

Performance Audit
Component Units' Legal Services
Procurement and Monitoring

September 2006

City Auditor's Office
City of Kansas City, Missouri

September 6, 2006

Honorable Mayor and Members of the City Council:

Component units are legally separate organizations, but their operations can have significant financial impacts on the city. Although legal fees can be a substantial expense, most component units have not established practices to assure that the quality and value of legal services obtained are commensurate with the public dollars paid.

Many of the city's component units did not use a transparent and competitive decision-making process to select private legal service providers. Only one component unit could provide signed and dated agreements with all of their legal service providers. Some of the city's component units did not adequately monitor legal service provider's performance and costs. And, not all of the component units have evaluated their need for legal services or alternative delivery methods.

Strengthening procurement and monitoring procedures would reduce the risks that agencies spend too much for legal services, get lower quality legal services, or appear to display favoritism in retaining legal service providers. To address deficiencies in procurement practices, we recommend that the component units:

- Use a competitive selection process, negotiating fees and asking for discounts;
- Execute a written contract that sets out a scope of work, basis of payment, duration of engagement, and when applicable, a conflict of interest restriction established by city ordinance;
- Monitor performance and costs; and
- Evaluate the need for and alternative delivery methods of legal services.

We also recommend that the component units annually report in a public manner basic information on their legal services contracting practices.

We provided a draft report to the City Manager for review and comment on August 11, 2006. His response is appended. We would like to thank city, component unit, and law firm staffs for their cooperation. The audit team for this project was Sharon Kingsbury and Nancy Hunt.

Mark Funkhouser
City Auditor

Component Units' Legal Services Procurement and Monitoring

Table of Contents

Introduction	1
Objectives	1
Scope and Methodology	1
Background	2
Legal Services	2
Component Units' Legal Service Providers	3
Annual Legal Expenses	4
Risks	6
Findings and Recommendations	7
Summary	7
Component Units Should Improve Procurement and Monitoring	7
Establish and Follow a Procurement Process	7
Require Written Contracts	9
Include Basic Provisions In Contracts	9
Evaluate Legal Service Needs and Delivery Systems	11
Strengthen Contract Monitoring	12
Recommendations	13
Appendix A	15
City Manager's Response	15

List of Exhibits

Exhibit 1. Legal Service Providers by Component Unit, Fiscal Years 2003-2006	3
Exhibit 2. Legal Fees Paid by Component Units by Fiscal Year, 2003-2006	5
Exhibit 3. Hourly Attorney Billing Rates	6
Exhibit 4. Written and Executed Contracts or Letters of Engagement	9
Exhibit 5. Component Units Covered by City's Conflict of Interest Requirement	11

Introduction

Objectives

We conducted this audit of legal fees of component units under the authority of Article II, Section 13 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the City Auditor's primary duties.¹

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making.²

This audit is designed to answer the following question:

- Are practices in place to assure that the city's component units receive value for the public dollars spent on legal services?

Scope and Methodology

Our audit focuses on the legal services procurement and monitoring practices of the city's component units.³ Our methods included:

- Interviewing city staff, representatives of the component units, and stakeholders about procuring and monitoring legal services.

¹ As a result of adoption of Second Committee Substitute for Ordinance 05093 by the voters on August 8, 2006, the Office of the City Auditor is now established by Section 216 of the City Charter, effective September 1, 2006.

² Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office 2003), p. 21.

³ A component unit of the city is a legally separate organization that the city must include as part of its financial reporting. According to Governmental Accounting Standards Board (GASB) Statement No. 14, a component unit of a primary government is an organization that is legally separate from the government but for which the primary government is financially accountable because the government officials appoint a majority of the organization's governing body *and* either the government is able to impose its will on that organization or there is a potential for the organization to provide specific benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for government organizations that are fiscally dependent on it.

- Reviewing contracts, letters of engagement, and billings for legal services.
- Identifying criteria on contracting for legal services and monitoring attorney performance.

