

June 2017

Budget Measures Performance Audit



An aerial view of the City of Durham
Retrieved: <https://www.durham-nc.com/>

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To: Audit Services Oversight Committee
From: Germaine F. Brewington, Director
Audit Services Department
Date: June 19, 2017
Subject: Budget Measures Performance Audit June 2017

The Audit Services Department staff completed the report for the Budget Measures Performance Audit. The purpose of this audit was to:

- Validate the underlying data reported for the performance measures published in the Budget Book and determine if the data was accurate, relevant to the measure, and from a credible source.

This report presents the observations, results, and recommendations of the Budget Measures Performance Audit. In response to this audit's recommendations, City Management concurs with the recommendations made. The detailed Management Response to the recommendations is included with the attached report.

The Department of Audit Services staff would like to acknowledge the contributions of the staff from the Departments of: Budget and Management Services, Equal Opportunity/Equity Assurance, Fleet Management Services, Technology Solutions, and Transportation in the completion of this audit.

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Audit Report Highlights

Background

Departments create performance measurements to ensure the department activities stay on track. These measurements are used by City Management to assess and improve department functions. The measures are also communicated to Council during the annual budget presentations. Audit Services staff perform the City-wide Strategic Plan, departmental strategic plan or Budget Book Measures audit annually to ensure the integrity of the reported measurements. These audits allow City Management to continue to make accurate assessments and meaningful improvements. Additionally, ensuring the accuracy and relevance of self-reported measurements increases the trust and confidence of Durham residents.

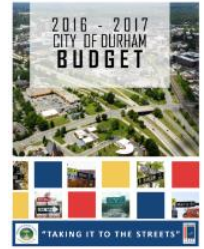
Purpose

The objective of the audit was to:

- Validate the underlying data reported for the performance measures published in the Budget Book and determine if the data was accurate, relevant to the measure, and from a credible source.

Budget Book Performance Audit - June 2017

Audit Services staff reviewed performance data of measures published in the Fiscal Year 2016 Budget Book for accuracy, relevance, and credibility. As this data is presented to the residents of Durham, the City strives to provide honest and meaningful data.



Highlights

Audit Services staff verified the accuracy, relevance, and credibility of eighty-seven percent (87%) of the published performance indicators of the four following departments: Equal Opportunity Equity Assurance (EOEA), Fleet Management, Technology Solutions, and Transportation.

In order to determine the accuracy, relevance, and credibility of each performance indicator, Audit Services staff reviewed supporting documentation, underlying calculations, statements, bench mark results, and historical records.

How we measure accuracy, relevance, and credibility:

To determine that Transportation's performance indicator for the number of street lights added for fiscal year 2016 was accurate, energy statements from Duke Energy & Piedmont Electric were reviewed. These statements listed the number of new lights installed monthly. Because these statements come from third party agencies and reflected the same numbers that the internal department reviewed, Audit Services staff was also able to determine that the source of this data was credible. Audit Services staff also reviewed the calculations for street lights per capita to ensure that Durham's performance measures fell into the standard range for a city of its size. Using professional judgement and logic, Audit Services staff was able to establish this measure was supported by relevant data.

Overall, of the forty-three (43) unique performance indicators tested, ninety-three percent (93%) were deemed accurate, ninety-eight percent (98%) were deemed relevant, and one-hundred percent (100%) were deemed credible.

Audit Services Department

Internal Audit

The Audit Services Department serves a three-fold role at the City of Durham. Our number one goal is to provide independent, objective assurance that City processes are working effectively. Secondly, we serve as internal fraud examiners when fraud, waste, or abuse is alleged against a City employee or department. Finally, in order to constantly foster high ethical standards, we provide in-depth ethical training to all City employees on a rolling basis. To learn more, visit our CODI site or our page on the [City of Durham's website](#).

Audit Services Oversight Committee

In order to maintain its organizational independence, the Audit Services Department reports to the Audit Services Oversight Committee (ASOC) at a minimum of four times a year. The ASOC approves all proposed audit plans and completed audits prepared by Audit Services staff.

