

**Performance Audit  
City's Efforts to Encourage  
Ethical Conduct**

February 2011

**City Auditor's Office  
City of Kansas City, Missouri**



## Office of the City Auditor

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February 16, 2011

Honorable Mayor and Members of the City Council:

This audit focused on the city's current efforts to encourage ethical conduct. We intend our report to complement the work of the interim city manager who, at the City Council's request, has been reviewing the city's Code of Ethics and will be suggesting revisions for Council consideration. We reviewed the city's current practices for encouraging ethical conduct. We also reviewed ethics literature to identify recommended practices for effective ethics programs.

We found that the city has the basic elements recommended for an effective ethics program – a Code of Ethics, an *Ethics Handbook*, ethics training for new employees and elected officials, an administrative ethics committee comprised of senior management, an Ethics Hotline, and whistleblower protection – but those tools need to be strengthened. The *Ethics Handbook* has not been revised substantively since 1999. Ethics training for employees and elected officials does not occur as often as required by ordinance. The city's Committee on Administrative Service Ethics has not been active. The city's Ethics Hotline is not publicized to the public, and information about whistleblower protection is not included in the city's ethics-related materials. We make recommendations to improve these basic tools.

A strong ethical culture often has more of an impact on achieving an effective ethics program than the elements described above. The Ethics Resource Center, a nonprofit, nonpartisan research organization, defines ethical culture as "the extent to which an organization's ethical standards are given priority and promoted by its management, employees, policies, processes, and decision-making." We make recommendations to strengthen the city's ethical culture through increasing the frequency of communication from top management to employees about ethical expectations, improving accessibility to the city's ethics-related materials, and public promotion of the city's ethical standards and expectations and its commitment to being an ethical organization.

We shared a draft report with the interim city manager on January 10, 2011. His response is appended. We appreciate the courtesy and cooperation of staff in the City Manager's Office and the Law and Human Resources departments. Deborah Jenkins conducted this audit.

Gary L. White  
City Auditor

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# City's Efforts to Encourage Ethical Conduct

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## Introduction

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### Objectives

We conducted this audit of the city's efforts to encourage ethical conduct under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

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.<sup>1</sup>

In July 2010, the City Council directed the interim city manager to review and recommend revisions to the city's Code of Ethics.<sup>2</sup> We intend this audit report to complement his work by providing some recommended practices for communicating ethics expectations and strengthening ethical culture in city government.

This report is designed to answer the following question:

- Do current city practices encourage ethical conduct in city government?

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### Scope and Methodology

Our review focuses on how the city promotes ethical conduct in city government. Our audit methods included:

- Interviewing staff who are responsible for ethics training to learn when the training is conducted, who does the training, who receives the training, and what is covered during the training.

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

<sup>2</sup> Resolution 100531, July 1, 2010.

- Reviewing the city's Ethics Code, Ethics Handbook, Administrative Regulations, Code of Ordinances, City Charter, and other city documents to understand the city's current efforts to encourage ethical conduct in city government.
- Reviewing *Listening to the Workforce – 2008 Employee Survey* and the *2010 Kansas City Citizen Survey Report* to understand employee and citizen perceptions about city government's ethical conduct.
- Reviewing ethics literature to identify recommended practices for effective ethics programs.
- Reading the 1997 *Red Flag Commission Report*, the 1998 City Auditor's *Implementation of the Red Flag Commission's Recommendations* audit report, and the 1999 *Report of the Council Ethics/Relations Committee* to identify the city's earlier efforts related to ethical conduct.

