

**City Auditor's Office
2002 Annual Report**

September 2002

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

September 18, 2002

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, 2002, is presented for your review.

In fiscal year 2002, we released 18 reports: 8 audits, 3 follow-up audits, and 7 special reports. Our audits covered a variety of issues such as the timeliness with which the Revenue Division processes city tax returns, the span of control in city departments, and the intended role of the Parks and Recreation Department's community centers. The special reports covered topics such as the degree to which the city's budget process incorporates recognized best practices, the major themes addressed by the approximately 1,000 recommendations contained in the 140 reports issued by the City Auditor's Office since May 1988, and the results of focus groups designed to obtain qualitative opinions on how businesses view city services.

In 2002, we continued our series of reports on the operations of the Police Department. Our performance audit, *Kansas City, Missouri Police Department Fees and Service Charges*, focused on methods to strengthen oversight of fee and service charges assessed by the department. This report was among the topics identified in our June 1996 Preliminary Review of the department's operations.

In the last several years, the focus of our work has shifted from audits identifying economic impact such as increased revenues or reduced costs, to projects addressing broad policy and management issues. As a result, for the last three years, we have not met our goal of identifying \$3 of potential economic impact for \$1 of audit costs. Since the start of my tenure, however, my office has identified over \$51 million in potential economic impact, resulting in a ratio of \$4.36 in cost savings or increased revenue for every \$1 spent on auditing. We continue to balance our goal of suggesting ways that the city can achieve quantifiable improvement in its efficiency and effectiveness against a sometimes competing goal of presenting the Mayor and Council with broader examinations of new policy directions providing less immediate impact but more potential for long-term improvement.

We appreciate the strong support we receive from the Mayor and 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 and provide information to facilitate policy discussions.

Mark Funkhouser
City Auditor

City Auditor's Office: 2002 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. Elected officials and the public need timely, objective, and accurate information about department and program performance. By providing this information and making recommendations for improvement, 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 work of the City Auditor's Office includes performance and follow-up audits, special reports, and when requested, Councilmember or management memoranda. Most reports result in recommendations that will improve resource utilization, reduce the risk of loss or abuse of assets, increase productivity, or correct wasteful practices. Audit recommendations can improve services to the public by making programs more effective and efficient. In addition, they can increase the city's responsiveness to citizens and assist the Mayor and City Council in carrying out their oversight responsibilities. The following briefly describes the types 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

Follow-up Audits

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

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 issue citizen surveys and special reports presenting research and analysis on significant policy issues.

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

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

When selecting audit topics, we try to balance audits expected to yield cost reductions, increased revenue, improved services, and improvements in major control systems with projects that will address broad policy and management issues. Our process for selecting audit topics also includes considering complaints we receive, as well as concerns and requests from the Mayor, City Council, and management. The City Auditor initiates projects and assigns them to audit staff.

Expenditures

The City Auditor's Office had expenditures of about \$1.3 million in fiscal year 2002. (See Exhibit 1.)

Exhibit 1. City Auditor's Office Annual Expenditures

Category	Fiscal Year		
	2000	2001	2002
Personnel	\$ 965,104	\$1,095,654	\$1,195,280
Contractual	116,984	85,352	118,726
Commodities	5,831	5,792	9,680
Capital Outlay	6,906	600	1,223
Total	\$1,094,825	\$1,187,398	\$1,324,909

Source: AFN System.

Staffing

Staff Qualifications

The office was authorized 19 full-time equivalent positions in fiscal year 2002: the City Auditor, 17 auditors, and an administrative secretary. All professional staff have advanced degrees in fields such as accounting, business administration, finance, law, psychology, public administration, and social sciences. Several staff members have previous auditing and management experience in the public and private sectors. As of May 2002, six staff members each had one or more professional certifications, including Certified Internal Auditor, Certified Management Accountant, Certified Public Accountant, Certified Government Financial Manager, and Certified Information Systems Auditor.

