address the enhancements we had requested, and conclude with highlights on the work immediately ahead of us.

Personnel

The budget proposal includes \$3.55M in personal services to cover salaries and benefits for a total of 31 full time equivalent employees. When I assumed the position of auditor in December there were seven vacancies and since that time we have hired four additional staff members – a chief of staff, a director of program evaluation, a senior auditor, and an analyst. Three of the four are on board today and the fourth begins six weeks. We have had one individual leave the staff, and are close to hiring two additional analysts while we continue to interview for a senior auditor and an entry-level analyst. When we complete those hires -- which I hope will be by mid-summer -- we will be fully staffed for the first time in several years.

Three of our employees currently work part-time, and nearly all of the FTEs have been approved for alternative work schedules. Most work nine days in each pay period with a workday longer than the standard eight hours. This was the case when I joined the ODCA staff and I am pleased that we are able to take advantage of the District's flexible work schedules because I think that can foster a healthy work-life balance. The slight decline in funding in the "regular pay" line from FY15 represents the change in assumptions on fringe benefits. The "regular pay-other" line in the budget book covers the staff now working part-time and my own "term" salary.

Non-personal services

Our major non-personal services cost is the lease for office space at 717 14th Street, which is now in excess of \$500,000. I have asked the Department of General Services why that cost has risen by roughly \$100,000 in four years, which is greater than the escalation provision in the lease, but they have not yet responded. The budget as proposed also includes modest increases in the "other services" line which includes \$70,000 for tuition and other training. According to the Generally Accepted Government Auditing Standards issued by the U.S. Comptroller General, auditors must meet a requirement for continuing professional education that consists of 80 hours of training every two years. The Office of the D.C. Auditor applies this requirement to nearly every member of the staff as one means of assuring a high level of professional competence in the work we do.

There are small increases in the "contractual services" line including equipment maintenance and in "equipment and equipment rental" which includes several information technology upgrades including upgrades for our audit database, TeamMate. This is a software system used to document auditing processes and audit findings, create reports, and cross-reference our reports. Other costs include software for data analysis, service and support for our servers and switches, IT software that monitors and analyzes network traffic and performance, and a secondary internet service provider used for testing equipment and systems.

Budget enhancements

Expert Services/Contract Audits

One of the enhancements we have requested is an additional \$60,000 for expert services contracts, which can be either experts we hire to assist in audits conducted by the ODCA staff, or to support audits for which we contract with outside providers who are also experts in a given program area. A larger non-personal services budget would give the ODCA the option of conducting a greater number of contract audits which permit us to be nimble in addressing new priorities as they arise, and of hiring individuals who have programmatic expertise for short-term assignments.

Because of the vacancies and the accumulation of salary funding that was unused early in this fiscal year, I requested a reprogramming of a total of \$327,000 from personal to non-personal services this past February. The primary purpose was to enable us to contract for a review of the Metropolitan Police Department's use-of-force policies and practices. It also permitted us to hire additional subject-matter experts to assist the staff in our audits and program reviews and provided additional financial support for professional training. Today I am considering an additional reprogramming based on the FY15 salary lapse that will occur over the next few months until we are finally fully staffed. That additional reprogramming will permit us to respond to a recommendation from the Committee on the Judiciary to undertake a retrospective review of the implementation of the Office of Administrative Hearings Establishment Act of 2001 (B14-0219).

I mention these specific contract audits that we are able to undertake with reprogrammed dollars because they help make the case for additional non-personal services funding in our base budget so that we will have the flexibility -- even when fully staffed -- to respond quickly to Council priorities and requests. Candidly, one issue I have considered is whether, within a current funds budget, we should reduce the total number of FTEs we seek to maintain in the ODCA, and request a permanent shift of a limited amount of personal services funding into non-personal services. I am mindful of other demands on the District's funds and the importance of agency leaders making choices from among potential allocations of taxpayer dollars. I welcome any thoughts you and other members of the Council might have on that option.