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

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## **Background**

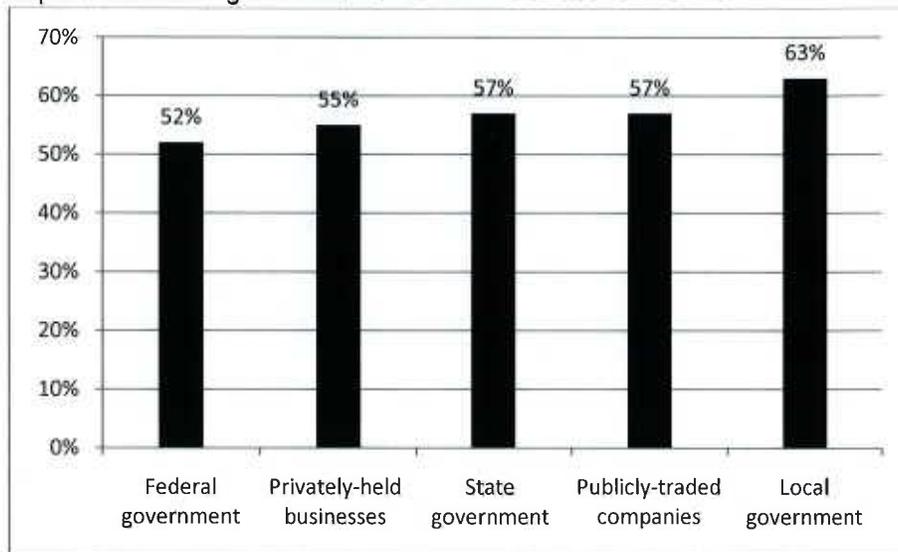
Public trust is an essential element of effective government. Public trust is built largely upon the perceptions that citizens have regarding city employees, elected officials, and members of city boards, commissions, and committees. Government is most effective when citizens believe elected and appointed officials and employees are acting in their best interest. Once public confidence is destroyed, it is difficult to re-establish.

### **Research Shows Misconduct Is High at All Levels of Government**

According to the Ethics Resource Center's (ERC) 2007 *National Government Ethics Survey*, nearly six in ten government employees observed a violation of ethics standards, policy, or the law in their workplace in the past year. While all levels of government – federal,

state, and local – experience misconduct, misconduct is observed most often in local governments. According to the ERC’s survey, 63 percent of local government employees reported observing at least one type of misconduct in the past 12 months compared to 52 percent at the federal level and 57 percent at the state level. Misconduct is also observed more often in local governments than in privately-held and publicly-traded companies according to the ERC’s survey. (See Exhibit 1.)

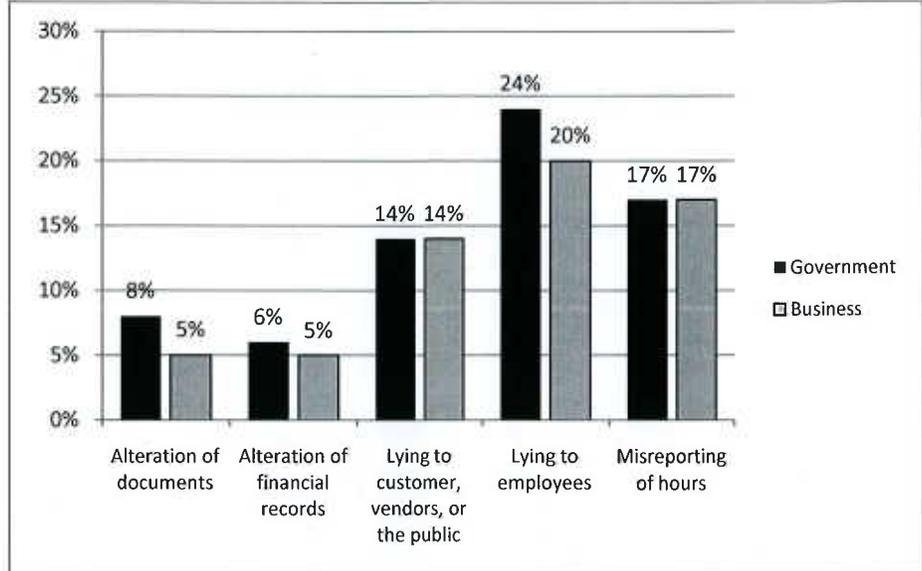
Exhibit 1. Percentage of Government and Business Employees Who Reported Observing Misconduct in Previous 12 Months - 2007



Source: 2007 National Government Ethics Survey.

The ERC’s 2007 *National Government Ethics Survey* also showed that financial and other types of fraud are at least as common in government as they are in business. (See Exhibit 2.)

Exhibit 2. Percentage of Select Types of Fraud in Government and Business - 2007



Source: 2007 National Government Ethics Survey.

### Some Employees and Citizens Believe City Government Ethics Need Improvement

Over 20 percent of those who responded to an employee survey conducted in 2008 by the City Auditor's Office disagreed with the statement that Kansas City government is an ethical place to work.<sup>3</sup> Furthermore, citizen satisfaction survey scores for how ethically the city conducts business have been low and continue to get lower – satisfaction dropped from 25 percent in 2008 to 17 percent in 2010.<sup>4</sup>

### City's Response to Past Ethical Lapses

In the face of public corruption prosecutions involving elected officials in the 1990s, the city established a commission made up of business and community leaders to review the city's contracting practices and a committee of city councilmembers to develop guidance on the proper interaction between elected officials and city staff. The city also created administrative regulations related to ethics for employees and established a Municipal Officials and Officers Ethics Commission.

