

2016 Annual Report

DAVID G. JONES, SEATTLE CITY AUDITOR

PUBLISHED MARCH 28, 2017



Office of City Auditor

Our Mission

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

Our Standards of Work

The office's 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, and reporting of results. In addition, the standards require that external auditors periodically review our office's policies, procedures, and activities to ensure that we adhere to these professional standards.

2016 Accomplishments

In 2016 we finished or oversaw the completion of the following three audits and six other 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.

1. **Family Intervention and Restorative Services (FIRS) Center Update to the Seattle City Council Gender Equity, Safe Communities, and New Americans Committee**, March 9, 2016
2. **Seattle Police Department Overtime Controls Audit**, April 11, 2016
3. **University of Washington Report on Seattle's Minimum Wage Ordinance: Baseline Employer Survey and Worker Interviews**, April 18, 2016
4. **Prescription Drug Disposal: Opportunities for the City of Seattle**, April 28, 2016
5. **Status Report on Implementation of Office of City Auditor Recommendations as of December 2015**, June 2, 2016
6. **Audit of Services the Metropolitan Improvement District Provides in Belltown**, June 8, 2016
7. **University of Washington Report on the Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments through 2015**, July 26, 2016
8. **Ten Things the City of Seattle Should Consider When Evaluating a Pilot Implementation of an Acoustic Gunshot Locator System**, August 3, 2016
9. **Seattle City Light Billable Services Audit**, August 10, 2016

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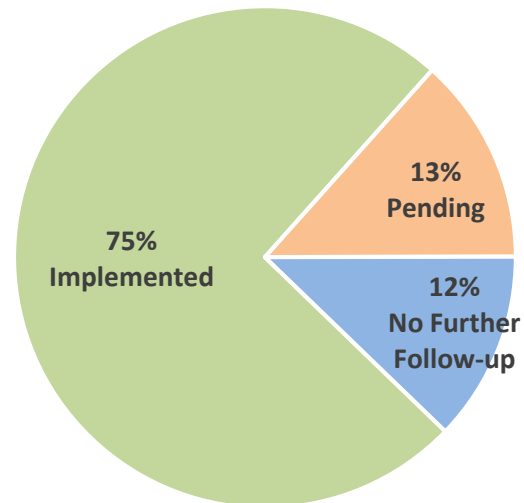
Impact of Our Work: Recommendations Implemented to Improve City Programs

In 2016 we continued our practice of issuing a [report](#) annually summarizing the implementation status of our open audit recommendations. As can be seen from the chart below, 75% of our recommendations made between 2007 and 2015 have been implemented.

We believe we have an obligation to do more than simply identify problems. We strive to provide practical solutions to the problems we identify, and we are gratified when City Departments implement our recommendations.

Our recommendations¹ resulted in cost savings, efficiencies, and risk mitigation in a wide range of areas that ultimately led to improved City programs.

2007-2015 Recommendations Status Summary



Support of the Race and Social Justice Initiative

In 2016 we continued to be a partner in the City's efforts to achieve race and social equity. For every audit, we use 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 discuss and consider the RSJI implications of our work during audit planning and fieldwork.

¹ We tracked 453 recommendations contained in 48 audit reports issued from January 2007 through December 2015. As of December 31, 2015, 75 percent (337 out of 453) were implemented, 13 percent (60.5 out of 453) were pending, and 12 percent (55.5 out of 453) were categorized as no further follow-up planned.

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

Audits Completed in 2016

Seattle Police Department Overtime Controls

At the request of Seattle's Police Chief, Kathleen O'Toole, we conducted an [audit](#) of the Seattle Police Department's (SPD) overtime controls for the period January 2013 through June 2015. The Chief had concerns about whether there was adequate leadership, management oversight, and supervisory control to manage SPD's overtime spending. Over a ten-year period, SPD's overtime expenditures had almost doubled and significantly exceeded SPD's overtime budget. In 2015 SPD spent \$24.2 million on overtime. SPD's overtime expenditure trend caused concerns for the City Council and the City Budget Office, as well as for SPD management.