This audit is limited to an examination of legal services provided to the city's component units during fiscal years 2003 through 2006. The city's component units include:

American Jazz Museum, Inc.
Economic Development Corporation of Kansas City, Missouri
EDC Charitable Fund⁴
EDC Loan Corporation⁴
Kansas City Downtown Minority Development Corporation
Kansas City Maintenance Reserve Corporation
Kansas City, Missouri Police Department
Land Clearance for Redevelopment Authority of Kansas City,
Missouri⁴
Metropolitan Ambulance Services Trust Corporation
Port Authority of Kansas City, Missouri⁴
Tax Increment Financing Commission of Kansas City, Missouri⁴

We conducted this audit in accordance with generally accepted government auditing standards. No information was omitted from this report because it was deemed privileged or confidential.

Background

Legal Services

Legal services are needed to ensure that actions are legal and enforceable; to assess and reduce the risks from actions that are contemplated; and to obtain timely advice on issues as they arise. Component unit staffs reported using private legal service providers to draft resolutions, agreements, and contracts; handle general corporate work, including employment issues; work out real estate transactions, including environmental and eminent domain issues; act as bond counsel; and handle litigation and collections. Legal service providers also directed legislative and lobbying efforts and provided administrative services for agencies that lacked support staff.

⁴ These component units are staffed by the Economic Development Corporation of Kansas City, Missouri, a component unit and a business and economic development organization.

Component Units' Legal Service Providers

Private attorneys, law firms, staff attorneys, and the city's Law Department provide legal services to the component units. During the past four years, three of the city's eleven component units used the city's Law Department for legal services and the Police Department and MAST used staff attorneys. A majority of the city's component units viewed their legal needs as program specific, requiring specialized expertise. (See Exhibit 1.)

Exhibit 1. Legal Service Providers by Component Unit, Fiscal Years 2003-2006

Component Unit	Legal Service Provider
American Jazz Museum, Inc.	Hardwick Law Firm Hovey Williams LLP Sanders Simpson Fletcher Sly James Law Firm PC City of Kansas City, Missouri, Law Department
Economic Development Corporation of Kansas City, Missouri	Bryan Cave LLP Craft Fridkin & Rhyne LLC King Hershey PC Lathrop & Gage LC Polsinelli Shalton & Welte, PC Ray Sandy Sutton
EDC Charitable Fund	Sessions Law Firm Ray Sandy Sutton
EDC Loan Corporation	Bryan Cave LLP Keleher & Eastman King Hershey PC
Kansas City Downtown Minority Development Corporation	Thomas Franklin Polsinelli Shalton Welte Suelthaus PC Sonnenschein Nath & Rosenthal LLP
Kansas City Maintenance Reserve Corporation	City of Kansas City, Missouri, Law Department Unknown ⁵

⁵ The Housing and Economic Development Corporation (HEDFC) provided accounting and administrative services for the Kansas City Maintenance Reserve Corporation. On May 16, 2005, a receiver was appointed to administer the activities of HEDFC. Complete records for Kansas City Maintenance Reserve Corporation have not been provided to the city.

Exhibit 1. Legal Service Providers by Component Unit, Fiscal Years 2003-2006 (continued)

Component Unit	Legal Service Provider
Kansas City, Missouri Police Department	Blackwell Sanders Peper Martin LLP Dale H. Close Ensz & Jester Krigel & Krigel PC John I. Moran Preti Flaherty Beliveau James F. Ralls, Jr. Albert A. Riederer Robbins Russell Englert Orseck & Untereiner LLP Bryan E. Round Shughart Thomson & Kilroy PC Slagle, Bernard & Gorman PC Spencer Fane Britt & Browne LLP Stinson Morrison Hecker LLP Donna M. Wilson City of Kansas City, Missouri, Law Department Missouri Attorney General's Office KCMO Police Department, Office of the General Counsel
Land Clearance for Redevelopment Authority of Kansas City, Missouri	King Hershey PC Spradley Riesmeyer
Metropolitan Ambulance Services Trust Corporation	Lathrop & Gage LC MAST staff attorney
Port Authority of Kansas City, Missouri	Fields & Brown LLC King Hershey PC Sessions Law Firm
Tax Increment Financing Commission of Kansas City, Missouri	Bryan Cave LLP Craft Fridkin & Rhyne, LLC Hardwick Law Firm LLC James Tobin

Source: Component Units.