Transit subsidy

As you know, the Council staff has had the benefit of a Transit Benefit Program which provided a commuter subsidy of up to \$100 per month available to any staff who did not have access to Council-provided parking. I am hopeful that you will be able to provide this benefit again for Council staff. And because we consider ourselves adjunct Council staff, I would request the same benefit for ODCA staff. What the Council submitted on our behalf was a total of \$37,200 which would cover all 31 FTEs, but excepting the three individuals who currently have free parking would lower that to \$33,600, so that is

the amount I would recommend including if the transit subsidy is maintained. That would be added to the budget line for Other Services and Charges.

Office renovation

The final enhancement that the Council recommended to the Mayor for the ODCA budget was a one-time allocation of \$1.2 million to support a renovation of the space we lease on the ninth floor of 717 14th Street N.W. The ODCA has a 10-year lease for this space, managed by the Department of General Services (DGS), and signed in 2011. The space is old and worn, and made up almost exclusively of individual enclosed offices, and a renovation could create more work stations in an open environment and provide us with flexibility to bring on board additional staff that could include summer interns and loaned executives from either the private sector or the federal government – not necessarily employees who would be additional FTEs.

DGS has issued Workplace Design Guidelines that emphasize flexibility and collaborative work space as an incentive to improve productivity, and I recommend those guidelines to you and other Councilmembers if you are not familiar with them. I include two pages from the lengthy design guidelines at the end of this testimony to illustrate some of the newer thinking on utilization of space. Other considerations in this budget enhancement would include whether, as a matter of policy, you wish to support renovations in leased space.

Upcoming work and the year ahead

Mr. Chairman, I know you are familiar with the reports we have issued in recent months including some with content directly relevant to budget decisions before the Council. They include:

- Our review of the operations of the Board of Elections on November 4, 2014, titled *The District of Columbia Board of Elections Day Preparation and Administration Can Be Improved*, which was issued February 6, 2015. We recommended improvements in staffing and Americans With Disabilities Act compliance, and also urged the Mayor and Council to purchase new voting machines, an expenditure that was not included in the FY16 proposed budget submitted by the Mayor.
- We again faulted the Department of Small and Local Business Development for failing to assess penalties to developers who contracted to meet, but failed to meet, Certified Business Enterprise spending goals in the report, *Certified Business Enterprise Expenditures of Public-Private Development Construction Projects for Fiscal Year 2014*, issued February 20, 2015.
- We are continuing to coordinate closely with the Department of Human Services in an audit of the management contract between DHS and The Community Partnership for oversight of homeless services, following publication of our report cataloguing \$109 million in local funds allocated to non-governmental organizations in FY14, *Examination of Non-Governmental Organizations Receiving Local District Funds to Provide Homeless Services in Fiscal Year 2014*. We expect to complete that audit within a timeframe that will help inform the Executive and the Council as you consider a successor management contract overseeing homeless services.
- Last month we issued the report, *Oversight Improvements Must Continue to Ensure Accountability in Use of Public Funds by D.C. Public Charter Schools*, including reference to

legislation that is pending before the Council that would require for-profit management firms working for public charter schools to provide the same level of financial information as now provided by non-profit management firms, one step that can improve the D.C. Public Charter School Board's oversight of charter schools.

Reports we expect to be issued in the coming weeks include:

- A compliance audit required by the Accrued Sick and Safe Leave Act of 2008 to assess whether private businesses have complied with posting and other requirements of the law, and the extent to which the Department of Employment Services and the Department of Human Resources have met their requirements for oversight of the policies. We issued a similar report a year ago, and the new audit is distinguished by including a survey of private sector businesses. While the responses do not constitute a statistically significant proportion of D.C. businesses, they nevertheless provide a window on the points of view of businesses on this policy initiative. We look forward to sharing the results with you in the next week or two.
- The final "summative" report on the Public Education Reform Amendment Act of 2007, which is underway by the National Academy of Sciences and due for publication at the end of May. I hope we are able to present this final assessment of what is also known as the "mayoral takeover" legislation and the impact on public education in the course of a public hearing before the Committee on Education. We are also in discussion with researchers at George Washington University's Education Consortium for Research and Evaluation (EdCORE) about reissuing the reports they have done on contract with the ODCA covering specific aspects of the 2007 law and hope to have further information on that for you in the near future.
- We are also required by the School Modernization Financing Act of 2006 to audit the school modernization program, and will be issuing a report covering fiscal years 2010 through 2013 in late spring or early summer. That has proven to be a very challenging endeavor given not only the huge sums involved in the modernization efforts, but the somewhat disjointed way in which the projects have been overseen – we have essentially contracted out the Executive's oversight function to a joint venture of private management firms so securing documents for assessment has been difficult. I am hopeful that our audit report will spur continued debate about the best manner in which to conduct the important work of modernizing school facilities.
- We are conducting another compliance review of the Task Force on Emergency Medical Services recommendations issued in 2007, also known as the Rosenbaum Task Force for the late David Rosenbaum, whose family agreed to refrain from pursuing a multi-million dollar law suit against the city in return for District implementation of the report's recommendations. It is my hope that this compliance review will be particularly useful as the new administration brings on board a well-regarded new chief of the Department of Fire and Emergency Medical Services.

