

**Council Meeting: October 14 , 2008****SUBJECT: Transmittal of Performance Results Audits of FY 2006/2007 for the Department of Employment Development Programs****REPORT IN BRIEF**

This report presents the audits of performance results reported during FY 2006/2007 by the following Department of Employment Development Programs:

- Program 535 - Employment Services Provided to the General Public
- Program 536 - Employment Services Provided to Workforce Investment Act (WIA) Enrolled Participants
- Program 537 - Business Services
- Program 538 - Youth Services
- Program 539 - Enterprise Support
- Program 542 - Supplemental Grants – Staffed
- Program 543 - Supplemental Grants – Managed

Findings and recommendations are presented in the attached reports for each program.

The purpose of these audits is to ensure budgetary and management decisions were based on valid and complete information. Each program's performance reporting system was evaluated for: 1) reporting accuracy; 2) language transparency; 3) documentation/data integrity; and 4) the integration of reporting systems within workflow. The evaluation was performed through staff interviews, documentation review, and the recalculation of reported results.

**BACKGROUND**

Measuring program performance has been a key feature of Sunnyvale's management and budgeting system for more than two decades. Funding for City programs is not budgeted by line item, but rather by the efforts or tasks undertaken in each program. These tasks are called activities. In the budget structure, activities are grouped into service delivery plans, which are further grouped into programs. Each activity has a budgeted number of dollars and staff hours to perform the tasks. The activities also have a budgeted number of "products" that management is expected to produce with the given resources. Expenditures and product counts are used to calculate product cost, products per hour, and hours per product. Each program also has a series of performance measures which measure how well the services are performed. Service

level and funding decisions are made based on these measures and Council priorities.

The accuracy review component of the audit verifies measure and product counts by reconciling the reported numbers to source documentation. Language is reviewed to ensure the measure reflects the actual intent and operating procedures being used. Data integrity and documentation are reviewed to verify reporting methods. Integration is reviewed to ensure workflow and tracking mechanisms are being used together in an efficient manner.

**EXISTING POLICY**

The Fiscal Sub-element of the General Plan includes the following policies:

- Long Range Goal - VII: To ensure accuracy and policy consistency in City processes and reporting through regular financial and performance audits of programs.
- Internal Control - G.2.5: Performance audits will be conducted regularly on a schedule set by Council to verify that the performance data reported by each department is complete, valid, and accurate.

Per Council policy, performance results audits are performed on all operating programs over an eight year period. The audits presented in this report are part of the current audit plan’s sixth year.

**DISCUSSION**

The attached audit presents the evaluation of the Department of Employment Development Programs 535, 536, 537, 538, 539, 542, & 543. The auditor reviewed the FY 2006/2007 performance results as reported by the Department of Employment Development. Several activities in the program were not audited because the products are work hours or training-related or the costs are allocated automatically by the financial system. The audit statistics for each of the programs are shown in the following tables:

**Program 535 – Employment Services Provided to the General Public**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	7	70.0%
Number of Results Not Reported Within 3% & 5%	3	30.0%
Number of Results Not Able to Verify (NATV)	0	0.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	10	100.0%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

The auditor makes ten recommendations to Program 535 to address issues which may affect future reporting accuracy. Several findings and one recommendation address potential issues identified in the design, methodology, and administration of one of the program's surveys. The remaining findings and recommendations pertain to errors in calculation formulas and missing data or inadequate documentation procedures. While none of these issues were great enough to affect the accuracy of reported results in FY 2006/2007, they should be corrected to ensure the accuracy of future reported results. The auditor recognizes and appreciates all the staff time and effort involved in finding and correcting these errors.

**Program 536 – Employment Services Provided to Workforce Investment Act (WIA) Enrolled Participants**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	9	90.0%
Number of Results Not Reported Within 3% & 5%	1	10.0%
Number of Results Not Able to Verify (NATV)	0	0.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	10	100.0%
Number of Results Not Audited	0	
Total Number of Measures/Activities in the Program	10	
Number of SOPs Missing	0	

The auditor makes four recommendations to Program 536. The accuracy of reported results for one program measure and all three activities were affected by inconsistency in client enrollment data from the time results were initially reported to when the audit was conducted.

**Program 537 – Business Services**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	5	45.5%
Number of Results Not Reported Within 3% & 5%	2	18.2%
Number of Results Not Able to Verify (NATV)	4	36.4%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	11	100.0%
Number of Results Not Audited	0	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

The auditor makes 10 recommendations to Program 537. The main findings for this program were in the area of accuracy and integrity of the data. Lack of back up documentation or good systems for maintaining documentation were at the heart of the issue. For two measures, the wording of the SOP or the Program Measure were not consistent with the result reported or not clearly defined enough to ensure accurate reporting.

**Program 538-Youth Services**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	8	89.0%
Number of Results Not Reported Within 3% & 5%	0	0.0%
Number of Results Not Able to Verify (NATV)	1	11.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	9	100.0%
Number of Results Not Audited	2	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

The auditor makes one recommendation to Program 538. The program has one measure for which the auditor was unable to verify the accuracy of the participant counts given the tracking method utilized.

**Program 539 – Enterprise Support**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	22	88.0%
Number of Results Not Reported Within 3% & 5%	2	8.0%
Number of Results Not Able to Verify (NATV)	1	4.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	25	100.0%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	26	
Number of SOPs Missing	0	

The auditor makes ten recommendations to Program 539. One program measure and one activity were not reported within the accepted margin of error due to use of inaccurate numbers or calculations. The SOPs for one of the program measures and one activity contain language which is either unclear as to how staff is to count the products or by virtue of the wording eliminates the possibility of meeting the performance expectations in future years. The Department of Employment Development (DED) made the decision to have their satisfaction survey administered by the Human Resources Department (HRD) to provide a level of comfort for survey takers that the information provided would be confidential. Unfortunately, the survey was not administered with enough time to obtain and report the results for budget purposes due to the lack of response to the initial survey and the need for follow-up with the Board Members surveyed. Further, the survey questions and format did not coincide with either the language in the program measure or the SOP.

**Program 542- Supplemental Grants – Staffed**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	8	89.0%
Number of Results Not Reported Within 3% & 5%	0	0.0%
Number of Results Not Able to Verify (NATV)	1	11.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	9	100.0%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	10	
Number of SOPs Missing	0	

The auditor makes three recommendations to Program 542. While the reported result for one activity could not be verified as accurate or inaccurate due to a lack of supporting documentation, the overarching issue with the information reported by the Program is a result of the difference in timing of the Federally-funded grant programs and the City’s budget cycle.

**Program 543 – Supplemental Grants – Managed**

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	8	80.0%
Number of Results Not Reported Within 3% & 5%	2	20.0%
Number of Results Not Able to Verify (NATV)	0	0.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	10	100.0%
Number of Results Not Audited	3	
Total Number of Measures/Activities in the Program	13	
Number of SOPs Missing	0	

The auditor makes five recommendations to Program 543. While two of the reported results were inaccurate due to calculation or clerical error, the overarching issues found within Program 543 were related to the timing of grant funding. As the grants are funded based on the Federal calendar, the receipt and expenditure of the funds does not coincide precisely with the City’s budget cycle making reporting difficult with the current wording of the program measures.

The auditor recommends that the Department of Employment Development work with the Budget Office to incorporate measures that utilize data already collected for the audits performed routinely by the Federal Funding Agencies.

**FISCAL IMPACT**

Costs associated with preparation of these audit reports were included in the City of Sunnyvale’s operating budget in Program 745 — Internal Audit.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, in the Council Chambers lobby, in the Office of the City Clerk, at the Library, Senior Center, Community Center, and Department of Public Safety; posting the agenda and report on the City's Web site; and making the report available at the Library and the Office of the City Clerk.

**ALTERNATIVES**

1. Receive the audit report and concur with management's acceptance of recommendations.
2. Receive the audit report and direct staff to hold a study session to discuss the audit findings and recommendations.
3. Receive the audit report and give alternative direction regarding specific recommendations.

**RECOMMENDATION**

Staff recommends Alternative 1: Receive the audit report and concur with management's acceptance of recommendations.

Reviewed by:

Mary J. Bradley, Director of Finance  
Prepared by: Karen Miller, Finance Department

Approved by:

Amy Chan  
City Manager

**Attachments**

- A. City of Sunnyvale FY 2006/2007 Performance Results Audit - Department of Employment Development

# **City of Sunnyvale**

## **FY 2006/2007 Performance Results Audit**



**Department of Employment Development**

**October 2008**

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This report contains the seven Performance Results Audits for the Department of Employment Development.

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Program 536	Employment Services Provided to Workforce Investment Act (WIA) Enrolled Participants
Program 537	Business Services
Program 538	Youth Services
Program 539	Enterprise Support
Program 542	Supplemental Grants – Staffed
Program 543	Supplemental Grants – Managed

**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**

**Program 535**  
**Employment Services Provided**  
**to the General Public**

**September 2008**

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**Auditor:** Kate Murdock, Contract Internal Auditor  
City of Sunnyvale

**Fieldwork Start Date:** September 2007

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**APPENDIX 1 - Results Accuracy Table**

**APPENDIX 2 - Recommendation Table w/Departmental Response**

### **AUDIT OBJECTIVE**

The objective of the performance result audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures document (SOP) describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The audit considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

### **PROGRAM BACKGROUND**

Administrative Offices for the Department of Employment Development (DED) and offices for *Program 535 — Employment Services Provided to the General Public* are located in the Sunnyvale Office Center at 505 W. Olive Avenue. The program consists of the following service delivery plans:

- ◆ Employment Services Provided to the General Public
- ◆ Manage Partner Organizations for CONNECT! One Stop Center

### **AUDIT SCOPE**

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also presents the interrelation between the two. This interrelation is called "performance results" and is the focus of this audit.

To quantify performance, each program's function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the "place" where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by the Department of Employment Development for Program 535 – Employment Services Provided to the General Public. The program's reporting structure consists of nine measures and two activities. The audit tested 10 of the 11 reported results (9 measures and 1 activity). One of the program's activities was not audited because the products were work hours, training-related, or allocated costs. Work hours are not evaluated as there is no practical method to verify that reported hours were actually worked. Training products are not audited as they are not a main operational function of the organization. Allocated costs are funds distributed to other programs to cover internal services. These costs were not audited because they are calculated by the financial system.

### **SUMMARY**

Seven of the ten results reviewed (70%) were reported accurately within the allowable margin of error of  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activities. The auditor makes ten recommendations to the program to address issues which may affect future reporting accuracy.

One measure and one activity were reported inaccurately due to a programming error that resulted in client data being misinterpreted. Reported data on the number of client visits per day to the CONNECT! Job Seeker Center were inflated by approximately 26.0 percent. Working together, the auditor and staff identified the programming error and this problem has since been corrected for future reporting. Another measure was over-reported by approximately 5.0 percent due to staff mistakenly reporting the total number of services provided to clients by all partnering agencies that serve the Center instead of just those services provided by the program. Staff identified this error and has since corrected the problem.

Several findings and one recommendation address potential issues identified in the design, methodology, and administration of one of the program's surveys. The remaining findings and recommendations pertain to errors in calculation formulas and missing data or inadequate documentation procedures. While none of these issues

were great enough to affect the accuracy of reported results in FY 2006/2007, they should be corrected to ensure the accuracy of future reported results. The auditor recognizes and appreciates all the staff time and effort involved in finding and correcting these errors. The findings and recommendations are shown in [Appendix 2](#).

