

# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## Office of City Auditor

### *Our Mission*

Our mission is to help the City of Seattle achieve honest, efficient management and full accountability and transparency throughout City government. We serve the public interest by providing the City Council, the Mayor, City departments, and the public with accurate information, objective analysis, and useful recommendations on how best to use public resources in support of the well-being of the residents of Seattle.

### *2017 Accomplishments*

In 2017 we finished or oversaw the completion of the following six audits and six non-audit projects that identified ways in which City of Seattle (City) programs could be improved. All our publications can be found on our website at [www.seattle.gov/cityauditor](http://www.seattle.gov/cityauditor).

### *Audits*

1. Audit of the New Customer Information System (NCIS) Implementation, April 10, 2017
2. Audit of Seattle's Incentive Zoning for Affordable Housing, April 13, 2017
3. Review of Hate Crime Prevention, Response, and Reporting in Seattle – Phase 1 Report, September 20, 2017
4. City of Seattle Financial Condition 2012-2016, October 3, 2017
5. Assessment of the Seattle Municipal Court Resource Center, October 12, 2017
6. Special Events – Police Staffing and Cost Recovery, December 13, 2017

### *Non-Audit Projects*

7. Summary of Emerging and Best Practices in Public Sector Information Technology Project Management, April 10, 2017
8. University of Washington Report on Nonprofit Response to Minimum Wage, May 23, 2017
9. Status Report on Implementation of Office of City Auditor Recommendations as of December 2016, June 23, 2017
10. Five Recommendations for Evaluating Seattle's New Police Oversight System, October 6, 2017
11. Reporting Plan for Navigation Team, November 7, 2017
12. University of Washington Seattle Minimum Wage Ordinance October 2017 Update: Report on Employer Adjustments, Worker Experiences, and Price Changes, December 29, 2017



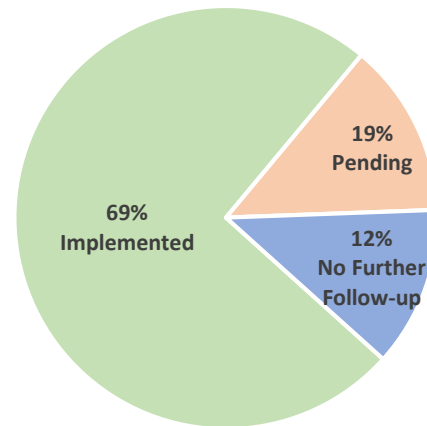
## Impact of Our Work: Recommendations Implemented to Improve City Programs

In 2017, we continued our annual practice of following up on our open audit recommendations and issuing a [report](#) summarizing their implementation status. As can be seen from the chart, 69% of our recommendations made between 2007 and 2016 have been implemented.

We believe we have an obligation to do more than simply identify problems, and we strive to provide practical solutions to the problems we identify.

Our recommendations<sup>1</sup> resulted in cost savings, recovery of previously uncollected revenue, efficiencies, and risk mitigation in a wide range of areas that ultimately led to improved City programs.

2007-2016 Recommendations Status Summary



### *Certified as Meeting Stringent Professional Auditing Standards*

After conducting a thorough review, a team of three auditors independently selected by the Association of Local Government Auditors (ALGA) concluded on November 16, 2017 that our office operated in compliance with Government Auditing Standards during the period of October 1, 2014 through September 30, 2017. The Government Auditing Standards are issued by the U.S. Comptroller General to provide a framework for performing high-quality audit work with competence, integrity, and independence. This is the third ALGA Peer Review the Office of City Auditor has passed since David Jones became City Auditor in 2009. The next review will occur in 2020.

<sup>1</sup> We tracked 526 recommendations contained in 51 audit reports issued from January 2007 through December 2016. As shown in the chart, as of December 31, 2016, 69 percent (364 out of 526) had been implemented, 19 percent (97 out of 526) were pending, and 12 percent (65 out of 526) were categorized as no further follow-up planned.



## Our Audits Strengthened the Delivery, Oversight, Compliance, and Transparency of City Programs

### *Performance Audits Completed in 2017*

#### **Audit of the New Customer Information System (NCIS) Implementation**

At the request of City Councilmember Tim Burgess, we conducted an [audit](#) of Seattle City Light's (SCL) and Seattle Public Utilities' (SPU) implementation of their new billing system, NCIS. The City Council had learned that the project was a year late and about \$34 million over budget, and some councilmembers were concerned about whether the Council was receiving timely and accurate information about the project's status.

