

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF SELECTED DISTRICT AGENCY
KEY RESULT MEASURES**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



August 17, 2006

Robert C. Bobb
Deputy Mayor and City Administrator
Office of the City Administrator
John A. Wilson Building
1350 Pennsylvania Avenue, N.W., Suite 310
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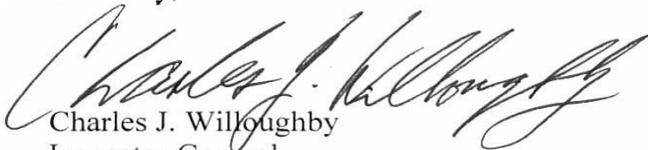
Dear Mr. Bobb:

Enclosed is our final report summarizing the results of Phase II of the Office of the Inspector General's (OIG's) Audit of District Agency Key Result Measures (KRM)s (OIG-05-1-06MA(b)).

Our report contains two recommendations for necessary action to correct the described deficiencies. We received a response to the draft report from the Office of the City Administrator (OCA) on August 4, 2006. The OCA's response fully addressed both recommendations, and we consider the actions taken and/or planned to be responsive. The full text of the OCA's response is included at Exhibit B.

We appreciate the cooperation extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Charles J. Willoughby
Inspector General

CJW/cf

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**AUDIT OF SELECTED DISTRICT AGENCY
KEY RESULT MEASURES**

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EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed the second phase of a two-part review of District Agency Key Result Measures (KRM)s. The audit was requested by the Office of the City Administrator (OCA). The first report that we issued covered agency systems and processes to record, track, monitor, and report KRM data. This report summarizes the results of our efforts to determine whether agencies are maintaining data to support performance measures and to verify the accuracy of accomplishments reported.

At the completion of our review at each agency, a separate Management Alert Report (MAR) was issued to the agency director which detailed the process followed by the agency to track and report on KRM results, the details and results of tests of supporting data, related comments/observations, and management's preliminary response. All results were discussed with appropriate agency personnel for final resolution. Additionally, agency heads provided a written response to their respective MAR to the OIG which provided details of actions planned or taken in response to recommendations made to correct deficiencies noted at their agency.

CONCLUSIONS

During our review at seven agencies, we found that agencies did not always maintain support for KRM)s on the established basis; and establish an audit trail for independent verification of accomplishments for each KRM. As a result, we were unable to verify 25 of 44 (57 percent) KRM results reported to the OCA.

SUMMARY OF RECOMMENDATIONS

We directed two recommendations to the City Administrator that we believe are necessary to correct the deficiencies. The recommendations center on providing agencies with clear guidance on: 1) developing and implementing controls to ensure accurate and reliable data is provided to the OCA with regard to agency performance measures; and 2) requesting OCA approval for modifications to targets or performance measures. A summary of potential benefits resulting from audit is at Exhibit A.

MANAGEMENT RESPONSE AND OIG COMMENTS

We received a response to the draft report from the OCA on August 4, 2006. The OCA's response addressed both recommendations, and we consider the actions taken and/or planned to be responsive. The OCA's response is included at Exhibit B.

INTRODUCTION

BACKGROUND

As a result of hearings regarding the District of Columbia government's performance in serving its residents, Congress enacted the Federal Payment Reauthorization Act of 1994 (Pub. L. No. 103-373, § 3(a)(12) to provide a disciplined approach to improving the District's performance. The law requires the Mayor to develop and submit a performance accountability plan to Congress by March 1st for all departments, agencies, and programs of the government for the subsequent fiscal year.¹ The law also requires the Mayor to issue measurable performance goals for the next year and a performance accountability report on the prior year's achievements compared with planned performance. These requirements are codified at D.C. Code §§ 1-204.56a - .56b (LEXIS through D.C. Law 16-15).

