

## PERFORMANCE AUDIT OF DISTRICT COUNCIL/CNC SYSTEM

*On September 15, 2008, the City Auditor's Office sent the following message to Department of Neighborhoods Director Stella Chao:*

This is to inform you that the Office of City Auditor will review Seattle's District Council and City Neighborhood Council structure. We plan on analyzing the enabling legislation, the current operation of District Councils and the City Neighborhood Councils, and best practices used by other jurisdictions. Mary Denzel will serve as the auditor-in-charge.

Attached is our office protocol that presents the basic steps my staff members follow when conducting an audit. One of the initial steps is the "introductory meeting". During this meeting, we discuss the audit's broad objectives with department officials as well as any concerns or suggestions they may have regarding the audit. We will be scheduling an introductory meeting with the Department of Neighborhoods officials in the near future. Please tell us who should attend this meeting from your department.

The first stage of our audit is the "job design" phase, and it is during this phase that audit staff work to:

- a) Gain a broad understanding of the program, its functions, mission and objectives, key performance indicators, and areas of risk;
- b) Explore areas that appear to offer significant potential for impact;  
and
- c) Define the audit objectives and determine what specific audit steps and tests the auditors will need to perform.

After we complete this phase of our work, we will meet with you to inform you whether we plan on continuing audit work beyond the job design phase. If we decide to continue our audit work beyond this phase, we will brief you about the audit's specific goals and objectives.

I would like to point out one other item regarding our protocol. During the "draft document" phase we provide you with the opportunity to review and discuss with us a draft audit report before it becomes a public document. Our goal, while working with you during this phase, is to ensure that the report provides a full, unbiased, and factual description of the structure and functioning of Seattle's District Councils.

To help us get started, we would appreciate it if you would inform our office about any ongoing or completed audits, studies, evaluations, or reviews of the District Councils and provide us with copies of, or access to, any reports generated by such work.

Please call (3-1093) or e-mail me or Mary Denzel (phone 206-684-8158) if you have any questions.

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Audit Protocol  
Updated: January 11, 2007

This protocol summarizes the types of activities we generally perform in conducting an audit. Because each assignment has unique goals and stakeholders, the audit process may vary.

Step 1. Inclusion in Work Plan: We select audits for our work plan that are most likely to significantly improve services, increase revenues, or reduce costs. We consider potential risks and the quality of internal controls, department needs, changes in programs and funding levels, adverse publicity and political exposure, the time that has elapsed since the last audit, and the skills of available audit staff.

Step 2. Notification of Audit: We notify all relevant parties to formally announce an audit and describe its general scope. This typically includes telephone calls and a letter or email.

Step 3. Introductory Meeting: We meet with program officials to discuss the audit's broad objectives, and any concerns or suggestions the officials have regarding the project.

Step 4. Job Design: During job design, we define the audit objectives and determine what specific audit steps and tests we will need to perform.

Step 5. Data Gathering and Analysis: During this phase, we document and evaluate processes and analyze the data we collect.

Step 6. Draft Documents: After we have completed our analysis and developed conclusions and recommendations, we determine the most effective means of conveying this information to relevant decision-makers and other interested parties. Often this means a full report, but at times we may choose other communication vehicles such as memorandums, newsletters, or PowerPoint presentations. For all documents that we produce, we send drafts to the relevant officials for review and comment. Program management is responsible for reviewing drafts. By reviewing a draft, program management has an opportunity to correct any factual inaccuracies, suggest wording changes to improve the report's tone, and describe any relevant changes or improvements that have been made to the program. In response to the comments and additional evidence program officials provide, we may examine all relevant evidence; conduct additional research and analyses; or remove, change, or add to the draft's findings, conclusions, and recommendations. Each organization that receives a draft may comment on it either orally or in writing. If program management formally responds to the draft audit, we may include that response as an addendum in the final report.

We will provide draft reports for review and comment to any individual or organization that we believe may improve the draft's accuracy and fairness. We may publish any written comments that are submitted with the final report along with our responses to those comments.

During the report drafting process, our office will seek to work with departments to create action plans that address any problems identified during the audit.

Step 7. Final Document: We publish the final report. The day before the report's public release, a copy is provided to the affected departments, the Mayor's Office, the Department of Finance, and interested City Councilmembers.

Step 8. Audit Follow-up: We conduct follow-up work on significant past audit findings to determine whether program management has successfully resolved the issues raised.