



Testimony of

The Hon. Kathy Patterson

D.C. Auditor

Before the

Council of the District of Columbia
Committee of the Whole

Performance Oversight Hearing

March 7, 2018

10 a.m.

Room 120

The John A. Wilson Building
1350 Pennsylvania Avenue NW
Washington, DC 20004

Good morning, Mr. Chairman and members of the Committee of the Whole. I am Kathy Patterson, and I serve as the District of Columbia Auditor. I am joined today by the Office of the D.C. Auditor (ODCA) General Counsel Amy Bellanca. It is a pleasure to be able to appear before you to discuss the performance of the Office of the D.C. Auditor. I will discuss the status of recommendations made by this Committee in its FY2018 budget report, how the office did on our Key Performance Indicators in FY2017, our performance goals for the current year, and other accomplishments and initiatives we have undertaken in the past year.

2017 Committee of the Whole recommendations

Last year the Committee recommended that ODCA “continue to adhere to the rigorous standards and make clear in audit reports information on where to review those standards.” We take very seriously the need to adhere to rigorous standards including the Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (“GAO”) and also known as “yellow book” standards. For those reports that are not GAGAS reports, we carefully adhere to our own Policies and Procedures, which are based on the yellow book standards. Our Policies and Procedures are available to the public on our website.

In the last fiscal year, ODCA issued 24 reports, five of which were GAGAS audits. The projects that we undertake that are not GAGAS audits include our contract audits where we identify expertise in the community and make use of that expertise to produce reports designed to assist you and the Executive Branch in oversight or policy development. Other non-GAGAS audits include our annual report on compliance with ODCA recommendations and a report that described site visits to summer youth employment programs.

In terms of the standards that we adhere to in non-GAGAS audits, I can best describe that to you by sharing the elements of our audit work plan, which is consistent with yellow book standards, and appended to this testimony. When we begin a project that we agree will not be a GAGAS audit, the team develops a work plan that indicates which – if any – steps in a GAGAS audit would not be followed in the project as planned. For example, Step 6 in the “Survey Phase” is to “assess the program’s internal controls, including information system controls.” For the summer jobs program site visits, we did not assess the program’s internal controls. But insofar as supervision, oversight, quality control, and levels of review –all of our reports go through a rigorous process before seeing the light of day through public release.

In my performance testimony last year I described the results of the peer review we undertake every three years, and reported that for the first time, ODCA received the highest rating. This found we are in full compliance with GAGAS. In each of the two years when we do not have an external peer review team assess our performance, we perform an in-house quality control review, in which ODCA staff review four reports issued the previous year, measuring the extent to which we have met our own and GAGAS standards. We find this exercise a useful one for the entire staff when we discuss any shortcomings identified in the staff review. It is also an excellent learning opportunity for ODCA staff to use a check-list of requirements to review work done by colleagues.

We have not stated in each of our reports that our Policies and Procedures are available on our website, but we do include the website itself in each of our reports.

The COW also recommended that we implement “a performance bonus system that rewards high-performing employees.” I am pleased to report that we have taken advantage of the legislation that was enacted that permitted ODCA to award performance bonuses, a useful tool in a performance-oriented workplace but one that has been prohibited in recent years. Thank you for that change and I am hopeful that the rest of the District government will be permitted to use this provision in the Comprehensive Merit Personnel Act. In our annual performance evaluation process, four members of the ODCA staff received our highest rating based on recommendations of their supervisors and approved by a performance review committee. The four individuals are receiving modest performance bonuses of \$1,000 each. I was very pleased at an all-staff meeting just yesterday to share what elements of their performance prompted the high rating, in the hope that they serve as role models for their peers.

The Committee also recommended that we join the Council in working with the Executive to identify space in the Wilson Building for ODCA to move into. You and I, Mr. Chairman, have discussed this issue, and while there has not been any forward movement, I continue to hope that we can make that move to continue to promote a closer working relationship with the Council.