In addition to the Mayor's responsibilities, the D.C. Code also requires each District agency to develop and submit to the D.C. Council, concurrent with annual budget submissions, a performance plan that covers all publicly funded agency activities. D.C. Code § 1-614.12(a) (LEXIS through D.C. Law 16-15). D.C. Code § 1-614.13(b) further requires each agency to develop and submit to the Council a performance report that identifies the actual level of performance achieved compared with the prior year's performance goals.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of Phase II of our review were to determine whether agencies are maintaining data to adequately support performance measures and to verify the accuracy of accomplishments reported.

To accomplish our objectives, we held interviews and discussions with selected agencies' management and personnel to gain an understanding of the KRMs under review. Specifically, we discussed the process at each agency to record, monitor, and report performance measures internally to agency management, and also to the OCA. We then obtained and reviewed documentation to support amounts reported to the OCA. In that regard, we evaluated the audit trail to ensure that documentation was maintained, and then verified agency results by reviewing accomplishment data for each measure to ensure that amounts reported were accurate.

We selected 7 agencies, with a total of 44 KRMs, for detailed testing in Phase II. Agency selection was based on three main criteria: 1) the results from Phase I of our audit, 2) results from prior OIG performance measure audits; and 3) input from the OCA. Table I on the following page identifies the universe of KRMs and the corresponding number of KRMs selected for review.

¹ The law was subsequently amended in 2000 to change the date of annual submission from January 1st to March 1st. (See Pub. L. No. 106-449, § 1(1).)

EXECUTIVE DIGEST

Table I: KRM Universe and Selection Data.²

	Agency	No. of Programs	No. of KRMs	# Selected for Phase II
1	Department of Insurance, Securities and Banking	4	14	11
2	Medicaid Assistance Administration	1	5	5
3	Metropolitan Police Department	6	29	3
4	Office of Personnel	3	12	5
5	Office of Property Management	3	11	4
6	Office of the Attorney General	4	12	10
7	State Education Office	5	9	6
Totals:		26	92	44
				Percentage: 48%

While many of the agencies use computer-generated systems to track and record accomplishment data, we did not audit these systems, their contents, or formulas, but did trace amounts reported to reports and other totals extracted or otherwise generated from these systems. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the hard copy documents that we reviewed were reasonable and generally agreed with the information contained in the computer processed data. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that would change the conclusions in this report.

The audit covered the period of October 1, 2004, to October 31, 2005, and was conducted in accordance with generally accepted government auditing standards.

PERFORMANCE MEASURE RESPONSIBILITY

For the past several years, the OIG has committed resources to annually audit District agencies' KRMs. We believe, as do the Executive Office of the Mayor and OCA, that data supporting the reported achievements regarding performance measures need to be validated. Validation can come from the responsible manager, or someone outside the agency. The goal is to instill in agencies the importance of an internal control system that tracks, monitors, and reports performance measure data, and ensures that material errors and irregularities in reporting performance measures are timely detected and corrected.

² Programs and KRMs identified above were reported in the District's FY 2005 Proposed Budget and Financial Plan and do not include Agency Management.

EXECUTIVE DIGEST

ROLE OF THE OCA

The OCA is responsible for administering the performance measures program on behalf of the Mayor. Agencies are expected to measure performance as described in performance contracts and performance referred to as “scorecard measures.” Performance contract requirements establish the Mayor’s expectations for each fiscal year and are unique to each agency head. Both planned and actual performance are subsequently reported to Congress and the City Council as set forth in the D.C. Code.

Division of Strategic Planning and Performance Management

As stated in the OCA website, the Strategic Planning and Performance Management Division (Division) assists in the planning and assessment of how well government works for its citizens. Through various programs and initiatives, the Division:

- coordinates the development of agency strategic business plans with agency directors and deputy mayors, in partnership with the Office of Budget and Planning;
- develops policies for agency data collection, management, and reporting;
- coordinates the development of agency performance accountability reports to the Council and Congress; and
- assists the Mayor and budget staff in evaluating agency director performance against performance contract goals and measures.

RESULTS OF PRIOR OIG PERFORMANCE MEASURE AUDITS

Past OIG audits of Agency Performance Measures and Key Result Measures have consistently identified exceptions related to: (1) insufficient data to support results reported to the OCA; and (2) the lack of OCA approval or notification of a change in an agency’s performance measures.