There were many factors that contributed to SPD's high overtime expenditures and budget overages. Although some of these factors were outside of SPD's control (e.g., number of special events and protests), many were within its control.

Results:

We identified significant gaps in SPD's overtime internal controls that led to overtime errors and inefficiencies, including duplicate payments of overtime. We found issues in the following six categories: 1) policies and procedures, 2) budget, 3) operational controls for overtime processes, 4) management controls, 5) special events, and 6) off-duty police work. Our report included 30 recommendations to improve SPD's management of overtime and SPD concurred with all of them.



Photo: [CC image courtesy of donte on Flickr](#)

Belltown Metropolitan Improvement District

In May 2013, when the Seattle City Council approved the reauthorization of the Metropolitan Improvement District (MID) and its expansion into Belltown, they included a performance audit requirement in the authorizing legislation, Ordinance 124175. As specified in this ordinance, our audit's primary purpose was to assess whether, three years after the MID's expansion into Belltown, Belltown had received the general types and levels of services described in the MID Business Plan.

The MID provides services in the following six areas: 1) Cleaning; 2) Safety, Outreach, and Hospitality; 3) Marketing and Communications; 4) Business Development and Market Research; 5) Transit, Bike, and Parking; and 6) Management. Examples of these services include sidewalk and curb sweeping, trash removal, safety and outreach ambassadors to assist visitors and direct people to services, and helping businesses with marketing and communication.

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Belltown Metropolitan Improvement District (continued)



Clean Ambassador Using a Green Clean Machine.

To determine whether the MID was providing the required services, we reviewed key documents (e.g., staff schedules and contracts), analyzed MID output data, interviewed MID managers and staff, observed MID operations, and interviewed City of Seattle and community stakeholders.

Results:

We concluded that Belltown received the general types and levels of services described in the MID's April 18, 2013 Business Plan, including the services outlined in the Belltown Program Implementation Plan.

Seattle City Light Billable Services

In 2016 Seattle continued to experience a boom in building construction activities, particularly in the downtown area, which resulted in an exponentially greater need for new electric service connections. High demand for service connections can stress Seattle City Light's existing internal controls, making it difficult to achieve management objectives related to billing and revenue collection activities and creating opportunities for fraud, such as the misappropriation of materials or customer payments.

Accordingly, we conducted an [audit](#) of Seattle City Light's internal controls surrounding its billing and revenue collection processes for new electric services. To conduct this audit, we reviewed Seattle City Light's billing and revenue collection processes, and we tested 100 time and materials projects to determine the accuracy, completeness, and timeliness of billing and revenue collection activities.

We identified both control weaknesses and billing inaccuracies. In some cases, we found evidence of over or under billing for services. We also identified billing adjustments that were not supported with sufficient documentation. If billing for new and related services is not well controlled over time, unrecovered billable costs due to customer under billing may need to be recovered through higher electric utility rates.

We categorized our findings into five main areas: 1) completeness and accuracy of billing; 2) timeliness of billing and revenue collection; 3) cash handling; 4) monitoring and oversight of refunds; and 5) control environment. Although we did not identify specific instances of fraud, the control weaknesses we noted could create opportunities for fraud.

Results:

We made 18 recommendations to help improve the accuracy, completeness, and timeliness of City Light's billing and revenue collection processes. One of these recommendations is for City Light to follow-up on billing discrepancies identified during the audit of \$10,000 or more, including two projects with adjustments totaling \$253,000, to determine if additional customer billing or refunds are appropriate.

