



Office of the City Auditor

Annual Report

Fiscal Year 2023

June 13, 2023

Honorable Mayor and Members of the City Council:

Fiscal year 2023 was a successful year for the Office of the City Auditor. We issued seven performance audits (one more than our goal) and received a national award for one audit. Two of our audits were catalysts for the Mayor and City Council strengthening the city's short term rental regulations and submitting ballot measures to voters to levy taxes and fees on short term rentals similar to those on hotels and motels in the city.

Our audits helped strengthen Kansas City government's accountability and transparency and made recommendations to improve city operations. We evaluated the impact of short term rentals on convention and tourism taxes and fees, short term rental permit compliance, quarterly expenditures from the Community Policing and Prevention Fund, city tree canopy management, and water customer service resources. The potential direct and indirect financial impacts of these audits is about \$38.1 million.

Our Mission


- Conduct independent assessments of the work of city government
- Provide elected officials, management, and the public with objective information
- Make recommendations to improve city operations
- Strengthen city government's accountability to the public

We were honored to receive (for the second time in three years) the Association of Local Government Auditors 2022 Distinguished Knighton Award for best performance audit in the medium shop category for our audit, [Short Term Rental Permit Regulations Have Gaps; Permit Enforcement and Revenue Impacted](#). Judges noted "The audit was highly impactful and responsive to the public's concerns about illegally operating short-term rentals in the city."

Our primary challenge has been managing the loss of experienced audit staff due to four retirements between April 2020 and January 2023 and filling the vacancies. It took many months during the last fiscal year before we successfully hired two new auditors (December 2022 and February 2023). At the end of the fiscal year, we had two vacancies: senior auditor and administrative secretary. We are currently onboarding and developing our two new auditors.

I canceled our audit of the Police Department's diversity recruiting and hiring practices following the U.S. Department of Justice's announcement that they were investigating the department's hiring practices. The office had invested planning hours in the audit but cancelling our audit was the best course of action to avoid any potential interference with the DOJ's investigation.

I and the staff appreciate the Mayor's and City Council's ongoing commitment and support of an independent audit function. We also appreciate the city manager's support of our work. We look forward to continuing to work with elected officials and city management on finding ways to strengthen public accountability and transparency, improve the efficiency and effectiveness of city government, reduce costs, increase revenues, and provide information to facilitate decision making.


Douglas Jones, CGAP, CIA, CRMA
City Auditor

Our Performance



We monitor our performance by tracking outputs (audits, other reports, and memoranda) and the outcomes or results from our work.

City Auditor's Office Performance Measures – Fiscal Year 2023

Inputs	
Expenditures	\$1,196,414
Auditors (Effective FTEs)	6.3
Outputs	
Audit Reports (Goal = 6)	7
Council Memos	0
Administrative Reports	2
Outcomes	
Recommendation Agreement Rate ¹ (Goal = 90%)	80%
Recommendation Implementation Rate ² (Goal = 75%)	70%
Potential Direct Financial Impact	\$14,290,108
Potential Indirect Financial Impact	\$23,790,120
Efficiency	
Average Hours per Audit Report	654

Audits and hours per report. Performance audits are our primary output. We issued seven audits, exceeding our goal of issuing six audit reports in fiscal year 2023. Brief summaries of these audits begin on page 5. These audits took an average of 654 hours to complete; a reduction from 1,557 hours in fiscal year 2022.

The audit hours calculation does not include about 466 audit hours invested in our audit of the Police Department's diversity recruiting and hiring practices. This audit was cancelled following the U.S. Department of Justice's announcement that they were investigating the Police Department's hiring practices.

Potential financial impacts. Our audits can have a potential direct financial impact on city government through recommendations and information to reduce, avoid, or recover costs, or increase revenues. The potential direct financial impact of audits we issued in fiscal year 2023 is about \$14.3 million.

Our audits also have a potential indirect financial impact by suggesting ways the city could improve the delivery of services to the public and employees, and ensure appropriate controls are in place to manage or protect public monies or assets. We provided information on how about \$23.8 million in public monies and assets are used or managed.

