



Performance Perspective

Report 2004-01

OFFICE OF CITY AUDITOR—CITY OF SEATTLE

January 8, 2004

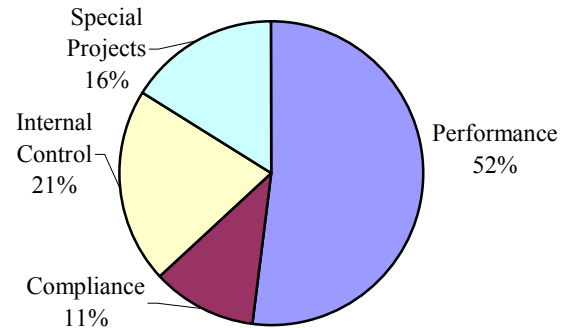
2003 Annual Report

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 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 2003, 52 percent of the Office of City Auditor's completed products were performance audits, 21 percent were internal control audits, 11 percent were compliance audits. Special projects comprised 16 percent of our completed work products.

NUMBER OF PRODUCTS BY AUDIT TYPE



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Recap of 2003 Work Products

2003 PERFORMANCE AUDITS: Successful performance audits provide independent and systematic examinations of organizations, programs, or functions of importance to decision-makers, and offer recommendations to improve government operations. Performance audits encompass a variety of objectives, including objectives related to assessing program effectiveness, economy, and efficiency.

Ten of the Office of City Auditor's 2003 published audits and studies were performance audits, including reviews of the Low-Income Rate Assistance Program effectiveness; Central Warehouse management; Office of Housing staffing levels and organizational structure; the Central Library capital project; the City's complaint resolution processes; Office of Hearing Examiner operations; City and County services with potential to benefit from partnerships; and the Public Safety Civil Service Commission's and Civil Service Commission's progress in implementing prior audit recommendations.

"Of groups that were recognized by most focus-group participants, 'an independent auditor' was rated highest."

—Seattle Times article regarding focus-group ratings of the performance of local public officials and community groups (February 20, 2003)

Low-Income Rate Assistance Programs, January 30, 2003

During this review, we evaluated the Low-Income Rate Assistance Program, administered by the Mayor's Office for Senior Citizens, to determine whether the program was operating efficiently and achieving its objective of identifying eligible, low-income electric utility customers. We concluded that the Mayor's Office for Senior Citizens generally managed the rate assistance programs effectively, but recommended that it continue to explore new

outreach strategies, formalize policies and procedures, upgrade office computers, and strengthen controls over the intake process.

Improving the City's Central Warehouse Operations,
February 3, 2003

This report describes our assessments of the Warehousing Services Section's management of the Central Warehouse and of the City's compliance with state records retention requirements. We concluded that the City was in compliance with Washington State records retention requirements, but also determined that the efficiency of the Central Warehouse's operations could be improved. This report suggested ways to improve the Central Warehouse's space usage, management of archived records, and inventory tracking systems.

Office of Housing Staffing Review, *February 6, 2003*

Initiated in response to a City Council proviso to the adopted 2003 budget, this review considered the reasonableness of filling two vacant Office of Housing planning and development positions. We determined that one of the two vacant positions was required to complete high-priority, legally mandated, and other well-defined Office of Housing planning, development, and program management projects and activities in 2003. The justification for filling the second planning and development position was a policy matter for the City Council's consideration.

Libraries for All Quality Assurance Review #5: Central Library, *February 13, 2003*

Our fifth Quality Assurance Review assessed the Central Library portion of the Libraries for All Capital Program. The purpose of the review was to provide stakeholders with an overview of the Central Library capital project's progress based on the scope of work, schedule, and budget. We determined that the Seattle Public Library and its general contractor could improve the overall management of the Central Library project to avoid schedule delays and effectively resolve change orders.

"The Quality Assurance Review places great, and appropriate emphasis on the management of the change order process and schedule in minimizing risk for this project."

—Alex Harris, Capital Program Director, Seattle Public Library



We completed our fifth review of the City's Central Library in February 2003.

Improving the City's Citizen Complaint Resolution Processes,
February 18, 2003

This review focused on whether the City effectively responds to citizen complaints, and whether its complaint resolution processes could be strengthened to increase citizen confidence in City government. We determined that the City established both centralized and department-level processes to effectively resolve citizen complaints. Based on the results of a citizen satisfaction

survey, however, some City agencies could improve the frequency and timeliness of communications with complainants. An ombudsman function could further enhance citizen understanding and confidence that the City resolves complex complaints objectively.