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Ongoing Audits

Scheduled for Completion in 2017

1. City Councilmember Mike O'Brien requested that we audit **incentive zoning for affordable housing**, which allows developers to build larger buildings in exchange for providing affordable housing units or making payments into the City's affordable housing fund.
2. City Councilmember Tim Burgess requested that we identify the reasons for changes to the cost, schedule, and scope of the **New Customer Information System (NCIS)** project and potential improvements in how information about such changes could be reported to the City Council. Seattle City Light and Seattle Public Utilities use NCIS for customer billing.
3. In accordance with City Council Resolution 124860, our office is auditing the **Seattle Police Department's staffing of special events**.
4. Our office initiated an audit of **Seattle Public Utilities' wholesale water sales**.
5. City Councilmember Lisa Herbold requested a review of **hate crimes in Seattle**, including the City's approach to hate crime prevention, reporting, and response.
6. City Councilmember Lorena Gonzalez requested that we examine the **Seattle Municipal Court's Court Resource Center**.
7. In accordance with Ordinance 125204, our office will prepare a report on **the City's financial condition** based on selected financial and economic indicators.
8. We will publish our annual status report on the **implementation of Office of City Auditor recommendations** in the first or second quarter of 2017.

We may start additional audits in 2017 to meet the information needs of City policy makers and the public. For example, it is likely that our office will start an audit sometime in late 2017 or early 2018 of the City's enforcement of the minimum wage ordinance.



We Advocated for Effective Design and Evaluation of City Programs

In response to direction from the City Council, our office continued to facilitate and be an advocate for effective design and rigorous evaluations of City programs. We are building our capacity in program evaluation through our work in three areas that are City Council priorities: **Labor Standards, Public Safety, and Affordable Housing.**

Labor Standards

Seattle Minimum Wage Ordinance:

Since 2014 we have managed a contract with a [University of Washington research team](#) to conduct a multi-year evaluation of the implementation and effects of the City's Minimum Wage Ordinance. In 2016 the research team issued two reports and presented its results to the City Council. The first [report](#), published in April 2016, summarized the results of an employer survey and worker interviews. The second [report](#), which was published in July, discussed the impact of the ordinance on wages, workers, jobs, and businesses through 2015. In 2017 the team will publish two more reports, the first on the effect of the ordinance on non-profit organizations and the second an update on the employer survey and worker interviews.

Secure Scheduling Ordinance:

In September 2016, Seattle adopted the Secure Scheduling Ordinance (125135), making it the second U.S. city to establish guidelines 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, Rutgers University, and the University of Washington's West Coast Poverty Center. Our office is managing the work of these researchers to evaluate the impacts of the legislation. The ordinance calls for evaluations at baseline (before implementation) and one and two years after implementation.

Baseline research activities seek to document conditions before implementation of the ordinance and highlight issues on which the impact evaluation should potentially focus. Evaluation components will include: an online survey of 1000 Seattle workers who work in businesses affected by the ordinance and 3000 workers in comparison jurisdictions; a survey of Seattle workers with Limited English Proficiency; in-depth interviews with frontline managers from affected Seattle businesses; a survey of Seattle business owners and general managers affected by the ordinance; and an analysis of Seattle worker hours from the State of Washington's employment database.

Public Safety

Community-Led Crime Reduction:

In 2016 we continued to provide technical assistance for the implementation and evaluation of the [Rainier Beach: A Beautiful Safe Place for Youth](#) project. This project seeks to reduce juvenile crime in five Rainier Beach "hot spots" using an evidence-based non-arrest approach. The project was federally funded through 2015 and will continue through 2018 with City funding. Our office helps facilitate the activities of the multi-lingual community task force for one of the five hot spots, assists the core team with implementation and evaluation tasks, and serves as the research liaison for the project evaluation. An evaluation of the project will be presented to the City Council in 2017.

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Public Safety (continued)

Positive Behavioral Interventions and Supports (PBIS) Grant:

A member of our office is also serving as the lead evaluator on two grants (\$99,000 award in 2015; and \$133,000 award in 2016) from the U.S. Department of Education to implement Positive Behavioral Interventions and Supports (PBIS) in Rainier Beach schools and community settings. Decades of rigorous research and practice have found PBIS to be an effective framework for helping schools serve as effective learning environments, reducing suspensions and discipline referrals, and improving academic performance, attendance, perception of safety, and organizational health of schools. The PBIS project in Rainier Beach is the first in the country to expand the use of PBIS from schools to community settings including the community center, library, public spaces, and local businesses. A preliminary evaluation of the PBIS grant will be published in the fourth quarter of 2017.