<sup>3</sup> *Listening to the Workforce - 2008 Employee Survey*, Office of the City Auditor, Kansas City, Missouri, April 2009, p. 12.

<sup>4</sup> *Kansas City Citizen Survey Report, Fiscal Year 2010*, Office of the City Auditor, Kansas City, Missouri, August 2010, p. 51.

**Red Flag Commission.** In the late 1990s, Former Mayor Emanuel Cleaver II established the Red Flag Commission. The role of the commission, composed of a group of seven business and community leaders, was to examine the processes, procedures, and monitoring of contracts at City Hall. The mayor established the Red Flag Commission to restore public confidence in City Hall in light of a wave of public corruption prosecutions involving elected city officials. In its January 1997 report, 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 made recommendations that were “intended at least to minimize inappropriate and/or illegal activity and to maximize the likelihood of exposure when such behavior may occur.”<sup>5</sup>

**Council Ethics/Relation Committee.** In the late 1990s, Former Mayor Emanuel Cleaver II also established the Council Ethics/Relations Committee. The committee’s role was to provide guidance to the City Council on the proper interaction between the council and city staff and to improve ethics in city government. The committee was composed of four council members. In the committee’s February 1999 report, it made recommendations to strengthen guidance about council oversight of city operations; individual communications between councilmembers and staff about constituent inquiries and other matters; and contacts between councilmembers and area lobbyists. It also made recommendations to provide additional protections against direction of city staff by individual councilmembers or other city staff.

**Committee on Administrative Service Ethics.** The Committee on Administrative Service Ethics, established by Administrative Regulation 1-14, is responsible for drafting and disseminating a Code of Ethics for employees; developing and implementing an educational program to assure all employees are acquainted with the provisions of the Code of Ethics; and issuing advisory opinions to officials and employees to provide guidance and to establish a framework for the conduct of public affairs. The committee may conduct investigations, at the request of the city manager, to assure adherence to the Code of Ethics. The committee is composed of the city manager (or the manager’s designee) and three department heads appointed by the city manager.

**Municipal Officials and Officers Ethics Commission.** According to the charter, the Municipal Officials and Officers Ethics Commission’s role is to provide advisory opinions and to investigate and report on allegations of violations of the city’s charter and ordinances concerning conflict of interest and financial disclosure by members of the City

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<sup>5</sup> *Red Flag Commission Report*, January 1997, p. 4.

*City's Efforts to Encourage Ethical Conduct*

Council, including the mayor, the city manager, the city manager's assistants, department directors, the city clerk, the city auditor, and appointed officers of city boards and commissions. The committee is made up of seven members appointed by the mayor.<sup>6</sup>

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<sup>6</sup> Charter of Kansas City, Missouri, Art. XI, Sec. 1116.

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## Findings and Recommendations

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### Summary

While the city has many of the basic elements recommended for an effective ethics program, it needs to strengthen and augment these tools. The Ethics Handbook needs to be updated; ethics training should be ongoing for employees and elected officials; there should be an active administrative ethics committee to implement and administer the city's ethics program and help employees resolve ethical questions; the city's Ethics Hotline should be promoted to the public; and whistleblower protection should be stressed in the city's ethics-related materials.

To strengthen its ethical culture, the city should cultivate a management approach that integrates ethical standards and expectations into everyday work life and decision-making. There should be frequent and continuing communication from leadership about ethical values in government. The city's ethics-related materials should be readily available, and there should be frequent communication about ethical expectations. To help address citizens' perception of how ethically it conducts business, the city should publicly promote that it is concerned about ethics and is committed to being an ethical organization.

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### Ethics Program Basics Are in Place But Need to Be Strengthened

The city has many of the basic elements recommended for an effective ethics program – a Code of Ethics, an *Ethics Handbook*, ethics training for new employees and elected officials, an administrative ethics committee comprised of senior management, an Ethics Hotline, and whistleblower protection. The city established many of these tools in the late 1990s in response to the recommendations of the Red Flag Commission and Council Ethics/Relations Committee. While these basic tools are in place, the city needs to strengthen them. The city needs to update its *Ethics Handbook* and other ethics materials to reflect all of the provisions in the current Code of Ethics and the city's prohibition on retaliation; conduct ongoing ethics training as required by city ordinance; ensure the Committee on Administrative Service Ethics is active and carries out its responsibilities; and make the Ethics Hotline available to the public.