The Audit Services Oversight Committee is made up of six members: two City Council Members, three resident members, and one alternate City Council Member. The current members include two certified public accountants, academicians, and persons with business experience. The City Manager is an ex-officio, non-voting member of the ASOC.

Audit Services Oversight Committee Members

Chair:

Cora Cole-McFadden
Mayor Pro-Tempore

Vice-Chair:

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Resident Member

Committee Members:

Steve Schewel
City Council Member

Jenna Meints, PhD
Resident Member

Maticia Sims, CPA, CIA, CRMA
Resident Member

Eddie Davis
Alternate City Council Member

Non-Voting Member:

Thomas J. Bonfield
City Manager

Strategic Plan

The City of Durham's strategic plan serves as a road map pointing the City from its historic foundation towards being a leading city in an excellent and sustainable quality of life. The City's FY 2016-2018 Strategic Plan was adopted by City Council on June 15th, 2015. City staff assessed goals, objectives, outcome measures, initiatives, and key priorities, and added new measures and initiatives. In Fiscal Year 2016, the City also updated its five goals to the following:

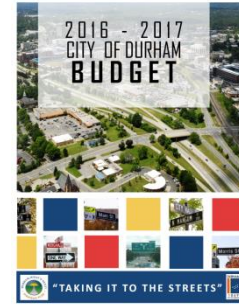
1. Strong and Diverse Economy
2. Safe and Secure Community
3. Thriving, Livable Neighborhoods
4. Innovative and High-Performing Organization
5. Stewardship of City's Physical and Environmental Assets.¹

To undergird the City's Strategic Plan, each department creates and implements a Departmental Strategic Plan. Each department must connect their department's functions to the goals established by City Council. Departments establish performance indicators to assess how well they are achieving their departmental goals. City Management routinely review performance results in order to monitor departmental operations and to determine whether improvements are needed.

Departments can track workload performance such as the number of hours worked, tickets opened/closed, and reports produced. In addition, measures can track performance quality through survey responses and certifications attained.

¹ The City of Durham Budget and Management Services. *Fiscal Year 2018 Budget Book*. May 15, 2017. Retrieved from: <http://durhamnc.gov/documentcenter/view/15340>

Each City department tracks performance data quarterly. Each department selects measures pertinent to the operations of the department to report in the Annual Budget Book. The Budget Book is the public financial plan for City operations for the period covering the fiscal year from July 1 to June 30. This book summarizes sources of revenues and how funds will be spent during the year. At the end of the year, the department submits its mission statement and performance measure data to be included in the Budget Book.



The Annual Budget Book is a project of the Budget and Management Services Department and is available to the public at DurhamNC.gov.

Audit Services staff perform an annual audit of the City-wide Strategic Plan, Departmental Strategic Plans, or Budget Book measurements to ensure the integrity of the measurements; and so City Management can continue to make accurate assessments and meaningful improvements. This audit only reviews the departmental selected data that was reported in the Fiscal Year 2016 Budget Book. As the Budget Book is available to the residents of Durham, it is imperative to provide honest and correct measurements in order to build trust and create a legacy of transparency.

DataHub

In fiscal year 2017, the City piloted DataHub to track results of performance indicators for eight departments. This system allows users to visually track data trends and easily submit reports to City Management. All departments will be gradually migrated to the DataHub platform assisted by the Budget and Management Services Department and the Office of Performance Innovation Division.



DataHub is a Clear Point portal designed to track the City of Durham's performance metrics. For more information, contact the O.P.I. division of Budget and Management Services.

The objective of the audit was to:

- Validate the underlying data reported for the performance measures published in the budget document and determine if the data were accurate, relevant to the measure, and from a credible source.

Scope, Methodology, and Compliance

Scope

The scope of the audit included fiscal year 2016 data reported in the Budget Book for the following departments:

- Equal Opportunity and Equity Assurance (EOEA);
- Fleet Management;
- Technology Solutions; and
- Transportation.

Methodology

Audit Services Department staff performed the following procedures to accomplish the objectives of the audit. Staff:

1. Obtained and reviewed established performance indicators for the selected departments;
2. Interviewed the data-gatherers to understand the methodology used in the data collection process;
3. Tested the data for the following criteria for 87% of the total reported budget measures of the departments of EOEA, Fleet Management, Technology Solutions and Transportation:
 - Data reported were accurate;
 - Data reported were relevant to the performance measures; and
 - Sources of the data were credible.