### **DETAILED FINDINGS**

This audit presents the evaluations made of Program 535's performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

#### **ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activity product counts. Auditor calculations based on support documentation must be within the allowable error margins for the measure to be verified as accurate. Results are marked as "not able to determine" (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	7	70.0%
Number of Results Not Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	3	30.0%
Number of Results Not Able to Determine (NATD)	0	0.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	10	100.0%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	<u>11</u>	
Number of SOPs Missing	0	

Seven of the ten (70%) results reviewed were reported accurately within the margin of error. All measures had SOP documents describing data sources and calculation methodologies. A complete breakdown of the accuracy statistics by measure can be found in [Appendix 1](#).

#### **Other Factors Affecting Accuracy:**

**Data and Document Control:** The accuracy of one measure and one activity were affected due to a programming error resulting in the number of visits to the CONNECT!

Job Seeker Center each year being inflated by approximately 26.0 percent. Rather than counting the number of client visits per year, the program was counting the number of services accessed by clients. Clients can access multiple services each visit. The auditor worked with staff to identify the programming error and it has been corrected for future reporting. One measure was found inaccurate because the program mistakenly reported the total number of services provided by all partnering agencies at the Center rather than just those provided by the program. Finally, the accuracy of the program's survey results, while still within the allowable margin of error, were affected by the spreadsheet calculation formula missing two lines of data and the results for three surveys not being included in the spreadsheet.

### **LANGUAGE**

Three of the program's measures (5, 6, and 7) are stated in terms of a percentage of visits, services or new clients achieved in relation to the previous year; however, the reported result or data point is stated not as a percentage, but as the number of visits, services, or new clients. The audience has no context for determining whether or not the measure was met. The auditor recommends that each of these measures have two reporting lines, one being the number of visits, services, or new clients and the second being the percentage of the previous year's results. In addition, each of these measures is stated with the goal of achieving 80.0 percent of the previous year's performance, which will potentially lead to decreased performance each year. The auditor recommends the program revisit these measures and consider setting specific performance targets.

### **DOCUMENTATION/DATA INTEGRITY**

**Program Surveys Should Be Reviewed:** Program 535 administers two surveys. Program Measure 1 reports results for customer satisfaction with services provided at the CONNECT! Job Seeker Center. While the auditor verified the accuracy of reported results for this survey measure, there are several issues the program should address. The survey was administered during one quarter of the year and may not reflect changes in service over time. The survey size was also relatively small given the size of the population being surveyed. The program received 50 completed surveys, but served approximately 5,600 customers in FY 2006/2007. Finally, the rating scale used may not be appropriate for all of the survey questions. For example, some questions require a "yes" or "no" response, but the respondent is asked to rate the statement using a scale from "strongly agree" to "strongly disagree." Some questions also seem less appropriate because they ask the respondent to project future results. Instead, the program should consider tracking some or all clients and following up after several months to see how successful service elements have been in assisting the individual in obtaining a job.

**Calculation and Worksheet Formulas and Entries Need to Be Thoroughly Reviewed:** While the accuracy of reported results was not affected by calculation and worksheet errors, these problems should be corrected to ensure future results are reported accurately. The calculation formula for computing survey results for Program Measure 1 did not include two rows of data. The worksheet for this measure was also missing the results for three surveys that were provided to the auditor as backup documentation. Program Measure 2's worksheet for calculating results was also missing some data. The audit makes several recommendations to address these errors including numbering surveys to better track them and having additional staff review results whenever possible before year-end results are reported.

### **INTEGRATION**

No issues. The program's data tracking systems are well integrated into the program's activities and service provision.

### **AUDIT CONCLUSION**

The auditor makes ten recommendations to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2.

AUDIT STATISTICS	
Number of Results Reported Within 3% & 5%	7 70.0%
Number of Results Not Reported Within 3% & 5%	3 30.0%
Number of Results Not Able to Verify (NATV)	0 0.0%
Number of Results Not Reported	0 0.0%
Total Number of Measures/Activities Reviewed	10 100.0%
Number of Results Not Audited	1
Total Number of Measures/Activities in the Program	11
Number of SOPs Missing	0

**Program 535 - Employment Services Provided to the General Public (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate	
							Y/N	+/-
1	Q	Percent of customer satisfaction surveys that rate CONNECT! Job Seeker Center services at least a 3.0 on a 4 point scale (where 1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	88.000%	88.929%	YES	(1.0%)
2	Q	Percentage of time that Center resources are available for customer use during scheduled business hours.	Resource "Up" Time	NO	97.000%	SAMPLE	YES	
3	Q	All mandatory programs and contributing partners have current, signed Memorandums of Understanding (MOUs).	Signed MOUs	NO	25.00	25.00	YES	
4	Q	Percent of surveys of CONNECT! Steering Committee members rate their satisfaction with one-stop development as at least a 3 on a 4 point scale (where 1 = lowest and 4 = highest).	Percent of Satisfied Ratings	NO	100.000%	100.000%	YES	
5	P	Number of client visits is at least 80% of the previous year total.	Number of Client Visits Per Year	NO	62,690.00	SAMPLE	NO	25.7%
6	P	Number of services provided is at least 80% of the previous year total.	Number of Services Provided Per Year	NO	74,040.00	70,411.00	NO	5.2%
7	P	Number of new members is at least 80% of the previous year total.	Number of New Members Per Year	NO	5,644.00	5,644.00	YES	
8	CE	Cost per employment service provided will not exceed planned amount.	Cost Per Employment Service Provided	NO	\$ 21.58	\$ 21.58	YES	
9	F	Actual total expenditures for Employment Services Provided to the General Public will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 1,546,780.00	\$ 1,546,780.09	YES	
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate
								Y/N +/-
1	1	535100	Provide Assistance and Services to All Job Seekers Visiting CONNECT! Center	A Visit to CONNECT! Center	NO	62,690.00	SAMPLE	NO 25.7%
2	4	535200	CONNECT! One-Stop Management	A Work Hour	Not Audited			

AUDIT STATISTICS		
Number of Results Reported Within 3% & 5%	7	70.0%
Number of Results Not Reported Within 3% & 5%	3	30.0%
Number of Results Not Able to Verify (NATV)	0	0.0%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	10	100.0%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

Program 535 - Employment Services Provided to the General Public (FY 2006-07)

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition
							Y/N	+/-				
1	Q	Percent of customer satisfaction surveys that rate CONNECT! Job Seeker Center services at least a 3.0 on a 4 point scale (where 1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	88.000%	88.929%	YES	(1.0%)	It appears the calculation formula missed two lines of data.	1 Staff should be sure to double check formulas when compiling year-end results.	We will take action on this recommendation.	
									The staff spreadsheet of survey results is missing results for three surveys that were provided to the auditor.	2 The auditor recommends the Program number surveys prior to administering them to customers by placing a number in a corner of the survey. This will serve several purposes. One, the program will know their response rate and two, the program will be able to tell at a glance if all survey results have been entered into the survey result spreadsheet by comparing the number of surveys received to the number of entries in the spreadsheet.	NOVA's primary mode for administering surveys is electronic. We will look into options for better tracking the number of surveys administered and the return rate.	
									The survey's sample size, while providing a statistically valid result, is small relative to the size of the population served.	3 The auditor recommends the program review the survey's sample size, administration, question format, and rating scale.	The format and questions in 2006/07 survey that was audited were developed by a task force of the NOVA Workforce Board in response to customer feedback received from a lengthy "Voice of the Customer" process. In PY 08/09, NOVA has adapted our survey process to be available to customers year-round, both electronically and in hard-copy format. We will work with the City to determine how standardizing our process will give us the best information possible to continuously improve our services.	
									The survey was only administered during one quarter of the year and may not reflect changes in service occurring over the course of the year.			
									The scale provided to answer and/or rate survey statements does not fit some of the questions. For example, the first question of the survey is a statement requiring a "yes" or "no" response, but the respondent is asked to rate the statement on a scale spanning from "strongly agree" to "strongly disagree." In addition, another statement in the survey states, "Assistance from the Connect! Job Seeker Center leads to a job." However, it appears that for many customers, this statement is confusing because they do not have knowledge to answer this question at the time the survey is administered and several customers wrote comments regarding this question on the survey. A better statement would be "I believe assistance from the CONNECT! Job Seeker Center will lead to a job." The program should also consider if it would be beneficial to track participants and question them several months after their involvement with the program.			



**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**  
**Program 536**  
**Employment Services Provided to Workforce**  
**Investment Act (WIA) Enrolled Participants**

**January 2008**

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**Auditor:** Kate Murdock, Contract Internal Auditor  
City of Sunnyvale

**Field Work Start Date:** September 2007

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**APPENDIX 1 - Results Accuracy Table**

**APPENDIX 2 - Recommendation Table w/Departmental Response**

### **AUDIT OBJECTIVE**

The goal of a performance results audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures (SOP) document describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The audit considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

### **PROGRAM BACKGROUND**

Administrative Offices for the Department of Employment Development (DED) including the offices for Program 542 — Supplemental Grants - Staffed are located in the Sunnyvale Office Center at 505 W. Olive Avenue. The program consists of the following service delivery plans:

- ◆ Enrolled Client Core Employment Services
- ◆ Enrolled Client Intensive Employment Services
- ◆ Training and Services

### **AUDIT SCOPE**

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also

presents the interrelation between the two. This interrelation is called “performance results” and is the focus of this audit.

To quantify performance, each program’s function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the “place” where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by the Department of Employment Development. The program’s reporting structure consists of seven measures and three activities. The auditor tested all ten reported results.

### **SUMMARY**

Nine of the results (90%) were reported accurately within the allowable margin of error of  $\pm 3\%$  for program measures and  $\pm 5\%$  for activities. The auditor makes four recommendations to Program 536. The findings and recommendations are shown in [Appendix 2](#).

### **DETAILED FINDINGS**

This audit presents the evaluations made of Program 536’s performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

### **ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3\%$  for program measures and  $\pm 5\%$  for activity product counts. Auditor calculations based on support documentation must be within the allowable error margins for the measure to be verified as accurate. Results are marked as “not able to determine” (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	9	90%
Number of Results Not Reported Within 3% & 5%	1	10%
Number of Results Unable to be Verified	0	0%
Number of Results Not Reported	0	0%
Total Number of Measures/Activities Reviewed	10	100%
Number of Results Not Audited	0	
Total Number of Measures/Activities in the Program	10	
Number of SOPs Missing	0	

Nine of the ten results (90%) reviewed were reported accurately within the margin of error. All measures had SOP documents describing data sources and calculation methodologies. Accuracy statistics for each measure can be found in [Appendix 1](#).

#### **Other Issues Affecting Accuracy:**

**Data Control and Consistency:** The accuracy of reported results for one program measure and all three activities were affected by changes in client enrollment data from the time results were initially reported to when the audit was conducted. Program Measure 6 reported the average cost of core employment services per WIA-enrolled participant as \$623.00 based on the enrollment report showing 1,388 clients served. The subsequent report run for the audit showed a total of 1,362 clients served resulting in an average cost per WIA-enrolled client of \$634.75, a difference of 1.9%. The number of clients served through the core employment services program is also reported as a product so the result for Activity 536100 was also over-reported by 1.9%. The same Client Information Services Reporting System (CISRS) tracks the number of clients enrolled in intensive services (Activity 536200) and the number of clients trained (Activity 536300). The number of clients enrolled in intensive services was under-reported by 6.0% and the number of clients trained was under-reported by 1.8%.

#### **LANGUAGE**

No issues. All measure/product texts accurately represent the numbers portrayed in the reported results.