### **City Has Code of Ethics and Ethics Handbook, But They Are Not Reviewed or Updated Regularly**

The city does not have a system to regularly review its Code of Ethics and ethics-related materials and regulations. New employees and elected officials receive a copy of the *Ethics Handbook* at orientation, but the city has not updated it substantively since 1999. Consequently, the *Ethics Handbook* does not contain significant provisions of the current Code of Ethics, such as the prohibition on disclosing confidential information received at an executive session; guidelines on reporting and reimbursement of travel and other expenses; and the penalties for making a false report through the municipal hotline. Similarly, Administrative Regulation 1-15, which established an Administrative Code of Ethics, was last revised in 1997.<sup>7</sup> As a result, it also does not reflect all provisions of the current Code of Ethics.

In July 2010, the City Council directed the interim city manager to review the ethical principles of other municipalities, other model codes, and the International City/County Management Association's Code of Ethics and, based on that review, suggest revisions to the city's Code of Ethics.<sup>8</sup> The resolution noted that the city had not done a comprehensive review of its Code of Ethics since the 1990's. A recommended practice is to have a regular review system to ensure the Ethics Code is dynamic and stays updated in light of new issues.<sup>9</sup> A recommended review cycle is every three years to keep the message fresh and relevant.<sup>10</sup>

To ensure the Code of Ethics stays relevant, the interim city manager should review it at least every three years and suggest revisions for City Council consideration. The city's ethics-related materials and regulations should be revised promptly whenever there are changes to the Code of Ethics.

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<sup>7</sup> Administrative Regulations (ARs) are guidelines, rules, and regulations for the general conduct of the city's affairs. The city's Administrative Code of Ethics is based upon the city's Code of Ethics, and applies only to employees in departments under the administrative supervision of the city manager. It does not apply to elected officials or those they appoint.

<sup>8</sup> Resolution 100531, July 1, 2010.

<sup>9</sup> Stuart Gilman, Patricia Harned, Frank Navran and Jerry Brown, "Ten Things You Can Do to Avoid Being the Next Enron," Ethics Resource Center, May 29, 2009. <<http://www.ethics.org>>

<sup>10</sup> Kirk O. Hanson, "Toward an Ethical Culture: Characteristics of an Ethical Organization," Business and Organizational Ethics Partnership – Markkula Center for Applied Ethics, Santa Clara University, April 5, 2007. <[http://www.scu.edu/ethics/practicing/focusareas/business/ethical\\_culture.ppt](http://www.scu.edu/ethics/practicing/focusareas/business/ethical_culture.ppt)>

### **Ethics Training Provided, But Not as Often as Required**

New employees and elected officials receive ethics training during their orientation process, but the city does not provide ongoing ethics training as often as required by city code. The code requires the city manager to provide annual ethics training to city employees, contract employees, elected officials, and members of boards and commissions.<sup>11</sup> City code also requires the city manager to provide elected officials with updates on orientation training topics every six months.<sup>12</sup> These updates are not conducted.

In addition to the ethics information new employees receive at orientation, some city departments provide ethics training for their employees. The city also offers a class on ethical issues in contracting in its Contract Training Academy. It expands on the basic ethics training provided as part of the Human Resources Department employee orientation.

Recommended practices include providing periodic ethics training to individuals at all levels of the organization, including the governing authority.<sup>13</sup> Ethics training can help prepare non-management employees to resolve ethical situations that may lead to misconduct, and management training helps provide a positive ethical culture because management influences employees by setting an example.<sup>14</sup> To improve the city's efforts to encourage ethical conduct and comply with city code, the interim city manager should provide annual training to employees, contract employees, elected officials, and members of boards and commissions; and provide updates for elected officials every six months.

### **Administrative Ethics Committee Established, But Not Active**

The city manager established a Committee on Administrative Service Ethics through Administrative Regulation 1-14. Although it is supposed to meet at least semi-annually, there is no evidence the committee has been active in recent years. The committee is responsible for drafting and disseminating an administrative Code of Ethics;<sup>15</sup> implementing an ethics training program; issuing advisory opinions; providing guidance to

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<sup>11</sup> Code of Ordinances, Kansas City, Missouri, Sec. 2-86(b).

