

**City Auditor's Office
2000 Annual Report**

August 2000

City Auditor's Office

City of Kansas City, Missouri

August 30, 2000

Honorable Mayor and Members of the City Council:

This annual report of the City Auditor's Office of Kansas City, Missouri, for the year ended April 30, 2000, is presented for your review.

Fiscal year 2000 was our most productive year ever. We released 18 reports, including 3 audits, 10 follow-up audits and 5 special reports. In fiscal year 2000, our audits such as the examination of Land Trust of Jackson County, focused on the city's control environment, while others assessed major city services such as the Emergency Medical Services System performance audit. Among the topics covered in our special reports were recreation program performance measures for the Parks and Recreation Department, housing-related conditions in Kansas City, and surveys of Kansas City citizens and businesses.

Fiscal year 2000 also brought unique opportunities to our office as we were able to combine our resources with other governmental audit agencies. The Land Trust of Jackson County, Missouri audit, a joint effort between our office and the Office of the State Auditor of Missouri, reviewed the management and sale process of Land Trust properties. We also worked with staff from the local Office of Inspector General, U. S. Department of Housing and Urban Development (HUD) on a special report on housing-related activities performed by city departments and non-governmental agencies. Our relationship with HUD will continue in fiscal year 2001 as we conduct an audit of the Housing and Community Development Department. We enjoyed working with these agencies and look forward to more opportunities for such ventures in the future.

In 2000, we continued our series of reports on the operations of the Police Department by releasing a report evaluating the complaint process. The report, *Police Citizen Complaint Process*, evaluated the citizen complaint intake process within the Police Department's Office of Citizen's Complaints. This report was among the topics identified in our June 1996 Preliminary Review of the department's operations. The next in the series, an evaluation of consolidating the Police Department's administrative functions, is scheduled to be released during the current fiscal year.

We appreciate the strong support we continue to receive from the mayor and the City Council and the cooperation extended to us by management. We look forward to continuing to work with elected officials and management staff on finding ways to improve the city's productivity and effectiveness.

Mark Funkhouser
City Auditor

City Auditor's Office: 2000 Annual Report

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Mission and Goals

Charter Authority of the City Auditor

The city auditor is appointed by and reports to the mayor and the City Council. The city charter establishes the position of the city auditor as independent of the city manager and responsible only to the mayor and the City Council. The charter grants the city auditor complete access to the books and records of all city departments. The city auditor uses this access, independence, and authority in performing his charter mandate to carry on a continuous investigation of the work of all city departments. The Finance and Audit Committee oversees the activities of the city auditor and reviews audits and other work products of the City Auditor's Office.

Our Purpose

The mission of the City Auditor's Office is to be a catalyst for improving city government. The mayor and the City Council and the public need timely, objective, and accurate information about what departments and programs are doing and how they could do it better. By providing the information, we help to hold government accountable in its stewardship of the public trust, and assist elected officials and management staff in using resources to maximize effectiveness and productivity.

We seek to accomplish our mission by evaluating department and program performance and identifying ways to make the activities of the city more efficient and effective. Our primary objectives are:

- To evaluate the faithfulness, efficiency, and effectiveness with which city departments carry out their financial, management, and program responsibilities.
- To assist the mayor, the City Council, and management staff in carrying out their responsibilities by providing them with objective and timely information on the conduct of city operations, together with our analysis, conclusions, and recommendations.

Our Work Products

The work of the City Auditor's Office includes different types of auditing and research. Audit work is conducted in accordance with government auditing standards. These standards require due professional care in conducting audits, professionally qualified staff, independence, adequate supervision and planning of audit work, reporting of audit results, and periodic review of the office by outside professionals. The following briefly describes the scope of work performed.

Performance Audits

A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.¹

Financial-related Audits

Financial-related audits examine various topics related to an entity's finances and operations, such as determining whether financial information is presented in accordance with established criteria, the program has adhered to specific financial compliance requirements, and internal controls over financial reporting and/or safeguarding assets are suitably designed and implemented to achieve their objectives.

Performance and financial-related audits result in recommendations that will improve resource utilization, reduce the risk of loss or abuse of assets, increase productivity, and correct wasteful practices. Audit recommendations can improve services to the public by making programs more effective and efficient.

Follow-up Audits

The City Auditor's Office conducts follow-up audits to determine the progress made in addressing findings and recommendations identified in previous audits.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p.14.

