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City of Seattle
Office of City Auditor

March 28, 2014

The Honorable Ed Murray
Seattle City Councilmembers
City of Seattle
Seattle, Washington 98104

Dear Mayor Murray and City Councilmembers:

As required by Article XXII Section 12 of the Seattle City Charter, this is the Office of City Auditor 2013 annual report. The report contains a description of the Office's 2013 activities and provides information on our ongoing projects and other planned work for 2014.

If you have any questions or concerns about the report's contents, please contact me at (206) 233-1095 or davidg.jones@seattle.gov.

Sincerely,

David G. Jones
City Auditor

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Office of City Auditor 2013 Annual Report

Introduction

As required by City Charter Article XXII Section 12, this is the Office of City Auditor's annual report of its 2013 activities. It also provides information about our ongoing projects and other planned work for 2014.

In 2013, we completed 14 reports, consisting of 3 performance audits, performed in accordance with the Government Auditing Standards, and 11 non-audit projects. Of these 14 reports, 12 were requested by the City Council, 1 was requested by the Seattle City Employees' Retirement System Board of Administration, and 1 was initiated by our office. Details on each of these reports are located in the section "Reports Completed in 2013."

City Council Expectations for the Office of City Auditor

On September 30, 2013, the City Council appointed David G. Jones to serve a second four-year term as Seattle City Auditor. On that same date, the City Council placed a letter in Clerk File 313254 to communicate the Council's expectations for his second term. The letter listed four expectations:

1. The Office of City Auditor should champion effective design and evaluations of City programs, which will involve not only evaluations, but partnering with departments to ensure that programs are established in such a way that measuring their effectiveness is possible.

2. The office should preserve its role as the City's primary process and accountability "watchdog", while continuing to work collaboratively with and serve as a resource to City departments.

3. To the extent that resources are available, the office should continue to proactively initiate audits on topics that we deem to be important and in the City's best interest.

4. The office should continue its work to improve the consistency of its report formatting and branding to make it easier for a reader to quickly grasp a report's key messages.

As the following information in this report shows, our office is currently performing or planning to perform work that applies to each of these expectations.

Promoting Effective Program Design and Evaluation
Our office provided technical assistance to two City public safety programs funded by federal grants: the West Precinct Juvenile Crime Hot Spots COPS grant and the Rainier Beach Juvenile Crime Hot Spots Byrne grant. The assistance we provided involved helping to develop project logic models, data gathering and analysis, participating in the project

core teams, convening stakeholder groups, providing evaluation planning assistance, and providing support to the university research partner (George Mason University).

We also complied with the City Council's requests for our office to manage several consultant evaluations of City programs. Consultants can provide valuable expertise that City staff either may not have or may not be able to provide to a particular evaluation due to resource limitations. Additionally, the independence of our office and our staff's project management skills make us well suited for managing and working with consultants on program evaluations. In 2013, Office of City Auditor staff conducted management and oversight work for the following consultant projects:

- University of Washington evaluations of the implementation of the City's Paid Sick and Safe Time regulations;
- A review of the Seattle Department of Transportation's (SDOT) operations;
- An evaluation of the City's Career Bridge job preparation program; and
- Three evaluations of various aspects of the Seattle Youth Violence Prevention Initiative.

Promoting Accountability and Collaborative Working Relationships

When assessing the performance of City departments and recipients of City contracts and grants, our office must appropriately balance collaboration with these entities with our need to play the role of an objective, independent "watchdog". We consistently achieve the proper balance by following a standard set of procedures that guide our work. These procedures require us to obtain sufficient evidence for our conclusions, and to provide those entities that we audit and assess with the opportunity to comment on our conclusions and recommendations. A prime example in 2013 of our achieving this balance was our audit of the Seattle City Employees' Retirement System (SCERS) retirement benefit calculations. During this audit, which was requested by the SCERS oversight board, we independently assessed SCERS' process for calculating retirement benefits, and shared our questions and concerns with SCERS staff before we began drafting our report so that they could immediately implement any necessary improvements to their policies and procedures. The SCERS Board and SCERS management agreed with all of our report's recommendations, and are working to implement them.