A final COW recommendation had to do with information technology expenditures. I greatly appreciate the additional funding that was provided in our FY18 budget to pay for an upgrade that will replace outdated switches and related equipment to ensure ongoing connectivity with DC Net. We have been working with the Office of the Chief Technology Officer to procure and install the needed equipment. The new equipment apparently brings with it higher ongoing service charges, and I hope to be able to share additional information on that with you when the budget is before the Council.

Measuring ODCA’s Impact

When we submitted our responses to the Council’s performance oversight questions, we included our FY2017 Performance Report, and I also attach that short report to this testimony. I mentioned earlier that we published 24 reports in FY 2017 but of course that is an “output” measure and not an impact measure. Our Key Performance Indicators are an effort on our part to measure impact and that was the goal when a staff committee developed the measures in 2016. The four performance indicators are:

- The number of times the Council has acted based on ODCA reports or other ODCA information. (13 in FY17 and a goal of 11 actions for FY18.)
- The percentage of recommendations implemented within one year. (Not yet available for FY17 and 55% as a goal for FY18.)
- The percentage of surveyed auditees and stakeholders who responded that an engagement was “very valuable” or “valuable.” (91% in FY17 and a goal of 92% for FY18.)
- The percentage of engagements completed within 10 months. (53% in FY17 and a goal of 60% for FY18.)

The final KPI listed here – the proportion of projects completed in 10 months – is aimed at increasing our productivity. We also are experimenting with an option offered by our auditing database software vendor – TeamMate – to help measure the cost of each of our projects through reporting staff time devoted to each project. I hope to be able to provide additional information on how much each of our audits and other projects have cost by this time next year.

Our productivity has been greatly enhanced by actions taken by the Council over the last two Council periods – first in eliminating a series of statutorily required audits and, second, by transferring what had been administrative responsibilities for the financial reporting of Advisory Neighborhood Commissions to the Office of the ANCs. As you know, this transfer was facilitated by reprogramming of funds from the ODCA budget to the OANC for the second half of FY17 and changes to the base budgets of each agency for FY18. For FY17 we transferred \$46,218 to the OANC to cover personal service costs of a new staff member, and \$3,800 in one-time funding for maintaining the financial management database that we created to improve the oversight of ANC finances. The FY18 budget included a permanent transfer of \$86,533 to the OANC. During the transition period last year we also arranged for a member of our staff to work on site with the OANC staff to provide training and support.

While we greatly appreciate this action by the Council and the leadership of Councilmember Anita Bonds, we have been concerned to hear that some ANCs may be submitting their required quarterly reports to the OANC in paper format. We found that the database we created was a great help to Commissioners, and also provides a streamlined audit trail for us to prepare an annual report on the Advisory Neighborhood Commissions. I would respectfully recommend that the Committee review this matter with the director of the OANC.

ODCA accomplishments

Throughout FY 2017 we continued work on two major ODCA efforts: a study of the Marion Barry Summer Youth Employment Program (MBSYEP) requested by Councilmember Elissa Silverman and a study of the Housing Production Trust Fund requested by Councilmember Jack Evans.

The MBSYEP project included four reports: a research report on summer jobs programs in other major cities, a report on site visits to programs underway during the summer of 2016, and two evaluations. This project was directed by Jason Juffras, our director of program evaluation, and we also had the services of a contractor, Ronald Gaskins, an experienced D.C. government auditor who formerly worked as the agency chief financial officer at DOES. A summary of those reports:

- On April 21, 2016, we released a ***Review of Summer Youth Employment Programs in Eight Major Cities and the District of Columbia***, which noted that the District’s program is far larger, per capita, than other city programs, but that other programs draw to a larger extent on non-local government resources, including private grants and unsubsidized private sector jobs or work experience.
- Our ***Review of Marion S. Barry Summer Youth Employment Program Data and Activities*** released June 2, 2016, summarized the 2015 program with special attention to the experiences of older youths, ages 22 to 24, and one of our recommendations was that DOES improve its tracking of the employment outcomes for these youths.
- In December 2016 we published ***Site Visit Observations: 2016 Marion S. Barry Summer Youth Employment Program*** which summarized the observations of ODCA teams that visited 18 sites offering work readiness training or work experience in diverse settings (public, non-profit, private for-profit). We found considerable variation in staffing and supervision, worksite activities, and youth engagement.