Special Reports

The office also performs other studies and investigations to fulfill the city charter mandate that the city auditor keep the mayor and the City Council informed as to the financial affairs of the city. As part of this effort, the City Council passed Resolution 911385 in December 1991, directing the city auditor to annually review and comment upon the city manager's proposed budget prior to adoption. In addition, we occasionally issue special reports presenting research and analysis on significant policy issues.

Citizen and Business Surveys

The City Auditor's Office conducts surveys of citizens and businesses to determine their views on Kansas City, including the quality of city government services and contacts. The citizen survey results are compared to benchmark data from other jurisdictions. These surveys allow residents, elected officials and city management to assess the quality and effectiveness of city government and services.

Memoranda

To be more informed about pending legislation and other issues coming before them, individual councilmembers occasionally request audit work of a limited scope. Staff are assigned to research costs and other effects of proposed legislation or to provide independent assessments of financial information and other proposals by city management. In most cases, the resulting memoranda are distributed to the mayor, City Council, and management staff. In addition, department directors occasionally request assistance from the City Auditor's Office. The resulting memoranda are distributed to the department, the city manager, and the chair of the Finance and Audit Committee.

Office Operations

Audit Selection

We emphasize audit topics expected to yield cost reductions, increased revenue, improved services, and improvements in major control systems. Our process for selecting audit topics includes considering the volume and pattern of complaints, as well as concerns and requests from the mayor, City Council, and management. The city auditor assigns projects to audit teams.

Expenditures

The City Auditor's Office had expenditures of about \$1.1 million in fiscal year 2000. (See Exhibit 1.)

Exhibit 1. City Auditor's Office Annual Expenditures

Category	Fiscal Year		
	1998	1999	2000
Personnel	\$778,134	\$942,907	\$965,104
Contractual	193,301	85,096	116,984
Commodities	6,255	9,084	5,831
Capital Outlay	141,867	49,610	6,906
Total	\$1,119,557	\$1,086,697	1,094,825

Source: AFN System.

Staffing

Staff Qualifications

The office was authorized 19 full-time equivalent positions in fiscal year 2000: the city auditor, a deputy city auditor, 16 auditors, and an administrative secretary. All professional staff have advanced degrees in such fields as accounting, business administration, finance, law, public administration, and social sciences. Several staff members have previous auditing and management experience in the public and private sectors. As of May 2000, six staff members had one or more certifications each, including Certified Internal Auditor, Certified Management Accountant, Certified Public Accountant, Certified Government Financial Manager, and Certified Information Systems Auditor.

Professional Development

Summary

The City Auditor's Office emphasizes professional development to improve our skills, effectiveness, and efficiency. The office provides required continuing education, encourages professional certification, and supports staff involvement in professional associations.

Continuing Education

Government auditing standards require that our staff complete at least 80 hours of continuing education every two years. In fiscal year 2000, auditors received an average of almost 58 hours of training by attending seminars, workshops, and conferences. Topics included interviewing techniques and quick response auditing.

Professional Associations

Several staff members are active in organizations of auditors, accountants, and public managers. The city auditor and other staff are active in organizations such as the National Association of Local Government Auditors, the Association of Government Accountants, the Institute of Internal Auditors, the American Society for Public Administration, the International City/County Manager Association, the Missouri Society of Certified Public Accountants, the Information Systems Audit and Control Association, and both the Mid-America and National Intergovernmental Audit Forums. In addition, the deputy city auditor is a member of the Advisory Council on Government Auditing Standards appointed by the Comptroller General of the United States; a staff member is vice-president of the local chapter of the National Forum for Black Public Administrators; and another staff member is president-elect of the local chapter of the Association of Government Accountants.

Performance Measures

Summary

We monitor our performance by tracking outputs or work products, the outcomes or results of these products, and the efficiency or unit cost with which we produce work products and results. Exhibit 2 includes our performance measures for the last three years.

Outputs

Reports Issued

The 18 reports released in fiscal year 2000 included 3 performance audits, 10 follow-up audits, and 5 special reports.

Other Projects

Most of our other projects are memoranda to answer councilmember inquiries. In 2000 we completed three council memoranda.

Outcomes

Implementation of Audit Recommendations

Reduced costs, increased revenues, improved services, and government accountability to the public are the primary benefits of the work of the City Auditor's Office. However, auditing alone does not produce these benefits; they can only come from implementation of audit recommendations. It is up to management to implement most recommendations, while the City Council is responsible for ensuring that recommended changes and improvements occur. It is our responsibility to present accurate and convincing information that clearly supports our recommendations.