In other words, for every \$1 we spent last fiscal year, our audit work identified about \$31.83 in potential direct and indirect financial impacts.

¹ Percentage of recommendations with which management agreed/agreed in part.

² Because not all recommendations can be implemented immediately, this represents the percentage of recommendations made two years prior and reported by management as implemented in ARTS reports submitted through April 30, 2023. The fiscal year 2023 rate reports the implementation of recommendations made in fiscal year 2021.

Implementation of audit recommendations. Auditing alone does not directly produce benefits. The benefits come from implementing audit recommendations which cannot be effective without management's support. To measure the effectiveness of our recommendations, our goal is to achieve management agreement with 90% of our audit recommendations. We made 27 recommendations in fiscal year 2023. Overall, management agreed (agreed/agreed in part) with 80% of our recommendations.

We also have a goal for 75% of our recommendations to be implemented within two years of when an audit is issued. We track implementation through Audit Report Tracking System (ARTS) reports submitted by management. Management has reported implementing about 70% of our fiscal year 2021 recommendations by fiscal year 2023.

National Audit Award



We received a national award (our second in three years) for our audit work. The Association of Local Government Auditors awarded a 2022 Distinguished Knighton Award for best performance audit in the medium shop category to our audit [Short Term Rental Permit Regulations Have Gaps; Permit Enforcement and Revenue Impacted](#). In the award letter, that starts on page 7, the judges noted:

- *This audit was highly impactful and responsive to the public's concerns about illegally operating short-term rentals in the city. Immediately, the reader understood the importance of the audit results: a potential revenue loss of over \$1 million and only a 7% compliance rate.*
- *The recommendations were specific, feasible, and useful to address the efficiency and effectiveness of the city's short-term rental program.*

Communicating Results and Engaging the Public



Communicating the results of our work to the public is a part of our mission and promotes transparency about what we do and the work of city government. We engage the public by:

- Publishing our audits and other reports on our website.
- Publicly presenting our audits and other reports to the City Council, and city boards and commissions.
- Talking to residents at the city's Community Engagement University, councilmember constituent meetings, and neighborhood association meetings about the work of the Office of the City Auditor.
- Asking the public for their audit suggestions, which they can submit through our website or Twitter.
- Using our Twitter account (@KCMOCityAuditor) to inform the public about our audits and upcoming presentations, where to find our reports online, how to submit audit suggestions, and responding to resident questions and comments about our work.

Charter Authority of the City Auditor



The city auditor’s authority and duties as an independent audit function and mandate to audit city government are established in the City Charter.³ The city auditor is appointed by and reports to the Mayor and City Council. The city auditor is independent of the city manager.

The charter grants the city auditor complete access to the books, records, and employees of city government. Additionally, state statues authorize the city auditor to audit the Kansas City, Missouri, Police Department.⁴

Highly Qualified Professional Audit Staff



At the end of fiscal year 2023, the Office of the City Auditor had eight full-time professional audit positions filled, a vacant senior auditor position, and a vacant administrative secretary position.

All professional audit staff have master’s degrees in fields such as business, public, or health services administration; accounting; economics; and psychology. As an office, our average tenure with the city is almost 15 years and we have a combined 103 years of audit experience, nearly all of it auditing Kansas City government. We are currently onboarding and developing two new auditors who joined the office in early-December 2022 and late-February 2023.

Staff hold professional certifications.

The office encourages staff to obtain professional certifications related to our work. Three members of the office have one or more professional certifications.

Professional Certifications	Number
Certified Government Auditing Professional	2
Certified Internal Auditor	2
Certified Information Systems Auditor	1
Certified Fraud Examiner	1
Certification in Risk Management Assurance	1

Required continuing professional education.

