

**City Auditor's Office
2005 Annual Report**

August 2005

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

August 23, 2005

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, 2005, is presented for your review. According to Rule 35 of the *Standing Rules of the City Council of Kansas City, Missouri*, the City Auditor's performance and salary are to be reviewed annually in September. I'm presenting this report now to aid the Budget and Audit Committee in its duty to conduct that review.

In fiscal year 2005, we released 17 reports (three more than in 2004) and identified over \$4 million in potential economic impact. Our audits examined issues such as the condition of city streets; whether the proposed site for the city's new tow lot was the best available location; barriers to identifying and transferring tax dollars owed to the TIF Commission; the city's performance management system; and the city's system for implementing housing policy and the Housing and Economic Development Financial Corporation's role in that system.

During my tenure, this office has identified over \$58 million in potential economic impact, resulting in a ratio of \$3.52 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 City Council with broader examinations of new policy directions providing less immediate financial impact but more potential for long-term improvement in finances and services. In May of this year, we developed a strategic plan to clarify our mission, provide a framework for selecting audits and allocating resources, and set office goals and annual performance measures that support our mission. As we go forward, we will focus our audits on answering questions that matter to people outside of City Hall; that enable the city to reduce, avoid, or recover costs; and that alert city officials to potential problems that could undermine the public's trust in city government.

In 2005, we continued our efforts to combine our resources with other governmental audit agencies. Our August 2004 audit, *The City's Housing Program and the Role of the Housing and Economic Development Financial Corporation*, conducted jointly with staff from the local Office of Inspector General, U.S. Department of Housing and Urban Development, was our third audit with HUD. In April, we were awarded the Inspector General Service Award for our assistance and cooperation in conducting joint audits focusing on the city's housing activities.

In 2005, the City Auditor's Office received a Knighton Award for our August 2004 performance audit, *Street Maintenance*. This award, given annually by the National Association of Local Government Auditors, is the highest award given by the association to local government audit agencies. We are the only audit office to win this award four times.

We appreciate the strong support we receive from 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, and providing information to facilitate policy discussions.

Mark Funkhouser
City Auditor

City Auditor's Office: 2005 Annual Report

Table of Contents

Mission and Goals	1
Charter Authority of the City Auditor	1
Our Purpose	1
Our Work Products	2
Office Operations	5
Audit Selection	5
Expenditures	6
Staffing	6
Professional Development	7
Summary	7
Continuing Education	7
Professional Associations	7
Performance Measures	9
Summary	9
Outputs	9
Outcomes	9
Efficiency	11
Appendices	13
Appendix A: Reports Released in Fiscal Year 2005	13
Appendix B: Reports Issued, Fiscal Years 2002-2004	25

List of Exhibits

Exhibit 1. City Auditor's Office Annual Expenditures	6
Exhibit 2. City Auditor's Office Performance Measures	12

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 City Council's Budget 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 provide the City Council with independent, objective, and useful information regarding the work of city government so the Council may better exercise the power vested in it to improve the quality of life of citizens of Kansas City.

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 efficiency, effectiveness, and equity with which city departments carry out their financial, management, and program responsibilities.
- To assist 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 City Auditor's Office conducts performance audits, including follow-up audits, and memoranda. Audit work is conducted in accordance with generally accepted 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.

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.¹ A follow-up audit is a performance audit that determines the progress made in addressing findings identified in previous audits.

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 Budget and Audit Committee.

Some of the work of the office is directed by the City Council. 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, 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. Similarly, Section 2-722 of the Code of Ordinances requires the City Auditor to report on the results of a governance assessment of boards and commissions, and Section 2-113 requires the City Auditor to review the financial audit and internal control reports of those agencies that receive at least \$100,000 in city funding annually.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2003), p. 21.

Most audit 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 City Council in carrying out their oversight responsibilities.

Office Operations

Audit Selection

In May 2005, we released a strategic plan for the City Auditor's Office to clarify our mission and provide a framework for selecting audits and allocating resources. Our goal is to conduct audits that answer questions that matter to people outside of City Hall and that enable the city to reduce, avoid, or recover costs; and to alert city officials to potential problems that could undermine the public's trust in city government.

In developing our strategic plan, we identified six areas in which to focus our audit work: infrastructure, service levels, human resources, economic development, financial stability, and financial stewardship. These areas are important because they encompass how the city uses its resources and authority.