Annual Legal Expenses

Legal fees can be a significant expense for some component units. The Kansas City, Missouri Police Department, Metropolitan Ambulance Services Trust Corporation, Port Authority of Kansas City, Missouri, and Tax Increment Financing Commission of Kansas City, Missouri each spend hundreds of thousands of dollars annually on legal services fees. Component units' combined legal fees grew to almost \$2.2 million in fiscal year 2006. (See Exhibit 2.)

Exhibit 2. Legal Fees Paid by Component Units by Fiscal Year, 2003-2006

Component Unit	2003	2004	2005	2006
American Jazz Museum, Inc.	\$ 2,551	\$ 2,371	\$ 1,116	\$ 38,354
Economic Development Corporation of Kansas City, Missouri	7,403	73,647	0	0
EDC Charitable Fund ⁶	11,897	1,490	0	0
EDC Loan Corporation	2,061	4,959	8,931	1,653
Kansas City Downtown Minority Development Corporation ⁷	23,550	58,926	44,514	20,814
Kansas City Maintenance Reserve Corporation ⁸	Unavailable	Unavailable	Unavailable	Unavailable
Kansas City, Missouri Police Department ⁹	121,935	313,915	425,572	294,010
Land Clearance for Redevelopment Authority of Kansas City, Missouri ¹⁰	101,900	52,290	132,996	131,286
Metropolitan Ambulance Services Trust Corp. ¹¹	207,891	461,054	404,628	522,910
Port Authority of Kansas City, Missouri ¹⁰	337,559	373,619	412,634	521,637
Tax Increment Financing Commission of Kansas City, Missouri ¹⁰	523,207	524,994	635,768	635,444
Total	\$1,339,954	\$1,867,265	\$2,066,159	\$2,166,108

Sources: Component units' files and documents.

The legal service providers' rate structures varied. Some firms billed a "blended rate" or the same hourly rate for all attorneys, without regard to their published billing rates for other clients; some rates varied by the attorney performing the work or by type of work; and some bills varied based on whether the component unit or another entity was responsible for paying the bill. One law firm contributed legal services to component units based on the fees billed and paid by the units for other work. One component unit paid a monthly retainer for its general corporate work. And, two component units reported that attorneys sometimes provide services at no charge.

The hourly rates charged also varied. We requested copies of the five most recent legal bills from each component unit early in fiscal year 2006. The hourly rates ranged from \$100 to \$435 per hour. Three of the component units did not provide copies of their legal bills. (See Exhibit 3.)

⁶ The KCCID Charitable Fund became the EDC Charitable Fund in August 2005.

⁷ The fees paid for the Kansas City Downtown Minority Development Corporation reflect bills from two of the three legal service providers.

⁸ The Housing and Economic Development Corporation (HEDFC) provided accounting and administrative services for the Kansas City Maintenance Reserve Corporation. On May 16, 2005, a receiver was appointed to administer the activities of HEDFC. Kansas City Maintenance Reserve Corporation accounting records have not been provided to the city.

⁹ The Police Department figures do not include the cost of the Department's Office of the General Counsel.

¹⁰ The figures for these agencies include general and developer legal expenses.

¹¹ The MAST figures do not include the cost of legal services provided by a staff attorney.

Exhibit 3. Hourly Attorney Billing Rates

Component Unit	Hourly Attorney Billing Rates
American Jazz Museum, Inc.	No bills provided
Economic Development Corporation of Kansas City, Missouri	\$175
EDC Charitable Fund	No bills provided
EDC Loan Corporation	\$100-175
Kansas City Downtown Minority Development Corporation	\$190-350
Kansas City Maintenance Reserve Corporation	No bills available ¹²
Kansas City, Missouri Police Department	\$120-425
Land Clearance for Redevelopment Authority of Kansas City, Mo.	\$150-188.13
Metropolitan Ambulance Services Trust Corporation	\$157-272
Port Authority of Kansas City, Missouri	\$140-250
Tax Increment Financing Commission of Kansas City, Missouri	\$140-435

Source: Bills supplied by component units.