Recommendations cannot be effective without management's support. To measure the effectiveness of our recommendations, our goal is to achieve management agreement with 90 percent of our report recommendations. In reports released in fiscal year 2000, management agreed with 91 percent of our recommendations.

Management agreement is a step toward implementing recommendations, but it is not a guarantee that recommendations will or

can be implemented. We also measure our effectiveness by the actual recommendation implementation rate. Our goal is for 75 percent of our recommendations to be implemented within two years of when a report is issued.² About 74 percent of recommendations for reports issued in 1998 were implemented within two years according to management's Audit Report Tracking System (ARTS). We expect the implementation rate for recommendations made in 1999 and 2000 to increase over time.

Audit Report Tracking System

In response to direction from the City Council, the City Auditor's Office and the Office of Budget and Systems jointly developed a system to track the implementation of audit report recommendations. Administrative Regulation 1-11 describes the Audit Report Tracking System (ARTS) requirements. Six months after the release of an audit or follow-up report, departmental personnel are required to submit a report to the city manager, the appropriate City Council committee, and the City Auditor's Office describing the progress made on each recommendation included in the audit or follow-up report. A department representative reports to the committee, and the committee discusses the department's progress and any problems encountered in implementing the recommendations. The City Manager's Office coordinates ARTS to ensure that reports are prepared and reviewed when they are due.

In fiscal year 2000, about 82 percent of our recommendations were designed to strengthen management controls such as safeguards over city assets, compliance with laws and regulations, and procedures to achieve program objectives. About 6 percent of our recommendations addressed cost reductions or revenue increases, while 13 percent suggested ways to improve services.

Potential Economic Impact

The potential economic impact includes the estimated annual revenue increase or cost decrease associated with report recommendations with an estimated monetary impact. The potential economic impact identified in 2000 was almost \$597,000 due to recommendations to consolidate activities of the Parks and Recreation and Public Works departments and for Land Trust to distribute net sale proceeds from the sale of tax delinquent properties.

² We look at a two-year period because most recommendations cannot be implemented immediately.

Efficiency

Staff Hours Per Report

Hours per audit decreased in fiscal year 2000 to about 1,860 staff hours per report issued, down from about 2,400 in fiscal year 1999. In addition staff hours for special reports and follow-up audits also decreased as special reports averaged about 1,250 and follow-up audits averaged about 690 staff hours per report.

Economic Impact-to-Cost Ratio

This ratio provides a measure of the cost effectiveness of performance auditing, comparing potential savings and increased revenue identified in recommendations to the cost of operating the City Auditor's Office. Our goal is to identify at least \$3 in savings or revenue for every \$1 spent on auditing.

In fiscal year 2000, we identified almost \$597,000 in potential annual savings and increased revenue, resulting in a ratio of \$0.55 in potential economic impact for every \$1 of audit costs. We believe that our economic impact has fallen short of our goal in 2 of the last 3 years because of our emphasis on improving internal controls and providing elected officials and management with information on the quality and effectiveness of city services.

Exhibit 2. City Auditor's Office Performance Measures

Performance Measures	Fiscal Years		
	1998	1999	2000
Inputs			
Expenditures	\$1,119,557	\$1,086,696	\$1,094,825
Full-time Audit Staff	13	16	16
Outputs			
Reports Issued ³	10	16	18
Memoranda and Other Projects ⁴	8	5	3
Outcomes			
Recommendation Agreement Rate ⁵	96%	98%	91%
Recommendation Implementation Rate ⁶	74%	70%	27%
Potential Economic Impact	\$1,276,832	\$20,900,000	\$596,910
Efficiency			
Hours per Audit ⁷	1,855	2,426	1,860
Hours per Follow-up	886	1,022	685
Hours per Special Report ⁸	1,095	1,417	1,245
Ratio of Economic Impact to Cost	\$1.14:1	\$19.23:1	\$0.55:1

Sources: AFN System; Audit Report Tracking System reports; City Auditor's Office time and utilization records; and City Auditor's Office audits and reports.

³ Includes audits, follow-ups, and special reports.

⁴ Includes City Council and management memoranda, and staff support to other projects.

⁵ Percentage of recommendations from audit, follow-up and special reports with which management agreed.

⁶ Percentage of recommendations from audit, follow-up and special reports reported by department as implemented in ARTS reports submitted through May 3, 2000. This rate changes over time because not all recommendations can be implemented immediately.

