

**Performance Audit
Kansas City Global Commission**

January 2009

City Auditor's Office

City of Kansas City, Missouri

January 28, 2009

Honorable Mayor and Members of the City Council:

We conducted this performance audit of the Kansas City Global Commission at the direction of the City Council. The council directed us to focus on the finances and functions of the Global Commission and whether there have been any violations of the Red Flag Commission's recommendations by any city elected official, appointed official, or city employee related to these finances and functions. Because the Global Commission has only been meeting since August 2007, the commission's expenditures and activities are limited.

Because the Red Flag Commission directed its recommendations to the City Council, city manager, and the city auditor, the Global Commission, as a body, could not violate the Red Flag recommendations. There was also no evidence of violations by City Council members that are part of the commission.

The Global Commission has no budget. So when the commission, as a body, agreed to have a facilitator help them develop their priorities and vision, they sought funds and assistance from the city manager. The city manager's staff contracted on the commission's behalf.

We shared a copy of the draft report with the city manager on December 10, 2008 and the Chair of the Global Commission, Councilwoman Deb Hermann on November 20, 2008. Because we did not make any recommendations, we did not request a response from them. We would like to thank the city manager's staff and Councilwoman Hermann for their cooperation in providing documentation and answering questions. The audit team for this project was Nataliya Kurtucheva and Sue Polys.

Gary L. White
City Auditor

Kansas City Global Commission

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Introduction

Objectives

We conducted this performance audit of the Kansas City Global Commission under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, and at the direction of the City Council. Resolution 080094 directs the city auditor to conduct an audit of the finances and functions of the Global Commission.

A performance audit provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision-making, and contribute to public accountability.¹

This report is designed to answer the following question:

- Have there been any violations of the Red Flag Commission's recommendations related to the finances and functions of the Kansas City Global Commission?

Scope and Methodology

Our audit reviewed the finances and functions of the Global Commission. Our methods included:

- Interviewing stakeholders.
- Reviewing commission minutes and bylaws.
- Reviewing the contract and related invoice for a consultant.
- Reviewing the *Red Flag Commission Report* and the *City Ethics Handbook*.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2007), p. 17.

- Reviewing city code and Contract Central’s General Instructions for Professional, Specialized, Technical Services Contracts.²

We conducted this performance audit in accordance with generally accepted government auditing standards with the exception of reporting the views of management concerning the audit. We shared a copy of the draft report with the city manager and the chair of the Global Commission, but because the findings do not warrant recommendations we did not seek a written response. We do not believe the absence of a response affects the audit results.

Government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

Background

Global Commission Serves as Advisory Group to City Council

The Global Commission’s purpose is to assist and support the City Council by making recommendations regarding current and future international activities. The commission acts to bolster the city’s economic opportunities, visibility, and reputation globally.

The commission’s subcommittees are China-Taiwan Initiative, International Transportation Corridor, Agribusiness and Global Bioscience, and Other. The commission discusses international conferences, trade missions, and other global activities with which the commission members and Kansas City are involved.

Mayor Appoints Global Commission Members

According to city ordinance, the Kansas City Global Commission should have twenty-five members appointed by the mayor, two of whom should be City Council members. The chair of the City Council’s Finance and Audit Committee should be the chair of the commission.

² We reviewed the city’s instructions in effect at the time the city contracted on behalf of the Global Commission.

The other commission members should be city employees or members of the business community with experience and interest in the global economy. All members of the commission should serve a three-year term without compensation. The commission has the power to adopt rules governing its own procedures and must meet at least quarterly. The city manager's International Affairs and Trade Office provides staff support to the commission. (See Appendix A for a listing of Global Commission members.)

Global Commission Was Reorganized

In July 2007, city code was amended and the previous Global Trade Commission was renamed the Global Commission. The ordinance increased the number of commission members and redefined the functions of the commission.

The new commission had its first meeting in August 2007 and met again in November for a planning retreat. Since January 2008, the commission has met almost every month, but is considering decreasing its meetings to quarterly.

Global Commission Has No Operating Budget

The Global Commission does not have its own budget. The commission can seek funds through the city manager or the City Council. Should the commission need help locating funds, it can appropriately do so through the director of the International Affairs and Trade Office, who is staff to the commission.

Red Flag Commission

The Red Flag Commission examined Kansas City's contract processes, procedures, and monitoring in light of a wave of public corruption prosecutions involving elected city officials. Former Mayor Emanuel Cleaver II established the commission in the late 1990's, which was composed of a group of seven business and community leaders. The commission offered recommendations to promote open, ethical government, define the proper relationship between the City Council and city staff, and improve city contracting procedures. The commission report said the "recommendations are intended at least to minimize inappropriate and/or illegal activity and to maximize the likelihood of exposure when such behavior may occur."³

³ *Red Flag Commission Report*, Red Flag Commission, Kansas City, Missouri, January 1997, p. 4.