Risks

There are risks associated with the selection of legal service providers and the delivery of legal services. Strategies can be developed to manage risks that are identified and analyzed. Legal services risks include:

- Over-charging
- Actual or potential conflicts of interest
- Non-compliance with client directions
- Failure to provide timely services
- Insufficient expertise
- Insufficient familiarity with current practices
- Failure to observe confidentiality
- Failure to identify, monitor, and report on issues of significance
- Inconsistent legal advice
- Lack of skills to obtain and manage a legal services contract.¹³

¹² The Housing and Economic Development Corporation (HEDFC) provided accounting and administrative services for the Kansas City Maintenance Reserve Corporation. On May 16, 2005, a receiver was appointed to administer the activities of HEDFC. Kansas City Maintenance Reserve Corporation accounting records have not been provided to the city.

¹³ *Purchasing Legal Services*, Australian Government, The Attorney-General's Department, October 2005.

Findings and Recommendations

Summary

Component units have a duty to be good stewards of the resources committed to their care. Although legal fees can be a significant expense, the city's component units have not followed practices that would assure that the quality and value of legal services provided are commensurate with the public dollars expended.

Few component units used a competitive selection process and written contracts were not always executed or lacked basic provisions. Some component unit monitors did not manage the performance of their legal services vendors. Component units approved billings without knowing the billing rates and without knowing how long services should take to perform. One component unit was misled about the status of legal work performed.

Component units should periodically evaluate legal services needs and compare alternative delivery methods. The component units should also report annually and in a public manner basic information on their legal services contracting practices.

Component Units Should Improve Procurement and Monitoring

The city's component units need to improve their procurement and monitoring practices to assure that the quality and value of legal services provided are commensurate with their legal services expenditures. Although legal fees can be a significant expenditure of public funds, many of the providers were not selected through a competitive process. Only one component unit could provide a written agreement with each of their legal service providers. And, not all of the component units have evaluated their need for legal services or alternative delivery methods.

Establish and Follow a Procurement Process

Only two of the eleven component units reported using a formal procurement process for the selection of legal service providers—the Port Authority and MAST. Some component units could not identify the selection process used, others reported that their legal service providers

were selected because of a recommendation by a board member or previous employment by the component unit. One stakeholder told us that some legal services were viewed as a “political plum.” When a component unit determines that it needs legal services, objective procedures and criteria about how, when, and why to hire outside attorneys should be established.

Public moneys should be awarded through an open process. The Administrative Conference of the United States recommended in 1987 that in procuring legal services federal agencies should “scrupulously avoid favoritism, or the appearance of favoritism, which can erode public confidence in the integrity and fairness of the organization.”¹⁴ The same holds true for the city and its component units. Component units should use a competitive selection process to choose legal service providers. This process should include written procedures for component unit staff. Written procedures ensure that contracting practices are consistent, practices do not conflict with established requirements, and appropriate documentation is maintained.

Competitive procedures help to ensure that quality service is obtained at a reasonable price without the fact or appearance of favoritism. Depending on the scope of legal services sought, selection procedures could range from a public solicitation of formal proposals to informal telephone requests to several sources for information relating to qualifications, availability, and fees.¹⁴ The selection process should evaluate both the cost of service and the professional skills of potential service providers. The agency should also consider whether staff have the necessary skills and expertise to evaluate and select a legal service provider.

Component units should negotiate fees and seek discounts. The City Attorney negotiates discounts when the city contracts with legal service providers. Some legal service providers also bill component units at less than their market rates. The public should expect and receive good value for their tax dollars. Agencies that use private legal service providers should negotiate fees and ask for discounts, seeking competitive rates while securing needed skills.

To ensure that quality services are obtained at a reasonable price, component units who use vendors for legal services should establish an open and competitive selection process, negotiate fees, and ask for discounts.

¹⁴ Administrative conference of the United States Recommendation 87-3, now found at <http://www.law.fsu.edu/library/admin/acur/305873.html>.

