Office of the City Auditor

Report to the City Council
City of San José

PERFORMANCE MEASURE REVIEW: DOCUMENTING METHODOLOGIES CAN ENSURE MORE CONSISTENT AND ACCURATE REPORTING

Office of the City Auditor

Sharon W. Erickson, City Auditor

February 10, 2015

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Performance Measure Review: Documenting Methodologies Can Ensure More Consistent and Accurate Reporting

SUMMARY

As part of the City Auditor's Office's ongoing efforts to help the City of San José move towards effective Citywide performance management, we have reviewed performance measure methodology sheets for measures reported in both the Auditor's annual *Service Efforts and Accomplishments Report* and the Budget Office's annual Operating Budget for two departments – Housing and Public Works. This audit includes two recommendations to improve how these departments document their performance measure calculations.

Introduction

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2014-15 Work Plan, we have completed an audit of the City's performance measure methodology sheets for the Housing and Public Works departments. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this report.

Background

In September 2009, the City Auditor issued *Performance Management and Reporting in San Jose: A Proposal for Improvement* based on lessons learned during the preparation of the first annual *Service Efforts and Accomplishments Report* (SEA).   The report provided recommendations to improve the City's performance management system and public reporting. The report noted that a performance measure's usefulness may be limited if the data collection methodology changes from year to year.

To ensure that data is accurate and consistent, the City's Manager's Budget Office had previously collected methodology sheets for performance measures when it began reporting them in the annual Operating Budget. These methodology sheets explained each performance measure's meaning, how to calculate it, and the source of data. However, at the time of the 2009 report, the Budget Office had collected methodology sheets for only about 25 percent of the performance measures reported in the Operating Budget. In 2013, the Budget Office initiated another effort to compile a complete set of methodology sheets for all performance measures appearing in the Operating Budget. In 2014, the Budget Office requested that the City Auditor review the methodology sheets for two departments (the Housing and Public Works departments) to ensure that they are complete and accurate.

Audit Objective, Scope, and Methodology

This audit is one in a series of periodic audits of the City's performance measurement and management systems. The objective of this audit was to test the completeness and accuracy of methodology sheets for performance measures from the Housing and Public Works Departments that appear in both the City Auditor's annual SEA report and the City's Operating Budget. We reviewed methodology sheets in the Budget Office's Performance Measures SharePoint website to determine whether or not each methodology sheet contained a purpose statement, specific data sources, formulas if needed, and queries if needed. Details of test results can be found in Appendices A and B.

Completeness and Accuracy of Performance Measures

The Housing and Public Works departments generally had methodology sheets for all performance measures reviewed; however, not all methodologies were accurate or complete. Details for each performance measure, along with suggested improvements, can be found in Appendices A and B.

Recommendation #1: The Housing Department should update its performance measure methodology sheets by:
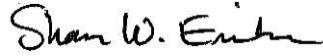
    a) **Specifying the reports, queries, and parameters used to generate data**

    b) **Identifying the individual responsible for calculating a performance measure and reporting the data to the Budget Office**

Recommendation #2:   The Public Works Department should update its performance measure methodology sheets by:

    a) **Specifying data sources and components**

    b) **Providing clear guidance on calculations**

The City Auditor's Office would like to thank the Budget Office and the departments of Housing and Public Works for their input and cooperation. We have reviewed the performance measure methodology sheets as indicated above. The Administration has reviewed this report and its response is shown in the yellow pages.

Respectfully submitted,

Sharon W. Erickson
City Auditor

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This report is also available online at http://www.sanjoseca.gov/audits.

APPENDIX A
Housing Department

Performance Measure	*FY 2013-14 Data*

COMMUNITY DEVELOPMENT AND INVESTMENT

1. # of homeless individuals who secured new permanent housing:
   -   Chronically homeless
   -   Non-chronically homeless
	Chronic: 292
	Non-chronic: 658

This measure tracks how successful the Housing Department has been in reducing the number of homeless individuals. The count is conducted annually, and is done according to the definition of chronically and non-chronically homeless persons according to the U.S. Department of Housing and Urban Development (HUD). The data is pulled from the Housing 1,000 Community Technology Alliance (CTA) database. CTA provides the Department with technology solutions and support to ending homelessness.

