ODCA Office of the District of Columbia Auditor

Testimony of

The Hon. Kathy Patterson

D.C. Auditor

Before the

Council of the District of Columbia

Committee of the Whole

On the

Fiscal Year 2017 Proposed Budget and Financial Plan

The John A. Wilson Building
Room 120
1350 Pennsylvania Avenue NW
Washington D.C. 20004

Mr. Chairman, thank you for the opportunity to present the FY 2017 budget request for the Office of the D.C. Auditor (ODCA). I am Kathy Patterson, and have been serving as the D.C. Auditor since December 2014.

I would like to thank the Secretary to the Council, Nyasha Smith, for working with me on the budget in terms of its content and the process that led to its inclusion in the mayor's proposed budget. This budget cycle represents the first time the Council has successfully included the ODCA budget in its submission to the Executive, and I greatly appreciate that partnership. We are a legislative audit shop, and while the D.C. Auditor maintains a level of independence appropriate to the function, our principal purpose is to serve the Council of the District of Columbia.

The mayor's submission includes the proposed budget for ODCA of $5.2 million, an increase of 11.6 per cent over the FY 2016 budget. The increase of roughly $700,000 would enable ODCA to hire two additional analysts and allocate additional funds for contract audits and other expert services.

Staffing

In its FY 2016 report, the Committee of the Whole recommended that ODCA "evaluate the staffing levels of the Office to determine adequate staffing and support necessary to carry out ODCA's expanded goal and purpose." The other recommendation contained in last year's report was that ODCA "should continue to embrace its expanded functions of program evaluation and policy analysis on a broad range of government programs and activities, more in line with the Government Accountability Office."

As you know, I hired a Director of Program Evaluation and we have included in our work plan for the current year a series of reviews that are outside the realm of traditional audits. These include an evaluation of the voter file and steps the Board of Elections could take to conform to both local and federal rules on voter registration and best practices in election administration. The program evaluation work includes a "secret shopper"-styled survey of customer responsiveness on the part of seven District agencies who frequently interact with the public. We also have a non-traditional partnership with graduate students from The George Washington University who are engaged in the evaluation of the Fair Criminal Record Screening Act mandated by the Council.

With two additional full time equivalent (FTE) employees envisioned in the budget increase we could take on additional program evaluations and continue to expand the type of reviews we undertake. And my staff and I continue to be open to requests and recommendations from you and your colleagues in terms of the projects that we undertake. With the additional positions, I would hope to hire individuals with expertise in state and municipal government operations. We are currently authorized for 31 FTEs, and the budget increase would raise that to 33 positions.

Contract Audits

The remainder of the increase, roughly $500,000, would be reserved for audits and other reviews for which we would contract with outside organizations and to enhance our ability to hire individuals whose expertise would assist ODCA staff in ongoing audits and program evaluations. We were able to undertake a series of contract audits over the last two years based largely on use of "salary lapse" given a large number of vacancies that existed when I assumed my position. In January we released a comprehensive review of the Metropolitan Police Department's policy and practice on use of force, which received widespread publicity and has been of value not just to the department but to police agencies around the country. Other contract audits underway now include a performance review of the Office of Administrative Hearings conducted by the Council for Court Excellence and an evaluation of the Marion S. Barry Summer Youth Employment Program by an outside consultant with extensive experience in the D.C. government as an agency chief financial officer and auditor. The latter is a project funded with a 1-time allocation of $200,000 by the Council in the FY 2016 budget. We have been assisted in our school modernization audits by outside consultants with expertise in the construction industry.

While I cannot say today with any specificity what contract audits we will undertake in Fiscal 2017, I can assure you that there will be priority topics that come up that merit our attention -- or requests that are made by Councilmembers. This work that would be strengthened by hiring the services of experts in the issue area.

The remainder of the ODCA budget beyond the proposed increased funding is largely unchanged from our budget for the current fiscal year.