#### **DOCUMENTATION/DATA INTEGRITY**

**One SOP Needs to Be Updated:** The rating scale for the program's survey measure is opposite of what is stated in the measure and SOP text. On the survey, "1 = the highest" whereas the measure indicates that "1 = the lowest." The program made the

necessary conversions when reporting results for this measure, but the discrepancy should be corrected to avoid potential mistakes in the future.

**Backup Documentation Should Be Archived for Two Years:** As discussed in the “Accuracy” section above, enrollment reports initially generated to report results were not retained and subsequent reports showed different enrollment totals. The program needs to determine the source of these discrepancies and correct any errors in the CISRS database. In addition, backup documentation for any reported measure should be retained for two years to ensure any number can be verified during the budgeting cycle. The City is currently reviewing its document retention policy and should consider including a specific policy for budget related documents.

**Program Survey Methodology Should Be Reviewed:** Program Measure 3 reports results for customer satisfaction. The auditor has made three recommendations pertaining to the program’s client satisfaction survey. Two of these recommendations regard minor calculation issues and one recommendation addresses the survey methodology. The survey was conducted during one month of the year and the results may not reflect changes in service that may have occurred over the year. The audit recommends the program review the current survey to ensure the survey size, format, and methodology are consistent with other programs in the City, as well as appropriate for the program’s particular data requirements.

## **INTEGRATION**

No issues. The program’s data tracking systems are well integrated into the program’s activities and service provision.

## **AUDIT CONCLUSION**

The audit makes four recommendations to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2.

<b>AUDIT STATISTICS</b>			
Number of Results Reported Within 3% & 5%	9	90%	
Number of Results Not Reported Within 3% & 5%	1	10%	
Number of Results Unable to be Verified	0	0%	
Number of Results Not Reported	0	0%	
Total Number of Measures/Activities Reviewed	10	100%	
Number of Results Not Audited	0		
Total Number of Measures/Activities in the Program	10		
Number of SOPs Missing	0		

<b>Program 536 - Employment Services Provided to Workforce Investment Act (WIA) Enrolled Participants (FY 2006-07)</b>									
	Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%	
								Y/N	+/-
	1	Q	Percentage of exited clients who leave the program with a job.	Entered Employment Rate	NO	79.600%	79.568%	YES	
	2	Q	Percentage of clients retaining employment for nine (9) months post program exit.	Retention Rate	NO	89.300%	89.282%	YES	
	3	Q	Percentage of completed job seeker client surveys which rate NOVA services as at least a 3.0 on a 4 point scale (where 1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	83.700%	83.757%	YES	
	4	P	Total number of adults enrolled.	Enrolled Adults	NO	244.00	244.00	YES	
	5	P	Total number of dislocated workers enrolled.	Enrolled Dislocated Workers	NO	1,272.00	1,272.00	YES	
	6	CE	Average cost of Core employment services per WIA-enrolled participant will meet planned cost.	Average Cost Per Participant	NO	\$ 623.00	\$ 634.79	YES	(1.9%)
	7	F	Actual total expenditures for Employment Services Provided to WIA Enrolled Participants will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 3,081,140.00	\$ 3,081,139.97	YES	
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within 5%	
								Y/N	+/-
	1	536100	Enrolled Client Core Employment Services	A Client Served	NO	1,388.00	1,362.00	YES	1.9%
	2	536200	Enrolled Level Intensive Services	A Client Provided with Enrolled Intensive Services	NO	1,130.00	1,202.00	NO	(6.0%)
	3	536300	Provide Training Services to Qualified Clients	A Client Trained	NO	278.00	283.00	YES	(1.8%)

AUDIT STATISTICS		
Number of Results Reported Within 3% & 5%	9	90%
Number of Results Not Reported Within 3% & 5%	1	10%
Number of Results Unable to be Verified	0	0%
Number of Results Not Reported	0	0%
Total Number of Measures/Activities Reviewed	10	100%
Number of Results Not Audited	0	
Total Number of Measures/Activities in the Program	10	
Number of SOPs Missing	0	

**Program 536 - Employment Services Provided to Workforce Investment Act (WIA) Enrolled Participants (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition
							Y/N	+/-				
1	Q	Percentage of exited clients who leave the program with a job.	Entered Employment Rate	NO	79.600%	79.568%	YES		There are no findings to note.	N/A	N/A	
2	Q	Percentage of clients retaining employment for nine (9) months post program exit.	Retention Rate	NO	89.300%	89.282%	YES		There are no findings to note.	N/A	N/A	
3	Q	Percentage of completed job seeker client surveys which rate NOVA services as at least a 3.0 on a 4 point scale (where 1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	83.700%	83.757%	YES		The calculation formula for tallying the survey results missed two lines of data.	1 Staff should be sure to check all formulas in excel prior to reporting results.	We will take action on this recommendation.	
									The scale used for the survey is the opposite of what is stated in the measure wording. One was actually the highest and four the lowest. The Program made the necessary conversion when calculating this result so it is correct.	2 The Program should change either the survey or the measure wording so that the scales are the same and make the necessary changes to the SOP.	We have taken action on this recommendation.	
									The survey was only administered over a one-month period and may not adequately reflect services provided during the course of the year.	3 The auditor recommends the program review the survey's sample size, administration, question format, and rating scale.	We have taken action on this recommendation.	
4	P	Total number of adults enrolled.	Enrolled Adults	NO	244.00	244.00	YES		There are no findings to note.	N/A	N/A	
5	P	Total number of dislocated workers enrolled.	Enrolled Dislocated Workers	NO	1,272.00	1,272.00	YES		There are no findings to note.	N/A	N/A	
6	CE	Average cost of Core employment services per WIA-enrolled participant will meet planned cost.	Average Cost Per Participant	NO	\$ 623.00	\$ 634.79	YES	(1.9%)	The report details from the CISRS Database show slightly different core enrollment participant totals than the staff summary report. Staff indicated that changes in client totals could be due to corrections and late entries to the list of clients, however, staff were unable to identify the exact cause of the discrepancy during the course of the audit.	4 The auditor recommends the Program identify why client totals for set periods of time might change and correct this problem in the CISRS database. The auditor also recommends staff print source reports for year-end results and retain these documents for a minimum of two years.	Given State reporting requirements, participant service data is subject to change after the month-end report has been printed/submitted. This activity will continue to cause minor variances (generally less than 3%) in the real-time data in CISRS compared to the hard-copy print out. We will print and maintain hard-copy month and year end reports.	
7	F	Actual total expenditures for Employment Services Provided to WIA Enrolled Participants will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 3,081,140.00	\$ 3,081,139.97	YES		There are no findings to note.	N/A	N/A	

SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within 5%		Findings	Recommendations	Department Response	Disposition
								Y/N	+/-				
1	1	536100	Enrolled Client Core Employment Services	A Client Served	NO	1,388.00	1,362.00	YES	1.9%	Please see findings for PM 6.	Please see Recommendations for PM 6.	N/A	
2	1	536200	Enrolled Level Intensive Services	A Client Provided with Enrolled Intensive Services	NO	1,130.00	1,202.00	NO	(6.0%)	Staff did not retain the initial reports run for reporting this activity's results and the subsequent reports showed different totals than those reported. Staff indicated that changes in client totals could be due to corrections and late entries, however, staff were unable to identify the exact cause of the discrepancy during the course of the audit.	Please see Recommendations for PM 6.	Given State reporting requirements, participant service data is subject to change after the month-end report has been printed/submitted. This activity will continue to cause minor variances (generally less than 3%) in the real-time data in CISRS compared to the hard-copy print out. We will print and maintain hard-copy month and year end reports.	
3	1	536300	Provide Training Services to Qualified Clients	A Client Trained	NO	278.00	283.00	YES	(1.8%)	Please see findings for Activity 536200.	Please see Recommendations for PM 6.	N/A	

**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**

**Program 537**  
**Business Services**

**September 2008**

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**Auditor:** Kate Murdock  
City of Sunnyvale

**Field Work Start Date:** September 2007

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### **AUDIT OBJECTIVE**

The goal of a performance results audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures (SOP) document describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The audit considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

### **PROGRAM BACKGROUND**

Administrative Offices for the Department of Employment Development (DED) including the offices for Program 537 — Business Services are located in the Sunnyvale Office Center at 505 W. Olive Avenue. The program consists of the following service delivery plans:

- ◆ Business Services
- ◆ Layoff Assistance Services for Employers and Employees

The FY 2006/2007 budget of \$575,689 included 13,208 work hours. The Program spent 90.8% of its budget (\$522,808) and worked 74.0% of the number of hours budgeted (9,774).

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## **AUDIT SCOPE**

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also presents the interrelation between the two. This interrelation is called “performance results” and is the focus of this audit.

To quantify performance, each program's function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics that provide context for the measures.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the “place” where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by the Department of Employment Development for Program 537 – Business Services. The program's reporting structure consisted of nine measures and two activities. The auditor tested all eleven reported results.

## **SUMMARY**

Five of the eleven (45%) program measures and activities reviewed by this audit were reported accurately within the allowable margin of error of  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activities. One measure and one activity were not reported accurately. The reported results for three measures and one activity could not be verified as accurate or inaccurate due to a lack of supporting documentation.

The auditor makes 10 recommendations to Program 537. Accuracy statistics for each measure can be found in [Appendix 1](#). The findings and recommendations are shown in [Appendix 2](#).

## **DETAILED FINDINGS**

This audit presents the evaluations made of Program 537's performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

## **ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activity product counts. Auditor calculations based on support documentation must be within the allowable error margins for the measure to be verified as accurate. Results are marked as “not able to determine” (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	5	45.5%
Number of Results Not Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	2	18.2%
Number of Results Not Able to Determine (NATD)	4	36.3%
Total Number of Measures/Activities Reviewed	11	100.0%
Number of Results Not Audited	0	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

Five of the eleven (45%) reviewed results were reported accurately within the margin of error. One measure and one activity were not reported accurately (18%). Three measures and one activity (36%) were NATD due to a lack of backup documentation.

## **LANGUAGE**

**Measure Text is Inconsistent with Measure Results:** Program Measure 5's stated goal is to “develop a regional framework for business,” however the data point is “participation in regional partnership meetings.” The result is consistent with the data point and reports the number of regional meetings the Program participated in for FY 2006/2007. It is the auditor's opinion that the measure text is somewhat vague, but indicates much more than participation in meetings. The text should be changed to accurately reflect the Program's goal and achievement.

## **DOCUMENTATION/DATA INTEGRITY**

**Backup Documentation was Inadequate for Several Measures and One Activity:** Several of the Program measures and one activity lack the documentation and information necessary to report results accurately and effectively manage Program resources. In some cases service provision dates were not noted and the Business Liaison database could only pull information based on when the information was entered into the database. In other instances the Program failed to gather or keep documents to support that a service had been provided.

Program Measure 2 reports the percent of WARN (Worker Adjustment and Retraining Notification) notices the Program responds to within 24 hours of receipt. WARN notices are issued to NOVA when the State's Employment Development Department learns of layoffs taking place at a business. While the Program entered the date of their response to the WARN notice into the Business Liaison Database, there is no documentation to support that notices were actually responded to or to establish when the businesses were actually contacted. The audit recommends the Program follow up on each phone call and/or contact with an email reiterating the content of the meeting. The email can be drafted such that the sender is notified when the email is received and opened.