Findings

Summary

The Global Commission, as a body, could not be in violation of the Red Flag Commission recommendations because the recommendations were directed to the City Council, city manager, and city auditor. There was also no evidence that council members on the Global Commission violated Red Flag Commission recommendations. The Global Commission acted as a body agreeing to use a facilitator in an upcoming meeting. The city manager's staff contracted for professional facilitation services, on behalf of the Global Commission. The facilitator's contract is the commission's only significant expenditure.

Global Commission Did Not Violate Red Flag Commission Recommendations

The Global Commission, as a body, could not be in violation of the Red Flag Commission recommendations because the Commission directed the recommendations to the City Council, the city manager, and the city auditor. There was also no evidence that council members on the Global Commission violated Red Flag Commission recommendations. The Global Commission, including council members on the commission, acted as a body agreeing to use a facilitator in an upcoming meeting. The city manager contracted to provide facilitation services to the commission because the commission does not have its own budget. The contract is the only significant expenditure the city has had on the behalf of the Global Commission.

Global Commission Could Not Be In Violation of the Red Flag Recommendations

Even though the spirit of the Red Flag Commission recommendations concerning open processes could be ignored, the Global Commission could not be in violation of the recommendations because they were directed to the City Council, the city manager, and the city auditor. In the 1990's, there was a wave of public corruption prosecutions involving elected city officials. The Red Flag Commission was established to examine the city's contract processes, procedures, and monitoring in light of this corruption. The commission identified problems such as weaknesses in city contracting, inadequate financial oversight, and inappropriate direction of city staff by elected officials. As a result of

their findings, the Red Flag Commission recommended the City Council be oriented to and affirm the limits of their individual and shared authority. The Council is to direct staff as a legislative body and not as individual council members. The Red Flag Commission recommended the city manager provide staff with clear procedures and training about proper and improper contact with Council, as well as develop consistent contracting and monitoring procedures. The commission recommended the city auditor audit the implementation of the Red Flag recommendations.

A council member on the Global Commission could violate the spirit of the Red Flag Commission recommendations by not maintaining his or her appropriate role as policy maker and individually directing staff; however, there was no evidence of this.

Global Commission Agreed to Facilitator

At the suggestion of the commission chair, who is also a City Council member, the Global Commission agreed to have a facilitator help the commission develop priorities and vision. Because the commission agreed as a body on the need for a facilitator, the chair did not individually direct staff to hire one. Just as City Council members should not individually direct staff, the commission can ask for information or assistance from city staff as a body. The minutes of the Global Commission's meeting show that, although the commission did not take a formal vote, the commission discussed and agreed as a group to have a facilitator for their next meeting.⁴ At this first meeting of the Global Commission, the commission did not have approved bylaws, which outline how the commission should make formal decisions. The commission approved their bylaws in December 2007.

Because the Kansas City Global Commission has no budget, it sought funds and assistance from the city to hire a facilitator. In October 2007, the city manager contracted with a facilitator to satisfy the commission's request. The city hired the contractor to perform and document interviews with commission members and non-member stakeholders, develop a summary document of the interview data, and facilitate a half-day retreat and additional sessions for work groups to develop a plan for the function and operation of the Global Commission. The funds expended (\$10,910) for the facilitator are the only significant money the city has spent on the commission.

⁴ Kansas City Global Commission meeting minutes, August 18, 2007.

Appendix A

Kansas City Global Commission Members

Kansas City Global Commission Members

Name	Organization	Title/ Occupation
Deb Hermann, Chair	City of KCMO, City Council	Councilmember
George Blackwood, Vice Chair	Blackwood, Langworthy, and Tyson, L.C.	Lawyer
Jim Bergfalk	TransAm Group	President
Bradley Bergman*	The Midwest Trust Co. of MO	President & CEO
David Burdick	Priority Logistics	President
Jinwen Cai	City of KCMO, Health Department	Statistician
Teresa Chien	Society For Friendship With China, Inc.	Member
Ron Coker	Burns & McDonnell	President & CEO
Al Figuly	Greater KC Foreign Trade Zone	President
Chris Gutierrez*	KC Smart Port	President
Jean Marie Hung	Sister Cities Association of KC	Board Member
Benny Lee	Top Innovations, Inc.	President
Jim Malouff	Malouff Companies	President
Vincent Oretga	City of KCMO, Police Department	Retired Police Officer
John Phillips	Blackwell Sanders	Lawyer
Mary Pyle	KC Chamber of Commerce	Director
William Session	The Session Law Firm	Lawyer
Bridget Williams	Greater KC AFL-CIO	President
Ex-officio		
Rick Hughes	KC Convention & Visitors Association	President & CEO
Jeff Kaczmarek	Economic Development Corp.	President & CEO
John Franklin	City of KCMO, City Manager's Office	Assistant City Manager
Mark Van Loh	City of KCMO, Aviation	Director
Staff		
Joanna Edgerton	City of KCMO, International Affairs and Trade Office	Director
Joan Pu	City of KCMO, Mayor's Office	Assistant Director of Policy Analysis
Stephen Walsh	City of KCMO, Office of the City Attorney	Assistant City Attorney

Source: City Clerk's website, October 21, 2008, and Mayor's Office, May 2008.

* Term expired 8/31/2008.