City Auditor Initiated Projects

We worked with several City departments and a consultant to complete an assessment of the information security risks faced by the City's Human Resources Information System (HRIS), and we anticipate performing a similar review in 2014 of another City information technology system. We will also continue working with the Department of Information Technology on an audit of access to the City's information technology network. Our objective is to see whether departed City employees are being removed in a timely manner from access to the City's network. These information security risk assessments, which were initiated by our office, provide valuable information to City information technology officials that allows them to strengthen controls over sensitive City systems and information.

Audit Report Improvement
Our office will soon adopt a standardized design for our audit reports.

Reports Completed in 2013

Audit Reports

1. Performance Audit of Seattle City Employees' Retirement System Benefit Calculations

Date: August 8, 2013
Focus: At the request of the Seattle City Employees' Retirement System's Board of Administration, we determined whether the Seattle City Employees' Retirement System (SCERS) was accurately calculating retirement benefits, and evaluated whether SCERS' internal controls and oversight over calculation processes were sufficient.
Results: Our office tested a sample of retirement calculations from 2011 and 2012, and we identified errors or inconsistencies in 22 of the 30 files tested. The majority of the errors had very little impact on benefits, although they indicate the need for improved controls, support, and oversight of benefit calculations. In order to address these issues, the audit includes recommendations that SCERS:

- Strengthen guidance and oversight of its calculation processes (e.g., create program rules and policy and procedure documents),
- Address limitations in the data used to calculate benefits,
- Improve its calculation worksheets, and
- Increase documentation of each member's benefit calculation, including supervisory review.

Improvements in these areas will increase the accuracy, consistency, efficiency, and transparency of retirement benefit calculations. Additionally, we recommended that SCERS strengthen the management of the benefit calculation process overall to ensure improvements are lasting and to reduce the risk of fraud or abuse.

2. Seattle Public Utilities: New Water Services (New Taps) Internal Controls Review and Fraud Risk Audit

Date: September 24, 2013
Focus: At the request of City Councilmember Jean Godden, chair of the City Council's Libraries, Utilities and Center Committee, we conducted this audit in response to the alleged theft of over $1 million of customer payments from Seattle Public Utilities' (SPU) water main extension and new taps services. The audit's primary objectives were to 1) determine if any theft of customer payments occurred, in addition to the amounts already identified during the City's criminal investigation of the alleged fraud, and 2) assess the design of recently revised internal controls implemented by the SPU Customer Service Branch over new water services (taps) business processes and determine whether they are adequate to provide reasonable assurance that a similar theft will not occur in the future. We focused our work primarily on financial controls.
Results: Our tests identified no additional fraud beyond what was already identified in the $1 million alleged theft, though taps service orders related to seven different customers (44 taps) could not be traced to a payment. Seattle Public Utilities provided a list of these service orders to the King County Prosecutor, who prosecuted the case involving the

alleged theft. As a result of the audit, SPU was able to subsequently bill and/or collect about $190,000 in unpaid new taps work.

In our assessment of the internal controls design, we concluded that, in general, SPU's recently implemented controls are adequate to provide reasonable assurance that customer payments for new taps work are received, recorded and deposited. However, we made 12 recommendations to improve the design of these controls.

3. Review of Seattle's Civil Rights Enforcement and Outreach

Date: November 20, 2013
Focus: In a Statement of Legislative Intent, the Seattle City Council requested that our office review the effectiveness of the Seattle Office for City Rights' (SOCR) enforcement and outreach efforts and compare Seattle's enforcement process with other jurisdictions.
Results: We learned that SOCR is highly regarded at the national and local levels as an effective human rights agency and role model for other agencies. We found SOCR's staffing is adequate to meet legal requirements for reaching settlements within federal timeline goals. However, we also found: 1) Some SOCR policies, procedures and practices could affect the public's perception of its objectivity and impartiality and prolong case processing time, 2) limited use of automation to standardize and store documentation for SOCR's enforcement cases could delay case closures, and 3) SOCR's outreach strategy would benefit from a prevention focus and should involve important stakeholders. We made 19 recommendations to address our findings.

