

OFFICE OF THE CITY AUDITOR SPECIAL REPORT

November 2017

Implementation Status of Audit Recommendations Fiscal Years 2014 – 2017



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KANSAS CITY,
MISSOURI

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CITY OF FOUNTAINS
HEART OF THE NATION



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MISSOURI

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November 6, 2017

Honorable Mayor and Members of the City Council:

In August 2016, Section 2-112 of the Code of Ordinances was amended and now requires the city auditor to monitor implementation of audit recommendations and periodically communicate management's progress towards implementing them to the Mayor and City Council. This is our first report to the Mayor and City Council on the implementation status of audit recommendations.

The city's Audit Report Tracking System (ARTS) process provides the Mayor and City Council with a useful tool to provide oversight to city programs and activities by monitoring management's progress towards implementing audit recommendations and the outcomes achieved. ARTS reports can also provide the public with information about management's implementation of audit recommendations.

Between fiscal years 2014 and 2017, the City Auditor's Office issued 30 performance audits that included 178 audit recommendations. Through the ARTS process, management has publicly reported to various City Council committees that they have implemented 70 percent of our audit recommendations made between fiscal years 2014 and 2017. The recommendations in these audits have an estimated potential direct financial impact of about \$2.8 million and a potential indirect financial impact of about \$49 million.

The primary benefits or impacts of our audit work include government accountability and transparency, reduced costs, increased revenues, strengthened controls and safeguards, and improved services. The value of these benefits/impacts can only come about through implementation of audit recommendations. The City Council's oversight of management's progress towards implementing audit recommendations is an important and sometimes critical element to help ensure agreed upon recommended changes and improvements occur.

Douglas Jones
City Auditor

Why Monitor Progress Towards Implementing Audit Recommendations?

Potential Benefits/Impacts of Audit Recommendations

The primary benefits of audit recommendations include reduced costs, increased revenues, strengthened safeguards, and improved services. Between fiscal years 2014 and 2017, the City Auditor's Office issued 30 performance audits that included 178 recommendations to help improve city operations.

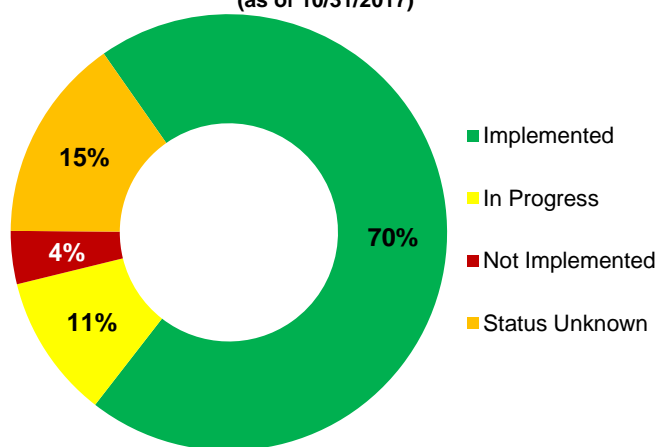
The estimated potential *direct* financial impact (increased revenues or decreased costs) of audit recommendations we made between fiscal years 2014 and 2017 was about \$2.8 million. Our audits also have potential *indirect* financial impact by suggesting ways the city could improve the delivery of services to the public and employees, and ensure appropriate controls are in place to manage or protect about \$49 million in public monies or assets.

Benefits/Impacts Can Only Be Gained by Implementing Audit Recommendations

Auditing alone does not directly produce benefits or impacts for the city; they only come from implementation of audit recommendations, which is dependent upon management agreeing to and ultimately implementing them. As of October 31, 2017, management has reported they have implemented 70 percent of the 178 audit recommendations we made between fiscal years 2014 and 2017.

Although management agreement and support is a step towards implementing recommendations, it is not a guarantee that recommendations can or will be implemented. The City Council's oversight is critical to ensuring that audit recommendations intended to improve city operations are implemented.