Program Measure 3 reports the number of 121 forms filed with the State in a timely manner. These forms are generated when the Program provides Rapid Response services, such as HR support or job relocation assistance, to a business and are filled out and submitted online. When the Program gives a Rapid Response presentation a survey is administered for participants to rate the presenter. However, there are other Rapid Response activities for which the Program has no documentation of services being provided. In addition, there was no documentation available to show when the 121 forms had been filed or that they had been filed within the required 30 days from the time the service was provided to the business. The audit recommends that each time a Rapid Response service is provided the recipient agency sign a basic receipt form that staff can retain for the Program's records. To establish timely filing of the 121 form, the auditor recommends if possible, that staff obtain a report from the state showing the date the forms were filed. If such a report is not available, staff should retain a PDF or paper copy of the screen shot each time a form is filed showing the date.

Program Measure 6 reports the percent of businesses receiving Rapid Response services that seek additional services from the Program. However, the Program database is currently set up to track when the information is recorded in the database and not when the service was performed. This made it difficult for staff to identify which businesses had received an additional service in FY 2006/2007 because information isn't always entered at the time the service is provided. The audit recommends the Program begin tracking the date of service and not just the date of data entry.

Program Measure 7 reports on the number of new business contacts initiated during the year. The database report generated to report results for this measure is not detailed enough as it does not indicate when contact occurred, only when the information was entered into the system. The Program is also not documenting the circumstances or purpose of the new contact, for example, if contact occurred at a conference or due to the business seeking services from the Program. This is information that will help the Program determine which activities are most helpful for generating new contacts.

**One SOP Requires Clarification:** In general, the Program's SOPs need to provide more detailed information to instruct staff on how to track and report measure and activity results. However, Program Measure 7's SOP in particular was too vague to

provide staff with adequate instruction. Program Measure 7 tracks new business contacts initiated by the Program. The SOP needs to define what constitutes a new contact and what it means to be Program-initiated.

**Database Reports Not Accurate:** Program Measure 8 and Activity 537200 were both found inaccurate due to the Business Liaison Database report showing an inflated number of employees receiving Rapid Response services. Several business files were duplicated in the report giving a total number of employees served of 2,300 when in actuality there had only been 1,985. The Program needs to identify where the error occurred and make sure that similar mistakes aren't happening in other reports.

Activity 537100 reports on the total number of businesses served. However, the Program is unable to pull that information from the database so staff only reported the number of new businesses served. The Program needs to determine how to structure the database such that it tracks and reports all services provided. If necessary, the Program should consult with the Information Technology Department to troubleshoot any problems with the system. Reports should be manually checked until staff are confident in the database's results.

## **INTEGRATION**

Please see the issues listed above in the Documentation/Data Integrity Section. The audit makes several recommendations for adding documentation procedures to the Program's service provision. In addition, the Program needs to review and evaluate the current Business Liaison Database to determine how to better use the database to compliment work tasks and troubleshoot the system to learn why certain reports are not providing accurate information.

## **AUDIT CONCLUSION**

The auditor makes ten recommendations to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2.

AUDIT STATISTICS		
Number of Results Reported within +3% & +5%	5	45.5%
Number of Results Not Reported within +3% & +5%	2	18.2%
Number of Results Not Able to Verify (NATD)	4	36.4%
Number of Results Not Reported	0	0.0%
Total Number of Measures/Activities Reviewed	11	100.0%
Number of Results Not Audited	0	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

**Program 537 - Business Services (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%	
							Y/N	+/-
1	Q	Percent of surveys of employers receiving Rapid Response services receiving an average rating of 3 or more on a 4 point scale (where 1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	100.000%	100.000%	YES	--
2	Q	Percent of WARN notices responded to within 24 hours of receipt.	Percent Responded	NO	100.000%	NATD	--	--
3	Q	Percent of Rapid Response required activities On-site visit forms (Form 121) filed in a timely manner.	Form 121s Filed	NO	100.000%	NATD	--	--
4	Q	Surveys of employers receiving NOVA / CONNECT! business services receive a rating of 3 or more on a 4 point scale (1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	83.000%	82.609%	YES	--
5	Q	Develop a regional framework for business that coordinate Workforce Boards, One-Stop, Economic Development and Rapid Response efforts.	Participation In Regional Partnership Meetings	NO	15.00	15.00	YES	--
6	P	Increase market penetration of businesses that received rapid response services utilizing additional NOVA services.	Percent of Rapid Response Clients Using Additional NOVA Services	NO	11.000%	10.959%	YES	--
7	P	Number of new business contacts initiated.	New Business Contacts Initiated by NOVA Business Liaisons	NO	126.00	NATD	--	--
8	CE	Manage Rapid Response expenditures relative to number of affected employees.	Average Cost Per Affected Employee	NO	\$ 169.86	\$ 196.81	NO	(13.7%)
9	F	Actual total expenditures for Business Services will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 522,808.00	\$ 522,808.01	YES	--

SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within 5%	
								Y/N	+/-
1	1	537100	Business Services	A Business Served	NO	161.00	NATD	--	--
2	1	537200	Rapid Response	A WARN or Non-WARN Affected Employee	NO	2,300.00	1,985.00	NO	15.9%

AUDIT STATISTICS			
Number of Results Reported within +3% & +5%	5	45.5%	
Number of Results Not Reported within +3% & +5%	2	18.2%	
Number of Results Not Able to Verify (NATD)	4	36.4%	
Number of Results Not Reported	0	0.0%	
Total Number of Measures/Activities Reviewed	11	100.0%	
Number of Results Not Audited	0		
Total Number of Measures/Activities in the Program	11		
Number of SOPs Missing	0		

**Program 537 - Business Services (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within ±3%		Findings	Recommendations	Department Response	Disposition
							Y/N	+/-				
1	Q	Percent of surveys of employers receiving Rapid Response services receiving an average rating of 3 or more on a 4 point scale (where 1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	100.000%	100.000%	YES	--	There are no findings to note.	1 The auditor recommends the program review this survey's design, sample size and question formation to ensure that the survey is free of unintentional bias.	We will take action on this recommendation.	
2	Q	Percent of WARN notices responded to within 24 hours of receipt.	Percent Responded	NO	100.000%	NATD	--	--	There is no documentation to establish the time staff contacted businesses after NOVA received WARN notices.	2 The auditor recommends Program staff follow-up each phone call to a business regarding layoffs with an email reiterating the content of the conversation. Staff can standardize this email to save time. In addition, staff should mark the email to send a return notice when the email has been read by the recipient. These emails should be retained for a minimum of two years for documentation of the measure result.	We will take action on this recommendation.	
3	Q	Percent of Rapid Response required activities On-site visit forms (Form 121) filed in a timely manner.	Form 121s Filed	NO	100.000%	NATD	--	--	There is no documentation to support when staff actually provided the Rapid Response service or filed the 121 form with the State.	3 The auditor recommends the Program create a simple form for the recipient to sign acknowledging receipt of services. This form should be signed and dated by the recipient when services are provided. To establish timely filing of the 121 form, the auditor recommends if possible, staff obtain a report from the State showing the date the forms were filed. If the report is not possible, then staff should retain a PDF or paper copy of the screen shot each time a form is filed showing the date.	We will look at a variety of approaches to resolve this issue.	
4	Q	Surveys of employers receiving NOVA / CONNECT! business services receive a rating of 3 or more on a 4 point scale (1 = lowest and 4 = highest).	Percent Meeting Target Rating	NO	83.000%	82.609%	YES	--	There are no findings to note.	However, please see the recommendation for PM 1. The auditor recommends reviewing the same guidelines for this measure as well.		
5	Q	Develop a regional framework for business that coordinate Workforce Boards, One-Stop, Economic Development and Rapid Response efforts.	Participation In Regional Partnership Meetings	NO	15.00	15.00	YES	--	The measure wording is not consistent with the measure result. The measure result is the number of regional partnership meetings attended during the year, but the measure wording indicates the purpose of the measure is to develop a regional framework for business.	4 The auditor recommends changing the measure wording to more accurately reflect the result. For example, "Collaborate with other workforce agencies to support and develop regional business opportunities."	We have changed the wording for this measure.	

Program 537 - Business Services (FY 2006-07)														
Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within +3%		Findings	Recommendations	Department Response	Disposition		
							Y/N	+/-						
6	P	Increase market penetration of businesses that received rapid response services utilizing additional NOVA services.	Percent of Rapid Response Clients Using Additional NOVA Services	NO	11.000%	10.959%	YES	--	One of the businesses listed on the calculation sheet is incorrectly included as it did not receive additional services in FY 2006/2007, but in FY 2005/2006. However, the auditor found the calculation sheet excluded a business that had received additional services and should have been considered when calculating the measure result. These two errors canceled each other out making the reported result accurate.	5 Staff should enter the date that the service was performed when tracking information for this measure rather than only tracking the date the information was entered into the system to avoid confusion when pulling information for calculating results.	We will take action on this recommendation.			
									The date entered in the tracking spreadsheet and in the Business Liaisons Database shows when the information was entered, not the actual date of service.					
7	P	Number of new business contacts initiated.	New Business Contacts Initiated by NOVA Business Liaisons	NO	126.00	NATD	--	--	It is unclear from the measure text and from the SOP what constitutes a new business "contact" and how it is determined to be "initiated by NOVA."	6 The SOP needs to define what constitutes "contact" with new businesses and how it is determined to be "initiated by NOVA." In addition, the Program should consider counting new contact regardless of whether the contact was initiated by NOVA or by the business. It was not clear to the auditor that this distinction was being made when counting the results for this measure and the measure text should be changed to reflect actual practice.	We have changed the wording for this measure.			
									Staff only counted new business contacts that were made by Business Liaison staff and did not count contacts made by staffing specialist staff. The Program indicated this was done in order to comply with the specific wording in the SOP referring only to Business Liaison staff contacts.	7 The auditor recommends the Program count the number of new contacts made by all Program staff.	We have created a separate measure to represent this change per the auditors recommendation.			
									The report generated from the Business Liaison database was not detailed enough for the auditor to determine what type of contact had been made with each business and when the contact occurred. The current report shows the creation date or when the information was entered into the database, but this is not necessarily when contact was made with the new business.	8 The Program needs to change the report and database fields used to report results for this measure. At a minimum, the database and subsequent database report should contain the following information: the name and contact information for the new business, the name of the staff member who initiated contact, the date contact was made with the business, the date the information was entered into the database, the purpose of the contact, and how the contact was initiated (i.e. at a conference, by phone, through another member agency, etc.).	We will take action on this recommendation.			
8	CE	Manage Rapid Response expenditures relative to number of affected employees.	Average Cost Per Affected Employee	NO	\$ 169.86	\$ 196.81	NO	(13.7%)	The Business Liaison Database report had duplicate listings for several companies. This resulted in the cost per affected employee to be underestimated as the original calculation showed 2,300 employees served, but the actual number of employees was 1,985.	9 The Program needs to identify why the database created duplicate listings in the report and correct this problem. The Program should also manually check the report after the correction to ensure numbers are being reported correctly.	Continue to work on developing the database which is used for many disparate functions			

Program 537 - Business Services (FY 2006-07)														
Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within +3%		Findings	Recommendations	Department Response	Disposition		
							Y/N	+/-						
9	F	Actual total expenditures for Business Services will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 522,808.00	\$ 522,808.01	YES	--	There are no findings to note.		N/A			
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within +5%		Findings	Recommendations	Department Response	Disposition	
							Y/N	+/-						
1	1	537100	Business Services	A Business Served	NO	161.00	NATD	--	--	The products reported represent the number of new businesses served by Business Liaisons and Staffing Specialists. The number of businesses served is a much larger number, but the Program is currently unable to pull this information from the Business Liaison Database.	10 The Program needs to correct this problem and ensure that they are able to count each business served and not just the new businesses served. This is critical information for the Program to report to the City and to track to know how staff time and Program resources are being used.	We will take action on this recommendation.		
2	1	537200	Rapid Response	A WARN or Non-WARN Affected Employee	NO	2,300.00	1,985.00	NO	15.9%	Please see findings and recommendations for PM 8. The results for PM 8 are calculated using the product count for this activity.		N/A		

**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**

**Program 538**  
**Youth Services**

**January 2008**

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**Auditor:** Kate Murdock, Contract Internal Auditor  
City of Sunnyvale

**Field Work Start Date:** September 2007

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### **AUDIT OBJECTIVE**

The goal of a performance results audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures (SOP) document describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The audit considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

### **PROGRAM BACKGROUND**

Administrative Offices for the Employment Development Department and Youth Services (Program 536) are located in the Sunnyvale Office Center at 505 W. Olive Avenue. The program consists of the following service delivery plans:

- ◆ Youth Services

In FY 2006/2007, the program had a budget of \$602,833 and 23,355 work hours. The program spent 90.3% of the budgeted amount (\$544,626), but only 49.0% of the budget hours (11,451).