Staffing Changes

In October 2001 the Deputy City Auditor resigned to take a position as City Internal Auditor in Atlanta, Georgia. Rather than fill the position, we divided the duties among existing senior staff and reclassified the position to an entry level auditor position.

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 2002, auditors received an average of 80 hours of training by attending seminars, workshops, conferences, and monthly in-house training sessions. Training topics included team-developed audit reports, information systems auditing, and the Missouri Sunshine Law.

To help minimize our training costs, we implemented monthly in-house training for all audit staff on topics such as fund accounting, audit evidence, and verifying performance data.

Professional Associations

Several staff members are active in organizations of auditors, accountants, and public managers. Professional associations include the National Association of Local Government Auditors, the Association of Government Accountants, the Institute of Internal Auditors, the American Society for Public Administration, the Missouri Society of Certified Public Accountants, the Information Systems Audit and Control Association, and the Intergovernmental Audit Forum. In addition, a staff member is on the National Association of Local Government Auditors' Peer Review Committee.

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

We released 18 reports in fiscal year 2002, including 8 performance audits, 3 follow-up audits, and 7 special reports. In addition, we completed two Council memoranda.

Outcomes

Implementation of Audit Recommendations

The primary benefits of the work of the City Auditor's Office include reduced costs, increased revenues, improved services, and government accountability. 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 agreed upon 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 fiscal year 2002, we exceeded this goal; management agreed with 99 percent of our report recommendations.

Although management agreement is a step toward implementing recommendations, 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 61 percent of recommendations for reports issued in 2000 were implemented within two years according to management's Audit Report Tracking System (ARTS). We expect the implementation rate for recommendations 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 2002, about 70 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 30 percent of our recommendations 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. We did not identify any potential economic impact in 2002.

Some of our reports include potential economic impact that we could not or did not quantify. For example, our audit assessing the span of control—the number of employees reporting to a supervisor—throughout city departments found that the city's span of control is narrower with more management layers than other government organizations that have completed similar studies. We recommended that the City Manager review cases where a supervisor has too few or too many direct reports, and consider span of control issues prior to approving or filling vacancies. Our follow-up audit of the Sanitary Sewer Special

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

Assessment Program found that approximately 5,000 structures throughout the city are without access to the sanitary sewer system. We recommended that the City Manager consider using Community Development Block Grant funds to construct sanitary sewers in areas of the city meeting eligibility guidelines. While our work on both reports found the potential for savings, we did not attempt to quantify the amounts.

Efficiency

Staff Hours Per Report

In fiscal year 2002, staff hours per audit averaged almost 1,260, about the same as in 2001. Staff hours for special reports decreased, from 875 to about 700. Staff hours for follow-up reports, however, increased from an average of 580 to 865 staff hours per report.

Economic Impact-to-Cost Ratio

The economic impact-to-cost 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.

Since our fiscal year 2002 reports did not identify any quantifiable potential annual savings or increased revenue, our economic impact-to-cost ratio for the year was zero. The decreasing economic impact over the past several years is a result of our increased emphasis on audits and reports with broad policy implications that examine the quality and effectiveness of services and operations on a city-wide basis.

Since the start of the tenure of the current City Auditor, the office has released over 140 reports containing more than 1,000 recommendations. These recommendations identified over \$51 million in potential economic impact, resulting in a ratio of \$4.36 in savings or revenue for every \$1 spent on auditing between fiscal years 1989 and 2002.

Exhibit 2. City Auditor's Office Performance Measures

Performance Measures	Fiscal Years		
	2000	2001	2002
Inputs			
Expenditures	\$1,094,825	\$1,187,398	\$1,324,909
Full-time Audit Staff	16	16	16
Outputs			
Reports Issued ³	18	18	18
Memoranda and Other Projects ⁴	3	2	2
Outcomes			
Recommendation Agreement Rate ⁵	91%	90%	99%
Recommendation Implementation Rate ⁶	61%	71%	16%
Potential Economic Impact	\$596,910	\$700,000	\$0
Efficiency			
Hours per Audit	1,860	1,253	1,256
Hours per Follow-up	685	582	865
Hours per Special Report	1,245	874	707
Ratio of Economic Impact to Cost	\$0.55:1	\$0.59:1	\$0

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. In 2001, we provided support to the Charter Review Commission.