During the audit, Audit Services Department staff also maintained awareness to the potential existence of fraud.

Compliance

Audit Services staff conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that Audit Services staff plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. Audit Services staff believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results and Findings

Finding 1

Audit Services staff found:

Overall, data reported for the performance measures published in the Budget Book were accurate, relevant, and the data sources were credible. A few exceptions were noted.

Department	Total Measures tested	Accurate Data Reported	Relevant Data Reported	Credible Source	Exceptions Noted
Equal Opportunity and Equity Assurance (EOEA)	8	6	8	8	2
Fleet Management	8	8	7	8	1
Technology Solutions	9	8	9	9	1
Transportation	18	18	18	18	0
Total	43	40	42	43	4

Table 1. Performance measurements tested for accuracy, relevance, and credibility by department. Measurements with exceptions noted are highlighted in red.

Accurate

Ninety-three percent (93%) of data tested were accurate. Data were not accurate for three measures tested (7% of measures). Reporting inaccurate data or data that cannot be substantiated for performance measures reduces the effectiveness of the measures as a decision making tool. These measures were:

1. % of Professional Services Dollars Spent with Small Local Business Enterprises (SLBE) from Contracts \$100,000 or Less. (EOEA)

Data reported were inaccurate due to a calculation error. The department management was notified of the discrepancy.

2. % of Construction Dollars Spent with SLBEs from Contracts \$500,000 or less. (EOEA)

Data reported were inaccurate due to a calculation error. The department management was notified of the discrepancy.

3. % of available data center capacity (Technology Solutions Department)

Source documentation was not available for review and therefore Audit Services staff could not determine if the measure was reported accurately. The department maintained supporting documentation for other measures; therefore lack of documentation for this one measure was not viewed as a systemic deficiency. Before fieldwork was completed, the Technology Solutions Department management team agreed to maintain the supporting documentation for this measure moving forward.

Relevant

Ninety-eight percent (98%) of data reported were relevant to the title of the measure reported. Data reported was not relevant for one measure tested. The measure wording should be relevant to the data collected since users rely on the measure to make decisions. The following measure was noted where the data was not relevant.

1. % work orders scheduled maintenance vs. unscheduled (Fleet Management Department)

Measures:	Actual FY15	Adopted FY16	Estimated FY16	Adopted FY17
% work orders scheduled maintenance vs. unscheduled	58%	52%	55%	55%

Image 1. Excerpt from Budget Book reflecting the previous wording
(Budget Book (2016-2017). Retrieved from durhamnc.gov/DocumentCenter/View/11260)

The data reported captured the hours worked on preventive maintenance compared to non-preventive maintenance, instead of the percent of work orders scheduled for maintenance versus unscheduled. Based on a discussion with Fleet Management Department staff, it would be relevant to reword the measure to reflect the data it was reporting.

Credible

One-hundred percent (100%) of data was found to come from credible sources. Data gatherers obtained data from credible sources and analyzed the data in order to report numbers relevant to each measure.

Finding 2

Audit Services staff found:

Methodology used in various departments to reflect how and what data was collected was not documented consistently.

Staff from all departments did not consistently document the methodology used to reflect how and what data were collected. Documenting the methodology helps users understand how the data were compiled and what is actually being reported. Documentation of the methodology would also ensure results are compiled consistently. All departments will be gradually migrated to the

DataHub platform assisted by Budget and Management Services Department staff and the Office of Performance Innovation Division staff. This system allows users to visually track data trends and easily submit reports to City Management. The system has the capability to capture the methodology of the performance measures where it can be retained with the data results.

Conclusion

Overall, data reported for the performance measures published in the budget document were accurate, relevant, and the data sources were credible. Audit Services staff found that 93% of the reported performance measures data were accurate. The methodology of compiling the data and recording the source of the data and what information is reported was not documented consistently by departments. Documenting the methodology helps users understand how the data were compiled and what information is actually being reported.