### **AUDIT SCOPE**

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also

presents the interrelation between the two. This interrelation is called “performance results” and is the focus of this audit.

To quantify performance, each program’s function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the “place” where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by the Department of Employment Development for Program 538 – Youth Services. The program’s reporting structure consists of 7 measures and 4 activities.

The auditor tested 9 of the 11 reported results. Two of the activities were not audited because the products are either work hours, training-related, or allocated costs. Work hours were not evaluated because there is no practical method to verify reported hours were actually worked. Training products were not audited because they are not a main operational function of the organization. Allocated costs are funds distributed to other programs to cover internal services. These costs were not audited because they are calculated by the financial system.

### **SUMMARY**

Eight (89%) of the results were reported accurately within the allowable margin of error of  $\pm 3\%$  for program measures and  $\pm 5\%$  for activities. The program has one measure for which the auditor was unable to verify the accuracy of the participant counts given the tracking method utilized. The auditor makes one recommendation to Program 538. The findings and recommendations are shown in Appendix 2.

### **DETAILED FINDINGS**

This audit presents the evaluations made of Program 538’s performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

**ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activity product counts. Auditor calculations based on support documentation must be within the allowable error margins for the measure to be verified as accurate. Results are marked as “not able to determine” (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	8	89%
Number of Results Not Reported Within 3% & 5%	0	0%
Number of Results Unable to Verified	1	11%
Number of Results Not Reported	0	0%
Total Number of Measures/Activities Reviewed	9	100%
Number of Results Not Audited	2	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

Eight (89%) of the nine results reviewed were reported accurately within the margin of error. All measures had SOP documents describing data sources and calculation methodologies. Accuracy statistics for each measure can be found in [Appendix 1](#).

**Other Issues Affecting Accuracy:**

**Inadequate Documentation of Service Provision:** The accuracy of the reported result for one program measure was affected by inadequate documentation methods. Program Measure 5 reports on the number of youth provided universal employment, training, and information services. These services include appointments with counselors for the Youth at Work program, youth attendance of off-site presentations and job fairs, and youth participation in Job Shadow Day coordinated through the Junior Achievement of Silicon Valley and Monterey Bay. Several of these services were tracked using only tally or tick sheets. The auditor was unable to verify participant counts based on these sheets. The program will be installing and implementing use of a bar code tracking system in FY 2008/2009, which will address this problem for most of the services being tracked. In the mean time, the auditor recommends some alternative tracking methods for the program to ensure that all services are tracked in a manner that provides sufficient backup documentation to verify participant counts.

### **LANGUAGE**

No issues. All measure/product texts accurately represent the numbers portrayed in the reported results.

### **DOCUMENTATION/DATA INTEGRITY**

Please see comments under the section above titled, “Accuracy Issues”.

### **INTEGRATION**

No issues. The program’s data tracking systems are well integrated into the program’s activities and service provision.

### **AUDIT CONCLUSION**

The audit makes 1 recommendation to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2.

AUDIT STATISTICS		
Number of Results Reported Within 3% & 5%	8	89%
Number of Results Not Reported Within 3% & 5%	0	0%
Number of Results Unable to Verified	1	11%
Number of Results Not Reported	0	0%
Total Number of Measures/Activities Reviewed	9	100%
Number of Results Not Audited	2	
Total Number of Measures/Activities in the Program	11	
Number of SOPs Missing	0	

**Program 538 - Youth Services (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate		
							Y/N	+/-	
1	Q	Younger youth obtaining a diploma or equivalent as a percent of the total exited from the Youth Services program. (WIA Defined Target: 80% of 55.5%).	Youth Diploma Rate	NO	60.000%	60.000%	YES		
2	Q	WIA-enrolled older youth who enter employment as a percent of the total exited from the Youth Services Program. (WIA defined Target: 80% of 72%).	Entered Employment Rate	NO	86.200%	86.207%	YES		
3	Q	Percentage of funds spent on out-of-school youth meeting the WIA defined minimum 30%.	Percent Spent On Out-of-School Youth	NO	43.100%	43.104%	YES		
4	P	Number of WIA enrolled youth served.	Total Number of WIA Enrolled Youth Served	NO	129.00	129.00	YES		
5	P	Number of youth provided universal employment and training services and/or information.	Youth Provided Universal Services	NO	2,946.00	NATD	N/A		
6	CE	Average cost of serving WIA-enrolled youth is equal to or less than the planned amount.	Cost Per Client	NO	\$ 4,222.00	\$ 4,221.91	YES		
7	F	Actual total expenditures for Youth Services will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 544,626.00	\$ 544,626.25	YES		
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate	
4	4	538100	Management of Youth Services	A Work Hour	Not Audited				
1	2	538110	In-School Youth Services	A Youth Served	NO	66.00	66.00	YES	
1	3	538120	Out-of-School Youth Services	A Youth Served	NO	63.00	63.00	YES	
4	4	538130	Packard	A Work Hour	Not Audited				



**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**

**Program 539**  
**Enterprise Support**

**August 2008**

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**Auditor:** Kate Murdock, Contract Internal Auditor  
City of Sunnyvale

**Field Work Start Date:** September, 2007

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**APPENDIX 1 - Results Accuracy Table**

**APPENDIX 2 - Recommendation Table w/Departmental Response**

## **AUDIT OBJECTIVE**

The goal of a performance results audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures (SOP) document describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The auditor considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

## **PROGRAM BACKGROUND**

Administrative Offices for the Department of Employment Development (DED) and offices for Program 539 – Enterprise Support are located in the Sunnyvale Office Center at 505 W. Olive Avenue. This program consists of the following service delivery plans:

- ◆ Document Control/Management Information Systems (MIS)
- ◆ Workforce Investment Act (WIA) Defined Administration
- ◆ NOVA Facility/Information Technology Support

## **AUDIT SCOPE**

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also presents the interrelation between the two. This interrelation is called "performance results" and is the focus of this audit.

To quantify performance, each program's function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics which set the context for the benchmarks.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the "place" where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by Program 539 – Enterprise Support. The program's reporting structure consists of 14 performance measures, 2 data points, and 10 activities.

The auditor tested 25 reported performance results (14 measures, 2 data points, and 9 activities). Two of the results reported were based on a citywide measure calculated by the Department of Human Resources (HR). One of the program's activities was not audited because the products are work hours and there is no practical method to verify reported hours were actually worked.

### **SUMMARY**

Twenty-two of the twenty-five results reviewed (88%) were reported accurately within the allowable margin of error of  $\pm 3$  percent for program measures and  $\pm 5$  percent for activities. The auditor makes ten recommendations to Program 539. Accuracy statistics are shown in [Appendix 1](#). The findings and recommendations are shown in [Appendix 2](#).

The budget restructure in FY 2006/2007 created citywide measures that are calculated centrally by one department, but results are distributed to programs throughout the city for reporting. Program 539 reports one measure of this type which is calculated by HR. Recommendations for this measure are presented in a separate report because this measure applies citywide and is under the purview of HR.

### **DETAILED FINDINGS**

This audit presents the evaluations made of Program 539's performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

**ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activity product counts. Auditor calculations based on support documentation must be within the allowable error margins for the measure to be verified as accurate. Results are marked as “not able to determine” (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	22	88.0%
Number of Results Not Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	2	8.0%
Number of Results Not Able to Determine (NATD)	1	4.0%
Total Number of Measures/Activities Reviewed	25	100.0%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	<u>26</u>	
Number of SOPs Missing	0	

Twenty-two of the results reviewed were reported accurately within the margin of error.

As noted above in the Summary, there is one citywide measure calculated by HR that contained issues of accuracy included in this program. Because the SOP states that the program should report the results as provided by HR, the results have been reported as accurate for Program 539. Recommendations for HR related to improving the accuracy of the reported results are contained in a separate audit.

**Other Issues Affecting Accuracy:**

One program measure and one activity were not reported within the accepted margin of error due to use of inaccurate numbers or calculations. The auditor recommends staff routinely double check the numbers reported and the formulas and calculations embedded into the spreadsheets used for tracking and calculating results to reduce the possibility of error.

## **LANGUAGE**

The SOPs for one of the program measures (6) and one activity (539510) contain language which is either unclear as to how staff is to count the products or by virtue of the wording eliminates the possibility of meeting the performance expectations in future years.

The auditor recommends staff review and change the SOPs to provide greater clarity and to ensure the program sets clear goals which provide at least the possibility of being met.

## **DOCUMENTATION/DATA INTEGRITY & INTEGRATION**

The Department of Employment Development made the decision to have their satisfaction survey administered by the Department of Human Resources to provide a level of comfort for survey takers that the information provided would be confidential. Unfortunately, the survey was not administered with enough time to obtain and report the results for budget purposes as the initial response rate was extremely low and follow up was required to obtain input from the Board Members being surveyed. Further, the survey questions and format did not coincide with either the language in the program measure or the SOP.

The auditor recommends that DED staff work closely with the HR staff to determine the format, language and wording of the survey to ensure the survey results speak directly to the program measure and the format and language match the SOP. Further, DED staff and HR should calendar a mutually agreeable time for administration of the survey and determine the acceptable response rate versus the restrictions on time and level of effort. In the event a workable date cannot be found, DED staff should explore other options for an impartial third party administrator of their survey.

## **OTHER ISSUES**

**Citywide Survey Calculations Standards:** Current and previous performance audits show several different methodologies have been and are being used currently throughout the City to calculate and report survey results. To improve consistency and the comparability of the results reported in different programs, the City should standardize the scale used on surveys, how the surveys are administered, and how results are calculated and reported.

### **AUDIT CONCLUSION**

The auditor makes ten recommendations to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2. It is important to note that while conducting this audit, one finding was made that was outside its scope. This finding and recommendation are presented in the audit entitled, “Audit Findings and Recommendations: Citywide Performance Measures Provided by Human Resources Department.”