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 1, 2002. This rate should increase over time because not all recommendations can be implemented immediately.

Appendix A

Reports and Memoranda Released in Fiscal Year 2002

Performance Audits

Revenue Division Document Processing Unit (May 2001)
Department of Housing and Community Development: Review of Subrecipient Selection, Monitoring and Reporting (July 2001)⁷
Strengthening City Contracts: Aviation Department Relighting Contract (October 2001)
Kansas City, Missouri Police Department Fees and Service Charges (November 2001)
KCI News and Gift Concessionaire Selection Process Audit (December 2001)
Concurrent Review: ERP Solicitation (April 2002)
Span of Control (April 2002)
Parks and Recreation Department Community Centers (April 2002)

Follow-Up Audits

Human Resources Department (August 2001)
City's Flood Response (September 2001)
Sanitary Sewer Special Assessment Program (March 2002)

Special Reports

Budget Process Practices (August 2001)
Analysis of Report Recommendations 1988-2001 (August 2001)
Good Governance Practices for Boards and Commissions (August 2001)
Review of Audits of Outside Agencies (January 2002)
Review of the Submitted Budget for Fiscal Year 2003 (March 2002)
2001 Business Focus Group Report (March 2002)
City Services Performance Report for Fiscal Year 2001 (March 2002)

Councilmember and Management Memoranda

Housing Performance Measures (September 2001)
Analysis of the City's Budget Structure (October 2001)

⁷ This report was issued jointly with the U.S. Department of Housing and Urban Development, Office of the Inspector General.

Performance Audits

Revenue Division Document Processing Unit (May 2001)

This audit focused on the timeliness with which the division processes city tax returns and payments.

We found that posting tax return and payment information to taxpayer accounts took too long. Delays in identifying and notifying taxpayers of tax delinquencies caused penalties and interest to accumulate. Returns for which citizens were owed a refund were processed only after those containing a payment, thus causing the city to hold onto money owed to taxpayers. Although staffing increased during peak periods in 2000, the staffing level was not sufficient to prevent a tax-processing backlog. We recommended increasing seasonal staffing, outsourcing some processing functions, and exploring process alternatives.

We also found that the current procedures were grafted onto an existing system. The process was cumbersome and inefficient. In addition, controls over checks were lax. We made a number of recommendations directed toward increasing controls over payment checks.

Department of Housing and Community Development: Review of Subrecipient Selection, Monitoring and Reporting (July 2001)

This joint audit between our office and the local Office of Inspector General, U.S. Department of Housing and Urban Development (HUD) focused on the activities of the city's Housing and Community Development Department and its use of subrecipients to accomplish housing-related program objectives administered using HUD funds.

We found that the city did not have a formal process for selecting subrecipients, did not adequately monitor subrecipients, and did not provide adequate information to the City Council. The lack of a formal selection process means that HUD, the Mayor and City Council, and the public lack assurance that federal grants are awarded according to applicable regulations and guidelines and in an efficient, effective, and fair manner. In addition, the selection process lacked accountability and did not offer any defense against occurrences or allegations of favoritism or improper influence. We recommended that the department establish and implement a formal selection process for awarding federal grants.

We also found inadequate monitoring caused a lack of assurance that subrecipients were accomplishing their specific goals related to improving communities in Kansas City. We recommended that the

department establish and implement written policies and procedures for improving oversight over subrecipients and increase the level of information provided to the City Council.

Strengthening City Contracts: Aviation Department Relighting Contract (October 2001)

This performance audit of the Aviation Department's 1999 contract to relight the parking garages and improve stair towers at Terminals A and B at KCI Airport focused on the department's efforts to ensure satisfaction of the contract terms and on citywide construction contracting practices.