Implementation Status for Fiscal Years 2014-2017 Recommendations (as of 10/31/2017)



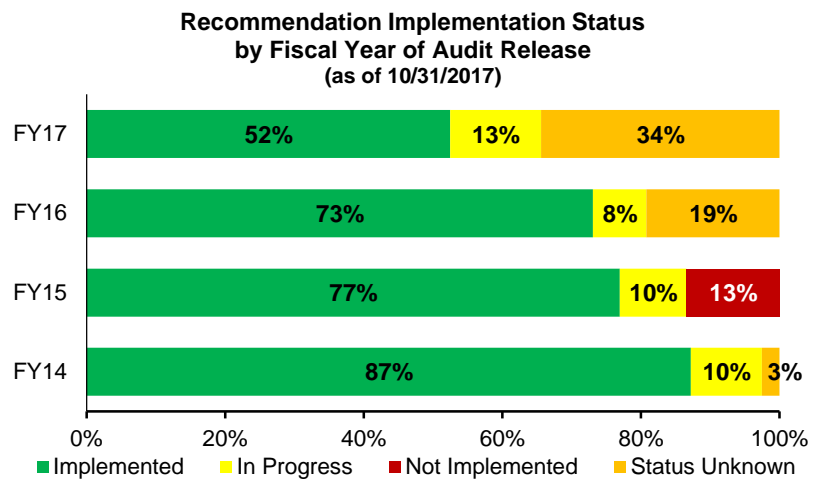
The City Uses the Audit Report Tracking System (ARTS) Process to Monitor Progress Towards Implementing Audit Recommendations

For several decades, the city has had a process, called the Audit Report Tracking System or ARTS, to track and report on management's progress towards implementing audit recommendations made by the City Auditor's Office. Until recently, the City Manager's Office managed this process.

In August 2016, the City Council transferred responsibility for overseeing the ARTS process to the city auditor. The Code of Ordinances now requires the city auditor to monitor implementation of audit recommendations and periodically communicate management’s progress toward implementing audit recommendations to the Mayor and City Council. City departments, boards, commissions or other offices of the city audited by the city auditor are required to submit a progress report to the city auditor every six months on the implementation of audit recommendations.¹

The city’s ARTS process provides the Mayor and City Council with a useful tool to provide oversight to city programs and activities by monitoring management’s progress towards implementing audit recommendations and the outcomes achieved. ARTS reports can also provide the public information about management’s efforts to implement audit recommendations.

The ARTS process begins six months after we release an audit and continues every six months until management has reported all recommendations as implemented or not implemented. Not all recommendations can be implemented immediately and as time passes following the release of the audit, the implementation rate should increase. About 87 percent of the recommendations we made in fiscal year 2014 have been implemented.



City management submits an ARTS report to the city auditor that indicates whether audit recommendations have been implemented, are in progress, or will not be implemented; summarizes the actions they have taken or will take; actual or expected timeframes for implementation; as well as any outcomes achieved. Although the City Auditor’s Office does not verify management’s responses, we review ARTS reports for clarity and whether the responses address the audit recommendations.

ARTS reports are publicly presented to the City Council committee that heard the original audit. Staff from the City Auditor’s Office briefly recaps the audit for the committee then management presents their ARTS report outlining their efforts to implement the audit recommendations and outcomes achieved. This presentation gives councilmembers an opportunity to learn about management’s efforts and progress towards implementing audit recommendations as well as ask questions of management.

¹ Code of Ordinances, Kansas City, Missouri, Sec. 2-112(c).

Status of Fiscal Year 2014 Recommendations

In fiscal year 2014, we issued seven audit reports that included 39 recommendations. The recommendations had \$202,000 in potential *direct* financial impact and about \$555,000 in *indirect* financial impact. Management agreed with 97 percent of our recommendations.

Through the Audit Report Tracking System (ARTS), management has reported they have implemented 87 percent of the audit recommendations.

Audits Released in Fiscal Year 2014	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
TWS Technical Services, LLC, Improperly Certified as a Minority Business Enterprise (Jun 2013)	Human Relations	Identify and correct weaknesses in the certification processes; ensure the future integrity of the certification process; evaluate reported MBE participation by TWS; and notify others who may have relied on the Human Relations Department’s certification of TWS.	5	5						
Traffic Management Center (Oct 2013)	Public Works, City Manager, Water Services	Improve the effectiveness of the Traffic Management Center; the city's planning for including funding for operations when planning for capital improvements; and communication between Public Works and Water Services to ensure damaged fiber optic cables are repaired timely.	3	2			1			
Citywide Overtime (Nov 2013)	City Manager	Improve the sustainability of the city’s finances; implement consistent overtime practices and tools to help better manage overtime; and develop policies and procedures and provide training to ensure accurate and consistent application of overtime rules.	6	4	2					
Fire Code Inspection Program (Jan 2014)	Fire	Promote understanding of management’s expectations for the inspection process and ensure continuity of administrative functions; reduce the rate of late and missed inspections; tighten controls over administrative processes; and enhance the completeness of the inspection database.	5	5					\$202,000	