To provide further information to the Committee of the Whole I have appended to our testimony a summary of the status of the ODCA work plan for Fiscal 2016, describing audits and program evaluations conducted to date, and planned in the immediate future.

Performance Pay

There is an additional issue relevant to the FY 2017 budget that I would like to address in my role as an agency director -- the first provision included in the FY 2017 Budget Support Act of 2016, titled the "Bonus and Special Pay Limitation Act of 2016." In the final months of last year, the staff at the Office of the District of Columbia Auditor went through the annual performance evaluation process. We implemented a new evaluation form and process, with employees doing self-assessments and receiving evaluations from their supervisors. At the conclusion of the evaluation process, each employee drafted his or her work plan for the ensuing year. It was a robust process and provided useful feedback. Volunteers evaluated my performance, anonymously, and I learned a lot and have put several recommendations into effect already. I have a strong belief in the value of employee performance evaluation.

It had been my plan that at the conclusion of the evaluation cycle, I would provide modest performance bonuses to the small number of employees who received the highest rating in our 3-tier rating system. At that point I learned that the Mayor and Council have, for several years, banned performance bonuses and this ban is again included in the Budget Support Act. I do not know why this limitation was put into effect, but I was on hand when the Mayor and Council brought pay for performance to the District government in the Omnibus Personnel Reform Amendment Act of 1997. That law was a consensus achieved by the Executive and the Council, with support from organized labor and the control board. It created the Management Supervisory Service and made other adjustments to the Comprehensive Merit Personnel Act to bring it up to date.

Today the District Personnel Manual (DPM) Chapter 1900.2 states that "it is the policy of the District government to recognize and reward employees whose performance is exemplary with monetary incentive awards and non-monetary incentive awards." Chapter 11, Section 1144 provides that a personnel authority, such as the D.C. Auditor, "may authorize a performance allowance for exceptional service for an employee in the Career, Legal, or Management Supervisory Service." DPM Section 1904.2(a) provides for Exemplary Performance Awards, which "may be granted to an employee for performance accomplishments related to assigned job tasks in a manner that significantly exceeds satisfactory performance requirements for the employee's official position and which has contributed to the success of the agency and he District government in meeting their performance goals for the fiscal year." There are rules governing awarding the performance bonuses, and we have drafted a policy that conforms with the existing rules, for our use when and if we are permitted to use it.

Mr. Chairman, please consider amending the Budget Support Act to either permit performance bonuses as they are now outlined in the personnel law and regulations, or implement further protections or restrictions – but please give this particular tool back to managers to improve our ability to encourage and reward exceptional performance.

Thank you and I would be happy to answer questions.

Completed and Current Projects:

Item #	Name	Origination	Agency	Purpose	Audit Phase/ Status	Expected Date of Completion
1	DPR Aquatic Center Payment Evaluation	Discretionary	Department of Parks and Recreation (DPR)	To determine whether DPR is collecting aquatic center payments appropriately.	Complete	Report Issued: February 3, 2016
2	RPTAC Audit	D.C. Code § 47-825.01(l)(2)	Real Property Tax Appeal Commission	To determine whether the operations of the Real Property Tax Appeal Commission were efficient, effective, economical, and complied with relevant rules, regulations and laws.	Complete	Report Issued: March 4, 2016
3	Public Private Developer Evaluation	Councilmember Bonds	Public Private Developers	Review the agreements made between various District agencies and developers for two specific development projects. Assess compliance with those agreements.	Ongoing	May 2016
4	Events DC Audit	D.C. Code § 10-1203.05(a)	Washington Convention and Sports Authority (Events DC)	To determine whether Events DC and Destination DC are achieving goals	Complete	Report Issued: October 30, 2016
5	DYRS Youth and Family Programs Audit	Risk Based Audit	Department of Youth Rehabilitation Services (DYRS)	To determine whether the DYRS Youth and Family Programs division is achieving goals.	Complete	Report Issued: March 17, 2016
6	MPD Use of Force Evaluation	Discretionary	Metropolitan Police Department (MPD)	Contract review by The Bromwich Group to assess compliance with 2001 MOA with DOJ on police use of force.	Complete	Report Issued: January 28, 2016
7	BOE Voter Files Evaluation	Discretionary	Board of Elections	To determine whether DCBOE's processes for maintaining the voter file are sufficient and appropriate.	Reporting	May 2016