We found that the department's oversight of the contract was adequate and the contractor provided the work and materials required. We also found that citywide contracting requirements needed improvement. When the relighting contract was written, regulations relating to contracting were not consolidated and contracts lacked consistency. In response to the Red Flag Commission's recommendations about contracting, the City Manager issued an Administrative Regulation and Contract Guidebook that addressed policies and procedures relating to contracts for services. The guidebook, issued in November 1999, strengthened many of the areas that needed improvement. We made a number of recommendations directed toward further improvements in monitoring contractors and documenting project changes.

Kansas City, Missouri Police Department Fees and Service Charges (November 2001)

This performance audit focused on methods to strengthen oversight of fees and service charges assessed by the Police Department. We found that although the department collected over \$3.6 million in fee revenue from 19 services in 2001, it did not maintain cost information for specific fee-based services and thus did not know how much it actually costs to provide these services. As a result, management is prevented from knowing whether the fees charged cover an adequate portion of the cost and increases the risk of charging a fee higher than the actual cost. We recommended that the department identify the actual cost of providing services and base its fees on a comparison of projected costs and revenues.

We also found that the department did not have a fee policy. Authority to set fees was fragmented and once set, fees were not periodically reviewed. We recommended that the board develop a policy that is consistent with the city's policy including periodic review, fee recovery goals, and identification of costs. We also recommended that the board

consider implementing new fees for services currently provided to specific groups without charge.

**KCI News and Gift Concessionaire Selection Process Audit
(December 2001)**

We undertook this performance audit due to questions raised by unsuccessful proposers, their supporters, and some Councilmembers regarding the department's process for selecting a concessionaire.

We found no evidence of violations of any applicable rules in the KCI concessionaire selection process. We did, however, identify a number of factors that exposed the process to claims of bias. The proposal evaluation process was modified without formal notification to the proposers; decisions regarding weighting the criteria took place after the submittals were opened; the selection committee lacked diversity; and contacts between proposers, staff, and elected officials were not regulated. We recommended that the City Manager and City Council review the situations that created the perception of bias and consider ways to eliminate these situations in the future. We also recommended that control and consistency in administering the human relations function would be better served if Aviation Department's human relations manager reported to the Director of Human Relations.

Concurrent Review: ERP Solicitation (April 2002)

This review of the pre-solicitation phase of the city's enterprise resource planning (ERP) acquisition project updated the Mayor and City Council on the project's status prior to the city's issuance of an RFP for software and implementation.

We found that the city followed a number of good practices in planning for the ERP acquisition. Senior managers and system users were involved in the project; the project team had an appropriate mix of skills and experience and team members were assigned to the project full time; the city did not rely on a software vendor to assist in assessing needs; the needs assessment was inclusive and considered system architecture and capacity; and the project team and consultant developed a strong business case.

The city will face significant challenges in implementing a new system. These include managing process changes to avoid costly system modifications, committing adequate resources in both time and money to fully implement and maintain the system, and working with more complex technology and security needs. The most difficult challenges relate to governance, change management, and system acceptance. The

city's current processes are decentralized. An integrated system will require strong, centralized decision-making. City departments will need to follow standard practices to achieve the benefits of ERP.

We had made several recommendations previously to the Director of Information Technology while participating in an advisory capacity to the executive oversight steering committee and the business process cross-functional teams. These recommendations focused on clarifying the roles and responsibilities of the various entities involved in the process, strengthening internal controls, and documenting the work performed.

Span of Control (April 2002)

This performance audit assessed the span of control—the number of employees reporting to a supervisor—throughout city departments. We found that the city's span of control is narrower with more management layers than other government organizations that have completed similar studies. The average span of control in city departments ranges from 3.2 to 12.8 employees directly reporting to each supervisor. The city's median span of control across departments is 4.6 employees directly reporting to each supervisor. The city has up to nine management layers between the City Manager and line workers.

