

2018 Office of City Auditor Annual Report

David G. Jones, Seattle City Auditor

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Office of City Auditor Mission

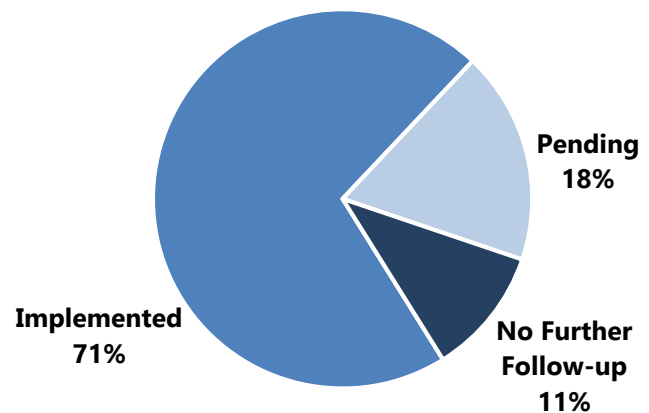
Our mission is to help the City of Seattle (City) achieve honest, efficient management and full accountability and transparency throughout City government. We serve the public interest by providing the City Council, the Mayor, City departments, and the public with accurate information, objective analysis,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

Impact of Our Work: Recommendations Implemented to Improve City Programs

In 2018, 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, 71 percent of our recommendations made between 2007 and 2017 have been implemented.¹ 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 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.

2007-2017 Recommendations Status Summary



Association of Local Government Auditors Knighton Award: Audit of Seattle's Incentive Zoning for Affordable Housing

The Knighton Award is given by the [Association of Local Government Auditors \(ALGA\)](#) to recognize the best performance audit reports produced by local government audit offices in the United States and Canada. Awards are presented according to the size of the audit office.

During ALGA's 2018 Annual Conference, we received the Distinguished award for our April 2017 Audit of Seattle's Incentive Zoning for Affordable Housing. The judges characterized the audit as a "thorough and well-documented examination" of an important issue, affordable housing. They recognized that the financial impact of the audit was substantial, and that its recommendations for process improvements will make the financial impact even greater over time. The judges found the report to be effective at communicating information on a complex topic and emphasized that "the audit consistently clarified for the readers why the findings mattered to policymakers and citizens."

¹ We tracked 595 recommendations contained in 56 audit reports issued from January 2007 through December 2017. As shown in the chart, as of December 31, 2017, 71 percent (422 out of 595) had been implemented, 18 percent (108 out of 595) were pending, and 11 percent (65 out of 595) were categorized as no further follow-up planned.

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

Completed and Ongoing Audits

Please note that the list of audits below is not exhaustive as we may start additional audits in 2019 to meet the emerging information needs of City policy makers and the public.

Seattle Public Utilities Wholesale Water Sales

We performed this audit, [published on March 15, 2018](#), to help ensure that wholesale customers are paying for their water supply in accordance with formal agreements with Seattle Public Utilities (SPU) and at rates approved by the Seattle City Council. Our objectives for this audit were to determine whether: (1) billings to wholesale customers and related payments were accurate, timely, and complete; and (2) internal controls over the wholesale billing and payment related processes are adequate.

We found that SPU's billing of wholesale customers was generally accurate and complete. However, we identified internal controls over the wholesale billing process that were either lacking or need to be strengthened. These controls relate to billing accuracy and completeness, the accuracy of meters and related equipment, and information systems security. We made 19 recommendations to improve internal controls over SPU's wholesale water billing process, including (1) ensuring only authorized personnel approve billing adjustments; (2) requiring additional steps to ensure the accuracy of meter read inputs from field crews; (3) implementing controls over current cycle consumption adjustments; (4) requiring annual meter read verifications; and (5) requiring additional support from wholesale customers when reporting facilities charges.

Review of the Navigation Team 2018 Quarter 1 Report

This report, [published on October 2, 2018](#), was produced at the request of City Councilmember Lisa Herbold regarding the City's Navigation Team, which is part of the City's strategy for addressing the issue of people living unsheltered in Seattle.