##### **Results:**

We found that the NCIS project took longer and cost more than originally estimated because of an unrealistic initial schedule, additions to the scope, project staff who were challenged by the project's size and complexity, and project leaders' decisions to prioritize completing testing over meeting project deadlines. An extended project schedule resulted in increased labor costs for both City staff and the primary consultant on the project, PricewaterhouseCoopers. Communication with the City Council was hampered by the lack of an effective reporting mechanism, a high degree of uncertainty behind early cost estimates for large, complex information technology projects, and financial reporting that was not designed for project oversight purposes. We also found that although the project team complied with City rules for the use of quality assurance (QA) experts, the Executive Steering Committee could have acted more quickly to resolve or lower the probability and impact of 6 high risks identified by the QA expert.

#### **Audit of Seattle's Incentive Zoning for Affordable Housing**

At City Councilmember Mike O'Brien request, we conducted an audit of development projects that participated in Seattle's Incentive Zoning program to gain extra floor area in exchange for providing an affordable housing public benefit. Our objectives were to: 1) report on the number and location of projects since 2006 that participated in incentive zoning for affordable housing, 2) determine whether the projects' affordable housing contributions were accurately calculated, and 3) determine whether and when affordable housing contributions were secured.

##### **Results:**

We identified two projects that had received extra floor area but had not made affordable housing contributions; these required contributions had an estimated value of about \$5 million. We found discrepancies between several projects' source documents and information in the data system related to extra floor area gained and contribution amounts owed. We also found 10 projects that made late affordable housing payments by an average of 9 months. We made 22 recommendations to improve program management, accountability, oversight, internal controls, reporting and transparency, customer service, and to adjust program fees.

# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## Review of Hate Crime Prevention, Response, and Reporting in Seattle – Phase 1 Report

City Councilmember Lisa Herbold asked our office to [audit](#) the City of Seattle’s (City) handling of hate crimes. We are completing this audit in two phases, with this Phase 1 report focusing on how the Seattle Police Department (SPD) uses hate crime data and the practices and processes the City follows to identify, respond to, and prevent hate crimes. The second phase of this audit will address how the City can improve its use of hate crime data and will assess the extent to which reported hate crimes have resulted in prosecution.

### **Results:**

Our Phase 1 report identified five areas in which the City could improve its hate crime prevention, response, and reporting efforts:

1. Changes in SPD reporting procedures would help ensure hate crimes are more appropriately recorded and investigated.
2. SPD patrol officers would benefit from regular formal training and improved guidance on identifying and responding to hate crimes.
3. More sophisticated use of data could inform hate crime prevention efforts.
4. Increased coordination among City departments would improve hate crime prevention and response efforts.
5. Regional coordination of hate crime prevention and response efforts will promote efficiency and improved response efforts.

The report offered nine recommendations to improve the City’s efforts to prevent, respond, and report hate crimes.

## Assessment of the Seattle Municipal Court Resource Center

City Councilmember M. Lorena González requested that we [assess](#) the Seattle Municipal Court Resource Center (CRC). The CRC provides on-site “wrap around” social services and resources primarily to Court clients who are in the different stages of the criminal justice system. During the period covered by our audit (January 2015-February 2017), the CRC had approximately 10,000 visits. The CRC sees an average of 18 visitors daily, over 80 percent of whom have a current or past Court case and about a third of whom have housing instability issues.

### **Results:**

We found that limited funding and staffing hinders the Court’s ability to coordinate with CRC service providers and hold them accountable, and hampers its ability to assist the City in addressing the challenges that the CRC’s client population faces. We made six recommendations to address our findings related to improving CRC client data collection, ensuring adequate service provider coverage of the CRC, and assessing CRC’s staffing and budgetary needs to improve its operations and accountability.

In response to our audit, the City Council provided one year of funding to the Court for two positions to manage the CRC and address the audit’s recommendations.

# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## City of Seattle Financial Condition 2012-2016

This [report](#), which was required by Ordinance 125204, provides members of the public and public officials with information on the City of Seattle's (City) financial condition. The report provides five years of data for several financial and economic indicators and highlights historical trends and areas that may need attention from public officials.

### **Results:**

Overall, the City of Seattle financial and economic indicators presented in the report were positive. Revenues have exceeded expenses for the last five years, and the City's revenues are diversified, which affords some protection from economic downturns. The City is committed to maintaining reserves and has both an Emergency Subfund and a Rainy-Day Fund to address unanticipated events or declines in revenues. Regarding pensions, as of January 1, 2017, the Seattle City Employees' Retirement System (SCERS 1) unfunded actuarial accrued liability (i.e., the current value of future payment obligations) was \$1,202.3 million. The City has a plan to achieve 100 percent funding of this actuarial accrued liability by 2043.