<sup>12</sup> Code of Ordinances, Sec. 2-1012.5(e).

<sup>13</sup> Kenneth Johnson, "Federal Sentencing Guidelines: Seven Minimum Requirements," Ethics Resource Center, December 31, 2004. <<http://www.ethics.org>>

<sup>14</sup> Shele Bannon, Kelly Ford, and Linda Meltzer, "How to Instill a Strong Ethical Culture," *The CPA Journal*, July 1, 2010. <<http://www.allbusiness.com>>

<sup>15</sup> The Administrative Code of Ethics is a group of principles designed to govern employees' actions and ensure employee's conduct reflects the best interest of the city. The city's Code of Ethics is the basis for these principles.

officials and employees with ethics questions; and conducting confidential investigations at the request of the city manager to assure adherence to the Code of Ethics. Recommended practices include establishing an ethics committee comprised of senior management charged with implementing and administering an ethics management program including training and resolving ethical dilemmas. During the summer of 2010, the interim city manager appointed a new committee comprised of senior management, and the committee has met.

To strengthen oversight of the city's ethics program, the interim city manager should ensure the Committee on Administrative Service Ethics meets regularly to administer the city's ethics program by providing ongoing ethics training, guidance to employees and officials with ethics questions, and conducting confidential investigations to assure adherence to the city's Code of Ethics.

### **Ethics Hotline Established But Not Promoted to Public**

In response to recommendations by the Red Flag Commission and the Council Ethics/Relations Committee, the city established an ethics hotline in 1999, but it has not been made available to the public.<sup>16</sup> The Council intended that the city to expand the hotline's availability once it was successfully implemented for employee use. When we met with the interim city manager to discuss the scope of this audit, he told us he had directed staff to add the hotline number to the city's website so it would be available to the public. The hotline number was added to the city's website, but the placement is inconspicuous and difficult to find.

Recommended practices include having a hotline that permits confidential, anonymous reporting of concerns about fraud, abuse, and other ethical violations. Governments should regularly publicize the availability of the hotline, and other reporting mechanisms, and encourage individuals who may have relevant information to provide it.<sup>17</sup>

When used in conjunction with other elements of effective ethics programs, hotlines can be a useful tool. According to the Association of Certified Fraud Examiners (ACFE), tips identified nearly half of frauds in government, and almost 70 percent of anonymous tips came through a hotline. The ACFE also reported organizations with a fraud hotline detected frauds earlier and suffered much smaller losses than those

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<sup>16</sup> Ordinance 990310, March 25, 1999.

<sup>17</sup> *Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices*, Government Finance Officers Association, 2007.

without hotlines.<sup>18</sup> To expand availability to the public and raise the awareness of the city's ethics hotline, the interim city manager should prominently display the hotline number on the city's website, regularly publicize it, and encourage employees and the public to use it.

### **Whistleblower Protection Included in Code of Ordinances, But Not in Ethics Materials**

While whistleblower protection for anyone reporting misconduct is in the Code of Ordinances,<sup>19</sup> it is not included in the city's Code of Ethics or the city's *Ethics Handbook*, and it does not appear in the curriculum for new employee orientation. In 2008, 38 percent of employees responding to the city auditor's employee survey said they would fear retaliation if they reported unethical conduct.<sup>20</sup>

Employees' beliefs about retaliation – that it will happen or that it already has – drive how much misconduct is taking place and whether it gets reported.<sup>21</sup> Employees need to believe that management values the reporting of ethical violations and that it is safe to do so without fearing retaliation. Management must communicate this message consistently and reinforce it through actions by rewarding ethical and punishing unethical conduct.

To raise awareness of the city's rules prohibiting retaliation and reinforce that management values reporting ethical violations, the interim city manager should include information on whistleblower protection in the city's ethics-related materials and ethics training, and should regularly communicate that retaliation will not be tolerated.

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## **The City Should Strengthen Its Ethical Culture**

A stronger ethical culture reduces an organization's ethics risk, thereby decreasing risks to an organization's reputation. A strong ethical culture requires an ongoing management process that integrates ethics into everyday work life and decision-making in government. To set the right "tone at the top," top management and elected officials must lead by examples and action. There should be frequent and continuing communication from leadership about ethical expectations. Employees

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<sup>18</sup> *Report to the Nations on Occupational Fraud and Abuse*, Association of Certified Fraud Examiners, 2010, pp. 17-19.