⁷ Figure for 1998 does not include the Port Authority audit because we engaged KPMG Peat Marwick LLP to conduct the audit.

⁸ Figure for 2000 does not include the 2000 Kansas City Citizen Survey because we engaged ETC Institute to conduct the survey.

Appendix A

Reports and Memoranda Released in Fiscal Year 2000

Performance Audits

Emergency Medical Services System (January 2000)
Land Trust of Jackson County, Missouri (February 2000)
Police Citizen Complaint Process (March 2000)

Follow-Up Audits

Childhood Lead Poisoning Prevention (July 1999)
Snow Removal (July 1999)
Tow Service Program (August 1999)
Water Services Department: Backflow Prevention Program (August 1999)
Vital Registry and Health Statistics Program (March 2000)
Solid Waste Management and Illegal Dumping (April 2000)
Cash Handling (April 2000)
Consolidation of Selected Activities of the Parks and Recreation and Public Works Departments (April 2000)
Public Works Department: Street Closure Permit Activities (April 2000)
Solid Waste Division: Apartment Rebate Program (April 2000)

Special Reports

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Review of the Submitted Budget for Fiscal Year 2001 (March 2000)
Parks and Recreation Department: Recreation Program Performance Measures (March 2000)
Kansas City Needs a Housing Policy (April 2000)
2000 Kansas City Citizen Survey (April 2000)

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Performance Audits

Emergency Medical Services System/January 2000

We conducted this audit at the direction of the mayor and City Council. We found that the city's EMS system is designed to provide a high level of care quickly. Most roles are well-defined and accountability mechanisms are mostly in place. We identified opportunities to strengthen EMS by integrating the Fire Department's first responders into the system and by developing mechanisms for more system-wide evaluation, communication, and coordination.

While most roles are well-defined, the role of the first responder should be clarified such that first responders are medically supervised by a single system medical director. City code and Health Department regulations do not specify the first response role. References to the ambulance service could allow ambiguous interpretation of the extent to which first responders are subject to medical control and oversight. The Fire Department's first response could also be strengthened by changes in shift scheduling to ensure that an EMT is assigned to each station on each shift. The Fire Department's and ambulance service's response time reporting is reliable, but system-wide response time is not measured. Depending on the type of call and how many agencies needed to respond, information about a single call can be manually entered into three separate dispatch systems (police, fire, and ambulance).

We recommended strengthening and clarifying the health director's role as the lead responsible party for the EMS system, including medical direction and oversight of first responders, and system-wide evaluation and coordination. We also recommended the city invest in technology to link the Police, MAST and Fire dispatch systems and synchronize their clocks to speed emergency medical dispatch and provide for better tracking of overall system performance.

Land Trust of Jackson County, Missouri/February 2000

We worked with the Office of the State Auditor of Missouri on this performance audit of the Land Trust. The audit found a number of problems with the operations of Land Trust. Although state law requires Land Trust to turn over the net sale proceeds from land sales to the taxing authorities, no such distributions have been made since 1994. Instead, Land Trust retained the proceeds and used the funds to pay all operating expenses and accumulate a surplus in excess of \$500,000. We also found several questionable sales transactions, including two property sales made to the spouse of a Land Trust employee. In one case, no documentation could be located to indicate that money was received or deposited related to the sale. In the other, although the

property was sold for \$2,000, only \$1,300 was received. The property was later condemned by the city, and the Land Trust employee and spouse were awarded \$11,000 for the property. We found a number of other problems relating to missing or incomplete sale file documentation.

We also found a number of problems relating to Land Trust expenditures. In 1998, extra salary payments were made to three Land Trust employees. There was no documentation indicating the reasons for the extra pay or that they had been approved by the board. In addition, annual bonuses totaling \$32,000 were paid to employees between January 1997 and December 1998. Neither the extra salary payments nor the bonuses were reported on the employees' W-2 forms. We also found that Land Trust expended over \$650,000 during a four-year period on mowing services without ever formally soliciting bids. The highest-paid mowing contractor was the spouse of a Land Trust employee, receiving approximately \$50,000 in 1998 and \$42,000 during the first eight months of 1999.

We recommended Land Trust distribute sale proceeds, appraise and classify properties in accordance with state law, recover unauthorized salary and auto allowance payments, and verify that mowing services billed were actually performed. We also recommended the sales process be more thoroughly documented and that controls over money collected be strengthened by segregating duties, and depositing checks on a more timely basis.