Item #	Name	Origination	Agency	Purpose	Audit Phase/ Status	Expected Date of Completion
8	Homeless Programs Audit	Councilmember Cheh	Homeless programs affiliated with Nonprofit Organizations	To review the TCP management contract to determine redundancy, waste, inefficiency, and inadequate accountability.	Complete	Report Issued: March 9, 2016
9	MPD Patrol Services Audit	Risk Based Audit	Metropolitan Police Department (MPD)	To determine whether MPD Patrol Services is achieving goals.	Reporting	May 2016
10	Recommendation Compliance Report	GAGAS	Previously Audited Agencies	To determine whether recommendations issued from FY 2013 to present were implemented.	Complete	Report Issued: January 4, 2016
11	DCPS Capital Improvement Fund Evaluation, FY 2014 (H.D. Cooke)	D.C. Code § 38-2973.05	Department of General Services (DGS)	To determine whether the District met the process, quality, schedule, and cost objectives of the Facilities Master Plan and Capital Improvement Plan and Budget for FY 2014 with a focus on H.D. Cooke.	Reporting	May 2016
12	DCPS Food Service Contract Evaluation	Councilmember Cheh	D.C. Public Schools (DCPS)	Review of DCPS' contracts with food service management companies, the decision to outsource food services, and current and historic cost drivers and program operations.	Reporting	May 2016 Management Alert Issued: February 12, 2016
13	Customer Service Testing	Discretionary	311 Call Center, OCFO, DCRA, MPD, DCPS, DHS, and DPW	To test D.C. government agencies' ability to respond to resident inquiries in a timely, knowledgeable, and courteous fashion.	Ongoing	May 2016

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14	DCPS Capital Improvement Fund Evaluation, FY 2015 (Ellington)	D.C. Code § 38-2973.05	Department of General Services (DGS)	To determine whether the District met the process, quality, schedule, and cost objectives of the Facilities Master Plan and Capital Improvement Plan and Budget for FY 2015 with a focus on the Duke Ellington School for the Arts.	Reporting	April 2016
15	UDC Audit	Risk Based Audit	University of the District of Columbia	To determine whether UDC is achieving its goals with a focus on elements of the new strategic plan.	Field Work	May 2016
16	Sustainable Energy Trust Fund Audit	Discretionary	District Department of the Environment (DDOE) and the D.C. Sustainable Energy Utility (DCSEU)	Review fund revenues and ensure that funds are used as intended.	Reporting	April 2016
17	DCPS Capital Improvement Fund Evaluation, FY 2016 (Case Studies)	D.C. Code § 38-2973.05	Department of General Services (DGS)	To determine whether the District met the process, quality, schedule, and cost objectives of the Facilities Master Plan and Capital Improvement Plan and Budget for FY 2016 with a focus on three specific schools in varying phases of the capital construction process.	Ongoing	September 2016
18	Office of Administrative Hearings Evaluation	Discretionary	Office of Administrative Hearings (OAH)	10-Year contract review of OAH's performance in providing timely access to administrative justice.	Ongoing	June 2016
19	Summer Youth Employment Program Evaluation	Councilmember Silverman	Department of Employment Services (DOES)	Contract review of program data, processes, and internal controls of the District's Summer Youth Employment Program.	Ongoing	September 2016