Office of Hearing Examiner Review, *March 21, 2003*

This study evaluated the effectiveness of the Office of Hearing Examiner's organizational and functional structures. Based on the review, we concluded that appropriate structures appear to be in place and operating effectively. Our analysis also suggested that the Office of Hearing Examiner might be overstaffed due to declining workload, and could potentially achieve operating efficiencies by co-locating with other small offices that perform similar functions. In addition, we recommended that the Personnel Department review job duties for some staff positions to determine whether the position classifications were still appropriate.

Joint Work Plan for Partnering Opportunities, *May 13, 2003*

This report responded to Seattle City Council and Metropolitan King County Council legislation requesting that the Auditor's Offices conduct a joint study to "explore opportunities for improved services and more efficient use of public resources through City-County partnering and develop a work plan for more detailed analysis." We identified the following five City and County operations that warranted further study: records storage; printing, duplicating, and graphic design; mail services; animal control services; and government access cable television. We recommended conducting a pilot study of the City and County records storage functions to be followed by a progress review by the City and County Councils.



Our joint City-County report on partnering opportunities identified records storage as an area that could generate potential service efficiencies through partnering.

Office of Housing Organizational Review, *July 14, 2003*

This management letter responds to City Council questions regarding the Office of Housing's staff-to-manager ratio and organizational structure. We determined that the Office of Housing's overall 2003 staff-to-manager ratio was 3.25. The staff-to-manager ratio of 3.25 was lower than the Citywide ratio of 6.1 documented in a 1997 Office of City Auditor study, but was consistent with ratios reported by other housing agencies.

Public Safety Civil Service Commission Follow-Up,
October 10, 2003

The Office of City Auditor revisited recommendations from the 2001 reviews of the Public Safety Civil Service Commission. We found that the City implemented our recommendation to transfer responsibility for administering police and firefighter examinations from the Commission to the City's Personnel Department, leaving only one staff person with the Commission. The examination function has improved under the Personnel

Department's management and the City no longer pays for employees' transportation to remote work locations.

"You can either try to get to the bottom of it and try to find out who's to blame, or you can solve the problem by providing the management structure that has built-in accountability," said [Councilwoman Margaret] Pageler. "We opted to go for the solution route."

—Seattle Post-Intelligencer article on the Public Safety Civil Service Commission reorganization (February 13, 2002)

Civil Service Commission Follow-Up, November 4, 2003

The Office of City Auditor evaluated the Civil Service Commission's progress on implementing recommendations from the August 2001 *Review of the Civil Service Commission*, and associated management letter. We found that the Commission implemented all of the recommendations within its authority, but identified one new problem related to the language of Ordinance 120936, regarding an employee's right to choose the venue for appeal of a suspension or dismissal. City attorneys assigned to the Civil Service Commission and the City's Personnel Department planned to introduce legislation to clarify the language.

2003 COMPLIANCE REVIEWS: Compliance audits determine whether an entity is complying with established laws, regulations, policies, or procedures that guide significant operations. Compliance audits focus on organizational objectives, 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.

The Office of City Auditor completed two compliance audits in 2003 to assess the Seattle Housing Authority's adherence to a City agreement for relocation of Holly Park residents and to determine whether agreements between Seattle Public Utilities, Department of Parks and Recreation, and Seattle Department of Transportation complied with the Washington State Accountancy Act.

Seattle Housing Authority's Holly Park Relocation Efforts, April 1, 2003

This report examined whether the Seattle Housing Authority complied with the terms of a City agreement for the relocation of Holly Park residents prompted by a housing revitalization project. The City agreement required the Seattle Housing Authority to provide adequate relocation choices to affected households and to minimize residential displacements and disruptions. We determined that the Seattle Housing Authority complied with the relocation conditions specified in the City agreement. We recommended that the Seattle Housing Authority fully document relocation actions in each household case file, and conduct surveys to evaluate satisfaction with the relocation process.



Our review of the Seattle Housing Authority's relocation efforts is an example of an audit of an external community organization.

Seattle Public Utilities' Memoranda of Agreement, September 22, 2003

This study was conducted to determine whether the agreements between Seattle Public Utilities and the Seattle Department of Transportation, and between Seattle Public Utilities and the Department of Parks and Recreation, complied with the Washington State Accountancy Act. We concluded that the departments spent utility funding in accordance with the Washington State Accountancy Act. However, this report also offered recommendations to strengthen management oversight and accounting processes, and to enhance both interdepartmental and intradepartmental communications for more effective implementation of the agreements.