Police Citizen Complaint Process/March 2000

The citizen complaint process was identified as a priority in our June 1996 *Preliminary Review, Kansas City, Missouri Police Department*. We found that the credibility of the complaint system is decreased by actual or perceived barriers caused by limitations on who can file complaints, where and when complaints can be filed, the placement of intake locations in police facilities and the restricted access to complaint forms and process materials at intake locations. We also found that the high likelihood that a complaint could not be substantiated may discourage complainants and reduce credibility. Although mediation is a means by which complaints could be resolved, it is used rarely by the department. Finally, although we found that employees generally follow department policies and procedures, the most recent revision to those policies decreased civilian oversight while expanding the role of uniformed intake personnel. In addition, our tests found that intake personnel were not always aware of correct procedures.

We recommended that the director of the Office of Citizen Complaints strengthen the complaint process by allowing all complaints to be accepted, establish additional complaint intake locations, improve access

to materials, provide more public reporting of complaint statistics, and expand the use of mediation to resolve complaints.

Follow-Up Audits

Childhood Lead Poisoning Prevention/July 1999

Our 1994 performance audit found that although lead did not appear to pose a threat to the city's water supply, the city needed a lead poisoning prevention program because an effective program could reduce the long-term costs related to lead poisoning. We found that federal and state funds would be available to pay for such a program.

The city has made substantial progress in addressing lead poisoning prevention since the original audit. The Health Department improved its screening efforts, completes inspections in a timely manner, tracks and reports test results and inspections, and increased education efforts. In order to further improve the program, we recommended that the city target future screening efforts, require health care providers to report the results of all blood lead level tests, establish goals for the timeliness of lead hazard abatements, and identify groups that might benefit from further educational efforts.

Snow Removal/July 1999

Our 1994 performance audit found problems with city overtime expenses, private contractor costs, and insufficient monitoring of provisions and expenses related to reimbursement requests from city departments. We also found that snow and ice removal services were routinely under-budgeted, forcing the city to rely on contingency funds.

Our follow-up found that the department has made significant progress in improving the administration of the program. The Public Works Department adopted changes and continues to consider practices that offer potential opportunities for administrative and operational improvements. Contracting practices with the Parks and Recreation and Water Services departments have improved, and snow and ice control expenditures have been more realistically budgeted.

Tow Service Program/August 1999

Our 1995 performance audit found that the program could save money by reducing and restructuring staffing, reducing the number of city-owned tow trucks, and holding vehicles for a shorter amount of time. We also found that fees for towing and storage did not cover program costs.

Program management implemented most of our recommendations. The number of tow trucks and staff was reduced, and contracts were rebid. We also found, however, that program expansion and relocation have increased expenditures. The city tows more vehicles than in the original audit, yet the cost per tow has increased, due partially to increases in the rental of land due to relocation of the tow lot. The configuration of the new lot limits usable space, causing the program to stop towing abandoned and illegally parked vehicles when the lot fills up. As a result, the benefits of the program—improved traffic safety and decreased blight—may be lessened.

Although Neighborhood and Community Services increased towing and storage fees, waivers granted to owners of stolen vehicles through an ordinance passed by City Council has resulted in revenue less than expected and less than total program costs. The department has plans to consolidate overlapping programs, build a new facility on city-owned property, and implement a new computer system. We made a number of recommendations designed to improve the current program, and included some specific suggestions regarding system security in a separate memo.

Water Services Department: Backflow Prevention Program/August 1999

Our 1993 performance audit found that the Water Services Department was not effectively enforcing the state's backflow prevention regulation. We reviewed related literature and consulted industry experts to develop a list of key elements of a model program. Our audit work determined that most of the elements were missing from the city's program, including accountability, public education, documentation of effort, and differentiation for varying levels of hazards. We also found that lawn irrigation systems were unregulated and some city facilities were not in compliance with regulations.

Since the original audit, the city established a backflow prevention program and hired a program manager. Many of the elements of a model program are in place, while still others have been addressed but remain in need of minor improvement. We also found, however, that the city code still does not consider relative hazard in determining the requirements for new industrial facilities; there is no written plan or timetable for ensuring compliance for residential accounts, particularly those with lawn sprinkler systems; enforcement efforts are inadequate; and the city code includes provisions no longer required by the state. We made a number of recommendations directed toward further improving the program.

