



# Performance Perspective

CITY OF SEATTLE

February 7, 2005

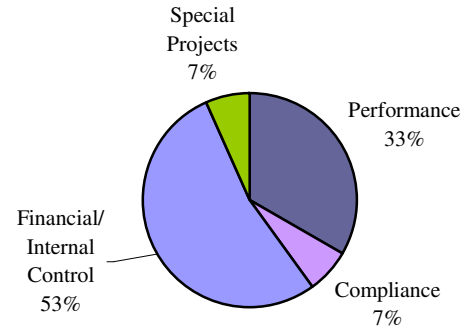
## Office of City Auditor 2004 Annual Report

The City of Seattle established the independent Office of City Auditor in 1993 after voters approved a proposed 1991 amendment to the City Charter. In approving the amendment, voters placed the City's audit function under the direction of an appointed rather than an elected auditor. The City Auditor serves a six-year term.

The Office of City Auditor's mission is to promote efficient management and full accountability throughout City government. The Office serves the public interest by providing the Mayor, the City Council, and department managers with accurate information, unbiased analysis, and objective recommendations on how best to use public resources to benefit Seattle citizens. The City Auditor determines the annual audit work program after considering input from elected City officials, department managers and employees, and citizens. The City Auditor has the authority to access all City department accounts and records needed to complete audit assignments.

The three primary types of audits conducted by the Office of City Auditor are: performance, compliance, and internal control reviews. In 2004, 33 percent of the Office of City Auditor's completed products were performance audits, 53 percent were internal control audits, 7 percent were compliance reviews, and 7 percent were special projects.

### NUMBER OF PRODUCTS BY AUDIT TYPE



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For additional information, please visit our Web site at <a href="http://www.seattle.gov/audit">http://www.seattle.gov/audit</a> .	

## Summary of 2004 Work Products

**2004 PERFORMANCE AUDITS:** Successful performance audits provide independent, systematic examinations of organizations, programs, activities or functions of importance to decision-makers, and offer recommendations to improve government operations. Five of our 2004 published audits and studies were performance audits, including reviews of: the Seattle City Light Skagit Project's implementation of previous audit recommendations; General Contractor/Construction Manager forms of construction contracting; City and County records storage partnering opportunities; Carkeek Environmental Learning Center construction costs; and a preliminary review of the City's Weights and Measures/Taxicab inspection programs.

### Skagit Project: Audit Recommendations Implementation Follow-Up Review, February 9, 2004

We initiated this review to determine whether Seattle City Light management implemented recommendations from previous audits of the Skagit Project cookhouse, general store, and commute trip reduction program. Although management had partially or fully implemented 12 of the 16 recommendations, the three programs continued to operate at a deficit. We recommended that Seattle City Light management develop a new food service classification; strengthen cash and inventory controls; enhance reporting systems; and reconsider its employee vanpool services.



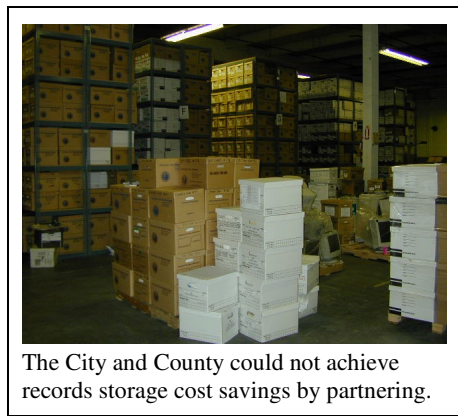
Seattle City Light management had implemented 12 of the 16 improvements recommended in our previous audits of the cookhouse, general store, and commute trip reduction program.

**General Contractor/Construction Manager (GC/CM) Form of Contracting: Issues and Recommendations**, February 12, 2004

We reviewed various approaches used by City departments in executing GC/CM contracts. The City could improve its project management practices by adopting procedures to protect the competitive process when the GC/CM submits bids for subcontract work; making strategic choices to allocate responsibility for project risks; performing due diligence in reviewing project costs; and clearly communicating these matters in contract documents. We recommended that the City collect data on the outcomes of various GC/CM approaches, evaluate the outcomes, and inform all City project managers for application to future construction projects.

**City and County Records Storage Partnering Opportunities**, March 23, 2004

The primary objective of the review was to determine whether the City of Seattle and King County could achieve records storage service improvements or cost savings through partnering. Based on our analysis, we determined that cost savings could not be achieved



The City and County could not achieve records storage cost savings by partnering.

through shared storage of non-archive records. However, the City and County could improve services through the joint purchase of new record management software. In addition, we concluded that both the City and County could benefit from storing excess records with private vendors.