AUDIT STATISTICS	
Number of Results Reported Within ± 3% & ± 5%	22 88.0%
Number of Results Not Reported Within + 3% & + 5%	2 8.0%
Number of Results Unable to be Determined	1 4.0%
Number of Results Not Reported	0 0.0%
Total Number of Measures/Activities Reviewed	25 100.0%
Number of Results Not Audited	1
Total Number of Measures/Activities in the Program	26
Number of SOPs Missing	0

Program 539 - Enterprise Support (FY 2006-07)									
Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within		
							Y/N	+/-	
1	Q	Submission of JTA reports to the State regarding the number of clients served and the levels of service provided are complete and timely.	Number of Complete and On-Time Reports	NO	12.00	12.00	YES		
2	Q	Submission of JTA reports to the State regarding the amount of money spent by various breakdowns as well as the amounts obligated but not yet spent.	Number of Complete and On-Time Reports	NO	12.00	12.00	YES		
3	Q	Internal customers rate Facilities and Information Technology service orders as "very good" or higher (at least a 5.0 on a 6 point scale).	Percent Meeting Target Rating	NO	82.700%	82.705%	YES		
4	Q	Issues raised in the Draft Monitoring reports of all fiscal monitorings by Grant Sponsors are resolved by the established deadline in the following fiscal year.	Percent Resolved	NO	100.000%	100.000%	YES		
5	Q	All required subrecipients are monitored.	Percent Monitored	NO	100.000%	100.000%	YES		
6	P	The inventory of computers in use is on average replaced every five (5) years.	Percent of Computers Replaced	NO	70.800%	86.861%	NO	(18.5%)	
			Computers Replaced	NO	119.00	119.00	YES		
7	P	Submit and win Unsolicited Proposal for funding to provide employment services at the current level or greater.	Submitted Proposal	NO	1.00	1.00	YES		
8	CE	WIA administrative costs as a percent of the appropriate allocation base is maintained at level set by WIA.	Administrative Costs as a Percent of Total WIA Costs	NO	9.280%	9.430%	YES		
9	CE	Average cost of serving WIA Adult and Dislocated Worker clients is equal to or less than the planned cost.	Cost Per Client	NO	\$ 5,024.00	\$ 5,022.07	YES		
10	F	Actual total expenditures for Operational Management will not exceed the planned service delivery plan (SDP) expenditures.	Total SDP Expenditures	NO	\$ 628,842.00	\$ 628,841.65	YES		
11	F	Actual total expenditures for Enterprise Support will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 2,917,191.00	\$ 2,914,191.00	YES		
12	Q	The Workforce Board rates the quality and effectiveness of staff support, the programs, and the CONNECT! Collaborative as good or higher.	Percent of Satisfied Ratings	NO	Not Reported	NATD	--		
13	P	The Department shall complete the employee performance evaluation process for each full-time and regular part-time staff member supervised, and submit the evaluation to Human Resources in accordance with established procedures and timeframes.	Percent of Evaluations Submitted to Human Resources by the Scheduled Submittal Date	NO	95.000%	94.521%	YES		
			Total Number of Evaluations for which the Department is Responsible	NO	73.00	73.00	YES		
14	CE	The Department of Employment Development works to prevent future worker's compensation claims by providing a planned number of training sessions that address the top three causes of worker's compensation injuries for department employees.	Number of Training Sessions Completed	NO	1.00	1.00	YES		
SDP Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within		
1	1	539100	Document Control/MIS	A Weekly Client Report Per Grant	NO	301.00	Sample	YES	
2	1	539200	Administration	A Monthly JTA Financial Data Report Per Grant	NO	187.00	Sample	YES	4.0%
3	1	539300	Facilities Leases	A Square Foot of Lease Space	NO	27,579.00	27,627.00	YES	
3	2	539310	Information Technology Support and Maintenance	A Service Request	NO	1,306.00	1,306.00	YES	
3	3	539320	Facilities Support and Maintenance	A Service Request	NO	652.00	652.00	YES	
4	1	539400	Workforce Publications	Workforce Publication Deliverables	NO	75.00	109.00	NO	(31.2%)
4	2	539410	Grant Writing	A Grant Opportunity Reviewed	NO	26.00	25.00	YES	4.0%
4	3	539420	Awards Luncheon	An Award Luncheon Attendee	NO	172.00	172.00	YES	
5	1	539500	Operational Management	A Work Hour	Not Audited				
5	2	539510	Workforce Board Support	A Board Member Supported	NO	30.00	30.00	YES	

AUDIT STATISTICS			
Number of Results Reported Within $\pm 3\%$ & $\pm 5\%$		22	88.0%
Number of Results Not Reported Within $\pm 3\%$ & $\pm 5\%$		2	8.0%
Number of Results Unable to be Determined		1	4.0%
Number of Results Not Reported		0	0.0%
Total Number of Measures/Activities Reviewed		25	100.0%
Number of Results Not Audited		1	
Total Number of Measures/Activities in the Program		26	
Number of SOPs Missing		0	

**Program 539 - Enterprise Support (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition
							Y/N	+/-				
1	Q	Submission of JTA reports to the State regarding the number of clients served and the levels of service provided are complete and timely.	Number of Complete and On-Time Reports	NO	12.00	12.00	YES		There are no findings to note.	N/A	N/A	
2	Q	Submission of JTA reports to the State regarding the amount of money spent by various breakdowns as well as the amounts obligated but not yet spent.	Number of Complete and On-Time Reports	NO	12.00	12.00	YES		There are no findings to note.	N/A	N/A	
3	Q	Internal customers rate Facilities and Information Technology service orders as "very good" or higher (at least a 5.0 on a 6 point scale).	Percent Meeting Target Rating	NO	82.700%	82.705%	YES		There are no findings to note.	N/A	N/A	
4	Q	Issues raised in the Draft Monitoring reports of all fiscal monitorings by Grant Sponsors are resolved by the established deadline in the following fiscal year.	Percent Resolved	NO	100.000%	100.000%	YES		There are no findings to note.	N/A	N/A	
5	Q	All required subrecipients are monitored.	Percent Monitored	NO	100.000%	100.000%	YES		There are no findings to note.	N/A	N/A	
6	P	The inventory of computers in use is on average replaced every five (5) years.	Percent of Computers Replaced	NO	70.800%	86.861%	NO	(18.5%)	The result for this measure was underreported. It appears staff used the number of staff, servers and peripherals to support them prior to the downsize that occurred in January 2007 when calculating the results for this measure despite intending to use the adjusted total after downsizing.	Staff should double check calculation formulas in spreadsheet to ensure data from the right cells are being used to calculate results.	We will take action on this recommendation.	
			Computers Replaced	NO	119.00	119.00	YES		The current calculation description and performance criteria in the SOP will result in the Program not meeting the performance expectations for this measure over the next four years because they exceeded the measure in the first year.	The auditor recommends that the running total percentage of replaced computers be reported each year during the five-year window starting in FY 2006/2007 and ending in FY 2010/2011. For example, if no additional computer equipment is replaced next year, the Program would again report 86.861% as this represents the amount of equipment replaced within the five-year span of time. This will require changing the SOP's calculation description and criteria for "met", "not met", and "exceeds". For example, the criteria for "met" should be a minimum average of 20 computers replaced. This is calculated by dividing the total number of replaced computers by the number of elapsed years in the five-year span. The Program should consult with the auditor in making the necessary changes to the SOP.	It was determined that this measure did not provide useful information and it has been deleted for 2008/09.	
7	P	Submit and win Unsolicited Proposal for funding to provide employment services at the current level or greater.	Submitted Proposal	NO	1.00	1.00	YES		There are no findings to note.	N/A	N/A	
8	CE	WIA administrative costs as a percent of the appropriate allocation base is maintained at level set by WIA.	Administrative Costs as a Percent of Total WIA Costs	NO	9.280%	9.430%	YES		There are no findings to note.	N/A	N/A	
9	CE	Average cost of serving WIA Adult and Dislocated Worker clients is equal to or less than the planned cost.	Cost Per Client	NO	\$ 5,024.00	\$ 5,022.07	YES		There are no findings to note.	N/A	N/A	
10	F	Actual total expenditures for Operational Management will not exceed the planned service delivery plan (SDP) expenditures.	Total SDP Expenditures	NO	\$ 628,842.00	\$ 628,841.65	YES		There are no findings to note.		N/A	

Program 539 - Enterprise Support (FY 2006-07)													
Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition	
							Y/N	+/-					
11	F	Actual total expenditures for Enterprise Support will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 2,917,191.00	\$ 2,914,191.00	YES		It appears when staff entered the expenditure amount into the PAMS system there was a typo.	Staff should double-check all performance result entries made into the City's financial system and if possible have another staff member check entries to ensure they are accurate.	We will take action on this recommendation.		
12	Q	The Workforce Board rates the quality and effectiveness of staff support, the programs, and the CONNECT! Collaborative as good or higher.	Percent of Satisfied Ratings	NO	Not Reported	NATD	--		The survey was not administer with enough time to obtain and report results for Budget purposes.	Staff should work with HR to calendar the administration of the survey to ensure timeliness of data or select a different third party to administer the survey.	We have taken action on this recommendation.		
									The survey questions only pertain to the performance of the Employment Development Department's Director and therefore the results are not specific to the measure's statement.	The Program needs to either change the measure statement to reflect that results pertain to the Director's performance or the survey questions need to be updated and changed to provide feedback specific to the measure statement.	We have taken action on this recommendation.		
									The HR Department only surveyed the Workforce Board Executive Committee and not the whole board. In addition, only 7 out of 9 Executive Committee responses were received.	The Program needs to make sure that the entire Board is surveyed or change the measure statement to reflect who is actually being surveyed. In addition, with such a small population being surveyed, the Program should obtain responses from the entire population.	We have taken action on this recommendation.		
									The measure SOP states that the survey will use a 4-point rating scale, but the actual survey had participants give the Director a letter grade ranging from A to F.	The SOP needs to be updated so that it provides clear and accurate instruction on how and when the survey will be administered. The SOP should also have a copy of the survey attached and instruct staff on how to interpret and report the survey's results to the City.	We have taken action on this recommendation.		
13	P	The Department shall complete the employee performance evaluation process for each full-time and regular part-time staff member supervised, and submit the evaluation to Human Resources in accordance with established procedures and timeframes.	Percent of Evaluations Submitted to Human Resources by the Scheduled Submittal Date	NO	95.000%	94.521%	YES		This is a city-wide measure which is calculated by HR. See findings and recommendations in the HR program.	This is a city-wide measure which is calculated by HR. See findings and recommendations in the HR program.	N/A		
			Total Number of Evaluations for which the Department is Responsible	NO	73.00	73.00	YES						
14	CE	The Department of Employment Development works to prevent future worker's compensation claims by providing a planned number of training sessions that address the top three causes of worker's compensation injuries for department employees.	Number of Training Sessions Completed	NO	1.00	1.00	YES		There are no findings to note.	N/A	N/A		
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within 5%		Findings	Recommendations	Department Response	Disposition
	1	539100	Document Control/MIS	A Weekly Client Report Per Grant	NO	301.00	Sample	YES		There are no findings to note.	N/A	N/A	
	2	539200	Administration	A Monthly JTA Financial Data Report Per Grant	NO	187.00	Sample	YES	4.0%	It appears staff miscounted the number of reports sent to the state for November 2006. The staff tracking spreadsheet listed 18 reports sent, but the auditor was unable to find reports for 3 of the grants listed.	Staff should double check entries made into tracking spreadsheets and when possible have another staff member check their work.	We will take action on this recommendation.	
	3	539300	Facilities Leases	A Square Foot of Lease Space	NO	27,579.00	27,627.00	YES		There are no findings to note.	N/A	N/A	
	3	539310	Information Technology Support and Maintenance	A Service Request	NO	1,306.00	1,306.00	YES		There are no findings to note.	N/A	N/A	
	3	539320	Facilities Support and Maintenance	A Service Request	NO	652.00	652.00	YES		There are no findings to note.	N/A	N/A	
	4	539400	Workforce Publications	Workforce Publication Deliverables	NO	75.00	109.00	NO	(31.2%)	The wrong product count was reported.	Staff should double check products posted in the MBO to ensure reported products match actual results.	We will take action on this recommendation.	
	4	539410	Grant Writing	A Grant Opportunity Reviewed	NO	26.00	25.00	YES	4.0%	There are no findings to note.	N/A	N/A	
	4	539420	Awards Luncheon	An Award Luncheon Attendee	NO	172.00	172.00	YES		There are no findings to note.	N/A	N/A	
	5	539500	Operational Management	A Work Hour	Not Audited								

Program 539 - Enterprise Support (FY 2006-07)												
Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition
							Y/N	+/-				
5	2	539510 Workforce Board Support	A Board Member Supported	NO	30.00	30.00	YES		The SOP does not clearly address how staff should count products for this activity. The Program used a static product count, the number of members on the board, however the SOP appears to instruct staff to count the number of members served each month.	The auditor recommends the program continue to count only the number of members on the board rather than counting the number of members each month. The SOP should be updated to reflect actual practice.	Due to new members elected, resignations and vacancies over the course of the year, the number of members fluctuates. We will take action to address this recommendation.	