- Finally, on March 21, 2017, we released our final report, ***Internal Control Weaknesses Found in Marion S. Barry Summer Youth Employment Program***, which concluded that despite its long history and significant funding, the operations of the summer 2016 program appeared ad hoc, with very limited planning, and numerous shortcomings that created a risk of waste, fraud and abuse.

We provided testimony April 3, 2017, before the Council Committee on Labor and Workforce Development on the findings of our reports, and appeared again this past January to provide our perspective on legislation before the Committee including Bill 22-617 introduced by the committee chair to improve the operations of the District’s summer jobs program. We noted that we were encouraged by the bill’s intent to strengthen advanced planning, tailor placements to youths’ developmental needs, and give priority to young people who are in greatest need of assistance all of which were important themes in our reports.

Our work on the Housing Production Trust Fund (HPTF) is nearing its completion and we expect to publish a report next week that includes an online, searchable and customizable Excel database of all HPTF projects funded between FY 2001 and FY 2016. Creating the database, which was necessary because our previous reports found the HPTF database to be inaccurate and incomplete, was an enormous task. It required multiple requests for information and an analysis of roughly 76,000 lines of transactional data. The database will accompany a report, which includes our findings and recommendations addressed to both the Department of Housing and Community Development (DHCD) and the Office of the Chief Financial Officer, and will be available on our website. In addition, it is our hope that DHCD will use the verified data. And finally, we created an online, interactive map of the hundreds of HPTF projects with the help of the GIS staff at the Office of the Chief Technology Officer.

Also with regard to the HPTF:

- In March 2016 we issued a Management Alert to the director of DHCD identifying two areas of noncompliance – the agency had not yet initiated an annual audit by a Certified Public Accountant and failed to publish annual reports on a timely basis. The agency contracted for the financial audit a year ago, and we have yet to see the resulting report.
- In June 2016 we released a report comparing the District’s HPTF with other major city-level trust funds on reliability of revenue, output, target populations and other factors. That report also provided statistics on total revenue and expenditures and the numbers of units produced as reported at that point by DHCD.
- Last March we released the first of two audit reports, ***DHCD Should Improve Management of the HPTF to Better Meet Affordable Housing Goals*** evaluating DHCD’s management of the trust fund, with a series of recommendations to improve agency oversight.

Mr. Chairman, I am enormously proud of the work represented in these two major projects, both requested by the Council and representing issues of the highest priority to the Council and the Bowser Administration. I look forward to this body following up on the work we have done through oversight and, as appropriate, legislation.

New ODCA “products”

This past year also saw new initiatives in the form of different kinds of audit reports. You will recall that in my initial confirmation hearing for this position we talked about expanding the kinds of work undertaken by the Office of the D.C. Auditor, much as the Government Accountability Office broadened its focus some years back, along with changing its name to emphasize accountability.

- Last January we published an assessment of the Congressional proposals to scale back the Affordable Care Act and the potential impact on the District of Columbia. That analysis, also requested by Councilmember Evans, found that the District was at risk of losing between \$563 million and \$1.1 billion over time based on various proposals then under serious consideration by the U.S. Congress.
- This past August and joined by Councilmember Charles Allen, chair of the Council Committee on the Judiciary and Public Safety, I convened past and present members of the District’s Homeland Security Commission for a discussion of the commission, its challenges and successes, and recommendations for future topics to review. We taped, transcribed, edited and published the discussion and it serves as a primer on the commission and the issues. This is a format we will likely return to in the near future.
- On September 21, 2017, we released a report titled ***Significant Improvements Needed in DCRA Management of Vacant and Blighted Property Program***, which found the agency had improperly granted exemptions, not followed all legal requirements, made errors in communicating on property taxes and weaknesses in other processes. This was a “yellow book” audit on a topic recommended to ODCA by Advisory Neighborhood Commissioners in a survey in which we asked commissioners what they believed should be priorities for our work.