Non-Audit Reports

1. Logic Model and Evaluation Strategy for the Seattle Youth Violence Prevention Initiative

Date: January 31, 2013
Focus: In a 2013-2014 budget green sheet the City Council requested that our office develop a logic model and evaluation strategy for the Seattle Youth Violence Prevention Initiative (SYVPI).
Results: After we created a logic model for SYVPI, it raised a number of questions about the feasibility of conducting an overall evaluation of SYVPI at this time. Our logic model could not explain the linkages between the major problem SYVPI is seeking to address, the strategies, and the outcome measures, which are to reduce 1) juvenile court referrals and 2) middle school suspensions and expulsions. Furthermore, we learned that due to the expedited planning process resulting from the City's desire to respond quickly to five youth homicides, SYVPI was based on a limited assessment that incorporated community input but examined and compiled data on only a few indicators of the youth violence problem. Therefore, as the next step in the evaluation process, we proposed to engage a research partner to conduct an Evaluation-Readiness Review that would address the questions discussed in our memo. An Evaluation-Readiness Review could also help clarify program goals and assess implementation issues (e.g., how are service providers documenting their activities?). In addition, we determined that in 2013 we can engage research partners to

conduct stand-alone reviews of two components of SYVPI: 1) street outreach and 2) school emphasis officers. This work is occurring now, at the same time as the Evaluation-Readiness Review.

2. Status Report on Office of City Auditor Recommendations Implementations as of October 2012

Date: February 7, 2013
Focus: At the request of the City Council, we reported on the implementation status as of October 2012 of recommendations from audit reports issued by our office from January 2007 through September 2012.
Results: We reviewed the implementation status as of October 2012 of 311 recommendations contained in 35 audit reports issued by our office from January 2007 through September 2012. As of October 2012, 64 percent of our recommendations (200 out of 311) were implemented, 26 percent (80 out of 311) were pending, and 10 percent (31 out of 311) did not warrant further follow-up. The report also discusses our process for tracking and following up on audit recommendations, and lists each recommendation by audit report title, recommendation description, implementation status, and date of implementation.

3. Update of Our Review of the Seattle Youth Violence Prevention Initiative Logic Model

Date: March 22, 2013
Focus: At the request of City Councilmember Bruce Harrell, Chair of the City Council's Public Safety, Civil Rights and Technology Committee, we provided comments on the Seattle Youth Violence Prevention Initiative (SYVPI) logic model submitted to the Committee on February 27, 2013 by the City of Seattle's Office of Education.
Results: After we reviewed the logic model and discussed it with SYVPI officials and Dr. Todd Herrenkohl from the University of Washington's School of Social Work, who has been providing volunteer consulting assistance to SYVPI, we concluded that the questions and issues that we raised in our January 31 memo about the SYVPI logic model still remain to be answered. For example, we have questions about whether there is a clear linkage between the seven SYVPI strategies and its two long-term outcome measures (e.g., 50% reductions in referrals to Juvenile Court and middle school suspensions and expulsions). However, our discussions with SYVPI officials and Dr. Herrenkohl led us to the following agreements:

- **"Phase One" of the Evaluation:** The evaluation "readiness review" proposed in our January 31, 2013 memo to the City Council represents the first steps that a skilled evaluator would take in conducting an evaluation. We agreed that it will be important to proceed with these steps, including responding to the 13 questions raised in our memo, and to check-in with the City Council about the implications of the readiness review.
- **Logic Model:** This logic model could be used as a starting point for "Phase One" of the evaluation, which will include an examination of the 13 questions raised in our previous memo.

4. Centralized Grants Management

Date: April 19, 2013
Focus: Seattle City Councilmember Tim Burgess, Chair, Government Accountability and Finance Committee, requested a summary of the experiences of jurisdictions that use a centralized grants management system.
Results: We found that jurisdictions vary in the extent to which their grants management programs are centralized. For those jurisdictions that have centralized some aspects of their grants management, we found each jurisdiction had tailored its approach to address the particular challenges it faced. These challenges included, among others, the need for: 1) advance notice of financial commitments, 2) regular, entity-wide financial and management reporting, 3) consistent and effective grants management across all departments, and 4) strict compliance with financial, program and grant-specific requirements.