All professional audit staff met the requirements for obtaining continuing professional education hours over the last two fiscal years. The *Government Auditing Standards* require each auditor to complete at least 80 hours (or prorated number of hours for new auditors) of continuing professional education every two years. Over the last year auditors obtained required training by attending webinars, workshops, and seminars. Training topics included auditing, accounting, cybersecurity, data security, risk management, ethics, fraud, report writing, and internal controls.

We are active in our profession.

The office and individual staff members are active in several professional associations of auditors, accountants, and public managers. Some staff serve in leadership roles for some of these organizations. The city auditor serves on the Domestic Working Group, an advisory council to the U.S. comptroller general, one staff member was the Secretary for the Kansas City Chapter of the Information Systems Audit and Control Association, and another staff member serves on the Association of Local Government Auditors Membership Committee. The city auditor and some staff members participated as team leaders or team members conducting peer reviews of other local government audit offices.

³ [Article II, Section 216 of the Charter of Kansas City, Missouri.](#)

⁴ [Revised Statutes of Missouri §84.350.2.](#)

Performance Audits Issued in Fiscal Year 2023 (May 2022 – April 2023)



[FY 2023 First Quarter: Police Spending from the Community Policing and Prevention Fund](#) (October 2022)

The City Council, via Ordinance 220216, directed the city auditor to conduct quarterly audits to determine whether the Police Department spent the Community Policing and Prevention Fund as expected by the City Council during the quarter. During the first quarter, the department spent about \$10.5 million of the \$33.4 million fund and allocated these expenditures to eligible spending categories. We verified expenses allocated to the School Resource Officer and Community Action Network center categories were for officers performing those activities.

[Kansas City Misses Out on Millions in Tax Revenue from Short Term Rentals](#) (November 2022)

This audit, based on public audit suggestions, focused on whether short term rentals impact city convention and tourism taxes and fees. We made recommendations to the Mayor and City Council to continue their legislative priority to change the state statute that limits Kansas City's ability to tax short term rentals like other businesses in the accommodation industry and take steps to assess a Hotel, Motel Occupancy type fee on short term rentals.

[Short Term Rental Permit Regulations Have Gaps; Permit Enforcement and Revenue Impacted](#) (December 2022)

This audit, based on public audit suggestions, evaluated short term rental hosts' compliance with city permit regulations. We made recommendations to the director of city planning and development directed towards improving permit compliance through changes to the city's ordinance that regulates short term rentals, improving the city's communication with intermediaries, and considering the impacts these changes will have on City Planning and Development staff.

[FY 2023 Second Quarter: Police Spending from the Community Policing and Prevention Fund](#) (February 2023)

The City Council, via Ordinance 220216, directed the city auditor to conduct quarterly audits to determine whether the Police Department spent the Community Policing and Prevention Fund as expected by the City Council during the quarter. During the second quarter, the department spent about \$7.1 million more from the \$33.4 million fund and allocated these expenditures to eligible spending categories. We verified whether officers or staff were assigned to dedicated patrol and community outreach, Police Crime Lab expenses allocated to the CPPF, and newly hired officers as reported.

[Implement City Tree Management Regulation to Help Achieve City Tree Canopy Goals](#) (March 2023)

This audit focused on determining whether city departments remove and replace city trees in a way that supports the city's goal to increase the tree canopy. We made recommendations to the director of parks and recreation directed towards implementing the city's tree management administrative regulation; assigning responsibility and authority within the Parks and Recreation Department for regulation implementation; determining and reporting Parks and Recreation Department staffing needs; clarifying and adding provisions for new tree plantings to the regulation; communicating the regulation to all departments; and maintaining a city tree inventory.

[*FY 2023 Third Quarter: Police Spending from the Community Policing and Prevention Fund*](#)
(April 2023)

The City Council, via Ordinance 220216, directed the city auditor to conduct quarterly audits to determine whether the Police Department spent the Community Policing and Prevention Fund as expected by the City Council during the quarter. During the third quarter, the department spent about \$6.2 million more from the \$33.4 million fund and allocated these expenditures to eligible spending categories. We verified lateral police officer recruits allocated to the new officer hiring category, officers in the Violent Crimes Division, and staff allocated to the Communications Unit in the CPPF categories were performing those activities.