Vital Registry and Health Statistics Program/March 2000

Our 1994 performance audit found weaknesses in management controls over the issuance and custody of vital records. Certificate issuance duties were not segregated, security was lax over the certificates, and mail requests were sometimes fulfilled despite being incomplete. We also found problems with customer service, with often only one counter clerk available to wait on customers. Finally, we found that the city charged less than the state to provide certificates.

The program's control environment has improved. The current program manager discovered that an employee had embezzled funds and took steps to correct the practices that allowed the embezzlement to happen. We also found, however, that further improvements are needed. Cash handling and deposit duties need to be segregated to further reduce the risk of loss or theft. Program management should reconcile cash receipts from sales to register tapes, completed applications, and the pre-numbered documents issued. Security is still lax over certificate paper and the city seal used to certify records. The Health Department's new facilities allow vital records to be adequately secured from unauthorized access; archival records however, should be better protected against deterioration. We also found that the program made significant improvements in customer service and charges the same fee as the state for state certificates. We made a number of recommendations designed to further strengthen management controls and protect original records.

Solid Waste Management and Illegal Dumping/April 2000

Our 1996 performance audit found illegal dumping to be a problem citywide. After the state banned certain materials from landfills, the city stopped routinely collecting them; the lack of legal options for disposing of these materials increased incentives for disposing of the materials illegally. City efforts to address the problem were inadequate. We also found that although the city code included a waste hauler permit, the city was not enforcing the ordinance or requiring permits.

The city has increased efforts to prosecute illegal dumpers. From the summer of 1998 through December 1999, the city successfully prosecuted 11 cases of illegal dumping. We found that the city now provides alternatives for waste that was banned from landfills. Despite these efforts, however, illegal dumping continues to be a problem. The city does not collect refuse from businesses; our observations indicate that much of the debris in illegal dumpsites appears to have been dumped by businesses. In 1996 voters approved registering waste tire haulers; the city has not developed a program to do this. We recommended that the city enforce existing regulations.

Cash Handling/April 2000

Our 1996 audit of the city's change, petty cash, meal allowance, and recording fee funds found significant cash handling weaknesses, including inadequate monitoring and supervision, missing safeguards and controls, incomplete regulations, untimely deposits, and a lack of training. Cash handling at the zoo has improved since the original audit as deposits are made daily and supervision has been strengthened. Some locations identified in the 1996 audit as having problems have also improved cash safeguarding procedures and controls. Instructions were developed and updated, and close to 400 city employees were trained in proper cash handling procedures.

We also found that the city's cash procedures are not uniformly followed. Change and petty cash funds still include fund amounts that do not match Finance Department records, and city records regarding petty cash fund custodians were inaccurate. We recommended that the city manager act to improve compliance with current procedures.

Consolidation of Selected Activities of the Parks and Recreation and Public Works Departments/April 2000

Our 1995 performance audit found significant duplication in the areas of motor equipment, construction, building maintenance, and street-related maintenance. We recommended that the city manager prepare a detailed proposal for consideration by the City Council and the Board of Parks and Recreation Commissioners for consolidating activities in these areas.

Our follow-up focused on determining the efforts made by both departments to evaluate the potential for consolidating activities in the areas. We found that the staffs' efforts resulted in increased communication between the departments; improved coordination of similar activities; and some consolidation, primarily in street sweeping and building maintenance contracts. In most cases, however, the departments decided to maintain separate operations, citing concerns of differing priorities, legislative authority, and sources of funding, as well as a lack of expertise in each other's activities. Staff estimated that the changes in street sweeping and building maintenance functions have resulted in savings of more than \$500,000. We recommended that the directors of the two departments direct their staffs to consider further consolidation while participating in the citywide comprehensive service improvements initiative.

Public Works Department: Street Closure Permit Activities/April 2000

Our 1994 performance audit determined that low compliance with street closure permit requirements resulted in the city realizing less revenue than what was provided for by the code and threatened the safety of

travelers and construction workers. Our follow-up determined that the Public Works Department has made significant efforts to improve compliance with code requirements relating to street closures. A comprehensive program was implemented and is staffed by 3.5 employees under the supervision of a full-time program manager. A fee schedule was put in place, with the type and cost of the permit varying with the length of the job and frequency with which the permittee blocks traffic. We also found, however, that procedures in the new program need to be strengthened, inspections need to be documented, fees are too low, and cash handling procedures are lax. We made a number of recommendations directed toward further strengthening the program and improving oversight.