This methodology sheet could be improved by:

- Listing the specific query and report to run

- Specifying the parameters for the query

2. Estimated number of homeless individuals (biennial):
   -   Chronically homeless
   -   Non-chronically homeless
	Chronic: 1,531
	Non-chronic: 3,239

This measure identifies the number and type of homeless persons in need of housing and services from the Department. The count is determined by the "Homeless Census & Survey," which is conducted every other year. It follows the definitions of chronically and non-chronically homeless persons according to HUD. The data is pulled directly from this census.

This methodology sheet could be improved by:

- Listing the full name of the census

- Including a link to the census online

- Changing "bi-annual" to "biennial" in the measure's description

HOUSING DEVELOPMENT AND PRESERVATION

3. % of annual target achieved for production of affordable housing	70%

This measure tracks the City's success in meeting annual affordable housing production targets set by the Department in the City's Consolidated Plan, a five-year plan sent to HUD that details how federal housing funds will be used. To calculate this figure, the total number of newly constructed units with affordability restrictions receiving Department funding during a fiscal year is divided by the Department's production target for that fiscal year. The data is found by running a report in a Departmental database (hosted by SalesForce.com).

This methodology sheet could be improved by:
- Listing the specific query and report to run
- Providing guidance on manual calculations
- Including a link to the Consolidated Plan online
- Using the Department's target number of units rather than the Department's estimate number of units to complete (currently the Department uses the latter, giving a higher percentage)

4. # of homebuyer loans closed:	
- CalHome BEGIN	**CalHome**: 7
- Other down payment assistance	**Other**: 5
- Total	**Total**: 12

This measure tracks the number of homebuyer loans provided by the Department to track the success of its program in providing loans to low-income homebuyers seeking assistance. A query is generated through the Department's Homebuyer Database to count the number of homebuyer loans, which are then divided into major types (CalHome BEGIN; Other).

This methodology sheet could be improved by:
- Listing the specific query and report to run

5. # of unduplicated households assisted by the homebuyer program	12

This measure tracks the number of unduplicated households assisted by the Department to track the success of its homebuyer loan program in providing loans and down payment assistance to low-income homebuyers seeking assistance. A query is generated through the Department's Homebuyer Database counting the number of unduplicated households receiving homebuyer loans funded by the Department.

This methodology sheet could be improved by:
- Listing the specific query and report to run
- Explaining the relationship between this measure and PM #4

6. # of affordable housing units completed in the fiscal year	397

This measure counts the number of new affordable rental and for-sale housing units subsidized by the Department to measure the success of its new construction program. A query is generated through the Department's SalesForce database counting the number of units that are affordable rentals or for-sale housing funded by the Department.

This methodology sheet could be improved by:
- Listing the specific query and report to run

7. Average per-unit subsidy in funding commitments for new construction projects ($)	$52,003

This measure reports the average amount of City funding committed to subsidizing each unit of new affordable housing as part of the Department's new construction program. The average is calculated by dividing the total amount of Department funding by the total number of new rental and for-sale housing construction projects. This data is obtained through a query generated through the Department's SalesForce database.

This methodology sheet could be improved by:
- Listing the specific query and report to run

8. # of rehabilitation projects completed: - Rehabilitation projects - Mobilehome projects - Minor repair - Total	**Rehabilitation**: 126 **Mobilehome**: 13 **Minor**: 88 **Total**: 227

This measure counts the number of completed rehabilitation projects, mobilehome projects, and minor repairs subsidized by the Department within a fiscal year to measure the success of its housing rehabilitation program, which is meant to provide financial assistance to low-income property owners. A query is generated through the Department's Rehabilitation Program Access Database to count the unduplicated number of completed rehabilitation projects, mobilehome projects, and minor repair projects that are funded by the Department. These figures are then added to calculate the total number of projects completed.