[*Better Resources Needed to Assist Customers with Unexpected High Water Use*](#) (April 2023)

This audit assessed whether the Water Services Department provides resources to customers to address unexpected high water use. We made recommendations to the director of water services directed towards assisting customers who experience unexpected high water use by improving customer service representatives' performance through additional training resources; expanding and making it easier to find relevant information on the department's website; and monitoring the accuracy and timeliness of high water use notifications.

Other Reports Issued in Fiscal Year 2023



Administrative Reports. We also issue administrative reports to inform the Mayor, City Council, and public about our activities and performance.

[*Office of the City Auditor Annual Report Fiscal Year 2022*](#) (June 2022)

[*Office of the City Auditor Annual Audit Plan Fiscal Year 2023*](#) (February 2023)

2022 Knighton Award Letter



Association of Local Government Auditors

April 11, 2023

Douglas Jones
414 East 12th St.
Kansas City, MO 64106

RE: 2022 Knighton Award Winner

Dear Douglas,

The Association of Local Government Auditors' Awards Program Committee is pleased to announce that the Kansas City Office of the City Auditor's report, "Short-Term Rental Permit Regulations Have Gaps; Permit Enforcement and Revenue Impacted," won the 2022 Distinguished Knighton Award in the medium shop category.

ALGA was founded in 1985 to serve auditors who specialize in working with local governments, and our members represent about 300 local government audit organizations across the United States and Canada. As you well know, local government auditors are committed to helping their governments provide services to the public more efficiently and effectively with the limited resources available to them.

To encourage increasing levels of excellence among local government auditors, ALGA created the Knighton Award in 1995 to recognize the best performance audit reports produced by local government audit shops in the previous year. Each year, local government audit organizations, like yours, submit their best performance audit report to be evaluated against four criteria:

- (1) An audit scope that has the potential for significant impact and is responsive to the needs and concerns of decision-makers and/or the public.
- (2) Audit conclusions that are persuasive, logical, and firmly supported by the evidence, which was gathered using appropriate research methods and tools.
- (3) Audit recommendations that are feasible and will make government programs more effective and efficient.
- (4) Audit results that are communicated clearly and concisely.

Judges from peer organizations determined your office's report was among the best of 2022.

The judges commented:

This audit was highly impactful and responsive to the public's concerns about illegally operating short-term rentals in the city. Immediately, the reader understood the importance of the audit results: a potential revenue loss of over \$1 million and only a 7% compliance rate. The report was succinct and made it easy for readers and decision-



Association of Local Government Auditors

makers to understand the impact of the audit findings. The report exhibits and visuals effectively helped tell the story and were appropriately used. The recommendations were specific, feasible, and useful to address the efficiency and effectiveness of the city's short-term rental program.

Congratulations on receiving this award!

Sincerely,

Justin Anderson, President
ALGA

Sonal Patel, Chair
ALGA Awards Program Committee

Office of the City Auditor Staff

Fiscal Year 2023

Douglas Jones, MBA, CGAP, CIA, CRMA – City Auditor

Ruth Beyene, MBA – Auditor

(Started February 27, 2023)

Terry Bray, MS – Senior Auditor

Kara Jorgensen, MBA – Senior Auditor

Jonathan Lecuyer, MPA, MAE – Audit Manager

Elizabeth Pauley, MPA – Auditor

(Started December 5, 2022)

Sue Polys, MA, CGAP, CIA, CFE – Audit Manager

Joan Pu, MPA, CISA – Senior Auditor

(Retired January 31, 2023, after 26.9 years of city service)

Paulette Smith, BA – Executive Assistant

(Transferred to another city department March 27, 2023)

Vivien Zhi, MS, CISA – Senior Auditor

Audit suggestions from the public do matter. Send us your audit suggestions and ideas.
<https://www.kcmo.gov/city-hall/departments/city-auditor-s-office/submit-audit-ideas>