Solid Waste Division: Apartment Rebate Program/April 2000

Our 1995 performance audit found that the requirements established by the court-mandated agreement, along with the program's implementation, resulted in inefficiency and relatively high administrative costs. The nature of the program—a high volume of small monthly payments to third parties—was susceptible to errors or fraud. We recommended that the city manager renegotiate with the plaintiffs who brought suit against the city to alter the method of paying reimbursements. We also made some recommendations to improve controls.

Our follow-up audit found that the Law Department was unsuccessful in renegotiating the agreement. The program remains inefficient; the city processes between 600 and 700 rebate payments each month, with some payments for as little as \$2.11. Although the Environmental Management Department developed written policies and procedures as we recommended, the procedures do not ensure that key duties are segregated. We made some recommendations directed toward improving controls.

Special Reports

1999 Survey of Kansas City Businesses/February 2000

In November 1999, we surveyed 400 owners and managers of businesses in Kansas City to determine how the business community views the quality of city government services. This was the first time we performed such a survey; as a result, it is difficult to draw conclusions from a one-time survey regarding areas in need of change. We plan to repeat the survey periodically in order to track whether opinions are changing.

The survey results indicated that businesses are generally satisfied with Kansas City as a place to do business and with the city government's responsiveness to their needs. Most respondents (71%) rated the city as a "good" or "excellent" place to do business. Fewer respondents however, felt that the area in which their particular business was located was a "good" or "excellent" place to do business. Slightly fewer than half of the business owners or managers reported that city government was doing a "good" or "excellent" job of meeting the needs of their businesses. The respondents cited police, street maintenance, fire services, and city airports as among the most important city government services we asked about. The respondents rated the quality of police, fire service, and city airports as mostly "good" or "excellent" but fewer than half rated street maintenance as "good" or "excellent."

Review of the Submitted Budget for Fiscal Year 2001/March 2000

The city manager's submitted budget continued to strengthen the city's financial condition in the short term. The budget used no carryover to fund ongoing operations. It provided for an adequate fund balance, while maintaining infrastructure spending. Despite this progress, however, a structural imbalance—where recurring expenditures are greater than recurring revenues—remains because major changes in the structure of revenues and expenditures have not been made. Without these changes, prospects are not good that the budget can continue to be balanced, as it was this year.

We noted our concern over the city's decreasing financial flexibility. More and more operating revenues are restricted in their use, the city's debt portfolio already exceeds established benchmarks, and development incentives account for increasing percentages of our tax base and debt portfolio. Enduring infrastructure needs, an inadequate police capital planning process, and a lack of accountability for economic development incentives also need to be addressed if the city wishes to continue its budgetary progress.

Parks and Recreation Department: Recreation Program Performance Measures/March 2000

This report was our second special report to recommend a set of performance measures for a specific function. The first report recommended measures for the Police Department. We selected recreation services as the second subject because the Parks and Recreation Department's recreation programs are a visible city service that may be underused. According to the 1998 citizen survey, about 80 percent of respondents and their household members had not used Kansas City recreation services in the previous year.

We identified a group of 14 performance measures intended to provide a representative overview of recreation services to enhance oversight and public accountability. The measures focus on the extent to which dedicated revenues cover program costs, the level of service provided, program results, and efficiency measures useful for evaluating program fees. These measures are consistent with the department's mission and use data that is already collected or can be collected without much difficulty. We recommended the Board of Parks and Recreation Commissioners adopt the measures and consider how often the measures should be reported and the format in which they should be reported.

Kansas City Needs a Housing Policy/April 2000

This report, a joint effort between our office and the Office of the Inspector General, U.S. Department of Housing and Urban Development (HUD) focused on providing the mayor and City Council with information on housing-related activities currently performed by city departments and non-governmental agencies. It is the first of two reports; a performance audit on the activities of the city's Housing and Community Development Department is scheduled to be completed during fiscal year 2001.

We found that HUD allows cities autonomy in determining how the funds it provides should be spent. This latitude provides Kansas City the opportunity to develop its own housing program, but also places responsibility on the city to identify housing problems and establish policies that will lead to solutions. The city has not adequately met this responsibility. The city's stated housing strategies are vague, and when strategies are used to measure performance, any outcome can be viewed as a success. Interviews with more than 60 representatives of housing-related agencies found that 75 percent thought the city should assume the role of leadership or policy facilitator in housing, while just over 10 percent felt the city currently accomplishes this role.