**Carkeek Environmental Learning Center Construction Cost Review**, April 30, 2004

Our review of the Carkeek Environmental Learning Center's construction costs identified factors that resulted in a final project cost that was 86 percent greater than the initial cost estimate, and assessed the reasonableness of the final cost. We found that the initial project cost estimate was incomplete, and construction bids and costs, including sustainable design, construction, and program documentation costs, exceeded initial expectations. Although the final project cost was substantially greater than the initial cost estimate, the cost was reasonable compared to recently constructed Department of Parks and Recreation facilities of similar scope and size. We recommended that the City require more careful documentation of the costs of implementing the City's Sustainable Building Policy to assure that the policy contributes to the City's sustainability goals and results in sound capital investments.

**Review of Consumer Affairs' Weights and Measures/Taxicab Inspection Programs**, June 25, 2004

We conducted a preliminary review of the Department of Executive Administration Consumer Affairs Unit, which is responsible for regulating commercial measuring and pricing activities to protect consumers, and taxicabs for taximeter accuracy and passenger safety. We concluded that Consumer Affairs conducted appropriate inspections and follow-up inspections of weights, measuring devices, and taxicabs; monitored and responded to consumer complaints as required; and collected revenues associated with the

enforcement of City codes. We determined that Consumer Affairs met its regulatory objectives, and did not require a full audit review.

**2004 COMPLIANCE, FINANCIAL, AND INTERNAL CONTROL AUDITS:** The Office of City Auditor also conducts compliance, financial, and internal control audits. Compliance audits determine whether an entity is complying with established laws, regulations, policies, or procedures that guide significant operations. Compliance audits focus on an organization's compliance requirements, identify the impact of non-compliance, and inform management of significant concerns. Auditors are also responsible for determining whether management objectives adhere to the organization's overall mission and culture.

Financial and internal control audits seek to ensure that financial and program objectives are achieved. A well-designed internal control structure provides reasonable (not absolute) assurance that assets are protected and records are accurate, and promotes operational efficiency along with adherence to City policies. A general rule in designing control systems is that greater risks require more extensive controls. Too little control presents undue risk of loss, while excessive control is costly. Effort must be made to ensure that internal control costs do not exceed expected benefits.

In 2004, we completed one compliance review of the City's Supportive Housing Program, and eight financial or internal control audits, including reviews of the City's domestic violence funding, the Seattle Public Utilities procurement process, vehicle impound services, commercial vehicle program, and cash-handling practices.

**Supportive Housing Program Review**, January 12, 2004

This audit was conducted to follow up on the Washington State Auditor's Office and U.S. Department of Housing and Urban Development concerns regarding the City's McKinney Supportive Housing Program reporting practices. We concluded that the Human Services Department has successfully resolved the annual progress reporting issues identified in 2002. Our conclusion is consistent with the U.S. Department of Housing and Urban Development Regional Office's formal approval of the City's new annual progress reporting and grant closeout procedures. The Regional Office also closed its case findings related to the City's annual progress reporting in November 2003.



Animal Control program officials strengthened cash-handling practices by implementing our recommendations to improve segregation of duties, cash receipting, depositing, and overall monitoring.

**Review of Seattle Animal Control Cash-Handling Procedures**, January 22, 2004

This review of cash-handling procedures was conducted to assess the Animal Control program's procedures and practices for handling pet license revenues. Although the majority of the Animal Control program's cash-handling policies, procedures, and practices provided a reasonable level of control, we identified six



control weaknesses that should be addressed promptly. Our recommendations emphasized improvements to the program's segregation of duties, cash receipting, cash depositing, and monitoring. Program officials have improved controls based on findings from our review.

**Review of Seattle Department of Transportation Traffic Management Petty Cash and Cash-Receipting Procedures, February 20, 2004**

We conducted a cash count and evaluated cash-handling procedures at the Seattle Department of Transportation (SDOT) Sunny Jim site, which accepts cash and checks for surplus signpost sales. We noted several issues related to the sale of signposts, including seven high-risk control weaknesses related to physical security, cash receipting, and monitoring. SDOT's fund custodian indicated agreement with our results and planned to implement our recommendations.