<sup>19</sup> Code of Ordinances, Sec 2-1110.5.

<sup>20</sup> *Listening to the Workforce*, p. 11.

<sup>21</sup> *2009 National Business Ethics Survey Supplemental Research Brief: Retaliation: The Cost to Your Company and Its Employees*, August 2010, p. 1.

must trust that management will address ethical violations. To help address citizens' perception of how ethically it conducts business, the city should publicly emphasize that it is concerned about ethics and is committed to being an ethical organization.

### **Strong Ethical Culture Can Reduce City's Risks Associated with Misconduct**

Government can mitigate the risk of losing public trust by combining a strong ethical culture with a well-implemented ethics and compliance program.<sup>22</sup> According to research by the Ethics Resource Center, ethical culture often has more of an impact on achieving an effective ethics and compliance program than do program inputs and activities.<sup>23</sup>

#### **What is Ethical Culture?**

Ethical culture is the extent to which an organization's ethical standards are given priority and promoted by its management, employees, policies, processes, and decision-making.

Source: *2009 National Business Ethics Survey Supplemental Research Brief: Ethics and Employee Engagement*, Ethics Resource Center, July 2010, p. 2.

Workplaces with well-implemented ethics and compliance programs reduce pressure to compromise the organization's standards by 80 percent, cut the rate of misconduct in half, and significantly increase reporting when misconduct is observed. In addition, those reporting misconduct are less likely to experience retaliation in stronger ethical cultures.<sup>24</sup>

### **"Tone at the Top" Is the Cornerstone of Ethical Culture**

To set the right tone, top management must lead by example and actions. They must demonstrate a commitment to ethics policies. Those in leadership positions should communicate to employees what is expected of them, lead by example, provide a safe mechanism for reporting violations, and reward integrity.<sup>25</sup> In the employee survey conducted by the City Auditor's Office in 2008, about 30 percent of respondents

<sup>22</sup> *2007 National Government Ethics Survey: An Inside View of Public Sector Ethics*, Ethics Resource Center, 2008, p. V.

<sup>23</sup> *Critical Elements of an Organizational Ethical Culture*, Ethics Resource Center, 2006, p. 1.

<sup>24</sup> *2007 National Government Ethics Survey: An Inside View of Public Sector Ethics*, pp. 12, 16-17.

<sup>25</sup> Suzanne Mahadeo, "Tone at the Top: How Management Can Prevent Fraud by Example," *Fraud Magazine*, November/December 2006. <<http://www.fraud-magazine.com>>

agreed with the statement, “Top city management sets a good example of ethical conduct.”

Employee perception of elected officials is an indicator of the strength of an organization’s “tone at the top.” Over half of the respondents to the 2008 city auditor’s employee survey disagreed with the statement, “The Mayor and City Council set a good example of ethical conduct.” Elected officials can strengthen the organization’s tone at the top by modeling and demonstrating a commitment to ethical culture.

Another key component of a strong enterprise-wide cultural approach to government ethics is supervisor and peer support. Employees look to immediate supervisors for signs that ethics are considered important and taken seriously. Employees who observe their peers acting ethically are more likely to act ethically. Conversely, those who see peers engaging in misconduct are more prone to engage in misconduct themselves.<sup>26</sup>

**Employees must trust that management will address ethical violations.** About 30 percent of employees responding to the city auditor’s survey said they believed that someone who participated in unethical conduct would probably be detected and punished. A sense of futility is among the top reasons employees do not report misconduct. Fifty-eight percent of those responding to the Ethics Resource Center’s National Government Ethics Survey said they did not report misconduct that they had observed because they doubted that management would take appropriate corrective action if given the information.<sup>27</sup>

### **City Should Do More to Promote Its Ethical Expectations**

To make ethics a part of everyday work life, organizations must proactively promote their values and ethical expectations. Unless leaders clearly and consistently communicate their values, employees will assume they are neutral on the subject. A characteristic of a strong ethical culture is constant communication about expectations for ethical conduct, and training – not only for new hires, but regular and engaging training for all employees that focuses on recent issues, emphasizes responsibility of individuals, and helps employees know how to raise issues.<sup>28</sup>

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<sup>26</sup> “Tone at the Top: How Management Can Prevent Fraud in the Workplace.”

<sup>27</sup> *2007 National Government Ethics Survey: An Inside View of Public Sector Ethics*, p. 8.