This methodology sheet could be improved by:
- Listing the specific query and report to run

STRATEGIC SUPPORT

9. Size of Housing Department loan portfolio by category:	
- Total loan principal ($):	**Principal**:
a. Project Loans	Project: $631,578,084
b. Rehabilitation Loans	Rehabilitation: $15,595,367
c. Homebuyer Loans	Homebuyer: $75,768,660
d. Total	Total: $722,942,111
- Total number of loans:	**# of loans**:
a. Project Loans	Project: 174
b. Rehabilitation Loans	Rehabilitation: 397
c. Homebuyer Loans	Homebuyer: 1,390
d. Total	Total: 1,961

This measure quantifies the size of the asset base (single-family loans, multi-family loans, and rehabilitation loans) the Department manages through its loan management program. The Department uses two different databases to calculate the total loan principal. For multi-family loans, an outstanding loan balance report is run on the SalesForce database at the end of every fiscal year. For rehabilitation and homebuyer loans, a month-end report is run on the ACS database every June. To count the number of loans, the Department also uses two methodologies. The number of single family loans ("Rehabilitation" and "Homebuyer") is simply the number of loans, while the number of multi-family loans ("Project") is the number of projects with Department loans.

This methodology sheet could be improved by:

- Listing the specific queries and reports to run

- Specifying the parameters for the query

- Specifying whether both loan principal and loan number data is found within each database

- Specifying in the measure's language whether it reports beginning principal or the outstanding principal and interest balance

OVERALL COMMENTS

- The department has not uploaded all of its performance measure data onto the Budget Office's SharePoint performance measure database, and will need to do so before preparation of the FY 2015-16 Operating Budget.

- Most methodology sheets include the database name, but not the specific query or report to run. As it documents those queries, the department should ensure that all the parameters necessary for a query are listed.

- Methodology sheets should document who is assigned to be gathering this data and/or is responsible for reporting the data to the Budget Office.

- Measure language should be clarified to more accurately represent what is being reported by a performance measure.

APPENDIX B
Public Works Department

PLAN, DESIGN, AND CONSTRUCT PUBLIC FACILITIES AND INFRASTRUCTURE

1. Total construction cost of projects	$168.9 million

This measure gauges the City's construction activity and how much in public projects and infrastructure was delivered. The data is recorded in the Capital Projects Management System (CPMS) and is a total of all individual construction project costs.

This methodology sheet refers to that of another performance measure (#2, below), which appears to be complete. However, this methodology sheet could be improved by:

- Removing the second step, which directs staff to pull a report based on Beneficial Use Date instead of Project Acceptance Date (as directed in performance measure #2, below)

2. Percent of projects completed within the approved baseline budget	88 percent

This measure reflects how well project costs were estimated and controlled and helps identify sources of additional costs in order to mitigate issues in the future. Data is generated from a CPMS report and involves a comparison of project expenditures to baseline budgets. A project is considered on budget if actual expenditures do not exceed 101 percent of the baseline budget.

This methodology sheet appears to be complete, as it includes a purpose as well as specific guidance on data source, data components, and calculations.

3. Percent of projects designed and constructed by Public Works within approved baseline schedule	79 percent

This measures the timeliness of construction performance; on schedule construction prevents additional costs from time extensions and allows the project to be utilized for its intended purpose as soon as possible. It is calculated based on a CPMS report. A project is considered on schedule if it is completed within two months of the baseline schedule.

This methodology sheet appears to be complete, as it includes a purpose as well as specific guidance on data source, data components, and calculations.