5. Seattle Department of Transportation Issue Identification Paper

Date: May 30, 2013
Focus: City Councilmembers Tom Rasmussen and Tim Burgess requested that our office review the Seattle Department of Transportation (SDOT) to:

- Identify any short-term efficiency measures that could result in General Fund savings; and
- Identify issues that should be included in the SDOT operations management and efficiencies analysis conducted by a consultant, which was completed in September 2013.

Results: This report focused on the six SDOT programs that rely most heavily on the General Fund. We found three areas within these programs for which additional work may result in General Fund savings or increased revenue: 1) leaf pick-up, 2) disabled placard abuse, and 3) credit card transaction fees. We also identified seven longer term issues for inclusion in the ongoing SDOT operations management and efficiencies analysis. In addition, we worked with SDOT to identify efficiency measures they have taken over the last several years, which they estimate resulted in annual savings of approximately $4.7 million.

We were pleased to note that our report was cited in the Washington State Department of Licensing Disabled Parking Work Group's report on disabled parking abuse that was presented to the Washington State Legislature in December 2013.

6. Information Technology Security Risk Assessment of the City of Seattle's Human Resources Information System

Date: June 13, 2013
Focus: We worked with the Department of Information Technology, the Department of Finance and Administrative Services, the Personnel Department, and a private information technology security firm to analyze the information technology risks faced by the City's Human Resources Information System.

Results: The affected City departments have corrected or are in the process of correcting the vulnerabilities identified during the review.

7. City of Seattle Paid Sick and Safe Time Ordinance Evaluation Project Findings From the Initial Employer Survey

Date: July 8, 2013
Focus: Ordinance 123698 (Seattle Municipal Code 14.16), which adopted Seattle's Paid Sick and Safe Time regulations, requires the Office of City Auditor to provide the Seattle City Council with a written evaluation of the impacts this ordinance has had on employees and employers, including an assessment of patterns and practices relating to shift swapping and the potential abuse of leave by employees who take time for other than the intended purposes. The Office of City Auditor contracted with the University of Washington (UW) to evaluate the impacts of the Paid Sick and Safe Time regulations on employers and employees. This report covered baseline conditions at the time the ordinance went into effect. Subsequent reports will cover impacts at several points during the first year after implementation.
Results: Over 1400 randomly-selected City business license holders responded to a survey designed by UW researchers to capture their knowledge of and the likely impact of the ordinance's regulations before they went into effect. The responses to the survey indicated that only a minority of Seattle employers subject to the ordinance were fully in compliance at or near the time it went into effect and were offering paid sick and safe time to all of their employees. Over a quarter of the employers that responded to the survey (27.1 percent) offered neither paid sick leave nor undesignated paid time off to any employee. The majority (65.4 percent) did not offer paid sick time or paid time off to part-time employees as required by the ordinance. Employers said that sick employees most typically stay home, regardless of whether paid leave is offered. They also said that when employees were absent due to illness, a co-worker typically made up the work. About 40 percent of responding employers reported that their employees work while sick. Employers' responses to the survey revealed a range of knowledge about the ordinance. A substantial minority of employers (about 40 percent) reported not knowing about the ordinance at the time of the survey. The survey indicated that employers who do not currently offer paid sick leave were less likely to have heard about the ordinance.

8. Career Bridge Preliminary Evaluation

Date: August 1, 2013
Focus: A 2013-2014 Seattle City Council Statement of Legislative Intent requested that our office hire a consultant to conduct an evaluation of the Career Bridge program. This report provides a preliminary analysis of the implementation of the Career Bridge program, participant characteristics and outcomes, and the estimated costs associated with operating the program. In addition, the report discusses challenges in the current program operations as well as additional potential challenges should Career Bridge be expanded. The program is designed to provide skill-building assistance and connections to resources to move disadvantaged individuals facing multiple barriers toward longer-term employment and/or degrees and credentials. The program focuses on jobless or