Beginning with our next audit selection process, we will select one audit per cycle dealing with financial stewardship. The rest of the audits we select will cover at least four of the other areas of emphasis (infrastructure, service levels, human resources, economic development, and financial stability). We will allocate at least half of our self-initiated audit hours per cycle to these areas and at least 25 percent to financial stewardship issues.

Because weaknesses in governance or management cause financial and performance problems, we will consider risks based on the control environment (how managers organize, direct, monitor, and report on a program) when we select audits. We will look for ways to save, recover, or avoid costs but will recognize that efficiency is a means to an end not an end in itself. We will continue to serve the public interest by aiding the Council in its oversight role and will work with management to develop sound recommendations.

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 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 2005. (See Exhibit 1.)

Exhibit 1. City Auditor's Office Annual Expenditures

Category	Fiscal Year		
	2003	2004	2005
Personnel	\$1,152,950	\$1,164,085	\$1,197,842
Contractual	90,675	50,454	94,791
Commodities	4,981	3,845	5,494
Capital Outlay	5,884	0	2,318
Total	\$1,254,490	\$1,218,384	\$1,300,445

Source: AFN and PeopleSoft.

Staffing

Staff Qualifications

The office was authorized 16 full-time equivalent positions in fiscal year 2005: the City Auditor, 14 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. Eight staff members each have one or more professional certifications, including Certified Internal Auditor, Certified Management Accountant, Certified Public Accountant, Certified Government Financial Manager, Certified Information Systems Auditor, and Certified Government Auditing Professional.

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 2005, auditors received an average of 96 hours of training by attending seminars, workshops, conferences, and monthly in-house training sessions. Training topics included report writing, risk assessment, leadership, and local government financing.

To help minimize our training costs, we conduct monthly in-house training for all audit staff on topics such as the Sunshine Law, assessing the reliability of computer processed data, and fraud.

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, the City Auditor is on the Government Accountability Office's Audit Standards Advisory Council; a staff member is the chair of the National Association of Local Government Auditors' Peer Review Committee; and another staff member is on the board of the American Society for Public Administration.

In 2005, the City Auditor's Office was awarded a Knighton Award for best audit for its 2004 performance audit, *Street Maintenance*. This award is presented by the National Association of Local Government Auditors and is awarded based on the potential for significant impact, the

persuasiveness of the conclusions, and the focus of the recommendations on effective and efficient government. We are the only audit office to have received this award four times.

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 17 audit reports in fiscal year 2005.

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 does not directly produce these benefits; they 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 2005, management agreed with 89 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 81 percent of recommendations for reports issued in

² We look at a two-year period because often the most significant recommendations cannot be implemented immediately. The implementation rate for recommendations usually increases over time.

2003 were implemented within two years according to management's Audit Report Tracking System (ARTS).

Audit Report Tracking System

In response to direction from the City Council, the City Auditor's Office and the Office of Management and Budget 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 2005, about 72 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. Almost a fourth 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 identified \$4.3 million in potential economic impact in 2005, mainly due to recommendations to modify calculations for some tax increment financing payments and to recover funds from HEDFC it used without authorization.

Some of our work includes significant potential economic impact that we could not or did not quantify. For example:

- The city spends a lot of money on housing – over \$34 million to vendors and contractors in fiscal year 2003. In our audit of the city's housing program and the role of HEDFC, we recommended bringing some of the housing functions in-house and competitively awarding some services, which should save the city money.

- The city spends hundreds of millions of dollars on construction. Managing the projects well can reduce costs. In our audit of the Capital Improvements Management Office, we recommend actions to improve program management including monitoring the contract and clearly defining the scope of CIMO's responsibilities.
- The city does not have procedures for selecting sites for city facilities. Establishing criteria for site selection can promote cost avoidance and save city staff time. In our audit of the tow lot site selection process, we recommended developing procedures for selecting sites for all city facilities.
- The city redirects millions of tax dollars each year to the TIF Commission. Determining the amount that should be redirected is complex, inexact, and time consuming. In our audit of estimating tax dollars owed to the TIF Commission, we recommended several actions that should simplify the process and save the city money and time.

Efficiency

Staff Hours Per Report

Hours per audit decreased in fiscal year 2005 to about 840 staff hours per report issued, down from about 1,300 in fiscal year 2004.

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.

In fiscal year 2005, we identified over \$4.3 million in potential increased revenue or cost savings, resulting in a ratio of \$3.34 in potential economic impact for every \$1 of auditor costs.