In my testimony last year I described several projects we had undertaken via contracts with locally-based organizations with expertise in particular issues. One such organization was the Council for Court Excellence (CCE), the 36-year-old nonprofit that works on policy matters relevant to the justice system in the District. Their first project for us was a study of the Office of Administrative Hearings.

Just last week we published a second report resulting from our partnership with CCE. It was highlighted in a joint hearing before Mr. Allen’s committee and the Committee on Health chaired by Councilmember Vince Gray. That report, ***Improving Mental Health Services and Outcomes for All: DC’s Department of Behavioral Health and the Justice System***, recommends broad and systemic improvements to services supporting residents with mental health issues who move into and out of the criminal justice system.

Like other work by CCE, this was a thorough, detailed review of an important subject, with input from hundreds of District staff, community leaders, and other stakeholders in the justice and mental health systems. A contract of approximately \$140,000 in District funds was leveraged to a value of several million dollars in billable hours by District medical professionals, attorneys, business and nonprofit leaders and others. I look forward to next steps on the recommendations made in the report.

Two other contract audits were the status report on home visiting in Washington, D.C., produced for us by the nonprofit organization D.C. Action for Children, and a report titled ***Buying, Planning and Implementing New Information Technology: A Case Study of the D.C. Business Center***, which outlined

challenges in designing and implementing a multi-agency information system written by a former D.C. technology official.

Extending ODCA's reach

Later this spring we will launch our new ODCA website, and again I am grateful to the Committee for the additional one-time funding in our FY18 budget to support this initiative. The new website and a new series of podcasts produced in a professional studio are efforts designed to promote greater awareness of the office and its work among a broad set of audiences including D.C. residents. We are also improving our use of social media and are open to additional community presentations on the work of the office, and on some of our specific reports and recommendations.

Building our internal capacity

I am very pleased to report that the Office of the D.C. Auditor is getting to the point where we have a more settled and stable workforce, after several years of somewhat more churn than is desirable, likely related to changes in leadership. We have a strong, cohesive staff, and only one opening at the moment. I filled just one position last year. We had our first-ever all-staff retreat in November, something that the staff had requested. We met for the day at the conference center at Gallaudet, and had the use of a facilitator, and now have two ongoing committees meeting and developing recommendations for my consideration on ways to improve our operations, morale, and impact.

We have drafted a significantly expanded ODCA Employee Handbook governing office policies and procedures and -- in some instances and as I described last year -- policies that stand in the place of policies reflected in the District Personnel Manual. The Office of the D.C Auditor has independent personnel authority, and in October 2016, I issued a new set of guidelines governing our performance and disciplinary policy. The goal of the ODCA personnel rules is to adhere to the letter and also the spirit of the District's personnel law as enacted by the Council which is based on and emphasizes performance.

Finally, a preview of what we have coming out shortly. I mentioned that we have our final report on the Housing Production Trust Fund scheduled for release next week. We also have an audit of the District's First Source program now out to the Department of Employment Services for comment. The audit will be followed by a white paper on the topic with recommendations for revisions to the current statute. We have a report due out this spring on the increased use of overtime in District of Columbia agencies, focusing on the Department of Corrections, Department of Youth Rehabilitation Services, and Department of Forensic Sciences. We are reviewing conditions at the D.C. Jail and Correctional Treatment Facility, the work of the Domestic Violence Fatality Review Committee, and have two reports based on requests by Councilmember David Grosso on the District's IDEA Part C early intervention program. The additional report we are producing on the Department of Consumer and Regulatory Affairs, at your request, will be sent for agency review within a few weeks.

ODCA greatly appreciates the support we have received from you, Mr. Chairman, and your staff. I look forward to another productive year on behalf of the Council and the residents of the District of Columbia. I would be happy to respond to any questions. Thank you.