underemployed adults, who may be low income men of color, may have been formerly incarcerated, or may have limited English skills.
Results: The report prepared by the firm MEF Associates noted that early outcomes data suggested that the program has had some success in assisting participants in securing employment. While these jobs are generally low wage, entry-level positions, they represent an important first step in engaging (or reengaging) this population in the labor force and moving them toward longer term careers and self-sufficiency. All of the individuals the evaluators spoke with emphasized that a key component of Career Bridge is the involvement of community members and the participants in the development and ongoing operation of the intervention. This role ensures that the intervention honors the needs of this population and empowers them to a degree that traditional service delivery models do not allow. Despite the strong support for Career Bridge among stakeholders and participants, it was clear that there are ongoing challenges that the city needs to address, especially as it seeks to expand Career Bridge and transfer responsibility for program operations to a Community Based Development Organization. The facets of the program that differentiate it from other services available to this population - strong, personal relationships and grassroots implementation - are hard to replicate at scale. The report identifies several challenges associated both with current operations as well as those that have implications for program expansion.

9. Seattle Department of Transportation Operational, Management, and Efficiency Analysis Phase I

Date: September 3, 2013
Focus: The Seattle City Council, in partnership with the City Budget Office and the Office of City Auditor, hired the firm Talbot, Korvola & Warwick, LLP to: 1) conduct an initial assessment of the Seattle Department of Transportation's (SDOT) management, 2) conduct a benchmarking of SDOT's performance against industry standards, peer organizations, and best practices, 3) identify SDOT's current performance measures, and 4) make recommendations for areas that should be examined further in Phase II. At the request of the inter-departmental team of legislative and executive branch officials, our office performed the project management duties for the project.
Results: The consultant's report stated that SDOT appeared to be an organization that had dedicated personnel focusing on meeting its stated mission, had developed a structure that appeared to have the basic components to allow it to effectively maintain and improve the City's transportation system, and had many practices that were either considered as best practice or were consistent with established best practices.
The report also noted that SDOT is working on improving or enhancing its operations in areas such as grant tracking, corridor studies, access to field technology, and traffic management. Additional opportunities for SDOT to strengthen its operations exist in asset management, capital projects, communicating target goals and results, knowledge transfer, and pavement management.

10. City of Seattle Paid Sick and Safe Time Ordinance Evaluation Project: Initial Findings From the Employer Interviews

Date: September 20, 2013
Focus: Ordinance 123698 (Seattle Municipal Code 14.16), which adopted Seattle's Paid Sick and Safe Time regulations, requires our office to provide the Seattle City Council with a written evaluation of the impacts this ordinance has had on employees and employers, including an assessment of patterns and practices relating to shift swapping and the potential abuse of leave by employees who take time for other than the intended purposes. The Office of City Auditor contracted with the University of Washington (UW) to evaluate the impacts of the Paid Sick and Safe Time regulations on employers and employees. This is the second of five reports that will be produced on the impact of the regulations, and describes findings from interviews conducted with 24 Seattle employers in the ten months after the Paid Sick and Safe Time Ordinance went into effect. Subsequent reports will cover impacts at several points during the first year after implementation.
Results: Through their interviews of a sample of employers, the UW researchers reported that all but one of the 24 employers they interviewed had heard about the Ordinance. Important sources of information included the media, the City of Seattle, professional networks or associations, and the evaluation study itself.
Many employers reported that they initially found the Ordinance and its requirements to be confusing. However, a few months into the implementation period most employers knew whether or not their business was affected and what they needed to do in order to comply. Employers were less aware of how the "safe time" provisions function.
The majority of employers (18 of 24) described complying with the Ordinance. For some, this required minor changes, such as extending paid leave to a few part time employees. Others had to create or re-design policies or extend leave to a large portion of their workforce.
Employers also reported about implementation challenges and special concerns. Some employers initially struggled with the recording and reporting requirements, although all these difficulties were resolved. According to the interviewed employers, the Ordinance did not affect shift swapping, the practice of allowing employees to trade shifts, for any of the interviewees. Most employers have no or moderate concerns about abuse, although a minority believes that employees abuse leave. The report concludes with lessons for other locales.

11. Career Bridge Evaluation Plan

Date: September 30, 2013
Focus: A 2013-2014 Seattle City Council Statement of Legislative Intent requested that the Office of City Auditor hire a consultant to evaluate the Career Bridge program. This report presents the consultant's evaluation plan for the Career Bridge program.
Results: The plan prepared by MEF Associates proposes a study focused on capturing Career Bridge participant characteristics and outcomes and the degree to which they align with a logic model presented in an earlier report published on August 1, 2013 by our office - Evaluation of Career Bridge: Preliminary Report. The Evaluation Plan report identifies a list of program outputs and outcomes that support an understanding of program

operations. The report has the potential to support ongoing program improvement, and includes a discussion of potential data collection infrastructure improvements.