However, major downturns in the national or local economy that significantly affect local business or construction activity would decrease the revenues available to the City. City leaders are also continually challenged to address complex social problems, such as homelessness and housing affordability, while still maintaining a balanced budget.

## Special Events – Police Staffing and Cost Recovery

In September 2015, the Seattle City Council passed Ordinance 124860, which revised the Seattle Municipal Code's provisions covering permitted special events and directed our office to conduct this [audit](#). We reviewed the Seattle Police Department's (SPD) processes for staffing permitted and non-permitted special events, and we reviewed internal controls over permitting administration functions. We examined the City's cost recovery rates for the different types of special events. In 2016, SPD spent 150,748 hours and \$10.3 million in wages staffing 724 special events. Our audit scope did not include evaluating the policing strategies or tactics SPD employs at special events.

### **Results:**

The report includes 19 recommendations related to (1) Police Fees and Cost Recovery, (2) SPD Event Planning and Staffing, and (3) Special Events Administration Functions. We found that SPD's costs for staffing special events are not fully recovered for any type of special event, including events that are charged for police services. We also found there are some permitted events that involve a significant amount of commercial activity but, based on how they are categorized, receive police services at no charge. We concluded SPD generally follows federal best practice guidance for determining event staffing levels, but needs to improve its documentation and independent oversight of staffing decisions. Further, SPD uses sworn personnel to perform special events work that is primarily traffic-directing, amounting to about \$3.2 million in wages in 2016; some of this work could possibly be performed by less expensive non-sworn personnel. SPD and the Special Events Office, which is located within the Office of Economic Development (OED), need to improve controls over some special events administrative functions.



## *Performance Audits Initiated or Scheduled for Completion in 2018*

1. Our office initiated an audit of **Seattle Public Utilities' wholesale water sales**, that we plan to complete during the 1<sup>st</sup> quarter of 2018.
2. At the request of City Councilmember Lisa Herbold, we are continuing phase 2 of our audit of **the City's handling of hate crimes**, by focusing on the disposition of hate crime cases and the City's prevention efforts as well as contracting with the University of Washington to conduct a socio-economic analysis of hate crimes in Seattle. The audit is planned for completion in the 2<sup>nd</sup> quarter of 2018.
3. We will publish our annual status report on the **implementation of Office of City Auditor recommendations** by the 2<sup>nd</sup> quarter of 2018.
4. In accordance with Ordinance 125204, our office will prepare a report on **the City's financial condition** based on selected financial and economic indicators that will be completed by the 3<sup>rd</sup> quarter of 2018.
5. As required by Council Bill 118930, we will initiate an audit in 2018 on the City's use of **surveillance technologies**.
6. As required by City Council resolution 31524, we will initiate an audit in 2018 of the City's **enforcement of the Minimum Wage Ordinance**.

The list above is not exhaustive as we may start additional audits in 2018 to meet the emerging information needs of City policy makers and the public.

### *Support of the Race and Social Justice Initiative*

In 2017, we continued to be a partner in the City's efforts to achieve race and social equity. For every audit, we used an internal Race and Social Justice Initiative (RSJI) toolkit to examine City departments and programs against the City's RSJI values of access, inclusion, and opportunity. Using this toolkit, we discussed and considered the RSJI implications of our work during audit planning and fieldwork. We also participated in the Legislative Department's RSJI Change Team.



## We Managed Rigorous Evaluations of City Programs and Laws

In response to direction from the City Council, our office continued to facilitate and oversee rigorous evaluations of City programs.

### Seattle Minimum Wage Ordinance

Since 2014 we have managed contracts with a [University of Washington research team](#) to produce reports on the implementation and effects of the City's Minimum Wage Ordinance. In 2017 the UW research team issued its final two reports. The team issued a [report](#) in May 2017 on non-profit organizations' response to the ordinance. The team's final [report](#), published in December 2017, summarized the results of employer interviews and surveys, worker interviews, and provided data on consumer prices, with an emphasis on grocery and restaurant prices.

### Secure Scheduling Ordinance

In September 2016, Seattle adopted the Secure Scheduling Ordinance (125135) to promote predictable employee scheduling and incomes. As required in the ordinance, our office convened a team of academic researchers with expertise in employee scheduling from the University of Chicago, University of California Berkeley, University of California San Francisco, Rutgers University, and the University of Washington's West Coast Poverty Center. Our office is managing the work of these researchers to evaluate the legislation's impacts. The ordinance called for evaluations at baseline (before implementation in July 2017) and one and two years after implementation.