We recommended that the City Manager review cases where a supervisor has too few or too many direct reports, and consider span of control issues prior to approving or filling vacancies.

Parks and Recreation Department Community Centers (April 2002)

This performance audit focused on identifying the intended role of community centers operated by the Parks and Recreation Department and determining whether this role was being accomplished.

We found that operating costs for the department's 11 community centers exceeded the revenue provided from the dedicated funding source and user fees. In fiscal year 2001, general fund contributions exceeded \$3.5 million. Uniform vehicle license fees, the source of community center dedicated revenue, will expire in 2012. Debt service payments to repay construction costs for the new centers will continue until 2014. Unless another funding source is identified, additional general fund support will be needed to replace the dedicated revenue and continue debt service payments. We recommended that the department begin to plan for the loss of vehicle fee revenues.

We also found that programs and activities offered by the 11 community centers vary widely. Staff typically choose these programs with limited public input. Measurable goals and objectives for the community centers have not been developed. We recommended that the department obtain community input on the centers' mix of activities, and establish measurable goals and objectives for the community centers.

Follow-up Audits

Human Resources Department (August 2001)

Our 1995 performance audit found problems with the department's roles and responsibilities, recruitment and selection processes, and technology needs. We recommended changes intended to increase flexibility in hiring and improve services provided to other departments.

The department took a number of steps to address the issues raised and to implement recommendations identified in the 1998 Compensation Task Force. The department expanded recruiting efforts, eliminated testing for all but firefighter positions, implemented an award-winning supervisory training program, revised the compensation system, and developed a new performance management system. We also found, however, that outdated technology and procedures continue to hamper the department's effectiveness. The hiring cycle was too long, and turnover throughout the city was relatively high. Proposed changes increasing the departments' discretion in hiring will require improved support of city department personnel by the Human Resources Department. We made a number of recommendations directed toward strengthening accountability.

City's Flood Response (September 2001)

Our 1998 inquiry into conditions affecting the city's response to the October 4, 1998, flood reported that the city did not have a comprehensive plan for responding to flooding and found problems with the reliability of the city's flood warning devices.

We found that the city has made considerable progress in addressing the problems relating to its response to flash floods. Responsibility for emergency management was moved from the Fire Department to the City Manager's Office, and an emergency manager was hired in October 1999. The emergency manager recently drafted a comprehensive emergency operations plan for all types of disasters and a plan for

responding to flash flooding including procedures for monitoring conditions in the field and closing streets.

The city's relationship with the National Weather Service was clarified, efforts to detect floods and educate the public were improved, and warning devices are more reliable. We found that some reliability problems remain, but plans were in place to repair the devices.

Sanitary Sewer Special Assessment Program (March 2002)

Our 1996 performance audit found problems with financial oversight and the adequacy of funding for the program. We found that financial oversight of the sanitary sewer special assessment fund has improved. Financing was obtained from the State Revolving Fund Program (SRF), which has a significantly lower interest rate. Money from the SRF was used to refund the 1991 and 1996 general obligation bonds, resulting in a present value savings for the city of \$1.2 million. Financial condition reports are being prepared as required, and a systemic accounting error has been corrected.

We also found that approximately 5,000 structures throughout the city are without access to the sanitary sewer system. The Public Works Department estimated that extending the city's sewer system would cost more than \$50 million. We recommended that the City Manager consider using Community Development Block Grant funds to construct sanitary sewers in areas of the city meeting eligibility guidelines.

Special Reports

Budget Process Practices (August 2001)

This special report, initiated at the request of the City Council Finance and Audit Committee, focused on the degree to which the city's budget process incorporates recognized best practices, and the role of the city's elected officials in the process.