We also found that despite the huge amount of money spent annually on housing efforts, current information on the quality, affordability, and availability of housing in the city is largely non-existent. Information on housing conditions reported in the city's 1999 consolidated plan submitted to HUD is at least 10 years old and consequently should not be used to identify current conditions. We made a number of recommendations regarding the development of a clear, comprehensive housing policy.

2000 Kansas City Citizen Survey/April 2000

ETC Institute conducted this survey of about 1,200 households in February 2000. The survey was part of ETC's DirectionFinder project,

an effort to conduct similar surveys in many jurisdictions and compare the results. The comparative report will be released in the fall.

The survey found that the pattern of satisfaction among basic city services appears similar to the results of our 1998 citizen survey and our 1999 survey of Kansas City businesses. Areas with which respondents seemed generally satisfied included public safety, water/sewer utilities, parks and recreation, customer service, and local public health services. Areas that respondents indicated should receive the most emphasis over the next two years included maintenance of city streets, buildings, and facilities; stormwater runoff; and city communication with the public.

Councilmember and Management Memoranda

Review of Audits of Outside Agencies/June 1999

Our 1997 *Special Report: Review of Audits of Outside Agencies* recommended the city code be revised to require the city auditor to review audits of outside agencies and report negative opinions, reportable conditions and material weaknesses to the City Council. Our 1999 review is our first report to the City Council on an annual basis. The memo provides a list of outside agencies (agencies receiving \$100,000 or more in annual funding from the city to provide a public service), the amount of funding they received and any qualified opinions, reportable conditions, material weaknesses or material noncompliance identified by the agencies' auditors. Fifteen of the 41 agencies we reviewed had concerns that their auditors were required to report.

Priorities for City Services/ September 1999

Mayor Kay Barnes asked us to identify previous work on city service priorities. We described several frameworks that have been used to assign priorities to city services and programs, and listed reports in which the frameworks were applied or discussed.

Proposed Policy for the Use of Chapter 100 Bonds/February 2000

Councilmember Evert Asjes asked us to review a draft policy on the use of Chapter 100 bonds. We determined that the language of the draft was ambiguous and overly broad in areas. We also determined that stronger links were needed between the Chapter 100 program and the overall financial condition of the city.

Appendix B

Reports Issued, Fiscal Years 1997-1999

Performance Audits

Solid Waste Management and Illegal Dumping (August 1996)
Sanitary Sewer Special Assessment Program (September 1996)
Golf Course Retail Inventory Controls (December 1996)
Street Resurfacing Program Contracts (March 1997)
Reporting Accidents, Damages, and Losses (March 1997)
Golf Operations (June 1997)
Garage Storeroom Privatization Contract (September 1997)
Kansas City, Missouri Police Department, Patrol Deployment: Blackout
Analysis (January 1998)
Port Authority of Kansas City, Missouri (February 1998)
Contract Renewal Options (April 1998)
Tax Increment Financing (September 1998)
Implementation of the Red Flag Commission's Recommendations
(December 1998)
Financial Management System Controls (December 1998)
Public Works Motor Equipment Division (February 1999)
Ryan White Funding Equity (March 1999)

Financial-Related Audits

License Fee and Tax Payments – Kansas City Power & Light Company
(October 1996)

Follow-Up Audits

Real Estate Lease Agreements (April 1997)
Milk Inspection Program (May 1997)
Public Contact (May 1997)
City Vehicle License Fees (April 1998)
Liquor Control (October 1998)
Neighborhood Tourist Development Fund (March 1999)
Street Cut Inspection Program (March 1999)
Minor Home Repair Program (March 1999)

Special Reports

Preliminary Review – Kansas City, Missouri Police Department (June 1996)

A Model for Public/Private Competition (August 1996)

Water Services Benchmarking Project (February 1997)

Review of Audits of Outside Agencies (February 1997)

KCATA: An Effective Regional Transit System Is Needed (March 1997)

Review of the Submitted Budget for Fiscal Year 1998 (April 1997)

Fees and Service Charges: A Comprehensive System Is Needed
(February 1998)

Review of the Submitted Budget for Fiscal Year 1999 (April 1998)

Police Retirement Funds (August 1998)

Report of the Public Safety Radio System Investigating Committee
(September 1998)

Kansas City, Missouri Police Department: Opportunities for
Civilianization (September 1998)

1998 Kansas City Citizen Survey (January 1999)

Report of the Council Ethics/Relations Committee (February 1999)

Review of the Submitted Budget for Fiscal Year 2000 (March 1999)

Kansas City, Missouri Police Department: Performance Measures for
Patrol and Investigations (April 1999)

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