**Seattle City Light Accounts Receivable, May 7, 2004**

At the request of Seattle City Light and Deloitte and Touche, we initiated the review of City Light's Accounts Receivable Reconciliation Process in April 2004. Our objective was to determine whether the reconciliations for 2001 and 2002 were reasonable. We concluded that the original and adjusted 2001 and 2002 annual reconciliations were reasonable due to significant problems with the implementation and operation of the utility's customer account system for billing and receivables. Accounting staff appropriately restated the 2001 and 2002 reconciliations to reflect the improved information that was available in 2003.

**Impound Services Internal Controls Review, May 21, 2004**

Our review focused on evaluating the internal controls governing the Department of Executive Administration's vehicle impound program, and reviewing financial management of impound expenses and revenues. Overall, internal controls for the impound program were adequate, but some controls over invoice payments, collection of administrative fees, and contract terms, compliance, and bidding should be reviewed. In addition, City policies related to "abandoned" and "junk" vehicles have resulted in negative consequences, and compliance with impound hearing time-pay arrangements has been low. Finally, the City could improve the information systems that support the impound program.

**Seattle Department of Transportation Commercial Vehicle Program, July 14, 2004**

In response to an audit hotline inquiry, we initiated a review of the Seattle Department of Transportation (SDOT) program that regulates commercial vehicles driven in Seattle. Because the Mayor's Office and SDOT were preparing a response to the same inquiry, we concluded that a comprehensive audit of the City's commercial vehicle program was not necessary. However, we also found that the City has not complied with a Revised Code of Washington provision that requires monthly audits of traffic citations. The Seattle Police Department is now advising SDOT on developing appropriate citation controls, and our office has agreed to consult with SDOT in 2005 to ensure that controls are adequate.

**Seattle Public Utilities Procurement, August 25, 2004**

We reviewed Seattle Public Utilities' procurement practices at the request of the agency's management. Specifically, we examined a sample of Fabrication/Tool Shop transactions to determine whether assets were safeguarded; orders were promptly processed; duties were appropriately segregated; monitoring practices were adequate;

and practices complied with laws and regulations. Our recommendations were related to three areas: 1) use of internal requisition forms; 2) tracking and safeguarding of tools; and 3) documentation of policies and procedures.

**Review of Seattle City Light South Customer Service Center Cash-Handling Operations, September 8, 2004**

This review was conducted to assess and improve the Customer Service Center's cash-handling practices. We identified six high-risk control weaknesses related to the Customer Service Center's physical security, segregation of duties, monitoring, cash receipting, and cash-depositing practices. In particular, we identified an immediate need to improve controls over receipts for both manual and miscellaneous payments. Seattle City Light management has implemented the majority of our recommendations, significantly reducing the risk of loss at the South Customer Service Center.



Seattle City Light has significantly reduced the risk of loss by implementing our recommendations to improve controls over cash at the South Customer Service Center.

**Domestic Violence Funding Review, October 18, 2004**

We conducted this review to determine the amount of funding available to support Seattle's domestic violence policies and program priorities. Our analysis showed that the overall resources allocated to domestic violence services have substantially increased during the past decade, including a slight increase during the past four years. However, we also determined that domestic violence funding data was not adequately tracked and reported. Formal guidelines would promote accountability in tracking the City's domestic violence financial resources.

**2004 SPECIAL PROJECTS:** We occasionally conduct special reviews in response to requests from City Council, the Mayor's Office, or department officials. In response to a City Council Statement of Legislative Intent, we examined City policies and standards for review of information technology projects.

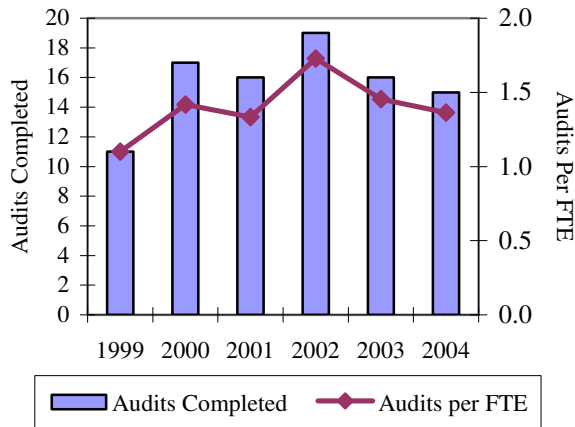
**Information Technology Quality Assurance Statement of Legislative Intent, July 12, 2004**

This review was conducted in response to a City Council Statement of Legislative Intent that requested an examination of City policies, standards, and authority for review of information technology projects. The Statement of Legislative Intent also requested that we identify options to expand quality assurance for information technology projects. We worked with the City's Chief Technology Officer to review City agencies' quality assurance practices and to identify best quality assurance practices in other jurisdictions. The Chief Technology Officer developed a strategic framework to address our findings and ensure that appropriate technology projects are selected and completed on time, on budget, and with the desired results.