Our report assessed the Executive's [Quarter 1 response](#) to the [Navigation Team reporting plan](#), which is a plan produced by our office in 2017 with 14 reporting checkpoints designed to help inform the City Council on the Navigation Team approach. The City Council passed a Statement of Legislative Intent that directed the Executive to report on Navigation Team activities following the 14 checkpoints in the reporting plan. The Executive's Quarter 1 responses covered seven checkpoints.

We identified findings for each of the seven reporting checkpoints included in the [Quarter 1 response](#) and developed a set of 30 recommendations. Significant findings included: improvements needed in data systems, low shelter-bed availability, opportunities to increase use of diversion, and the need for consistent standards and metrics among outreach providers. We also noted that with the July 2018 transition of Navigation Team leadership to the Human Services Department (HSD), the City will need to ensure that HSD has adequate support and resources to implement improvements, including redevelopment of the Navigation Team Theory of Change and training plan, implementation of trauma-informed care, racial equity analysis, and rigorous evaluation of the Navigation Team.

Review of Navigation Team 2018 Quarter 2 Report

On [February 7, 2019](#), we published this report in a series that our office is producing at the request of City Councilmember Lisa Herbold regarding the City of Seattle's Navigation Team. This report assesses four reporting checkpoints from the Executive's Quarter 2 response to the Navigation Team reporting plan, a plan with 14 reporting checkpoints designed to help inform the City Council on the Navigation Team approach. We identified findings for the four reporting checkpoints, and we developed a set of 13 recommendations.

City of Seattle Financial Condition 2017

As required by Ordinance 125204, our office is preparing to publish its second report on the City's financial condition based on selected financial and economic indicators. In September 2017, we issued our [first report](#) on the City's financial condition. We expect to publish the second report in April 2019.

Seattle Public Utilities New Taps Billing and Controls Review

On [March 29, 2019](#), we published this report that describes the results of our audit of Seattle Public Utilities' (SPU) recalculations of new taps charges billed by SPU between January 1, 2015 and April 5, 2018. SPU recalculated new taps billings for this period after discovering that some customers had been overcharged for new taps installations.

Minimum Wage Enforcement

City Council Resolution 31524 requires an audit of the City's enforcement of the Minimum Wage Ordinance. In 2018, we initiated an audit of the Office of Labor Standard's enforcement and outreach efforts. We anticipate completing the report by the second or third quarter of 2019.

Review of Hate Crime Prevention, Response and Reporting in Seattle: Phase 2 Report

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 an analysis of hate crimes in Seattle. The audit is planned for completion in the second quarter of 2019.

Human Services Department Homelessness Contracts

At the request of City Councilmember Lorena González, we initiated an audit in 2018 of the contracts issued by the Human Services Department that concerned homelessness. We plan to complete the audit by the third quarter of 2019.

Seattle Fire Department Special Events Fees

In February 2019, we initiated a performance audit of the Seattle Fire Department's (SFD) recovery of special events staffing costs. This audit was requested by Councilmember Lorena González. The audit's objectives are to determine the extent to which SFD's special event staffing costs are recovered through current billing practices and to compare SFD's practices with the City's practices for billing for police staffing at special events. We expect to complete this project in the third or fourth quarter of 2019.

Review of Human Services Department Navigation Team 2019 Quarter 1 Proviso Report

This report, requested by City Councilmember Lisa Herbold, will cover the three of the 14 reporting checkpoints we did not discuss in our two previous reports on the Navigation Team. We anticipate producing this report by the third quarter of 2019.

Review of Navigation Team 2019 Budget Proviso Responses to Office of City Auditor Recommendations

At the request of City Councilmember Lisa Herbold, we will be reviewing the responses the Executive provides to the City Council regarding Seattle City Council Green Sheet Proviso 14-95-A-4. The Executive responses will include information about the implementation status of our office's recommendations made in its three reports about the Navigation Team. We anticipate producing a report by the third or fourth quarter of 2019 with our assessment of the status of the Executive's implementation of our Navigation Team recommendations.