Our audit plan for FY15 includes additional "risk-based" audits based on an assessment of District departments and programs that comprise a significant portion of the budget, have a high degree of public interest and complexity, and several other metrics. We are conducting an audit of the Metropolitan Police Department's Patrol Services Division with a focus on several of the manpower issues faced by the department. And we will shortly begin work on audits of the University of the District of Columbia, and the Department of Youth Rehabilitative Services, and are determining now the kind of focus that those reviews will have.

Mr. Chairman, I appreciate this opportunity to outline our funding priorities for FY16 and to describe some of the work we have underway. This concludes my prepared statement and I would be happy to respond to questions.

Thank you.

Many organizations and government entities are carefully studying the ways that their employees actually work compared to their current work environment. There are five major findings that are surprisingly universal:

- *Work function is often misaligned with space allocation.* Many managers sit in large enclosed offices and rarely occupy them. Some employees are sitting in small workstations, due to the level of their position, but need workspaces better configured for their actual work. This is often because space has been assigned based on entitlement rather than job function. However, a shift to job function is occurring as organizations focus more on performance.
- *People aren't at their desk as much as they say they are.* Most employees think they sit at their desk all day, but this is often an inaccurate perception. Countless studies have resulted in evidence that the workforce is on the move! Whether meeting with the public, collaborating with a team, sending emails from home or PDA messages from anywhere. It is not that our employees are not working, it's that they are not sitting in one place anymore. Successful workplaces support people working in multiple settings, not just their office or workstation.
- *Virtual space is just as important as physical space.* Remember back when there were no cell phones, no PDAs, no internet and no email? It's hard to imagine, given the amount of work that gets done virtually today. Virtual space requires as much attention as physical space to support work effectiveness. This means attention to software, hardware, lighting, ergonomics, electronic file storage, remote access and security issues.
- *Technology contributes to square footage needs.* As technology becomes more integrated into the workplace, employees have more options in how they work and, depending on the function, where they work. In this way, technology supports the workplace as it supports the type of work. It does not mean that an employee is entitled to more or less space, but does mean that space can be designed to better support work functions when also supported by appropriate technology.
- *Sustainability is seen not only in physical space, but also in best practices throughout the workplace.* Sustainable initiatives are becoming more integrated in design and construction, as well as becoming increasingly regulated by governing institutions. At the same time, the habits of building occupants are also becoming smarter and more sustainable.

What is a high performance workplace?

A high performance workplace includes more than just space – it also incorporates technology, business operations and changes in human behavior through policy. It provides a variety of “settings” like huddle rooms, team rooms, conference areas, phone booths to support individual as well as collaborative tasks. It provides workspace where and when it is needed. It goes without saying too that a high performance workplace will be designed to ensure that the programs, services, benefits, activities and facilities operated or funded by the District of Columbia are fully accessible to, and useable by people with disabilities.

What are the benefits of a high performance workplace?

- Workplace supports work function
- Creates opportunities for collaboration
- Improves work processes
- Encourages learning and knowledge-sharing
- Leverages technology and real estate
- Attracts and retains top talent
- Fosters innovations
- Promotes overall satisfaction

What is the value proposition of a high performance workplace?

- Increases productivity
- Maximizes flexibility
- Integrates and leverages technology
- Invests wisely in the future
- Improves the quality of the workplace
- Uses resources wisely