Since the start of the tenure of the current City Auditor, the office has released 225 reports containing more than 1,100 recommendations. These recommendations identified over \$58 million in potential economic impact, resulting in a ratio of \$3.52 in savings or revenue for every \$1 spent on auditing between fiscal years 1989 and 2005.

Exhibit 2. City Auditor's Office Performance Measures

Performance Measures	Fiscal Years		
	2003	2004	2005
Inputs			
Expenditures	\$1,254,490	\$1,218,384	\$1,302,271
Full-time Audit Staff	13	13	13
Outputs			
Reports Issued	9	14	17
Memoranda	6	1	2
Outcomes			
Recommendation Agreement Rate ³	100%	98%	89%
Recommendation Implementation Rate ⁴	78%	56%	81%
Potential Economic Impact	\$230,000	\$2,171,865	\$4,351,693
Efficiency			
Hours per Report	926	1,301	838 ⁵
Ratio of Economic Impact to Cost	\$0.18:1	\$1.78:1	\$3.34:1

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

³ Percentage of recommendations with which management agreed.

⁴ Percentage of recommendations reported by department as implemented in ARTS reports submitted through April 30, 2005. This rate usually increases over time because not all recommendations can be implemented immediately.

⁵ Excludes *The City's Housing Program and the Roles of the Housing and Economic Development Financial Corporation* because the audit was done jointly with the HUD Office of Inspector General.

Appendix A

Reports Released in Fiscal Year 2005

Performance Audits

KCI Terminal Improvement Project (May 2004)
Food Protection Program Follow-up (June 2004)
The City's Housing Program and the role of the Housing and Economic
Development Financial Corporation (August 2004)⁶
Street Maintenance (August 2004)
Kansas City, Missouri, Police Department Patrol Deployment:
Blackout Analysis Follow-up (September 2004)
Governance Assessment Fiscal Year 2004 (October 2004)
Survey Results for Citizens and Neighborhood Contacts (November
2004)
Citizen Survey Results by Geographic Area (December 2004)
Capital Improvements Management Office (January 2005)
Firefighter Time Trading (January 2005)
Arena Construction Manager Selection (January 2005)
Tow Lot Site Selection Process (February 2005)
Review of Audits of Outside Agencies (February 2005)
Review of the Submitted Budget for Fiscal Year 2006 (March 2005)
Estimating Tax Dollars Owed to the TIF Commission (March 2005)
Police Community Complaint Process (April 2005)
Performance Management (April 2005)

Councilmember and Management Memoranda

Comparative Data on Police Performance (May 2004)
Testimony to the Neighborhood Development and Housing Committee
Regarding HEDFC (September 2004)

⁶ This report was issued jointly with the U.S. Department of Housing and Urban Development, Office of the Inspector General.

Performance Audits

KCI Terminal Improvement Project (May 2004)

This audit focused on the selection of Burns & McDonnell to provide project management services to the airport's terminal improvement project, the reasonableness of project management costs, and opportunities to improve the city's management of other construction projects.

We found no specific violation of city procedures in the selection of Burns & McDonnell to provide project management services for the project; however, the timing of requests limited competition. Subsequent improvements in the city's contract procedures have increased the size of selection committees, provided additional guidance on their activities, and allowed for increased documentation of decisions.

We could not determine the reasonableness of project management costs for the terminal improvement project. Project management costs for the terminal improvement project were 10.4 percent, the highest of five projects that we reviewed, but the lack of guidelines on project management costs, the project's complexity, and the inclusion of non-project management responsibilities prevented our assessing whether these costs were reasonable.

We recommended that the Contract Guidebook Committee consider establishing guidelines for requesting information from potential contractors that maximizes competition and consider the use of closed-end contracts to control project costs. We also recommended that the City Manager develop a plan for consolidating construction efforts and require oversight committees for all major construction projects.

Food Protection Program Follow-up (June 2004)

This audit, a follow-up to our January 2001 audit, looked at changes made by the city intended to make food bought and served in Kansas City safer.

Since our 2001 audit, the city adopted an up-to-date food code and voters approved higher permit and inspection fees. With the increased revenue, the Health Department hired additional inspectors and bought better tools for collecting data, reporting, and scheduling. The Health Department also made other changes consistent with increasing food safety, such as implementing a more rigorous pre-opening inspection process and assembling a food protection advisory board. Although the department

had made significant progress, city inspectors had not inspected all food establishments as frequently as required by the city's food code.