Item #	Name	Origination	Agency	Purpose	Audit Phase/ Status	Expected Date of Completion
20	Summer Youth Employment Program Review	Discretionary	Department of Employment Services (DOES) and sister agencies in other cities	To provide context for the review of the District's Summer Youth Employment Program with data on objectives, activities, and outcomes of summer jobs programs in other cities.	Reporting	April 2016
21	Housing Production Trust Fund (HPTF) Audit/Evaluation	Councilmember Evans	Department of Housing and Community Development (DHCD)	To assess whether the Housing Production Trust Fund is meeting its objectives.	Survey	August 2016 Management Alert Issued: March 15, 2016
22	Revenue Audit #1	Discretionary	Revenue source and relevant agency to be determined during survey phase	To determine whether one or more specific revenue sources are being properly assessed and collected.	Not Started	August 2016
23	Audit of Vacant/Blighted Properties permitting process too many responses	Risk Based Audit Bolling open: deception	Department of Consumer and Regulatory Affairs (DCRA)	To determine whether DCRA is effectively managing vacant and blighted properties by reviewing: the number, location, and type of properties; trends in number of properties; community effects of properties; exemptions from punitive tax rates; enforcement tools; legal actions; and/or interagency coordination.	Ongoing	September 2016
24	Evaluation of Tax Exempt Properties	Discretionary		To review tax exempt properties in the District and compare to the IRS tax exempt listing.	On Hold	July 2016

Item #	Name	Origination	Agency	Purpose	Audit Phase/ Status	Expected Date of Completion
25	PAR Evaluation	D.C. Code § 1-614.14(c)	TBD during survey phase	To identify best and worst case examples of performance measurement for District agencies.	Ongoing	June 2016
26	Fair Criminal Record Screening Act Audit	D.C. Code § 32-1345(c)	Office of Human Rights (OHR)	To determine progress on hiring of applicants with criminal backgrounds by employers and impact of law on employers.	Ongoing	June 2016
27	Certification of OCFO Revenue Estimate	D.C. Code § 1-206.03	Office of the Chief Financial Officer (OCFO)	To review, analyze and assess the reasonableness and attainability of the CFO's FY 2016 local source revenue estimate, and to determine if the issuance of the proposed general obligation bonds would cause the District to exceed its debt ceiling, as outlined in D.C. Code 1-206.03(b)(1).	Not Started	TBD (When Requested)
28	MPD First Amendment Audit	DC Code § 5-333.12(d)(1) and (2)	Metropolitan Police Department (MPD)	To ensure MPD complied with rules, regulations and laws pertaining to MPD investigations concerning first amendment activities and to determine whether MPD implemented recommendations in previous ODCA audit reports.	Not Started	September 2016
29	Evaluation of Overtime Payments for District Employees	Discretionary	TBD	To evaluate trends in overtime payments for District employees.	Not Started	September 2016

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30	Evaluation of Systems Development Processes in the District	Discretionary	Office of the Chief Financial Officer (OCFO) and Office of the Chief Technology Officer (OCTO)	To evaluate the costs of one or more systems development processes that were abandoned by the District.	Not Started	November 2016
31	BOE HAVA Funding Evaluation	Discretionary	Board of Elections (BOE)	To determine whether HAVA funding was spent appropriately	Not Started	July 2016
32	PERAA Recommendation Compliance Review	Discretionary	Deputy Mayor for Education (DME)	To review compliance with the recommendations contained in the PERAA reports	Not Started	July 2016
33	Internal Control Review of Various Data Systems	Discretionary	DC Department of Human Resources (DCHR), Child and Family Services (CFSA), Department of Employment Services (DOES)	To review sufficiency and appropriateness of internal control for several District data systems	Survey	August 2016
34	Events DC Revenue Certification	D.C. Code § 10-1203.05(b)	Washington Convention and Sports Authority (Events DC)	To determine whether FY 2017 projected dedicated tax revenues, operation revenues, and excess reserve will be sufficient to meet the FY 2017 projected expenditures and reserve requirements of Events	Not Started	July 2016