<sup>28</sup> “Toward an Ethical Culture – Characteristics of an Ethical Organization.”

**A Good Example of Communicating Ethical Expectations**

Two months before the November 2010 election, Kansas City, Missouri's interim city manager sent a memo to all employees addressing participation in political matters. He cited state law and city ordinance, reiterated them in everyday language, gave examples of activities that would violate them, and outlined the potential consequences of violations. Finally, he used direct, bulleted statements that summarized the information in the memo and emphasized his expectations. The interim city manager also affirmed employees may participate in political activities as private citizens on non-work time, but directed employees to read the related administrative regulation before doing so. The memo was distributed by email and posted on the city's intranet. During the weeks before the election, a reminder about the restrictions appeared periodically on the television monitors located throughout city hall.

In addition to frequent communication about ethical conduct, the city's ethics-related information should be readily available. While employees and elected officials get a hard copy of the city's *Ethics Handbook*, an electronic copy is not available. The city should have a centralized location on its website with information about ethics and ethical decision-making, the Ethics Code, the *Ethics Handbook*, information about the hotline and whistleblower protection, ethics-related administrative regulations, and other materials that promote ethics as a resource for employees.

### **How Other Governments Promote Ethical Expectations**

At the city of Tallahassee, Florida, department directors and supervisors must conduct a mandatory annual review of the Code of Ethics and other critical policies with all employees. Human Resources also encourages managers and supervisors to periodically discuss ethical and unethical behaviors and issues at staff meetings, review with employees how they can get assistance with ethical concerns, and encourage employees to report unethical behaviors and discourage retaliation of those who report violations.

Other Tallahassee efforts include displaying posters and pictures promoting ethical behavior throughout the workplace, monthly email reminders of ethical expectations, and distributing ethics pocket cards to city employees. The ethics pocket cards include the city's Code of Ethics on one side, and an ethical decision-making process employees can follow on the other.

The United States Office of Government Ethics promotes ethical conduct using tools such as on-line video training modules, crossword puzzles, on-line publications, and links to other sites with web-based ethics training resources. Its website also includes a schedule of "Important Ethics Dates" containing reminders for ethics-related reporting deadlines (e.g. public financial disclosure filings), ethics program questionnaire due dates, and annual ethics training.

Sources: *Audit of the City's Ethics Program*, Office of the City Auditor, Tallahassee, Florida, April 2009, pp, 21-23; and United States Office of Government Ethics, <http://www.usoge.gov/>.

To strengthen the city's promotion of ethical conduct to city employees, the interim city manager should communicate frequently with employees about ethical expectations, and should improve accessibility to ethics information by developing a central resource on the city's website of all of the city's ethics-related materials.

### **City Should Publicly Promote Its Concern about Ethics and Commitment to Being an Ethical Organization**

The city has a public perception problem – citizen satisfaction scores for how ethically the city conducts business have been low and continue to decrease. Satisfaction dropped from 25 percent in 2008 to 17 percent in 2010. A recommended practice for building trust is to publicly commit to being an ethical organization and being open about ethical standards

and expectations.<sup>29</sup> For example, the city could post its Ethics Code and other ethics-related materials on its website, include this information in its annual reports and other documents, have every council member sign the Code of Ethics, and require those who contract with the city to sign statements confirming they understand and accept the city's Code of Ethics.

To help build trust with citizens, the interim city manager should publicly promote the city's ethical standards and expectations and its commitment to being an ethical organization.

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## **Recommendations**

1. The interim city manager should review the Code of Ethics at least every three years, suggest changes for City Council consideration, and ensure necessary revisions are made promptly to the city's ethics-related materials whenever the Code of Ethics is revised.
2. The interim city manager should provide ethics training and updates to employees, contract employees, elected officials, and members of boards and commissions as often as required by ordinance.
3. The interim city manager should ensure the Committee on Administrative Service Ethics meets regularly and fulfills its responsibilities.
4. The interim city manager should promote the use of the city's ethics hotline to the public.
5. The interim city manager should ensure information on whistleblower protection is included in the city's ethics-related materials and training.
6. The interim city manager should communicate frequently with employees about ethical expectations and improve accessibility to the city's ethics-related materials.
7. The interim city manager should publicly promote the city's ethical standards and expectations and its commitment to being an ethical organization.

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<sup>29</sup> "Ten Things You Can Do to Avoid Being the Next Enron."