The evaluation team conducted baseline research to document work place conditions before implementation and to highlight issues on which the impact evaluation should potentially focus.

Evaluation components include an online survey of Seattle workers at businesses affected by the ordinance and workers in comparison jurisdictions, and in-depth interviews with frontline managers from affected Seattle businesses.

### Rainier Beach Campus Safety Continuum Grant

In collaboration with researchers from George Mason University, in 2016 our office applied for and received a \$3.8 million grant from the U.S. Department of Justice, National Institute of Justice. The grant funds the implementation and evaluation of a Rainier Beach Campus Safety Continuum that aims to strengthen existing Positive Behavioral Intervention and Supports (PBIS) efforts and implement Restorative Justice in Rainier Beach schools and in community settings.

Through collaboration with the Seattle Public Schools, the Seattle Police Department, and community partners, this grant seeks to eliminate racial disparity in school discipline and reduce police contacts with youth in Rainier Beach. The 12-month planning phase for the grant began in June, 2017. It will be followed by an 18-month implementation phase and an 18-month stabilization and sustainability phase. A member of our office serves as Co-Principal Investigator on this grant, and through grant funds, our office hired a part-time Strategic Advisor to support the work of the Rainier Beach Campus Safety Continuum.



# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## Sweetened Beverage Tax Evaluation

On June 6, 2017, the Seattle City Council passed Ordinance 125324 imposing a tax on engaging in the business of distributing certain types of sweetened beverages. The ordinance states, “The City Auditor shall contract with academic researchers to complete an annual evaluation of the effects of the tax.” In July, 2017, our office developed a Memorandum of Agreement (MOA) with Seattle King County Public Health to oversee the research team conducting the evaluation of the sweetened beverage tax.

The evaluation shall assess, but not be limited to, the impact of the tax on:

- economic outcomes (such as household food expenditures, beverage prices and sales, jobs, and store revenues),
- health behaviors (such as dietary purchases and consumption),
- intermediate health outcomes,
- identification and assessment of food deserts in the city, and
- the effectiveness and efficiency of the foodbank network in the city.

The evaluation shall also assess the process of implementing the tax, including perceptions of city residents and specifically low income households, food retailers, tax administrators, and city officials. The evaluator will collaborate with the Sweetened Beverage Tax Community Advisory Board to develop the evaluation. And the evaluation will rely on data collected specifically for the purposes of the evaluation from populations in Seattle as well as outside Seattle to enable a rigorous comparison of trends in behavior, health, and economic outcomes as a result of this ordinance. We anticipate a report in mid-2018 on the baseline conditions before the ordinance’s January 2018 implementation.

## Adolescent Family Domestic Violence Evaluation

The Family Intervention and Restorative Services (FIRS) Center is a pilot project designed to address adolescent family domestic violence without detention or prosecution. As we noted in previous presentations to the City Council, adolescent violence against family members was an unrecognized trend in youth violence in Seattle that had grown to account for one third of new bookings to juvenile detention in King County. Our office is overseeing a contract with the University of Washington School of Medicine for evaluation start-up activities and a comparison of recidivism of Center clients with youth in other counties in Washington with similar charges. Preliminary findings will be presented in the second quarter of 2018.



# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## Rental Housing Market Study

City Ordinances 125114 and 125222 authorized our office to select and oversee the work of an independent, outside party to evaluate the impacts of the City's new anti-housing discrimination policies. These policies include the First-in-Time program, the Move-in Fee program, and the extension of Section 8 voucher protections to short-term voucher holders.

Accordingly, our office contracted with University of Washington researchers to gather critical baseline data on housing conditions and cost. Their report will provide insights into tenant and landlord experiences, particularly related to new City laws, and will also provide data on the Seattle rental market (e.g., rental rates). This research will provide valuable information about Seattle's rental housing market that can be used as the basis for future evaluations. The results of this study are due to the City Council in 2018.

## Fair Chance Housing Evaluation

[City Ordinance 125393](#), enacted in August 2017, directs our office to evaluate the implementation of the Fair Chance Housing Ordinance, which regulates the use of criminal history in rental housing. The ordinance states that our office may use an independent, outside party to conduct the evaluation, and that the evaluation shall be submitted to the City Council by the end of 2019.



## We Provided Timely Information for City Policy Makers

In addition to our audits and program evaluation work, in 2017 we provided reports and presentations for City decision makers with the information they needed to make informed decisions on important issues.