## Office of City Auditor Budget and Performance Data

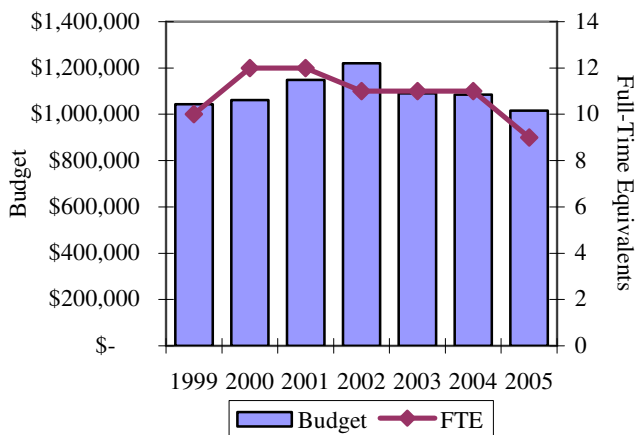
Our office completes approximately 1.5 audits per full-time equivalent annually. As shown in the graph below, productivity increased from 1.1 audits per full-time equivalent (FTE) in 1999.

**Staffing and Performance (1999-2004)**



Meanwhile, our budget has decreased during the past three years from a high of \$1,163,000 in 2002 to an adopted budget of \$1,016,000 for 2005. Our staffing decreased during the same period from 12 to 9 full-time equivalents.

**Budget and Staffing (1999-2005)**



*Note: Budget figures for 1999-2003 were adjusted to 2004 dollars. Budget for 2005 is in current dollars.*

Even with staff and budgetary reductions, we expect to complete 10 to 15 projects in 2005.

## Staff Achievements for 2004

- Susan Cohen received a Certification in Control Self Assessment from the Institute of Internal Auditors.
- Susan Cohen, David Jones, Kristine Castleman, Mary Denzel, Robin Howe, Aurora Mendoza and Scottie Nix were

certified as Internal Assessors/Validators for the Institute of Internal Auditors.

- Scottie Nix served as President and Robin Howe served as Second Vice President of the Puget Sound Chapter of the Institute of Internal Auditors.
- Claudia Gross Shader served as a panelist in a discussion on Homeland Security issues at a 2004 Pacific Northwest Intergovernmental Audit Forum Regional Conference.

## Office of City Auditor Staff Listing

### Susan Cohen, City Auditor

- ◆ Served in Office of City Auditor since 1993
- ◆ United States General Accounting Office (GAO), 1987 to 1993

### David Jones, Deputy City Auditor

- ◆ Served in Office of City Auditor since 1996
- ◆ United States General Accounting Office (GAO), 1985 to 1996

### Scottie Nix

- ◆ Served in Office of City Auditor since 1998
- ◆ Audit Director, Washington State Department of General Administration, 1991 to 1998

### Megumi Sumitani

- ◆ Served in Office of City Auditor since 2000
- ◆ Instructor, University of Washington Construction Management Department, Summers 2002 and 2003

### Wendy K. Soo Hoo

- ◆ Served in Office of City Auditor since 2000
- ◆ Economics Teaching and Research Assistant, University of Puget Sound, 1999 to 2000

### Mary Denzel

- ◆ Served in Office of City Auditor since 2002
- ◆ Director, City Council Central Staff, 1999 to 2002

### Claudia Gross Shader

- ◆ Served in Office of City Auditor since 2003
- ◆ Technology Project Management, City of Seattle, 1995 to 2002

### Kristine Castleman

- ◆ Served in Office of City Auditor since 2003
- ◆ Deputy Director, Seattle Arts Commission, 1999 to 2002

### Robin Howe

- ◆ Served in Office of City Auditor since 2003
- ◆ Audit Director, Eddie Bauer, Inc., 1998 to 2003

### Aurora Mendoza

- ◆ Served in Office of City Auditor since 2003
- ◆ Staff Analyst, Office of Hearing Examiner, 1994 to 2003

### Thao Vu

- ◆ Joined Office of City Auditor in June 2001 as MESA Intern
- ◆ Work Study Intern, North Seattle Community College