Audits Released in Fiscal Year 2014	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
City-Owned Surplus Personal Property (Feb 2014)	General Services	Strengthen the documentation of items as they move through the surplus disposition process and improve safeguards over the security of city-owned surplus personal property.	9	9						\$554,734
Municipal Court Docketing System Security (Feb 2014)	Municipal Court, General Services	Meet requirements for the handling of criminal justice information and adopt written policies and procedures to meet established requirements; encourage the system vendor to update and finalize plans and procedures and adopt recommended practices related to disaster recovery and incident response; and develop criteria for future information technology service provider contracts to protect the confidentiality, integrity, and availability of city information.	8	6	2					
Managing Community Center Facility Use: Summer 2013 Adult Hockey League at Line Creek (Apr 2014)	Parks & Recreation	Improve community center decision making and oversight.	3	3						
Totals			39	34	4		1		\$202,000	\$554,734
Percent				87%	10%		3%			

Status of Fiscal Year 2015 Recommendations

In fiscal year 2015, we issued seven audit reports that included 52 recommendations. The recommendations had \$2.6 million in potential *direct* financial impact and about \$1.3 million in *indirect* financial impact. Management agreed with 91 percent of our recommendations.

Through the Audit Report Tracking System (ARTS), management has reported they have implemented 77 percent of the audit recommendations.

Audits Released in Fiscal Year 2015	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
Fire CAD System Preparedness (Oct 2014) Closed Record	Fire	Because this is a closed record under Sections 610.021 (18) and (21) RSMO, we cannot provide details about the recommendations.	12	10		2				
Kansas City Regional Police Academy: Are All Costs Included in Academy Fees? (Nov 2014)	Police	Strengthen the process for reviewing and recommending academy fees and expanding the fee policy to encourage consistent and transparent fee setting.	5	3		2				
City's Performance Under the HUD MOA (April 1, 2013 to April 30, 2014) (Dec 2014)	Neighborhoods & Housing Services	Ensure compliance with the MOA's development deadlines and the city's approval of subrecipients; ensure faster reimbursement of grant funds for city expenditures; and ensure the city is prepared to implement the new HOME regulations and reduce future HUD monitoring findings of noncompliance.	8	7		1				
Employees' Response to Phishing Email Put City Information Systems at Risk (Mar 2015)	General Services	Ensure that employees respond to phishing emails and other social engineering attacks appropriately and that cyber incidents are promptly identified, exploited weaknesses are mitigated, loss and destruction are minimized, and IT services are restored.	2	2						
Leasing City-Owned Property (Apr 2015)	General Services	Improve the efficiency and effectiveness of the lease program.	13	11		2				\$1,300,000

Audits Released in Fiscal Year 2015	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
Street-Related Permit Fees Need Review and Adjustment (Apr 2015)	Public Works, City Manager	Strengthen controls over street-related permit fees and ensure the city is charging the full amount of the fee it is authorized; clarifying into which fund revenues from street-related permits should be deposited; and referring street fee permit waiver requests that do not meet code-established criteria to the City Council.	8	7	1				\$2,614,020	
The City Should Follow Recommended Practices to Protect Personally Identifiable Information (Apr 2015)	City Manager	Improve the city's protection of personally identifiable information.	4		4					
Totals			52	40	5	7			\$2,614,020	\$1,300,000
Percent				77%	10%	13%				

Status of Fiscal Year 2016 Recommendations

In fiscal year 2016, we issued seven audit reports that included 26 recommendations. The recommendations had \$10,000 in potential direct financial impact and about \$42.4 million in indirect financial impact. Management agreed with 100 percent of our recommendations.

Through the Audit Report Tracking System (ARTS), management has reported they have implemented 73 percent of the audit recommendations.