We recommended that the Director of Health ensure inspection frequency requirements be met and require regular reports on inspection frequency.

The City's Housing Program and the Role of the Housing and Economic Development Financial Corporation (August 2004)

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 city's system for implementing housing policy and the Housing and Economic Development Financial Corporation's role in the system. This is the third audit of the city's housing programs conducted jointly by the City Auditor's Office and the HUD Office of Inspector General.

We found that the city still needs a strategy to address housing needs and measurable goals to determine whether the strategy is working. The city's failure to set measurable objectives for housing production and its fragmented system for administering housing funds contributed to higher than necessary administrative costs; lack of information for decision-makers; poor communication; delays; and lack of accountability for poor performance. The city had not clearly defined HEDFC's role in implementing housing policy. In addition, the scopes of work in the city's contracts with HEDFC were broad and performance standards were vague, causing disagreements between the city and HEDFC about whether expenditures or activities were appropriate. Deficiencies in HEDFC's operations contributed to the lack of assurance that the city was getting the best results for its considerable investment in housing.

We recommended the City Manager redesign the city's processes for administering housing funds to simplify administration, reduce administrative costs, and improve performance and accountability.

Street Maintenance (August 2004)

This audit focused on the condition of city streets and how Public Works could improve citizens' perceptions of the condition.

We found that city streets are bumpy and citizens are not satisfied with the condition of the streets. The Public Works Department focused on the average condition of streets and does not take into account the experience a driver has on a trip along city streets. While the average condition may be relatively good, the actual driving experience is

relatively bad and leads to a high level of citizen dissatisfaction. We also found that utility cuts continued to damage streets and degrade ride quality. In addition, Public Works had not been able to resurface all streets that needed to be resurfaced and in recent years, the number of miles resurfaced significantly decreased.

We recommended the Director of Public Works improve pavement smoothness and street performance measures, ensure staff presents accurate information on street conditions, increase the number of miles of streets resurfaced, and monitor the impact of street cut regulation.

**Kansas City, Missouri, Police Department Patrol Deployment:
Blackout Analysis Follow-up (September 2004)**

This audit compared the level of blackout in all the patrol divisions to what was in our January 1998 performance audit of blackout. Blackout refers to periods when all patrol officers assigned to respond to calls for service in a division are busy and cannot respond to an additional call.

We found that blackout remained significant in all patrol divisions. Blackout patterns had changed within divisions since the 1998 audit: the average sum of daily blackout decreased in the East, North, and South divisions, but increased in the Central and Metro divisions. Response times varied among divisions. On average, Central Division had the fastest response time; North Division had the slowest response time for all types of calls.

We also found that the Police Department stopped measuring blackout. Instead it measured immediate car unavailability – a type of blackout that occurs much less frequently and for shorter periods of time. We recommended the department measure and report blackout instead of immediate car unavailability because blackout measures any time a car is not available to respond to a call.

Governance Assessment Fiscal Year 2004 (October 2004)

This audit assessed the governance practices of boards and commissions in Kansas City. Each year we administer a governance assessment checklist to the boards and commissions and this audit provided the Mayor and City Council with information to help understand their governance practices.

We asked each board to answer a series of questions; the boards' answers addressed the extent to which a board had established each of the core functions. Board self-assessment surveys identified some strengths and weaknesses in core governance functions. The survey answers indicated

that boards believe they are setting overall goals, ensuring accountability for achieving goals, and delineating board staff responsibilities. The self-assessment survey responses indicated some weakness in the core functions of representing the public interest, ensuring a high level of board performance and effectiveness, and ensuring management compliance with board directives.

Survey Results for Citizens and Neighborhood Contacts (November 2004)

The City Manager requested that, while surveying residents' perceptions of city services for our third annual city services performance report, we also survey citizens identified as contacts for the city's neighborhood organizations. This audit identified differences in the level of satisfaction with city services provided by a random sample of city residents and contacts representing neighborhood organizations.

We found that while more than half of residents were satisfied with the overall services provided by the city, only about a third of neighborhood contacts felt the same. Neighborhood contacts were less satisfied than other residents with the condition of sidewalks, street cleanliness, and mowing and trimming along city streets. Twice as many residents as neighborhood contacts were satisfied with code enforcement and storm runoff efforts. In addition, more residents than neighborhood contacts were satisfied with animal control services.