Other 2013 Activities

Recognition of our 2012 Report in a 2013 Ordinance

We were pleased to note that our June 2012 report *Seattle Police Department's In-Car Video Program* was mentioned in an ordinance passed by the City Council and signed by the Mayor in 2013. The preamble to Ordinance 124142, which governs City departments' use of surveillance equipment, read as follows: "WHEREAS, based upon the City Auditor Office's recommendations related to the Seattle Police Departments handling of in-car video footage, departments should also develop protocols for retaining, storing, and accessing data captured by surveillance equipment."

Hosted Humphrey Fellows

In 2013 we hosted three Humphrey Fellows for six week professional affiliations: Aboubakary Modibbo Amadou from Cameroon, Rim Riabi from Tunisia, and Shereen Akhtar from Pakistan. The Hubert H. Humphrey Fellowship Program, sponsored by the U.S. Department of State, provides a year of professional enrichment in the United States for experienced professionals from designated countries around the world. The Humphrey Fellows we host are based at the University of Washington's Evans School of Public Affairs. We provided the Fellows we hosted with training in performance auditing and internal controls. In 2014, we plan to host Humphrey Fellows from Morocco, Pakistan, and Egypt.

Office Manager

We hired a highly skilled part-time office manager to provide our office with administrative and audit research support. Previously, we had divided many administrative tasks among our office's audit staff. However, we found that an increasing amount of our auditors' time was required to handle these tasks. The office manager has assumed responsibility for these tasks, and has also provided excellent research support on various office audits and non-audit projects.

Plans for 2014

- Complete ongoing audits of the City's enforcement of the Paid Sick and Safe Time regulations, the Seattle Police Department's management of public disclosure requests, the Seattle City Light salvage yard's controls over its sales of surplus items, the City's towing contract, controls over the Consolidated Customer Service System (CCSS) customer utility billing system, departed City employees' access to the City's information technology network, and the Seattle Department of Transportation's use of bond proceeds.

- Oversee the completion of consultant reports on the implementation of the City's Paid Sick and Safe Time regulations, an evaluation of the Career Bridge program, and evaluations of various aspects of the Seattle Youth Violence Prevention Initiative.

- Publish a report that summarizes the implementation status of recommendations made in our office's reports through December 2013.

- Publish a report on research concerning policing best practices.

- Initiate at least one audit of a program or function at Seattle City Light.

- If sufficient resources are available, our office would like to perform work related to the City's healthcare programs, which involve large, increasing sums of money.

- Continue to provide technical assistance as needed to the West Precinct Juvenile Crime Hot Spots COPS grant and the Rainier Beach Juvenile Crime Hot Spots Byrne grant.

- As our resources permit, develop a list of potential audits at various departments by using a risk assessment process.

- Begin using an easier to read standardized format for our audit reports.

Office of City Auditor Staff

During 2013, the Office of City Auditor was budgeted for 9.5 full-time equivalent employees. The following is a current list of our employees:

- David Jones, City Auditor
- Mary Denzel, Deputy City Auditor
- Jane Dunkel, Assistant City Auditor
- Cindy Drake, Assistant City Auditor, Quantitative Methods Specialist
- Virginia Garcia, Assistant City Auditor
- Claudia Gross-Shader, Assistant City Auditor, Research Liaison
- Robin Howe, Assistant City Auditor, Internal Controls Manager
- Marc Stepper, Assistant City Auditor, Utility Auditor Specialist
- Megumi Sumitani, Assistant City Auditor
- Melissa Alderson, Office Manager

Ideas for Audits Welcomed

We always welcome suggestions for future work our office could perform that will help the City of Seattle. Please contact our office if you have any questions or suggestions. We can be reached by telephone at (206) 233-3801, or via email at seattle.auditor@seattle.gov. Our mailing address is PO Box 94729, Seattle, WA 98124-4729.