### Reporting Plan for Navigation Team

Seattle City Councilmember Lisa Herbold asked our office to produce a [report](#) on the Theory of Change for the City's Navigation Team and to identify additional information that the City Council may want to gather to assess Navigation Team effectiveness. The Navigation Team is an approach developed by former Mayor Murray's administration for addressing the issue of people living unsheltered in Seattle. It is important for the City to ensure that the Navigation Team is an approach that is appropriate and humane as well as efficient and effective.

Our report included 14 recommendations on what should be evaluated and what data should be collected so that the City Council will be able to understand the impact of the Navigation Team's activities.

Based on the information provided in our report, the Seattle City Council passed a Statement of Legislative Intent that directs the Department of Finance and Administrative Services to report on Navigation Team activities, following the checkpoints on areas of inquiry as described in our office's reporting plan. The reporting plan involves multiple checkpoints through the first three quarters of 2018 concerning three areas of inquiry regarding the Navigation Team, including its staff composition, its strategic approach, and financial and performance data.

### Five Recommendations for Evaluating Seattle's New Police Oversight System

Ordinance 125315, adopted on June 1, 2017, established a new police oversight structure for the City of Seattle. Seattle City Councilmember Tim Burgess asked our office to provide information to the City Council about the issues involved in evaluating the new police oversight system over time.

Our research [brief](#) offered five recommendations for evaluating the functioning of Seattle's new police oversight system:

1. It is important to evaluate how the police oversight system functions to ensure that it is effective.
2. The evaluation must be an appropriate fit for the Seattle context and community.
3. Shared goals among the police oversight entities as well as protocols, expectations, and metrics should be developed in advance of a system evaluation.
4. To the extent possible, the system evaluation should use tools and frameworks for assessing system functioning that are grounded in research.
5. The timing of a periodic system evaluation should balance the need to ensure that the system is off to a good start without overly burdening the police oversight entities.

# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## Police Secondary Employment

Our office worked with the former Office of Professional Accountability Auditor, the Executive Director of the City of Seattle's Ethics and Elections Commission, and the Seattle Community Police Commission to produce an October 18, 2017 letter that was sent to the Mayor and City Council recommending criteria for assessing a City interdepartmental task force's recommendations for establishing an office within the Seattle Police Department (SPD) to oversee police secondary employment.

## Summary of Emerging and Best Practices in Public Sector Information Technology Project Implementation

With the assistance of the City's Chief Technology Officer, we selected Gartner, Inc. to write a [best practices report](#) on ways to manage public sector information technology (IT) projects effectively. We contracted for this report to inform our work on the [audit](#) of NCIS Implementation and to provide City decision makers with additional information about IT projects. The report was based on Gartner's experience working with public agencies.

Gartner's report provided a high-level overview of best practices for government portfolio and project management. The report's contents and recommendations are organized by stages of the project life cycle, including initiation, planning, execution, and monitoring and control.

# 2017 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 8, 2018



## Office of City Auditor Staff

During 2017 the Office of City Auditor was budgeted for 9.5 full-time equivalent employees (FTEs), with an additional .6 FTE funded by a federal grant for the Rainier Beach Campus Safety Continuum project.

The following is a list of our staff:

- David G. Jones, City Auditor
- Cindy Drake, Deputy City Auditor, Quantitative Methods Specialist
- Claudia Gross-Shader, Assistant City Auditor, Research Liaison
- Jane Dunkel, Assistant City Auditor, Performance Audits
- Marc Stepper, Assistant City Auditor, Utilities Auditor Specialist
- Megumi Sumitani, Assistant City Auditor, Performance Audits
- Melissa Alderson, Assistant City Auditor, Performance Audits
- Robin Howe, Assistant City Auditor, Internal Controls Manager
- Virginia Garcia, Assistant City Auditor, Performance Audits
- Rhonda Lyon, Office Manager
- Hana Mohamed, Strategic Advisor, Rainier Beach Campus Safety Continuum

### *Our Standards of Work*

Our work is performed in accordance with the [Government Auditing Standards](#) issued by the Comptroller General of the United States. These standards provide guidelines for staff training, audit planning, fieldwork, quality control systems for audit work, and reporting of results. In addition, the standards require that independent external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.

### *Ideas for Audits Welcomed*

We welcome suggestions for future work our office could perform. 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](mailto:seattle.auditor@seattle.gov). Our mailing address is PO Box 94729, Seattle, WA 98124-4729.