Recommendation 1

The Department of Equal Opportunity /Equity Assurance should ensure that the information reported is accurate. They should review the discrepancies identified during the audit and take the appropriate corrective actions going forward.

Value Added: *Efficiency, Risk Reduction*

Recommendation 2

The Department of Fleet Management should ensure that the performance indicator “% work orders scheduled maintenance vs. unscheduled” is reworded to reflect the actual data being reported. This change should be reflected in all pertinent documents moving forward.

Value Added: *Efficiency*

Recommendation 3

The Budget and Management Services Department staff should require data gatherers to document their methodology in DataHub to generate the numbers and maintain the supporting documentation to substantiate the results reported.

Value Added: *Efficiency, Risk Reduction*

Value Added Legend



To learn more, visit our website at: durhamNC.gov/audit



CITY OF DURHAM

To: Dr. Germaine Brewington, Director of Audit Services
Through: Wanda Page, Deputy City Manager
From: Deborah Giles, EOE Director
Date: June 1, 2017
Subject: Management's Response to Recommendation 1
Budget Measures Performance Audit dated June, 2017

The following is the management's response to the Budget Measures Performance Audit dated June 2017.

Recommendation 1:

The Department of Equal Opportunity /Equity Assurance should ensure that the information reported is accurate. They should review the discrepancies identified during the audit and take the appropriate corrective actions going forward.

Management Response:

We concur. Management is in full agreement with the recommendation. The SLBE percentage calculations utilize the total dollars of professional services projects of \$100,000 or less and construction projects of \$500,000 or less. In the case of the percentage of SLBE participation in professional services contracts, the error found was the inadvertent inclusion of one project in the total that was greater than \$100,000. In the case of the percentage recorded for SLBE participation in construction contracting, there appears to have been a transcription error, since the correct percentage was found in the annual report submitted for that fiscal year.

Implementation Date:

The corrections have been made and will appear in the final version of the Budget Pages. The corrections did not change the overall outcome of either of the measures for the audited year. For FY 15-16, SLBEs continued to exceed the benchmark for receipt of professional services dollars and fell slightly below the benchmark in receipt of construction dollars.

The Department of Equal Opportunity/Equity Assurance knows the importance of and values the need for accuracy in all data collection. Every effort will continue to be made to insure that data is correct and recorded precisely.



CITY OF DURHAM

To: Dr. Germaine Brewington, Director of Audit Services
From: Joe Clark, Director of Fleet Management
Date: June 6, 2017
Subject: Management's Response to Recommendation 2
Budget Measures Performance Audit dated June, 2017

The following is the management's response to the Budget Measures Performance Audit dated June 2017.

Recommendation 2:

The Department of Fleet Management should ensure that the performance indicator "% work orders scheduled maintenance vs. unscheduled" is reworded to reflect the actual data being reported. This change should be reflected in all pertinent documents moving forward.

Management's Response:

We concur. Management is in full agreement with the recommendation. The measure has been reworded to "% of labor hours scheduled maintenance vs. unscheduled".

Implementation Date:

This new wording will appear in the FY 2017-18 adopted Budget and in DataHub. It will be adopted as of July 1, 2017.



CITY OF DURHAM

Memo To: Dr. Germaine F. Brewington, Director of Audit Services
Through: Wanda Page, Deputy City Manager
From: Bertha Johnson, Director of Budget and Management Services
Date: June 14, 2017
Subject: Management's Response to Recommendation 3
Budget Measures Performance Audit, June 2017

The following is the management response to the Budget Measures Performance Audit dated June, 2017.

Recommendation 3:

The Budget and Management Services Department staff should require data gatherers to document their methodology in DataHub to generate the numbers and maintain the supporting documentation to substantiate the results reported.

Management's Response:

We concur. Management is in full agreement with the recommendation. The Senior Performance Analyst will continue to work with departments to integrate methodology into DataHub during the implementation process.

Implementation Date:

During the first quarter of FY 2018, the Senior Performance Analyst will work with the nine departments currently in DataHub to finalize their methodology. The Office of Performance and Innovation will work with all other departments to create methodology for measures as they are integrated into DataHub during FY 2018.

DISTRIBUTION OF REPORT

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