We found that Kansas City's Office of Management and Budget has incorporated most of the National Advisory Council on State and Local Budgeting's comprehensive set of best practices and essential features into the city's budget process. We also found, however, that the overall framework that integrates these practices and provides linkages between budget decisions, management strategies, and achievement of goals needs to be strengthened. In addition, the quality of communication between staff and elected officials needs to be improved. We made a

number of recommendations directed toward improving the budget process, including monitoring performance, making the budget document more readable, and using an outside facilitator to help establish goals.

Analysis of Report Recommendations 1988-2001 (August 2001)

This report identified the major themes addressed by the approximately 1,000 recommendations contained in the 140 reports issued by the City Auditor's Office since May 1988. The goal of the report was to stimulate discussion between city management and elected officials about a number of long-term fiscal and policy challenges facing city government.

Although the recommendations in each report related specifically to the conditions we found through auditing the entity or program, the recommendations generally suggested that management take one of nine actions, including define roles and responsibilities; develop policies and procedures; comply with laws, regulations, or procedures; understand costs; consider the costs and benefits of alternative approaches; protect assets; manage human resources; improve contracting practices; and measure and report on performance.

Good Governance Practices for Boards and Commissions (August 2001)

This special report identified and recommended good governance practices for Kansas City boards and commissions. Governance is the exercise of authority, direction, and control by a governing board. It focuses on planning and achieving goals, and is separate from management. In fiscal year 2000, the city's boards and commissions spent a total of close to \$220 million.

We reviewed literature to identify practices and developed a framework for good governance and a governance assessment checklist. The checklist included items such as specifying reporting requirements, developing job descriptions, and holding regular board meetings. We recommended that the Mayor and City Council direct Kansas City's major boards and commissions to use the checklist to assess their governance practices and report annually on implementation. We also recommended that the Mayor and Council identify applicable governance practices to be followed by new advisory and ad hoc boards and commissions.

Review of Audits of Outside Agencies (January 2002)

This annual review, which is required by the city's Code of Ordinances, focused on reviewing the financial audit reports, internal control reports, and compliance reports of those agencies that receive at least \$100,000 in city funding annually.

We reported that in fiscal year 2001, almost 50 outside agencies received \$114 million in funding or pass-through money to operate or administer programs or services. Auditors for almost a third of the agencies had concerns they were required to report. Last year, about a fourth of the agencies reviewed had problems. The number of agencies receiving negative opinions on their financial statements or having reportable conditions, material weaknesses, or material noncompliance increased since 2001. Four agencies had material weaknesses in their reports we reviewed this year compared to two agencies last year.

Review of the Submitted Budget for Fiscal Year 2003 (March 2002)

We found that the city faced a structural imbalance that weakened its ability to provide services in the 2003 submitted budget. Without structural changes, the imbalance will continue to weaken the city's financial condition, thus hurting the city's ability to provide services such as police, fire, and street maintenance.

The submitted budget did not balance future revenue and expenditure growth, used reserves to fund ongoing operations, and deferred capital maintenance. The city increased spending over the past two decades without significantly reallocating resources from low to high priorities. Short-term measures used to balance previous budgets resulted in deferred costs that the city faces now.

We also addressed the city's limited financial flexibility and sharp growth in expenditures for development incentives. More and more revenues are restricted, debt service remains high, and general fund transfers to other funds have grown. Six years ago, TIF and STIF expenditures were \$1 million; the 2003 submitted budget calls for TIF and STIF expenditures of \$42 million.

We recommended that the Mayor and City Council appoint a citizen's committee to review the budget structure and made recommendations to achieve a stable budget structure.

2001 Business Focus Group Report (March 2002)

This report presented the results of four focus groups designed to obtain qualitative opinions on how businesses view city services and why they view certain services as important. The participants were selected from about 270 respondents who indicated in our *1999 Survey of Kansas City Businesses* that they would be willing to participate in future discussions. Participants discussed six major city services: police, snow removal, fire, street maintenance, airports, and storm water drainage.