Agencies and the City Administrator have generally concurred with prior OIG findings and identified actions to address recommendations made. However, our current audit has identified repeat findings or findings of a similar nature.

FINDINGS AND RECOMMENDATIONS

<h3>VERIFICATION RESULTS</h3>

SYNOPSIS

In Phase II we verified the accuracy and reliability of documentation maintained by District agencies to support FY 2005 accomplishments reported to the OCA. Our review at 7 agencies found that we were only able to verify accomplishments for 19 of the 44 KRMs reviewed (43 percent). Additionally, we were able to partially verify data at three agencies because data supporting KRM accomplishments was not available for the entire year. We also identified a need for agencies to better advise the OCA of changes in performance measures.

Factors contributing to these conditions identified included: 1) inadequate support for the targeted universe to be measured (without this information, it is impossible to determine whether the agency met its goal); and 2) incomplete or missing details to identify accomplishments reported (e.g., corresponding names, case numbers, or other identifying information). Additionally, in some cases, agencies had a cumbersome, manual process, which was used to support accomplishments reported, that when duplicated, or recreated, resulted in minor differences from those originally reported. Verification not only requires documentation to support accomplishments, but also an adequate audit trail. If, during our review, we found that the process as described, or the manner in which results were calculated and subsequently reported to the OCA may be incorrect, we considered the results unverified.

When we discussed our results with agency officials, some officials responded that they were unaware of the requirement to maintain KRM supporting documentation that is readily available when requested by the OCA, its designee, and oversight entities. Additionally, prior to our review, many officials were unaware that internal controls at their respective agency were in need of improvement to ensure that an adequate audit trail exists and that accomplishment data is timely and accurately reported.

DISCUSSION

Table II below contains the results of our verification of the accomplishments reported by the seven agencies we reviewed. Our results are summarized into three categories: verified, partially verified, and unable to be verified.

FINDING AND RECOMMENDATIONS

Table II: Verification Results					
Agency	Number of KRMs selected for review	Number Verified	Number partially verified	Number unable to be verified	Percent unable to be completely verified
1. Department of Insurance, Securities, and Banking	11	7	0	4	36
2. Medicaid Assistance Administration	5	2		3	60
3. Metropolitan Police Department	3		3		100
4. Office of Personnel	5		3	2	100
5. Office of Property Management	4	4			0
6. Office of the Attorney General	10	5	2	3	50
7. State Education Office	6	1		5	83
	44	19	8	17	57

At the completion of our review at each agency, a separate report was issued to the agency director, with a copy to the OCA, detailing the process followed by the agency to track and report on KRM results, the details and results of tests of supporting data, related comments/observations, and management’s preliminary response. Findings and recommendations were discussed with appropriate agency personnel for final resolution. All seven agencies concurred with the results as presented and have identified actions to address recommendations made. Actions reported included the establishment and implementation of policies and procedures for tracking and reporting performance measures.

RECOMMENDATIONS

We recommend that the City Administrator take steps to ensure that agency management:

1. Establishes adequate controls to provide accurate and reliable data with regard to agency performance measures. Such controls should ensure, at a minimum, that measures are properly defined, related outputs and demands are identifiable, and documentation is maintained to support reported accomplishments.
2. Understands that written approval from the OCA is required prior to making any modifications to an agency’s performance measures and targets.

FINDING AND RECOMMENDATIONS

MANAGEMENT RESPONSE (RECOMMENDATIONS 1 AND 2)

In regard to the first recommendation, the OCA responded that due to the impending transition to the new administration, an effort to standardize performance measure documentation would not be prudent. However, the OCA would include a recommendation in transition materials that the new administration review our report and address the recommendations contained therein.

With regard to the second recommendation, the OCA provided copies of memorandums distributed to District agency heads detailing the process to request changes to performance measures and targets.

OIG COMMENT

The OCA's response addressed both recommendations, and we consider the actions taken and/or planned to be responsive.