"In response to items in the audit report, Seattle Department of Transportation staff are working with Seattle Public Utilities to improve and streamline our procedures; revise current agreements to reflect process improvements; and identify the best way to communicate with the Mayor's Office and other stakeholders."

—Richard Miller, Capital Projects and Roadway Structures Division, Seattle Department of Transportation

2003 INTERNAL CONTROL REVIEWS: Internal controls are methods employed by local governments to ensure that financial and program objectives are achieved. Policies, procedures, budgets, and organizational and physical restrictions are examples of internal controls, which City managers use to ensure that operations are consistent with established missions and goals. 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 controls is that greater risks require more extensive controls. Too little control presents undue risk of loss; excessive control is costly. Effort must be made to ensure that internal control costs do not exceed expected benefits.

Four of the Office of City Auditor's 2003 projects focused on improving internal controls over: vehicles assigned to Seattle Police Department K-9 Unit officers; the Department of Information Technology's accounts receivable; Seattle Public Utilities Solid Waste Operations' assets; and cash handling at a Seattle Public Utilities rain barrel sale.

Seattle Public Utilities—Rain Barrel Sales, April 17, 2003

Seattle Public Utilities requested a review of its cash-handling procedures in advance of an April 2003 rain barrel sale. We discussed the procedures and reviewed a process flowchart for the rain barrel sale with Seattle Public Utilities staff. Although our analysis identified no significant control weaknesses, we recommended ways to further reduce the risk of fraud.

Improving SPU Solid Waste Operations' Control of Assets, May 22, 2003

This report identified ways that the Seattle Public Utilities Solid Waste Operations Division could improve internal controls over its assets. Specifically, the Division could improve controls over the purchase, storage, use, and disposal of assets. We recommended

that Solid Waste Operations improve asset-monitoring practices and proactively address maintenance issues.

Department of Information Technology's Loss of Accounts Receivable Funds,
July 17, 2003

At the request of the Department of Information Technology, we confirmed the theft of \$3,400 and reviewed the department's accounts receivable practices and records. The accounting system records for accounts receivable indicated that the Department of Information Technology owed City customers \$1.8 million. However, our analysis determined that customers actually owed the City \$600,000, and that the department needed to adjust its account balances by approximately \$2.4 million. Our report contains recommendations to help the department improve accounting practices and prevent future losses.



Review of Fleets Vehicle Use Log for Seattle Police Department K-9 Units,
September 30, 2003

At the request of the Fleets and Facilities Department, we reviewed the Seattle Police Department K-9 Unit's proposal to provide an annual list of assigned K-9 officers and their work hours to the Fleets and Facilities Department rather than using the standard vehicle use log. We concurred that a vehicle use log exception for the K-9 Unit was reasonable, and recommended that the Police Department obtain signed statements from each officer assigned an overnight vehicle, certifying that he or she understands the policies and procedures for use of assigned vehicles.

Office of City Auditor Staff Notes for 2003

- Susan Cohen was reappointed by the City Council to a second six-year term as City Auditor in 2003, and was nominated for a national Distinguished Local Government Leadership Award by the Association of Government Accountants Seattle Chapter.
- Susan Baugh served as a member of the editorial board for the *Public Administration Review* and as a National Councilmember for the American Society for Public Administration.
- Scottie Nix and Wendy Soo Hoo presented an *Update on Control Self-Assessment* at the Institute of Internal Auditors Enterprise Risk Management Conference.
- David Jones served as an instructor for the Institute of Internal Auditors.
- Robin Howe, former Internal Audit Director for Eddie Bauer, joined the Office of City Auditor staff.
- Kristine Castleman gave birth to our office's newest addition, Alexander Cole Castleman.

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

Susan Baugh

- ◆ Served in Office of City Auditor since 1998
- ◆ Principal Management Auditor, King County Auditor's Office, 1995 to 2001

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
- ◆ Research Coordinator, University of Washington, 1997 to 2000

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

Thyra Brooks

- ◆ Served as Office of City Auditor Office Manager since 2000
- ◆ Administrative Services Supervisor, Seattle City Council, 1996 to 2000

Sarah Butler

- ◆ Served in Office of City Auditor since 2003 as Audit Intern
- ◆ Research Specialist, Group Health Cooperative, 2000 to 2003

Minh Pham

- ◆ Joined Office of City Auditor in June 2001 as MESA Intern
- ◆ Work Study Intern, University of Washington

Thao Vu

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