4. Departmental project delivery costs compared to target industry norm	
- Projects less than/equal to $500,000	67 percent
- Projects greater than $500,000	36 percent

This measure benchmarks project delivery costs against those of other jurisdictions in order determine the reasonableness of costs. Data is generated in a CPMS report, and a ratio of "soft" (administrative and overhead) costs to "hard" (construction) costs is calculated for each category (hard costs less than/equal to $500,000, and hard costs greater than $500,000).

This methodology sheet appears to be complete, as it includes a purpose as well as specific guidance on data source, data components, and calculations.

REGULATE/FACILITATE PRIVATE DEVELOPMENT

5. Number of Public Works permit applications	494

This measure gauges activity and demand for major development permits and is also used to help determine staffing levels and the Department's ability to provide services in a timely manner. Applications are counted based on project listings in AMANDA (the City's permitting database).

This methodology sheet appears to be complete, as it includes a purpose as well as data source, data components, and calculations.

6. Value of permitted public improvements	$39.7 million

This measure tracks individual project and overall value of permits processed and is also used to examine the mix of project sizes and locations. Project improvement values are obtained in AMANDA and summed.

This methodology sheet could be improved by:
- Providing guidance on manual calculations

7. Value of accepted public improvements	$16.3 million

This measures the value of private development that has been added to the City's asset base. Project improvement values are available in AMANDA and added together.

This methodology sheet could be improved by:
- Providing guidance on manual calculations

8. Selected cycle time measures for:	
- Construction permit processing targets met	82 percent
- Planning processing targets met	93 percent

This measure monitors how often development permits are processed in a timely manner. Data is generated in a report from AMANDA. For each type of permit (construction permits and planning permits), the number of reviews meeting turnaround goals is divided by the total number of permit reviews. The Department's target is to review 85 percent of construction permits within 20 or 30 days (depending on the project's scope) and 85 percent of planning permits within 20 days.

This methodology sheet appears to be complete, as it includes purpose as well as guidance on data source, data components, and calculations.

FLEET AND EQUIPMENT SERVICES

9. Total number of vehicles and equipment	2,650

This measure tracks vehicles and equipment maintained by the division and includes public safety and other cars, trucks, and vans, trailers and towed equipment, and self-propelled equipment. Data is generated in a report from AssetWorks (the Fleet Division's asset management database) and is a total of all vehicle and equipment classes at the end of the year.

This methodology sheet could be improved by:

- Specifying data components, such as using data as of June 30th each year and if any vehicles and/or equipment are included or excluded

10. Total number of repair and preventive work orders	22,064

This measures fleet and equipment related work order activity. Data is generated in a report from AssetWorks and is the yearly total of both repair and preventive work orders.

This methodology sheet could be improved by:

- Providing guidance on manual calculations, such as adding together quarterly totals

11. Percent of fleet that is alternate fuel vehicles	41 percent

This measure tracks progress towards the City's Green Vision Goal, which states that all City vehicles will run on alternate fuels by 2022-23. Data is generated in a report from AssetWorks and is the year-end count divided by the total number of motorized vehicles at year-end. Airport alternate fuel vehicles are included in the calculations.

This methodology sheet could be improved by:

- Specifying data components, such as using data as of June 30th each year, the inclusion of Airport fleet, etc.
- Listing the specific report for total vehicles (not including equipment) and source for Airport fleet numbers

12. Cost per mile or hours, by class of equipment:
    -   Police
    -   Fire
    -   General Fleet Light
    -   General Fleet Heavy
	$0.38
	$1.66
	$0.37
	$1.56

This measure evaluates the operating cost of equipment based on maintenance cost and utilization. Data is generated in a report from AssetWorks. For each equipment class, total cost is divided by total usage to calculate the cost per mile.

This methodology sheet appears to be complete, as it includes purpose as well as guidance on data source, data components, and calculations.

FACILITIES MANAGEMENT

13. Total square footage maintained	2.8 million

This measure benchmarks costs for facilities maintained by the City and helps calculate cost per square foot. Data is generated in a report from Infor EAM (the Facilities Division's enterprise asset management system) and totaled across all facility types. As a result of a recent audit, the division is reexamining its facility and building inventory.