Audits Released in Fiscal Year 2016	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
The Accuracy and Validity of 311 Data Could be Improved (Jun 2015)	City Manager	Improve the accuracy and validity of 311 data.	5	4	1					
Public Private Partnership: KC Streetcar (Oct 2015)	City Manager	Amend the agreement as necessary to reduce the city's risk of conflicting with grant agreement requirements; make the streetcar budget process more transparent; and improve the city's ability to account for its revenues and track the project's performance in accomplishing goals and objectives.	5				5			\$37,100,000
City's Performance Under the HUD MOA (May 1, 2014 to April 30, 2015) (Nov 2015)	Neighborhoods & Housing Services	Improve the city's monitoring of HOME multi-family rental projects and improve the city's administration of the CDBG program.	2	2						
City Could Strengthen Succession Planning Policy (Dec 2015)	Human Resources	Strengthen the succession planning policy.	4	4						
Compliance with Street Plate Requirements Could Improve Ride Quality and Safety (Dec 2015)	Public Works	Improve contractor knowledge of street plate requirements and offer Public Works a broader range of enforcement measures to ensure compliance.	2	2						
Enterprise Funds: Financial Condition Indicators (Jan 2016)	Finance	Include financial condition ratio analysis and trend data for each of the city's enterprise funds in the Popular Annual Financial Report (PAFR).	1		1					

Audits Released in Fiscal Year 2016	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
Land Bank's Contract and Deed of Trust Monitoring Processes Should Be Strengthened (Apr 2016)	Land Bank	Improve Land Bank's monitoring practices.	7	7					\$10,000	\$5,300,000
Totals			26	19	2		5		\$10,000	\$42,400,000
Percent				73%	8%		19%			

Status of Fiscal Year 2017 Recommendations

In fiscal year 2017, we issued nine audit reports that included 61 recommendations. The recommendations had about \$4.8 million in potential *indirect* financial impact. Management agreed with 91 percent of our recommendations.

Through the Audit Report Tracking System (ARTS), management has reported that 52 percent of the audit recommendations have been implemented.

Audits Released in Fiscal Year 2017	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
Changes to Police Take-Home Program Could Improve Vehicle Resource Management (May 2016)	Police	Improve the efficient use of department vehicle resources; ensure take-home vehicle program costs and usage are analyzed; reduce program costs; and improve the effectiveness of the take-home vehicle program.	11				11			\$1,500,000
Contract Accessibility Could Be Improved (Jul 2016)	City Manager	Improve the city's ability to meet the changing needs of the city's organizational structure and improve contract accessibility and transparency.	2				2			
Recommended Practices Would Strengthen Hotline Operations (Aug 2016)	City Manager	Strengthen the city's hotline program and increase the quality and timeliness of hotline investigations.	8				8			
Fire Department: Safeguarding Controlled Substances (Oct 2016)	Fire	Improve the physical security of drugs; improve the ability to detect inventory errors and loss; and establish and document appropriate employee roles and responsibilities.	7	5	2					\$11,828
Mobile Device Security Risks (Nov 2016)	General Services	Ensure city data accessed by, and stored on mobile devices is more protected; mobile device security requirements are followed; and mobile device users understand the importance of mobile device security requirements and how to implement them.	7	5	2					\$943,270

Audits Released in Fiscal Year 2017	Responsible Department(s)	We made recommendations to:	Recommendations	Implemented	In Progress	Not Implemented	Status Unknown	Not Yet Due	Direct Financial Impact	Indirect Financial Impact
Bike KC Inadequate to Achieve City Goals (Dec 2016)	City Manager	Improve Bike KC's guidance to staff to better meet city biking goals and improve public input.	2		2					\$1,600,000
EEO Complaint Investigation Efficiency Can Be Improved Through Better Documentation and Data (Apr 2017)	Human Resources	Improve the EEO Office's investigation documentation, records, and communications, and the accuracy, completeness and use of EEO data.	10	10						
Communicable Disease Prevention and Public Health Preparedness Division Performance Measures (Apr 2017)	Health	Improve the relevance and understandability of division performance measures and eliminate a measure that was not relevant to the division's goals and objections.	4	3	1					
Independence Avenue Community Improvement District Should Improve Accountability and Transparency (Apr 2017)	Independence Avenue CID Board	Improve IACID's accountability and transparency.	10	9	1					\$730,000
Totals			61	32	8		21		\$0	\$4,785,097
Percent				52%	13%		34%			