**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**

**Program 542**  
**Supplemental Grants - Staffed**

**May 2008**

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**Auditor:** Kate Murdock, Contract Internal Auditor  
City of Sunnyvale

**Field Work Start Date:** September 2007

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### **AUDIT OBJECTIVE**

The goal of a performance results audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures (SOP) document describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The audit considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

### **PROGRAM BACKGROUND**

Administrative Offices for the Department of Employment Development (DED) including the offices for Program 542 — Supplemental Grants - Staffed are located in the Sunnyvale Office Center at 505 W. Olive Avenue. The program consists of the following service delivery plans:

- ◆ Job Seeker Support Grants

The FY 2006/2007 budget of \$923,023 included 936 work hours. The Program spent 97.6% of its budget (\$900,938), but worked nearly twice the number of hours budgeted (1,739).

## **AUDIT SCOPE**

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also presents the interrelation between the two. This interrelation is called “performance results” and is the focus of this audit.

To quantify performance, each program’s function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the “place” where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by the Department of Employment Development for Program 542 – Supplemental Grants - Staffed. The program’s reporting structure consists of six measures and four activities.

The auditor tested nine of the ten reported results (six measures and three activities). One of the program’s activities was not audited because the products were either work hours, training-related, or allocated costs. Work hours were not evaluated because there is no practical method to verify reported hours were actually worked. Training products were not audited because they are not a main operational function of the organization. Allocated costs are funds distributed to other programs to cover internal services. These costs were not audited because they are calculated by the financial system.

## **SUMMARY**

Eight of the nine (89%) program measures and activities reviewed by this audit were reported accurately within the allowable margin of error of  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activities. The reported result for one activity could not be verified as accurate or inaccurate due to a lack of supporting documentation.

The auditor makes 3 recommendations to Program 542. The findings and recommendations are shown in Appendix 2.

### **DETAILED FINDINGS**

This audit presents the evaluations made of Program 542's performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

#### **ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activity product counts. Auditor calculations based on support documentation must be within the allowable error margins for the measure to be verified as accurate. Results are marked as "not able to determine" (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within 3% & 5%	8	89%
Number of Results Not Reported Within 3% & 5%	0	0%
Number of Results Unable to Verify	1	11%
Number of Results Not Reported	0	0%
Total Number of Measures/Activities Reviewed	9	100%
Number of Results Not Audited	1	
Total Number of Measures/Activities in the Program	<u>10</u>	
Number of SOPs Missing	0	

Eight of the nine (89%) reviewed results were reported accurately within the margin of error. One result (11%) was NATD due to the lack of backup documentation. Accuracy statistics for each measure can be found in [Appendix 1](#).

#### **Other Factors Affecting Accuracy:**

#### **LANGUAGE**

No issues. All measure/product texts accurately represent the numbers portrayed in the reported results.

## **DOCUMENTATION/DATA INTEGRITY**

**Backup Documentation was Missing for One Activity:** The program managers could only find documentation to support 13 of the 23 products reported for *Activity 542110 — Healthcare Navigator*. The staff member responsible for reporting these products left the City's employment in August 2007, and failed to file adequate documentation for the products reported. The audit recommends the program review documentation and retention procedures for this and all Program activities and measures.

**One SOP Requires Clarification:** The SOP for one measure did not clearly define how to determine if the measure had been met. Program Measure 2 requires the program to submit reports on time and in compliance with grant specifications, but the SOP does not define these grant specifications or instruct staff to document grant specifications when reporting results to show the program was in compliance. The SOP should be updated to address these issues.

## **INTEGRATION**

No issues. Documentation appears to be well integrated into program workflow.

## **OTHER ISSUES**

**Timing of Program Funding Incompatible with City Budget Process:** The City's Budget is a management tool providing managers with information to make resource allocation decisions and improve program efficiency and effectiveness. However, given the unique nature of the Department of Employment Development's programs, as well as the timing and variable nature of its funding sources, the City's budget is not always able to provide this information.

*Program 542 — Supplemental Grants – Staffed* is funded by various grants from the State. While some grants may provide funding for several years, new grants are continually applied for and received. The timing of if and when these funds are received is rarely compatible with the City budget process. As a result, the program is forced to anticipate funding levels when creating its budget. In FY 2006/2007, one of the program's measures stated the number of reports submitted to the State for a specific grant; however, these reports were submitted in the previous fiscal year. Since the program did not receive the funding related to this grant until the middle of FY 2005/2006, there were no measures in the program's FY 2005/2006 budget to report performance results for complying with the specifications of the grant. Instead, the program created a measure for FY 2006/2007 and claimed the submitted reports as products in this year even though they had been submitted in the previous year. The program was working with the City's Budget Officer during the course of this audit to

determine the best means for the program to track and report meaningful results for program managers and the City. The auditor recommends the City and program continue to explore alternative reporting structures when preparing the budget for FY 2008/2009 and beyond.

### **AUDIT CONCLUSION**

The auditor makes 3 recommendations to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2.

<b>AUDIT STATISTICS</b>			
Number of Results Reported Within 3% & 5%	8	89%	
Number of Results Not Reported Within 3% & 5%	0	0%	
Number of Results Unable to Verify	1	11%	
Number of Results Not Reported	0	0%	
Total Number of Measures/Activities Reviewed	9	100%	
Number of Results Not Audited	1		
Total Number of Measures/Activities in the Program	<u>10</u>		
Number of SOPs Missing	0		

**Program 542 - Supplemental Grants - Staffed (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate		
							Y/N	+/-	
1	Q	Submit required grant reports in an accurate and timely manner, in compliance with grant specifications.	Disability Program Navigator Quarterly Report	NO	4.00	4.00	YES		
2	Q	Submit required grant reports in an accurate and timely manner, in compliance with grant specifications.	Healthcare Navigator Reports	NO	2.00	2.00	YES		
3	P	Completion of occupational research study by the target date.	Occupational Research Study	NO	1.00	1.00	YES		
4	P	Completion of Healthcare Resource Directory by the target date.	Healthcare Resource Directory	NO	1.00	1.00	YES		
5	P	Additional staff are trained to perform the functions of the Disability Navigator.	Number of Staff Trained	NO	4.00	4.00	YES		
6	F	Actual total expenditures for Supplemental Grants-Staffed will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 295,488.00	\$ 295,488.00	YES		
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate	
							Y/N	+/-	
1	1	542100	Disability Navigator	A Quarterly Report	NO	4.00	4.00	YES	
1	2	542110	Healthcare Navigator	A Grant Deliverable Achieved	NO	23.00	NATD	N/A	
1	3	542120	Occupational Research Study	An Occupational Research Study	NO	1.00	1.00	YES	
1	7	542160	Microsoft Grant	A Work Hour	Not Audited				

Program 542 - Supplemental Grants - Staffed (FY 2006-07)													
Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition	
							Y/N	+/-					
1	Q	Submit required grant reports in an accurate and timely manner, in compliance with grant specifications.	Disability Program Navigator Quarterly Report	NO	4.00	4.00	YES		There are no findings to note.	N/A	N/A	N/A	
2	Q	Submit required grant reports in an accurate and timely manner, in compliance with grant specifications.	Healthcare Navigator Reports	NO	2.00	2.00	YES		The grant reports comprising the results for this measure were submitted to the State in FY 2005/2006, but claimed in FY 2006/2007. This occurred because the program received the funding for the project in the middle of the FY 2005/2006 fiscal year after budget measures had already been set and the only means for reporting these results given the City's Budget system was to report these results in the following fiscal year of FY 2006/2007.	1 The City's Budget is a management tool that provides managers with information to make resource allocation decisions and improve program efficiency and effectiveness. However, given the unique nature of the Employment Development Department's programs and the timing and variable nature of its funding sources, the City's Budget is not always able to provide this information. The program was working with the City's Budget Manager during the course of this audit to determine the best means for the program to track and report meaningful results for program managers and the City. This audit recommends the City and program continue to explore alternative reporting structures when preparing the budget for FY 2008/2009 and beyond.	The dynamic nature of the timing, funding, and definitions of some grants make them difficult to fit into the timing and structure of the performance system. We will continue to work with the budget office to develop practical, useful measures.		
								The measure wording indicates that the program needs to submit grant reports so that they are "in compliance with grant specifications." However, the SOP did not indicate what these specifications were or if there was a timeline for submitting the reports.	2 The measure SOP needs to address all aspects of the measure's wording, instructing program staff how to determine if results have been achieved.				
3	P	Completion of occupational research study by the target date.	Occupational Research Study	NO	1.00	1.00	YES		There are no findings to note.	N/A	N/A	N/A	
4	P	Completion of Healthcare Resource Directory by the target date.	Healthcare Resource Directory	NO	1.00	1.00	YES		There are no findings to note.	N/A	N/A	N/A	
5	P	Additional staff are trained to perform the functions of the Disability Navigator.	Number of Staff Trained	NO	4.00	4.00	YES		There are no findings to note.	N/A	N/A	N/A	
6	F	Actual total expenditures for Supplemental Grants-Staffed will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 295,488.00	\$ 295,488.00	YES		There are no findings to note.	N/A	N/A	N/A	
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate within 5%		Findings	Recommendations	Department Response	Disposition
1	1	542100	Disability Navigator	A Quarterly Report	NO	4.00	4.00	YES		There are no findings to note.	N/A	N/A	N/A
1	2	542110	Healthcare Navigator	A Grant Deliverable Achieved	NO	23.00	NATD	N/A		The program was unable to account for the 23 products reported. The staff member responsible for reporting these products left the City in August 2007 and did not leave adequate documentation for the products reported.	3 The program should review documentation procedures and ensure that all documentation to support reported products are filed in an appropriate manner and retained for a minimum of two years.		
1	3	542120	Occupational Research Study	An Occupational Research Study	NO	1.00	1.00	YES		There are no findings to note.	N/A	N/A	N/A
4	7	542160	Microsoft Grant	A Work Hour	Not Audited								

**City of Sunnyvale**  
**FY 2006/2007**  
**Performance Results Audit**



**Department of Employment Development**

**Program 543**  
**Supplemental Grants - Managed**

**August 2008**

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**Auditor:** Kate Murdock, Contract Auditor  
City of Sunnyvale

**Field Work Start Date:** September 2007

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**APPENDIX 1 - Results Accuracy Table**

**APPENDIX 2 - Recommendation Table w/Departmental Response**

### AUDIT OBJECTIVE

The goal of a performance results audit is to ensure that budgetary and management decisions are based upon valid and complete performance information. This is accomplished by evaluating the following components of a program's performance reporting system:

- **Accuracy:** Auditor count or calculations are within  $\pm 3.0$  percent for program measures and within  $\pm 5.0$  percent for activities' product counts.
- **Language:** Measure/Product text accurately represents the numbers portrayed in the reported result.
- **Documentation/Data Integrity:** Documentation systems are complete and data accurately reflects a program's operations. Each measure should have a Standard Operating Procedures (SOP) document describing data sources and calculation methodologies.
- **Integration:** Data collection systems are automated and integrated into the operational workflow of the organization whenever possible.