Require Written Contracts

Not all of the component units could provide or have written contracts with their legal service providers. Even when a written agreement was provided for our review, some were not signed and dated.

Component units should execute written contracts for legal services.

Only one of the eleven component units (MAST) was able to provide us with copies of the signed and dated written contracts or letters of engagement between themselves and all of their legal service providers for the last four years. (See Exhibit 4.)

Exhibit 4: Written and Executed Contracts or Letters of Engagement¹⁵

Component Unit	Number of law firms	Number of contracts or letters of engagements provided	Number of signed and dated contracts or letters of engagements
American Jazz Museum, Inc.	4	0	0
Economic Development Corporation of Kansas City, Mo.	6	1	1
EDC Charitable Fund	2	0	0
EDC Loan Corporation	3	1	0
Kansas City Downtown Minority Development Corporation	3	0	0
Kansas City Maintenance Reserve Corporation	Unknown	0	0
Kansas City, Missouri Police Department	14	2	2
Land Clearance for Redevelopment Authority of Kansas City, Missouri	2	1	1
Metropolitan Ambulance Services Trust Corporation	1	1	1
Port Authority of Kansas City, Missouri	3	2	1
Tax Increment Financing Commission of Kansas City, Mo.	4	1	0

Source: Documents provided by component units.

Good procurement practices require written agreements. As a general rule, a public contract must be in writing and signed by an official with the authority to bind the public entity. Contracts between component units and legal service providers should be written and signed by the parties to establish the attorney-client relationship.

Include Basic Provisions In Contracts

Component units' legal services contracts and letters of engagement varied in format and content and not all contained basic provisions. Based on a review of the city's contract guidebook for professional

¹⁵ The counts in this exhibit do not include the city's Law Department, Missouri Attorney General's Office, and in-house legal staff.

services contracts and a model legal services contract developed for the Economic Development Corporation of Kansas City, Missouri and affiliated agencies, component units' legal services contracts should contain provisions establishing the basis of payment, scope and duration of the engagement, and for certain component units, a city ordinance conflict of interest restriction.

Written contracts should establish the basis of payment. All of the contracts and letters of engagements we reviewed addressed most of the fees that would be charged for legal services performed by attorneys. However, one legal services vendor did not include a schedule of the actual billing rates that would be charged when legal services costs were passed on to developers and taxpayers. In addition, only one contract set out how attorney fees would escalate over the term of the contract.

Legal service providers' overhead is generally included in the professional fees. We found a component unit contract, however, that specifically provided that the service provider would bill for overtime and for computer or word processing time. This contract also allowed the legal service provider to bill the component unit for third-party charges, such as long-distance telephone and computer-assisted research, at rates higher than those obtained from the third-parties.

Written contracts should establish a scope of work and the duration of the engagement. Setting out a scope of services give both the component unit and the legal service provider a clear understanding of what services will be provided and when. Seven of the nine component units' legal services contracts outlined at least a general scope of services to be provided by the legal services contractor. Four of the nine contracts also outlined client duties such as assisting in providing data and information, giving policy direction, and providing investigative and research services. Only five of the nine contracts reviewed set the length of the contract.

Some contracts didn't include a conflict of interest restriction imposed by city ordinance. Five of the component units are not permitted to contract for the professional services of any attorney who, at the time of the issuance of the contract, represents any party in litigation against the city.¹⁶ A review of the available contracts revealed that only one of five contracts contained this restriction, alerting the legal service providers to this requirement. (See Exhibit 5.)

¹⁶ Kansas City Code of Ordinances section 2-83, which establishes this restriction, also offers a few exemptions. Those exemptions include representation in municipal court, attorneys employed by a not-for-profit legal services corporation, and where the city is named as a nominal party, where the litigation has been filed with the agreement of the city and the party represented by the attorney, or where the council has otherwise waived the requirement.