Timeliness was identified as an important aspect of city services, including police and fire emergency response time, and how quickly streets are cleared of snow. Other issues for police services included competence of individual officers and attitude. Additional important issues for fire services included competence of fire personnel. The most important aspects of street maintenance included the physical condition of road surfaces, how quickly street repairs are made, and damage to vehicles caused by streets. Airport issues included security and the availability of flights. Important issues relating to stormwater drainage included flooding in city streets and businesses, maintenance of the stormwater system, and property damage resulting from floods.

City Services Performance Report for Fiscal Year 2001 (March 2002)

We reported the results of the 2001 citizen survey along with performance indicators in six broad categories: streets, public safety, parks, water and sewer, neighborhood livability, and overall quality of life.

The 2001 citizen survey showed improvement in several areas compared to the 2000 survey. More citizens said they were satisfied with water and sewer services, storm water management, property code enforcement, and the city's communication with the public. There were no significant decreases in overall satisfaction in any of the 10 major categories of services we asked about.

Citizen satisfaction with street maintenance decreased. Fifty-three percent of respondents in 2001 noted their satisfaction with maintenance of city streets as a 1 or a 2, where 1 means very dissatisfied. Public Works Department street assessment data for 2001 showed cracking is prevalent in city streets.

About 75 percent of those surveyed selected overall maintenance of city streets, buildings, and facilities among their top three choices for leaders

to emphasize over the next three years, while 44 percent selected maintenance as their top choice. Other areas selected as top choices by more than 10 percent of respondents included police, fire, and ambulance services, and traffic flow.

Councilmember and Management Memoranda

Housing Performance Measures (September 2001)

Mayor Kay Barnes asked us to recommend performance measures that could be used to monitor the results of the city's housing activities. The City Auditor's Office has long considered performance measures to be a valuable mechanism for monitoring and improving program effectiveness. We provided the Mayor with a list of 12 recommended measures that focus on the outputs and outcomes of the city's housing efforts and address some of the goals and policies recommended by the Citizen Advisory Committee on Housing.

Analysis of the City's Budget Structure (October 2001)

The Finance and Audit Committee asked us to look at how department and program area expenditures and staffing have changed since 1991. Our review determined that in the last decade development incentives and debt service expenditures grew substantially; money the city previously provided to school districts has been shifted to capital; and capital, aviation, police, and fire expenditures all increased. In addition, various programs were shifted between departments, and two new departments were created.

Appendix B

Reports Issued, Fiscal Years 1999-2001

Performance Audits

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)
Emergency Medical Services System (January 2000)
Land Trust of Jackson County, Missouri (February 2000)
Police Citizen Complaint Process (March 2000)
Review of the 1999 TIF Annual Report (August 2000)
Citywide Management of Take-Home Vehicles (November 2000)
Health Department Food Protection Program (January 2001)
Consolidating City and Police Support Services (January 2001)
Controlling Development's Impact on Storm Water Runoff (April 2001)
Liberty Memorial Restoration (April 2001)

Follow-Up Audits

Liquor Control (October 1998)
Neighborhood Tourist Development Fund (March 1999)
Street Cut Inspection Program (March 1999)
Minor Home Repair Program (March 1999)
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)
Kansas City Street Lighting Costs and Funding Alternatives
(August 2000)
Fire Fighting Force Resource Allocation (September 2000)
Street Resurfacing Contracts (September 2000)

Fees and Service Charges Follow-up (September 2000)
Golf Course Retail Inventory Controls (October 2000)
Reporting Accidents, Damage and Loss (January 2001)

Special Reports

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)
1999 Survey of Kansas City Businesses (February 2000)
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)
Comparative Analysis of Tax Effort (October 2000)
2000 Kansas City Citizen Survey: Benchmarking Report
(November 2000)
Review of Audits of Outside Agencies (January 2001)
Sales Tax Study (February 2001)
Review of the Submitted Budget For Fiscal Year 2002 (February 2001)
Information Technology Department Performance Measures
(March 2001)

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(as of May 2002)

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