EXHIBIT A

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation	Description of Benefit	Amount and/or Type of Monetary Benefit	Status³
1	Economy and Efficiency. Establishes adequate controls to provide accurate and reliable data with regard to agency performance measures.	Non Monetary	Open
2	Compliance and Internal Control. Requires written approval before changes are made to performance measures and/or targets.	Non Monetary	Closed

³This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B

MANAGEMENT RESPONSE

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Executive Office of the Mayor



Robert C. Bobb
Deputy Mayor and City Administrator

August 4, 2006

Charles Willoughby
Inspector General
717 14th Street NW
Washington DC 20005

RE: Audit of Selected Agency Key Result Measures (OIG-05-1-06MA(b))

Dear Mr. Willoughby:

The Office of the City Administrator (OCA) has reviewed your agency's draft report summarizing the results of Phase II of the OIG Audit of Selected District Agency Key Result Measures. I will restrict my comments to your agency's general findings rather than addressing the specific agency-by-agency findings in the seven Management Alert Reports that accompany your April 28 summary report. However, we do expect that agencies will follow through on the findings that they agreed to address in their separate responses to your office.

Regarding your summary findings, your office has reported that it had two major findings and two recommendations to address those findings:

OIG Findings

- 1) Agencies do not always maintain supporting data for the Key Result Measures (KRM) that they report to the Mayor, City Administrator and Council
- 2) Agencies do not always establish an audit trail for independent verification of accomplishments for each KRM.

OIG Recommendations

- 1) The District should develop and implement controls to ensure accurate and reliable data is provided to OCA, the Mayor and Council
- 2) The District should issue clear guidance so agencies understand they must request OCA approval before making modifications to targets or performance measures.

OCA Response to Recommendation #1

Agencies' reporting of performance data is still a relatively new practice within District government and that internal controls are widely varied or even entirely absent in the most extreme cases is to be expected. During the implementation of the now abandoned ARGUS Scorecard database, agencies had to compile data attributes for each key result

EXHIBIT B

MANAGEMENT RESPONSE

Audit of Selected Agency Key Result Measures (OIG-05-1-06MA(b))
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measure and its associated output and demand measures. In fact, prior to the ARGUS Scorecard database initiative, the Office of the City Administrator initiated a Data Collection Manual project requiring that agencies document how data is collected, who collects it, how it is collected, what formulas are used to calculate measures and other data elements or attributes. Attachment I is a copy of the Department of Public Works' Data Collection Manual for its FY 2003 key result measures. It is included here for illustration only and you should note that several of the key result measures have changed since FY 2003.

I include the DPW Data Collection Manual simply to illustrate an approach that would be relatively simple for the incoming administration to adopt. Due to the impending transition from Mayor Williams' administration to the incoming administration, OCA will not initiate an effort to standardize the documentation of key result measures and their data attributes. Instead, we will include a recommendation in transition materials that the new administration review your report of April 2006 and the attached Data Collection Manual as an example of one way to document those attributes.

OCA Response to Recommendation #2

Your office's review of agency key result measures was conducted during FY 2005. Although OCA had been consistent in its practices with regard to reviewing and approving changes to key result measures, we had not formally documented those practices. Concurrent with your review, OCA and the Office of Budget and Planning (OBP) jointly issued guidelines to agencies on how and when they should review their strategic business plans; propose potential changes, including for revising key result measures; and secure the approval of their Deputy Mayor and the Budget office. The initial memo (Attachment II), issued on March 11, 2005, provided guidelines in advance of the FY 2007 budget development cycle. OCA and OBP issued an updated set of guidelines (Attachment III) on May 24, 2006 in advance of the FY 2008 budget development cycle. With these memos, OCA and OBP have substantially already addressed your second recommendation. Our two offices are currently reviewing the updated strategic business plans submitted by agencies at the end of July and changes to agency program and activity structures should be in place in advance of the FY 2008 budget kick-off in September.

Sincerely,



Robert C. Bobb
Deputy Mayor / City Administrator