Exhibit 5. Component Units Covered by City's Conflict of Interest Requirement

Component Unit	Law Firm Contract or Letter of Engagement Available for Review	Clause in Contract or Letter of Engagement
Kansas City Maintenance Reserve Corporation	Unknown	Contract not Available
Land Clearance for Redevelopment Authority of Kansas City, Mo.	King Hershey PC	No
Metropolitan Ambulance Services Trust Corporation	Lathrop & Gage LC	No
Port Authority of Kansas City, Mo.	Fields & Brown LLC	Yes
	King Hershey PC	No
Tax Increment Financing Commission of Kansas City, Mo.	Bryan Cave LLP	No

Source: CAO review of available agency contracts.

The Economic Development Corporation of Kansas City, Missouri (EDC) developed a model contract for attorneys and firms doing business with the EDC and its affiliated agencies. This agreement contained a provision reflecting the requirements of code section 2-83. Law firms contracting with the agencies staffed by the EDC were asked to execute the model contract. About one-half of the law firms providing legal services to the EDC and affiliated agencies whose contracts we reviewed executed a form of the model contract. Bryan Cave substituted its own agreement, which did not include the section 2-83 conflict of interest restrictions, and billed the Tax Increment Financing Commission of Kansas City, Missouri for the time to write their own agreement. King Hershey's letters of engagement with the Land Clearance for Redevelopment Authority of Kansas City, Missouri and Port Authority of Kansas City, Missouri did not include the conflict of interest provisions.

To better protect the public's interest and establish a clearer understanding, component units should negotiate and execute written contracts with legal service providers that include reasonable fees and expenses, a scope of work, the duration of the engagement, and an applicable city ordinance restriction.

Evaluate Legal Service Needs and Delivery Systems

Component units have a duty to be good stewards of the public resources committed to their care. Good stewardship requires that assets be used efficiently and effectively to achieve the component unit's goals. Most component units report hiring private attorneys because they do not have enough legal work to justify adding an attorney to their staff or they need specialized legal services.

Component units should periodically evaluate whether there is a better means of obtaining legal services than the delivery system they currently use. The EDC examined the legal expenses for the agencies it staffed in 2002. The staff analyses concluded that an in-house legal staff could potentially handle about half of the billed hours. The EDC and the component units it staffs pay about a million dollars annually in combined legal expenses. While it might not make economic sense for each of these agencies to hire an attorney as an employee, it would be reasonable for the EDC to hire an attorney to handle some of these agencies' routine legal needs internally and help oversee outside legal service providers.

The Police Department augments their legal staff with outside attorneys and the occasional use of the city's Law Department. And, although the Kansas City Downtown Minority Development Corporation currently uses a private firm, the chairman and the attorney who provided legal services both stated that the city's Law Department has the expertise to handle the work.

To use public resources more efficiently, component units should periodically evaluate their need for and method of obtaining legal services.

Strengthen Contract Monitoring

Contract monitoring is an integral part of good management. Our review of legal bills and interviews identified potential monitoring weaknesses. One component unit's monitor didn't have the billing rates for a firm's attorneys, but was approving payments. Other monitors approved expenses such as copies and faxes although the contract did not establish pricing. We also found under- and overcharges in legal bills.

Some monitors don't know how long legal work should take, even for routine matters. Only one component unit established a maximum budget within their contract. And, in one instance, an attorney misrepresented the status of steps taken to acquire property for redevelopment. Almost two years after an attorney reported beginning to take the legal steps to acquire lots for redevelopment, the attorney's firm could find no evidence that any action had been taken.

Monitors need to understand the importance of contract monitoring and take steps to better control legal expenses. The EDC provided training to its staff members with monitoring responsibilities. MAST limited the individuals who could contact their legal service provider and report reducing the hours billed by 20 percent. Two monitors, however, view legal service providers as trusted staff rather than as vendors.

To protect the expenditure of public moneys, component units should ensure that staff understand the importance of contract monitoring and have the necessary expertise to develop and implement monitoring procedures.

Staff should publicly report legal services contract information.

Some of the component units we contacted could not provide basic information or documentation supporting their legal services expenditures. Many of the legal services engagements appear to be for indefinite periods, awarded through unknown processes. To increase the transparency of these public expenditures and to encourage better procurement and monitoring practices, each component unit should publicly and annually report to their board of directors the names of the legal service providers used, the type of work provided, the reason for the engagement, the competitive procedures used to select the provider, the basis of compensation, and the actual fees paid.