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**Appendix A**

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**Interim City Manager's Response**

*City's Efforts to Encourage Ethical Conduct*



## Office of the City Manager

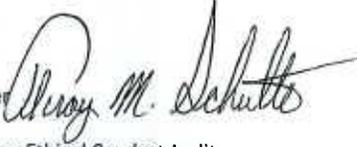
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CITY AUDITOR'S OFFICE

**DATE:** February 7, 2011

**TO:** Gary L. White, City Auditor

**FROM:** Troy M. Schulte, Interim City Manager 

**SUBJECT:** Response to *City's Efforts to Encourage Ethical Conduct* Audit

I am in receipt your of your draft Performance Audit, *City's Efforts to Encourage Ethical Conduct*. I support the recommendations contained therein and believe your suggestions provide opportunities to strengthen the city's existing ethics efforts as well as to increase ethics expectations to city employees, residents and the general public.

Please accept this correspondence as my response to your audit recommendations as outlined below.

*Recommendation 1: The interim city manager should review the Code of Ethics at least every three years, suggest changes for City Council consideration, and ensure necessary revisions are made promptly to the city's ethics-related materials whenever the Code of Ethics is revised.*

Response: Agree. When I appointed the members of the Committee on Administrative Service Ethics, I instructed the Committee, as one of its initial assignments, to update the city's current code of ethics ensuring that the code encompasses best ethics practices and is as far-reaching in scope as the State of Missouri's statutes provide. Revisions and updates to the Code of Ethics will be an ongoing expectation and can be made consistent with your timeframe recommendation, if not on a more frequent basis.

*Recommendation 2: The interim city manager should provide ethics training and updates to employees, contract employees, elected officials, and members of boards and commissions as often as required by ordinance.*

Response: Agree. The Human Resource Department's Training and Development Division is developing an ethics training program that has been proposed in the City Manager's 2012 FY recommended budget. As a result, program implementation is consistent with \$100,000 being available May 1, 2011. The basis for the training will be the City of Kansas City, Missouri's, updated *Ethics Handbook*. It is anticipated the initial training for all city employees would be completed over a six-month timeframe. This training would then be extended to non-city personnel including the entities identified in this recommendation.

Ethics training and updates would subsequently be provided to all city employees, officials and boards and commissions consistent with city ordinance.

Gary L. White  
February 7, 2011  
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*Recommendation 3: The interim city manager should ensure the Administrative Ethics Committee meets regularly and fulfills its responsibilities.*

Response: Agree. As Interim City Manager, one of my initial accomplishments was to name members of this Committee and instruct it to carry out its responsibilities consistent with Administrative Regulation 1-14. The Committee meets regularly and has addressed all issues that have come to its attention.

*Recommendation 4: The interim city manager should promote the use of the city's ethics hotline to the public.*

Response: Agree. I concur that Kansas City, Missouri, city government can do more to increase ethics awareness to the public. To this end, I have instructed staff to publish the hotline number on the city's intranet (for city employees), internet, and banners and other tools that can be run on KCCG Channel 2 to better inform the public of the Hotline's existence.

*Recommendation 5: The interim city manager should ensure information on whistleblower protection is included in the city's ethics-related materials and training.*

Response: Agree. This very important component of the ethics training will be included in the program curriculum.

*Recommendation 6: The interim city manager should communicate frequently with employees about ethical expectations and improve accessibility to the city's ethics-related materials.*

Response: Agree. Another FY 2012 budget-related recommendation provides for improved and increased city communications capacity through the restoration of a city newsletter. Ethics-related communication could be included in such a publication. The city's "All Mail" and "What's Happening" are means of communicating this information to city employees as well. Leaflets, pamphlets, pay check inserts, water bill inserts, etc., are all ways we believe that ethics awareness can be better distributed to city employees. We will explore these options.

*Recommendation 7: The interim city manager should publicly promote the city's ethical standards and expectations and its commitment to being an ethical organization.*

Response: Agree. I believe there can be additional communication regarding the City of Kansas City, Missouri's, organizational commitment to high ethical standards. The ethics training, publication of the code of ethics, a redistribution of the Ethics Handbook and the other outreach efforts identified in this response, are all anticipated to give the city an appropriate starting point for increased ethics awareness.

cc: Committee on Administrative Service Ethics Members  
Dennis Gagnon, City Communications Officer  
Earnest Rouse, Assistant to the City Manager  
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