Citizen Survey Results by Geographic Area (December 2004)

This audit identifies differences in responses to the citizen survey by four geographical areas – north, south, east, and west. We compared survey responses obtained from each area to the combined responses from the three remaining areas. For example, east area responses were compared to all the respondents from the north, south and west areas. Similarly, north area responses were compared to the combined responses from the east, south, and west, and so on.

Only about 18 percent of the comparisons found significant differences between the responses in one geographic area and the rest of the city. In general, more east area respondents were dissatisfied with city services than respondents in the rest of the city. In contrast, north area respondents were more satisfied with city services than respondents in the other three areas.

Capital Improvements Management Office (January 2005)

This audit focused on whether the Capital Improvements Management Office (CIMO) had, or was developing, systems to manage, monitor, and report on capital improvement projects.

We found that CIMO is likely to reduce the city's \$400 million backlog in capital improvement projects. In addition, the City Manager and CIMO took much-needed steps to improve accountability, speed up processes, and strengthen project management. The office's success, however, depends on management fully implementing the changes that are underway and addressing potential risks.

We recommended that the City Manager continue to monitor the CIMO contract and ensure that staff document process changes; develop consistent cost accounting for capital improvements; clearly define the scope of CIMO's responsibilities; and ensure that the office develop and report aggregate performance measures on cost and timeliness.

Firefighter Time Trading (January 2005)

This audit focused on whether the city's firefighter time trading practice complies with state and federal laws and regulations. Time trading is a common practice for public safety employees where one employee can work hours scheduled for another employee of the same rank or position.

We found that neither federal law nor city policies address whether time trading can be used by an employee approved for family and medical leave and that the Fire and Human Resources departments interpret the policy differently. Direction given by Human Resources Department staff and changes adopted by the Fire Department resulted in outcomes that appear to be inconsistent with legal requirements, such as paying overtime to the substituting firefighter and not the scheduled firefighter when appropriate.

We recommended that the City Manager clarify the city's policy on time trading during family and medical leave and that the Fire Chief correct problems the department created inadvertently.

Arena Construction Manager Selection (January 2005)

This audit focused on whether city staff and officials followed a valid selection process to recommend a construction manager for the downtown arena.

We found no evidence that the selection process was biased toward a specific result. The city's process treated bidders fairly, as all bidders had the same access to and opportunities to present information. In addition, the addenda changes to the invitation for bid did not alter the ranking of the bidders. The invitation for bid did not favor local bidders nor did it require bidders to identify minority-owned and women-owned enterprises in the bid. We also found that confusion about how the selection committee scored proposals, and the role of the Anschutz Entertainment Group's representative in the selection marred the credibility of the process.

We recommended that the City Manager ensure that development agreements with partners or tenants in the downtown arena clearly define the partner's or tenant's role and that all negotiated agreements be submitted to the City Council for deliberation and approval. We also recommended that written procedures for soliciting proposals for projects using the construction manager/general contractor at risk method be developed.

Tow Lot Site Selection Process (February 2005)

This audit focused on whether the proposed site for the city's new tow lot was the best available location.

We found that the proposed site for the tow lot was not a suitable location. There were flooding problems with the site, staff in other departments recommended alternative uses for the site, state and federal regulatory agencies had environmental concerns, and the neighborhood opposed a tow lot at the location. Because the site was unsuitable, we did not determine whether it was the best available location.

We also found that Neighborhood and Community Services did not follow a reasonable process in selecting the proposed tow lot site. Because there was not any citywide guidance in site selection, one employee conducted the search with limited input from other departments and without input from regulatory agencies and neighborhood stakeholders. In addition, not all potential tow lot sites were identified prior to the selection.

We recommended the City Manager develop procedures for selecting sites for city facilities, including using a site selection committee to develop criteria for soliciting and evaluating proposed sites, identifying all potential sites, and evaluating all sites to identify the best location for new city facilities. We also recommended using the new procedures when seeking a proposed site for the new tow lot.

Review of Audits of Outside Agencies (February 2005)

This annual review, which is required by the city's Code of Ordinances, focused on reviewing the financial audit and internal control reports of those agencies that receive at least \$100,000 in city funding in fiscal year 2004.

We found that 47 outside agencies received \$134 million in funding or pass-through money to operate or administer programs or services. Auditors for 12 of the 41 agencies submitting audits had concerns they were required to report, a number that increased from the prior year. Seven agencies did not submit their audits as required and an additional eight agencies did not submit the required internal control analyses. Our audit also included financial analyses for reporting agencies that received more than \$1 million in fiscal year 2004. Of these 13 agencies, eight had at least one weak financial indicator.