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				DC		
ANC REVIEWS AND REPORTS						
35	ANC Annual Report	D.C. Code § 1-309.13(d)(1)	Advisory Neighborhood Commissions (ANC)	To present a consolidated annual report of the financial activity of all Advisory Neighborhood Commissions regarding the expenditure of District funds and quarterly financial reports that were submitted to the Office of the District of Columbia Auditor for FY 2014.	Complete	Report Issued: December 10, 2015
36	Review of Quarterly ANC Reports, Allotment: Q1 FY16 Report: Q3 FY15	D.C. Code § 1-309.13	Advisory Neighborhood Commissions (ANC)	Review quarterly reports submitted by ANCs and, once verified, authorize the release of quarterly allotments.	Complete	Allotments Issued
37	ANC Security Fund Review	D.C. Code § 1-309.14(f)	Advisory Neighborhood Commissions (ANC)	To present the Security Fund Annual Financial Report of the Advisory Neighborhood Commission for FY 2015.	Complete	Report Issued: December 9, 2015
38	Review of Quarterly ANC Reports, Allotment: Q2 FY16 Report: Q4 FY15	D.C. Code § 1-309.13	Advisory Neighborhood Commissions (ANC)	Review quarterly reports submitted by ANCs and, once verified, authorize the release of quarterly allotments.	Complete	Allotments Issued

Item #	Name	Origination	Agency	Purpose	Audit Phase/ Status	Expected Date of Completion
39	Audit of Selected ANC Expenditure Categories	DC Code § 1-309.13(d)(1)	Advisory Neighborhood Commissions (ANC)	To determine whether ANC Commissioners administered and operated ANC financial accounts in accordance with applicable District laws and regulations from FY 2009 - Q1 FY 2012.	Planning	September 2016
40	ANC Annual Report	D.C. Code § 1-309.13(d)(1)	Advisory Neighborhood Commissions (ANC)	To present a consolidated annual report of the financial activity of all Advisory Neighborhood Commissions regarding the expenditure of District funds and quarterly financial reports that were submitted to the Office of the District of Columbia Auditor for FY 2015.	Planning	May 2016
41	Review of Quarterly ANC Reports, Allotment: Q3 FY16 Report: Q1 FY16	D.C. Code § 1-309.13	Advisory Neighborhood Commissions (ANC)	Review quarterly reports submitted by ANCs and, once verified, authorize the release of quarterly allotments.	Not Started	May 2016
42	Review of Quarterly ANC Reports, Allotment: Q4 FY16 Report: Q2 FY16	D.C. Code § 1-309.13	Advisory Neighborhood Commissions (ANC)	Review quarterly reports submitted by ANCs and, once verified, authorize the release of quarterly allotments.	Not Started	August 2016
				CBE COMPLIANCE REPORTS		
43	Developer CBE Compliance Review	D.C. Code § 1-301.183	Public-Private Developers	To evaluate DSLBD's process for tracking the progress of developers in reaching CBE expenditure goals.	Ongoing	May 2016

Item #	Name	Origination	Agency	Purpose	Audit Phase/ Status	Expected Date of Completion
44	Agency SBE Compliance Review, Quarter 1 FY 2016	D.C. Code § 1-301.184	Department of Small and Local Business Development (DSLBD)	To determine the FY 2016 SBE expenditures of District agencies through the 1st quarter of FY 2016 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements.	Complete	Report Issued: March 16, 2016
45	Agency SBE Compliance, FY 2015	D.C. Code § 2-218.53 and § 1-301.184	Department of Small and Local Business Development (DSLBD)	To determine whether District agencies met the required goal of procuring 50% of agency expendable budgets with SBEs in FY 2015 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements.	Complete	Report Issued: March 31, 2016
46	Agency SBE Compliance Review, Quarter 2 FY 2016	D.C. Code § 1-301.184	Department of Small and Local Business Development (DSLBD)	To determine the FY 2016 SBE expenditures of District agencies through the 2nd quarter of FY 2016 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements.	Not Started	May 2016
47	Agency SBE Compliance Evaluation, Quarter 3 FY 2016	DC Code § 1-301.184	Department of Small and Local Business Development (DSLBD)	To determine the FY 2016 SBE expenditures of District agencies through the 3rd quarter of FY 2016 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements.	Not Started	August 2016