PBIS training at the South Precinct.

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, to implement and rigorously evaluate a campus safety continuum in Rainier Beach. This will include the implementation and evaluation of a Rainier Beach Campus Safety Continuum that will strengthen existing 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 for youth in Rainier Beach. A member of our office serves as Co-Principal Investigator on this grant. The grant will begin in March 2017 with a 12-month planning phase, followed by an 18-month implementation phase, and an 18-month stabilization and sustainability phase. Through grant funds, our office has hired a Strategic Advisor to support the work of the Rainier Beach Campus Safety Continuum.

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Public Safety (continued)

Policing Practices:

The Seattle Police Department plans to implement a federally-funded acoustic gunshot locator system as a pilot project. Acoustic gunshot locator systems are designed to detect the sound of a gunshot fired outdoors within seconds of the shot being fired, pinpoint the gunshot's location by using information captured on microphones, and immediately transmit this location to police dispatch.

At the request of City Councilmember Tim Burgess, we published a [memo](#) in August 2016 entitled "Ten Things the City of Seattle Should Consider When Evaluating a Pilot Implementation of an Acoustic Gunshot Locator System." The memo included a summary of the current research on acoustic gunshot locator systems and a discussion of the factors essential for conducting an evaluation, including early engagement of an evaluation research partner. The City Council provided our office with \$250,000 in 2017 to contract for an evaluation of the pilot program.

Affordable Housing

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 is in the process of contracting with University of Washington researchers to gather critical baseline data on housing conditions and cost. 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.



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We Provided Timely Information for City Policy Makers

In addition to our audits and program evaluation work, in 2016 we provided reports and presentations for City decision makers with the information they needed to make informed decisions on important issues.

Prescription Drug Disposal:

In April 2016, in response to a request from the City Council, we published a [research brief](#) on prescription drug disposal. Drug abuse is a complex problem that requires a comprehensive and evidence-based public health approach, and one component of such an approach is the safe disposal of unused prescription drugs. Safe disposal of unused prescription drugs, especially opioid pain relievers, reduces the risk of nonmedical use that might lead to drug abuse, including heroin addiction.

In June 2016, King County implemented a new program for the safe disposal of prescription and over-the-counter medicines (including controlled substances such as OxyContin, Vicodin, Valium, Ritalin, and stimulants). King County will pay for drop-boxes, which can be located at police stations or pharmacies, and stewardship organizations, funded by several pharmaceutical companies, will provide free-of-charge training and disposal of the drugs. King County welcomed the partnership of the City of Seattle in this new program.

Based on the information provided in our research brief, on April 4, 2016, the Seattle City Council unanimously passed Resolution 31654 expressing the City's support for an effective countywide prescription drug disposal program and requesting local pharmacies and the Seattle Police Department to install drug disposal drop-boxes across the city.

Adolescent Family Domestic Violence:

In March 2016, we organized a [presentation](#) to the City Council about the City of Seattle and King County partnership for the Family Intervention and Restorative Services (FIRS) Center. The Center is a pilot project designed to address adolescent family domestic violence without detention or prosecution. As we noted in an April 2015 presentation 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 FIRS clients with youth in other counties in Washington with similar charges. Preliminary findings will be presented in the second quarter of 2017.

Directed Investigations:

At the request of City Councilmember Lisa Herbold, our office provided substantial input into Resolution [31662](#) regarding allowing the Office of Labor Standards Director to conduct directed investigations, which are proactive investigations of potential labor law investigations. Based on the knowledge of labor standards we gained through previous audits, we provided suggested language that was ultimately incorporated into the resolution and adopted by the City Council on May 4, 2016.

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Office of City Auditor Staff

During 2016 the Office of City Auditor was budgeted for 9.5 full-time equivalent employees.

The following is a list of our current employees:

- 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

Ideas for Audits Welcomed

We 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.