Recommendations

The City Manager should work with component units to adopt a systematic method of contracting for legal services through adoption of the following recommendations:

1. Component units that use vendors for legal services should establish an open and competitive selection process, negotiate fees, and ask for discounts.
2. Component units should execute written contracts with legal service providers that establish the scope of work, the contract term, reasonable fees and expenses, and an applicable city ordinance conflict of interest restriction.
3. Component units should periodically evaluate their need for and method of obtaining legal services.
4. Component units should ensure that staff understand the importance of contract monitoring and develop and implement monitoring procedures.
5. Component units should annually report in a public manner basic information on their legal services contracting practices.

Appendix A

City Manager's Response

CITY OF FOUNTAINS
HEART OF THE NATION



KANSAS CITY
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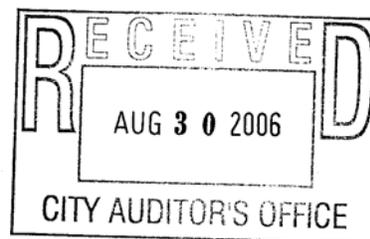
Office of the City Manager

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414 East 12th Street
Kansas City, Missouri 64106



(816) 513-1408
Fax: (816) 513-1363

TO: Mark Funkhouser, Auditor
FROM: Wayne A. Cauthen, City Manager
DATE: August 30, 2006
RE: Component Units' Legal Services Procurement and Monitoring Audit Response



I have read and considered the recommendations resulting from the draft audit on *Component Units' Legal Services Procurement and Monitoring*. Please find my response below:

I am in agreement with all the recommendations resulting from this audit. However the city's ability to enforce these recommendations is limited. Each component unit included in this audit is governed by bodies that are not under the direct authority of City Hall administration. While many of those governing bodies include members of council and/or a member of the city's administration (usually ex-officio), the ability for the city to require these actions of the component units is limited at best.

Therefore, to ensure that these recommendations are implemented and adhered to, they should be presented to the governing bodies of those component units. This would allow those governing bodies to sponsor the recommendations and allow the organizations to embrace newly instituted policies and business practices from the administration down.

In addition to the recommended requirements, I believe the component units should also require, and enforce the same percentages for minority- and women-owned business enterprise participation in their contractual relationships to which the city adheres.

I would also encourage the component units to partner with and utilize the services of the city's Law Department. The partnerships would prove to be mutually beneficial. They would allow the city's Law Department to gain institutional knowledge about the legal transactional issues of the component units, and enhance the transactional skill set already in place in the city's Law Department.

Recommendation #1: Component units that use vendors for legal services should establish an open and competitive selection process, negotiate fees, and ask for discounts.

Agree. As the city is guided by the above mentioned procedures to procure legal services, so should all the component units should establish these procedures.

Recommendation #2: Component units should execute written contracts with legal services providers that establish the scope of work, the contract term, reasonable fees and expenses, and statutory conflict of interest restrictions.

Agree. As the city is guided by these practices when entering into legal contracts with legal service providers, so should component units practice them.

Recommendation #3: Component units should periodically evaluate their need for and method of obtaining legal services.

Agree. The city evaluates its legal service contracts on an annual basis (or as contracts expire for negotiation), and component units should do the same.

Recommendation #4: Component units should ensure that staff understand the importance of contract monitoring and develop and implement monitoring procedures.

Agree. The city monitors all manner and variety of contracts it enters into for legal and other services to ensure the terms of the contract are met and adhered to; component units should similarly monitor their contracts. As mentioned above, the monitoring should include ensuring minority- and women-owned business enterprise participation in contracts is met.

Recommendation #5: Component units should annually report in a public manner basic information on their legal services contracting practices.

Agree. As we report to the City Council on a regular basis of our business activities, so should component units report publicly. In my opinion, the best way would be to the City Council, during a Business Session so that the information is available to all citizens.