This methodology sheet could be improved by:

- Listing the specific report and parameters
- Specifying data components (e.g. what buildings or facilities to exclude or include)

14. Total number of corrective and preventive maintenance work orders completed	21,597

This measure tracks the number of work orders completed, with the exception of work orders that are event or improvement-related. Data is generated in a report from Infor EAM. The number of work orders is then totaled.

This methodology sheet could be improved by:

- Listing the specific report and parameters
- Providing guidance on manual calculations

15. Percent of preventive maintenance work orders completed	85 percent

This measure monitors the rate of completion for preventive maintenance work orders. Data is generated in an Infor EAM report; the number of preventive maintenance work orders completed and closed is divided by the number of preventive maintenance work orders generated in order to calculate the rate. As a result of a recent audit, the division plans to take an inventory of equipment and corresponding preventive maintenance needs to ensure that all work orders are accounted for correctly.

This methodology sheet could be improved by:
- Listing the specific report and parameters

ANIMAL CARE AND SERVICES

16. Animal licenses issued annually	62,525

This measure monitors progress towards increasing the total number of animals licensed each year, as required by law. Data is available in real time in Chameleon (the City's animal care database).

This methodology sheet appears to be complete, as it includes specific guidance on data source and purpose. However, if the Department uses monthly reports (as stated in the methodology sheet), this methodology sheet could be improved by:
- Providing guidance on manual calculations (e.g., adding together counts for all months)

17. Percent change in the number of animals licensed annually	-3 percent

This measure monitors yearly changes in the number of animals licensed and is based on another performance measure, "Animal licenses issued annually" (#16, above). Data is available in real time in Chameleon and prior year records.

This methodology sheet could be improved by:
- Completing all sections of the methodology sheet, including purpose, major users, data components, and data source

18. Number of calls for service completed	24,710

This measures changes in response capabilities and is also used to inform staffing levels in response to resident concerns. Data is available in Chameleon.

This methodology sheet appears to be complete, as it includes a purpose as well as specific guidance on data source and purpose. No manual calculations are required.

19. Percent of Priority 1 calls with response time in one hour or less	96 percent

This measure tracks how often emergency calls were answered within an hour or less. The measure is also used to gauge how effective the response was to residents' concerns. Data is available in Chameleon.

This methodology sheet appears to be complete, as it includes a purpose as well as specific guidance on data source and purpose. No manual calculations are required.

20. Number of low-cost spay/neuter surgery provided to the public	6,313

This measure tracks spay/neuter surgeries performed at the low-cost clinic in order to determine whether they impact animal intake at the Animal Care Center. Data is extracted from Chameleon and also accounts for estimated overflow from shelter clinics.

This methodology sheet could be improved by:

- Providing additional guidance on manual calculations

21. Number of incoming animals	16,643

This measure tracks the number of animals sheltered at the Animal Care Center. Data is available in a report from Chameleon and is the total number of animals, excluding wildlife, which was taken in during the fiscal year.

This methodology sheet could be improved by:

- Specifying data components (e.g., which table to use, what to include/exclude)
- Providing additional guidance on manual calculations

22. Animal Care Center live release rate	79 percent

This measure assesses the rate of animals released alive instead of euthanized. Data is available in a report from Chameleon and is a comparison of total animals released (not euthanized) and total incoming animals (excluding wildlife).