Non-Police Surveillance Technologies

As required by Council Bill 118930, we have started work on an audit of the City of Seattle's use of non-police surveillance technologies. Our office is required to conduct an annual review of the City's use of non-police surveillance technology, and the extent to which departments are complying with the requirements of the Ordinance and the terms of approved Surveillance Impact Reports. The first audit for the year 2018 is due January 15, 2020.

Seattle City Light Pole Attachment Revenues Audit

We will audit City Light's revenues from pole attachments, which are payments to City Light from government and non-government entities in exchange for the attachment of communications and other devices to utility poles owned or jointly owned by City Light. Our audit objectives are to ensure customer billings are issued timely and accurately, all customer payments are received and processed timely, and that City Light's internal controls over the billing and revenue collection process are adequate. We will review billings issued between years 2016 through 2019. We plan on publishing our report in the first quarter of 2020.

Seattle City Light Customer Billing

We are conducting this audit at the request of City Councilmember Teresa Mosqueda, who asked us to examine Seattle City Light's processes for: 1) preventing erroneous or unanticipated catch up bills, 2) communicating with customers about billing problems, and 3) resolving customer complaints and appeals. We expect to issue a report in the fourth quarter of 2019 or the first quarter of 2020.

Support of the Race and Social Justice Initiative

In 2018, 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.

Rainier Beach: A Beautiful Safe Place for Youth

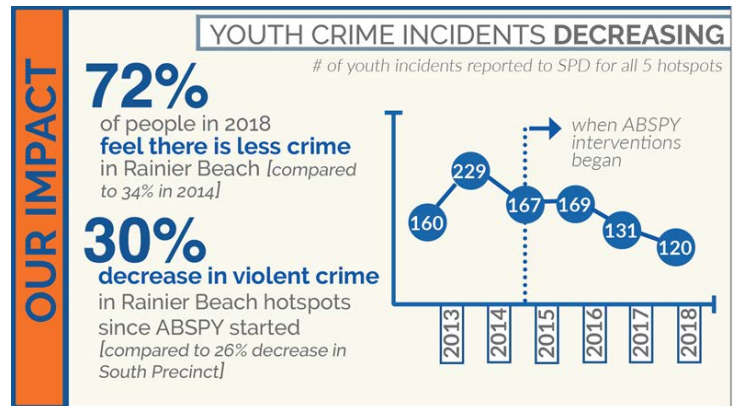
We continue to provide technical assistance in the implementation and evaluation of [Rainier Beach: A Beautiful Safe Place for Youth \(ABSPY\)](#), a community-led, place based approach to reducing youth victimization and crime in the Rainier Beach neighborhood. ABSPY focuses on five “hotspots” in the Rainier Beach neighborhood where crime has been highly concentrated. These are 1) Rainier Avenue South & South Henderson Street, 2) Rainier Avenue South & South Rose Street, 3) the Rainier Beach light rail station, 4) Lake Washington Apartments, and 5) the Rainier Beach Safeway shopping area.

In 2018, [George Mason University's Center for Evidence-Based Crime Policy found promising results](#) for ABSPY:

- 30 percent decrease in serious violent crime in the hotspots,
- significant improvement in the community’s perception of crime—in 2018, 72 percent of people believed there was less crime in Rainier Beach compared to 34 percent in 2014,
- community building continues to increase in Rainier Beach—people believe they can trust their neighbors more and are willing to get involved in community issues, and
- significant improvement in the community’s perception of policing in Rainier Beach.



In one of ABSPY interventions, Safe Passage guardians help ensure that Rainier Beach students stay safe after school.
Photo Credit: Joe Lubong



Since beginning the non-arrest interventions in Rainier Beach in 2014, violent crimes and perception of crime have decreased.

Rainier Beach Campus Safety Continuum

Our office serves as co-investigator with George Mason University's Center for Evidence-Based Crime Policy on a research grant funded by the U.S. Department of Justice's National Institute of Justice, which entered its implementation phase in 2018. This grant is intended to reduce school discipline and youth exposure to the criminal justice system in Rainier Beach. It adapts evidence-based frameworks from the field of education that improve school climate and reduce suspensions and expulsions — Positive Behavioral Interventions and Supports (PBIS) and Restorative Practices (RP). This grant is the first in the nation to expand PBIS to community settings. The grant will assess whether the integration of these two frameworks can improve school climate and overall rates of youth crime and community safety.