The evaluation is performed through staff interviews, documentation review, and by recalculating the reported results. The auditor considers the year-end report to the City Manager as final. Handwritten corrections in the year-end report are acceptable.

### PROGRAM BACKGROUND

Administrative Offices for the Department of Employment Development (DED) and the offices for Program 543 – Supplemental Grants – Managed are located in the Sunnyvale Office Center at 505 W. Olive Avenue. The program consists of a single service delivery plan:

- ◆ 54301 – Supplemental Grants - Managed

### AUDIT SCOPE

The City of Sunnyvale uses performance-based budgeting — a method in which the General Plan's goals are directly supported and accomplished by specific programs. Performance-based budgeting quantifies both performance and expenditures; it also presents the interrelation between the two. This interrelation is called "performance results" and is the focus of this audit.

To quantify performance, each program's function is defined by a program performance statement. The program performance statement provides the purpose of the program and how this purpose will be achieved. Performance measures are the benchmarks and data points are the statistics which set the context for the benchmarks.

To quantify expenditures, each program is separated into service delivery plans (SDPs), which are separated further into activities [also referred to as organizational cost accounts (OCAs) or charge codes]. They are the "place" where all work hours, direct expenditures, and units of production (products) are charged.

The auditor reviewed the FY 2006/2007 performance results as reported by Program 543 - Supplemental Grants – Managed. The program's reporting structure consists of six performance measures and seven activities.

The auditor tested ten reported performance results (six performance measures and four activities). Three of the program's activities were not audited because the products are either work hours, training-related, or allocated costs. Work hours were not evaluated because there is no practical method to verify reported hours were actually worked. Training products were not audited because they are not a main operational function of the organization. Allocated costs are funds distributed to other programs to cover internal services. These costs were not audited because they are calculated by the financial system.

### **SUMMARY**

Eight of the ten results reviewed (80%) were reported accurately with in the allowable margin of error of  $\pm 3.0$  percent for program measures and  $\pm 5$  percent for activities. The auditor makes five recommendations to Program 543. Accuracy statistics for each measure can be found in [Appendix 1](#). The findings and recommendations are shown in [Appendix 2](#).

### **DETAILED FINDINGS**

This audit presents the evaluations made of Program 543's performance results. The evaluations were made using four criteria: accuracy, language, documentation/data integrity, and integration into operational workflow.

### **ACCURACY**

The allowable margins of error used to determine the accuracy status of reported results are  $\pm 3.0$  percent for program measures and  $\pm 5.0$  percent for activity product counts. Auditor calculations based on support documentation must be within the

allowable error margins for the measure to be verified as accurate. Results are marked as “not able to determine” (NATD) if support documentation is incomplete or unavailable to verify the reported number. The table below shows the overall accuracy statistics for the program:

<b>AUDIT STATISTICS</b>		
Number of Results Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	8	80.0%
Number of Results Not Reported Within $\pm 3.0\%$ & $\pm 5.0\%$	2	20.0%
Number of Results Not Able to Determine (NATD)	0	0.0%
Total Number of Measures/Activities Reviewed	10	100.0%
Number of Results Not Audited	3	
Total Number of Measures/Activities in the Program	13	
Number of SOPs Missing	0	

Eight of the results reviewed were reported accurately within the margin of error.

### **LANGUAGE**

The Job Training Automation (JTA) reports specified as the basis for Program Measure 1 are the same reports used to calculate results in Program 539 – Enterprise Support. The distinction is that Program 543 – Supplemental Grants - Managed is responsible for the financial and client data submitted for these reports as opposed to the participant data which is reported in program measures under Program 539. The wording of the Program Measure 1 does not clearly indicate the nature of the information for which this program is responsible.

The auditor recommends staff review and update the measure wording to clearly differentiate the information upon which this program measure is based as opposed to that which is reported in Program 539.

### **DOCUMENTATION/DATA INTEGRITY**

Two of the results were inaccurate due to calculation or clerical errors.

The auditor recommends staff use a spreadsheet program such as Excel to track clients and make calculations rather than relying on a manual count. Staff should routinely check the numbers reported in the budget reports against departmental records to ensure accuracy.

## **INTEGRATION**

Due to the unique business of the Department of Employment Development, the receipt of grant funds does not always coincide with the established budget cycle. This was the situation in FY 2005/2006 when grant funds were accepted and a new program put into place mid-fiscal year. As a Program Measure could not be put into the budget to report the success of this program until FY 2006/2007, staff reported results from both FY 2005/2006 and 2006/2007 in FY 2006/2007.

The City's budget is a management tool that provides managers with information to make resource allocation decisions and improve program efficiency. However, given the unique nature of DED's programs, and the timing and variable nature of its funding sources, the City's budget may not be able to provide this information nor in this case, may it be the best vehicle to report program success. The auditor recommends that the City and program staff continue to explore alternative reporting structures when preparing future budgets. One option may be to evaluate the program based on the results already being reporting to and audited by the granting agency.

## **AUDIT CONCLUSION**

The auditor makes five recommendations to address the findings discussed above. The audit statistics are shown in Appendix 1. A detailed list of findings and recommendations is located in Appendix 2.

AUDIT STATISTICS		
Number of Results Reported Within 3% & 5%	8	80%
Number of Results Not Reported Within 3% & 5%	2	20%
Number of Results Unable to Verify	0	0%
Number of Results Not Reported	0	0%
Total Number of Measures/Activities Reviewed	10	100%
Number of Results Not Audited	3	
Total Number of Measures/Activities in the Program	13	
Number of SOPs Missing	0	

**Program 543 - Supplemental Grants - Managed (FY 2006-07)**

	Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate	
								Y/N	+/-
	1	Q	All required Job Training Automation (JTA) reports are submitted accurately, completely, and on time.	Grant Required JTA Reports - Fiscal and Client Data	NO	24.00	24.00	YES	
	2	P	Provide aid to veterans to successfully find gainful employment and meet target enrollment by the Veterans Employment-Related Assistance Program (VEAP).	Clients Enrolled	NO	209.00	209.00	YES	
	3	P	Provide employment and training services and housing assistance to homeless veterans to reintegrate them into society and meet target enrollment by the Homeless Veterans Reintegration Program (HVRP).	Clients Enrolled	NO	320.00	322.00	YES	
	4	P	Provide NCLEX (nursing certification test) training to Nurses Workforce Initiative clients.	Clients taking NCLEX Training Course	NO	118.00	103.00	NO	14.6%
	5	P	Enroll additional students attending prerequisite healthcare classes at local community colleges according to Health Care Community College Capacity (HC4).	Enrolled Students	NO	469.00	472.00	YES	
	6	F	Actual total expenditures for Supplemental Grants-Managed will not exceed planned program expenditures.	Total Program Expenditures	NO	\$ 900,938.00	\$ 900,938.35	YES	
SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate	
	1	543100	Next Step Vets - Veterans Employment-related Assistance	A Veteran Enrolled	NO	209.00	209.00	YES	
	1	543110	Homeless Veterans Reintegration Program (HVRP)	A Veteran Enrolled	NO	320.00	322.00	YES	
	1	543120	Nurses Workforce Initiative (NWI)	A Student Provided NCLEX Training	NO	113.00	103.00	NO	9.7%

SDP	Activity	Charge Code	Charge Code Title	Product Title	SOP Missing	Reported Result	Auditor Calculation	Accurate	
								Y/N	+/-
1	4	543130	Health Care Community College Capacity (HC4)	A Student Provided Access to Limited Classes	NO	469.00	472.00	YES	
<del>4</del>	<del>5</del>	<del>543140</del>	<del>California Space Authority WIRED Project - Aerospace Tr</del>	<del>A Work Hour</del>	<del>Not Audited</del>				
<del>4</del>	<del>9</del>	<del>543180</del>	<del>California Space Authority WIRED Project - Worker Profile</del>	<del>A Work Hour</del>	<del>Not Audited</del>				
<del>4</del>	<del>10</del>	<del>543190</del>	<del>California Space Authority WIRED Project - Smart Supplie</del>	<del>A Work Hour</del>	<del>Not Audited</del>				

AUDIT STATISTICS			
Number of Results Reported Within 3% & 5%		8	80%
Number of Results Not Reported Within 3% & 5%		2	20%
Number of Results Unable to Verify		0	0%
Number of Results Not Reported		0	0%
Total Number of Measures/Activities Reviewed		10	100%
Number of Results Not Audited		3	
Total Number of Measures/Activities in the Program		13	
Number of SOPs Missing		0	

**Program 543 - Supplemental Grants - Managed (FY 2006-07)**

Meas#	Type	Measure	Data Point	SOP Missing	Reported Result	Auditor Calculation	Accurate within 3%		Findings	Recommendations	Department Response	Disposition
							Y/N	+/-				
1	Q	All required Job Training Automation (JTA) reports are submitted accurately, completely, and on time.	Grant Required JTA Reports - Fiscal and Client Data	NO	24.00	24.00	YES		The measure wording does not adequately describe the nature of the information being submitted given that some portions of each report are created by this Program and some by Program 539. Both programs have measures reporting the submission of these reports as measure results.	1 The measure wording should indicate that it is the financial data portion of the JTA reports that are submitted by this Program and this is what is being reported for the measure result.	We removed this measure as it is redundant to a measure in another program.	
2	P	Provide aid to veterans to successfully find gainful employment and meet target enrollment by the Veterans Employment-Related Assistance Program (VEAP).	Clients Enrolled	NO	209.00	209.00	YES		There are no findings to note.			
3	P	Provide employment and training services and housing assistance to homeless veterans to reintegrate them into society and meet target enrollment by the Homeless Veterans Reintegration Program (HVRP).	Clients Enrolled	NO	320.00	322.00	YES		There are no findings to note.			
4	P	Provide NCLEX (nursing certification test) training to Nurses Workforce Initiative clients.	Clients taking NCLEX Training Course	NO	118.00	103.00	NO	14.6%	It appears staff manually added the number of clients attending trainings and made a calculation error in the process.	2 The auditor recommends staff use a program such as excel to track clients and use the software to count clients rather than make manual calculations. Excel formulas should be double-checked when reporting results to the Budget office.	We will take action on the recommendation	
									Products were generated in one year and not reported until the following year. This occurred because the program received the funding for the project in the middle of the FY 2005/2006 fiscal year after budget measures had already been set and the only means for reporting these results given the City's Budget system was to report these results in the following fiscal year of FY 2006/2007.	3 The City's Budget is a management tool that provides managers with information to make resource allocation decisions and improve program efficiency and effectiveness. However, given the unique nature of the Employment Development Department's programs and the timing and variable nature of its funding sources, the City's Budget is not always able to provide this information. The program was working with the City's Budget Manager during the course of this audit to determine the best means for the program to track and report meaningful results for program managers and the City. This audit recommends the City and program continue to explore alternative reporting structures when preparing the budget for FY 2008/2009 and beyond. One option may be to use the results already being reported to and audited by the granting agency.	The dynamic nature of the timing, funding, and definitions of some grants make them difficult to fit into the timing and structure of the performance system. We will continue to work with the budget office to develop practical, useful measures.	