This methodology sheet could be improved by:

- Specifying data components (e.g., which table to use, what to include/exclude)

OVERALL COMMENTS

- Most data is uploaded onto SharePoint
- More than a third of the Department's methodology sheets appear to be complete
- Most methodology sheets include mention of sources of data, but some do not specify what report to run and parameters to use. In cases where reports need to be run by another staff member, it would be helpful to mention the position of the person that

analysts should work with (for example, as done in the Fleet and Equipment methodology sheets)

- Detailed explanations of data components and calculations could be made more consistent
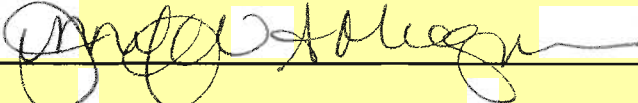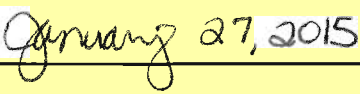
Memorandum

TO:	Sharon W. Erickson City Auditor	**FROM:**	Jacky Morales-Ferrand Barry Ng
SUBJECT:	SEE BELOW	**DATE:**	January 26, 2015

Approved _(signature)_   Date _January 27, 2015_

SUBJECT: RESPONSE TO THE AUDIT "PERFORMANCE MEASURE REVIEW: DOCUMENTING METHODOLOGIES CAN ENSURE MORE CONSISTENT AND ACCURATE REPORTING"

BACKGROUND

In the City's ongoing effort to move from a performance *measurement* to a performance *management* system, the City Manager and City Auditor continue to support staff's work to improve performance management and reporting, with a focus on reducing the number of performance measures and ensuring that existing measures are "meaningful, useful, and sustainable." This effort continues through the collaboration of the Budget Office, the Auditor's Office and Departments in the development of the Adopted Budget, the Auditor's Service Efforts and Accomplishments (SEA) Report, and the department-specific performance measure audits performed by the City Auditor's Office, including this audit, *Performance Measure Review: Documenting Methodologies Can Ensure More Consistent and Accurate Reporting.*

It has been almost a decade since there was a coordinated effort to compile methodology worksheets. Since that time, the organization has undergone significant changes both in the services delivered and in staffing. In order to preserve the institutional knowledge and ensure that the performance measures are calculated accurately and consistently from year to year, Departments were tasked with updating a complete set of their performance measure methodology worksheets. Subsequently and as part of this budget, the Auditor's Office reviewed the completed sets of methodology sheets for the Housing and Public Works Departments.

The Administration has reviewed the *Performance Measure Review: Documenting Methodologies Can Ensure More Consistent and Accurate Reporting* audit report prepared by the City Auditor and agrees with the two recommendations identified in the report. Following are the Administration's responses to the individual recommendations.

RECOMMENDATIONS AND ADMINISTRATION'S RESPONSE

The following are the Administration's responses to each of the two recommendations.

Recommendation #1: The Housing Department should update its performance measure methodology
sheets by:
a) Specifying the reports , queries, and parameters used to generate data
b) Identifying the individual responsible for calculating a performance measure and reporting the data to
    the Budget Office

Administration Response to Recommendation #1:   The Administration agrees with this
recommendation and the Housing Department will update all of its performance measures in the
manner recommended as part of the preparation of the 2015-2016 Proposed Operating Budget.

Recommendation #2: The Public Works Department should update its performance measure
methodology sheets by:
a) Specifiying data sources and components
b) Providing clear guidance on calculations

Administration Response to Recommendation #2: The Administration agrees with this
recommendation and the Public Works Department will update all of its performance measures
in the manner recommended as part of the preparation of the 2015-2016 Proposed Operating
Budget.

CONCLUSION

The Administration would like to thank the City Auditor's Office for conducting this audit. This
audit was a helpful component of a city-wide effort already underway to transition the organization
from a performance measurement to a performance management system. Having useful and
accurate supporting documentation is crucial for a successful system. The Administration will
implement these audit recommendations for both the Housing Department and Public Works
Department as part of the preparation of the 2015-2016 Proposed Operating Budget.

/s/   /s/
JACKY MORALES-FERRAND   BARRY NG
Interim Director of Housing   Interim Director of Public Works

For questions please contact Mark Gerhardt at 408-535-1258 or Steve McCollum at 408-975-
7291.