Major activities from 2018 include:

- six Rainier Beach schools have implemented PBIS,
- Restorative Justice Case Managers have been designated in three schools, and
- community events have been held to orient the Rainier Beach community on PBIS and solidify community values.



Community members greet students on January 22, 2019 at Emerson Elementary, one of the six Rainier Beach schools implementing PBIS. Photo Credit: Chris Woon-Chen

Secure Scheduling Ordinance

In September 2016, Seattle adopted the Secure Scheduling Ordinance (125135) to promote predictable employee scheduling and incomes. As required by 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 the ordinance's implementation in July 2017) and one and two years after implementation.

The evaluation team completed its [baseline report](#) in March 2018 that documented workplace conditions before implementation and highlighted issues on which the impact evaluation should potentially focus.

Evaluation components included 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.

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. We are currently engaged in discussions with the City Council about the funding and timing of this evaluation.

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 requires our office to contract with academic researchers for an annual evaluation of the tax's effects. In July 2017, our office contracted with Public Health - Seattle & King County to oversee a research team that would conduct the evaluation of the sweetened beverage tax.

The evaluation will assess, but is not 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 will also assess the process of implementing the tax, including perceptions of city residents, 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 from populations in Seattle and outside Seattle to enable a rigorous comparison of trends in behavior, health, and economic outcomes.

Public Health contracted with the University of Washington and Seattle Children's Health to help it conduct the evaluation. The evaluation team produced a [baseline report](#), published in August 2018, that provides information on conditions before the implementation of the tax in Seattle.

In January 2019, the evaluation team [published a report](#) on the prices of beverages subject to the tax six months after the tax's implementation. In February 2019, the team [published a report](#) concerning the availability of healthy food in Seattle and an assessment of Seattle's food bank network.

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. Although there was not enough time before the implementation of these ordinances to allow for a true impact evaluation, our office contracted with University of Washington researchers to gather critical baseline data on housing conditions and cost. [Their report](#), which was published in July 2018, provided insights into tenant and landlord experiences, particularly related to new City laws, and data on the Seattle rental market (e.g., rental rates). This study focuses on the experiences of renters and landlords operating in the Seattle market as well as the distribution, condition, cost and change in rental housing in the Seattle area from August 2017 through April 2018. It provides valuable information about Seattle's rental housing market that can be used as the basis for future evaluations.

[UW Seattle Rental Housing Study - Appendix A Focus Groups and Interviews](#)

[UW Seattle Rental Housing Study - Appendix B Landlord Survey](#)

[UW Seattle Rental Housing Study - Appendix C Data Scraping Tools](#)

We Provide Timely Information for City Policy Makers

In addition to our audits and program evaluation work, we provide non-audit reports for City decision makers with the information they need to make informed decisions on important issues.

Office of City Auditor

Recommendation Follow-up Report

We plan to publish our annual status report on the implementation of Office of City Auditor recommendations by the second quarter of 2019. The report will cover recommendations contained in audit reports we issued from 2009 through 2018.

Gun Storage Study

As required by [Ordinance 125620](#), our office will work with Public Health - Seattle & King County and the Seattle Police Department (SPD) to produce a series of reports over a five-year period with descriptive statistics on firearm-related hospitalizations and deaths, and stolen guns reported by or recorded by SPD. The estimated date for the release of the first report is the third quarter of 2019.

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 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.

Office of City Auditor Staff

During 2018 the Office of City Auditor was budgeted for 10 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

In 2018, three members of our office—Cindy Drake, Jane Dunkel, and Melissa Alderson—earned Certified Government Auditing Professional certifications from the Institute of Internal Auditors, and Robin Howe earned a certification in Financial Forensics from the American Institute of Certified Public Accountants. In addition, Hana Mohamed earned master's degrees in Public Health and in Social Work from the University of Washington.

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. Our mailing address is PO Box 94729, Seattle, WA 98124-4729.