Review of the Submitted Budget for Fiscal Year 2006 (March 2005)

This annual review of the City Manager's submitted budget provided the City Council with information about the city's financial condition, organizational changes recommended by the City Manager, and city funding for infrastructure and police officers.

We found that the city's financial condition remained weak. The city continued to face long-term problems: inadequate maintenance of capital assets, low fund balance, limited financial flexibility, and weak revenue growth. We also found that the City Manager's plan to consolidate several departments and eliminate some middle management positions was consistent with recommendations we have made in the past. The restructuring should save money and improve services that had been fragmented among different functional areas, although there may be resistance to change which will need to be addressed. We also found that despite Police Board and City Council policies to add 20 police officers per year from 2003 – 2011 and despite increased funding, the Police Department had not added officers in the last two years.

We recommended that the City Manager carefully monitor organizational changes, develop financial policies, analyze the effects of development incentives, analyze the city's revenue structure, and present annual financial reports as part of the budget schedule.

Estimating Tax Dollars Owed to the TIF Commission (March 2005)

This audit estimated tax dollars owed to the TIF Commission, and in particular, examined barriers to identifying and transferring the tax dollars owed.

We found that stakeholder obligations were not enforced. The city had not enforced reporting requirements; the TIF Commission had not provided timely base year information; businesses had not provided all the information the city needed to define and transfer tax dollars to the TIF Commission; and developers excluded economic activity taxes for some locations.

We also found that fragmented communications and differing interpretations of what is required by state law also caused delays in processing reimbursements. In addition, defining the economic activity tax base and increment was complex and not exact. Although the documentation required to process economic activity tax payments to the TIF Commission gave the illusion of precision, these taxes only could be estimated. Another barrier to identifying tax dollars owed was that property descriptions were inaccurate, making it difficult for county employees to establish the base year real property value for some TIF projects.

We recommended the city discontinue using economic activity taxes to fund future TIF projects and instead use payments in lieu of taxes and that until the current method of calculating economic activity taxes is changed, the city implement a number of changes to streamline the process. We also recommended that the city adopt an economic development incentive policy and that the TIF Commission require legal descriptions drafted by qualified professionals and that county assessment staff review and approve the legal descriptions and parcel values.

Police Community Complaint Process (April 2005)

This is a follow-up audit to our 2000 audit of the Office of Community Complaints (OCC), an independent civilian oversight agency that handles complaints of alleged police officer and employee misconduct.

We found that, as with other police oversight agencies, credibility was a problem. To improve credibility, we recommended changing the structure of the OCC to include independent investigators; creating an advisory group made up of representatives from a variety of community constituencies; providing more information on the complaint process and

outcomes; expanding outreach efforts; and surveying and reporting officer and complainant satisfaction ratings.

We also found that the OCC had made improvements since the original audit. The OCC created a mediation program, produced a more timely annual report, and added complaint intake locations at non-police facilities. However, it was still difficult to file a complaint at some intake locations and not all intake personnel followed procedures. In addition, the Internal Affairs Unit and the OCC did not meet complaint investigation and review deadlines. We made several recommendations to improve the complaint handling process.

Performance Management (April 2005)

This audit focused on the city's performance management system and was designed to determine whether employees know what is expected of them and whether supervisors consistently communicate expectations to employees. Our audit work consisted of interviewing employees and their supervisors from five different work groups throughout the city.

We found that overall the employees interviewed understood their work expectations and thought their performance appraisals were fair. In addition, supervisors interviewed tended to think they gave more performance feedback than employees reported they received. We also found that the city's pay system made it difficult to reward good non-exempt employees because there was no difference in pay raise between the average and good performer.

We recommended involving employees in setting goals, using non-monetary rewards when appropriate, tracking all employee performance appraisal appeals to identify patterns of problems, and conducting employee surveys to monitor employee satisfaction with performance management.

Memoranda

Comparative Data on Police Performance (May 2004)

During our presentation of the 2003 City Services Performance Report, the Board of Police Commissioners asked us for comparative information on response times, crimes reported, clearance rates, and sworn officers and civilians per capita. We found that Kansas City's response time for top priority calls was the second highest of seven cities with populations between 300,000 and 700,000. Kansas City had the highest number of reported violent and property crimes, highest reported

property crimes per capita, and second highest reported violent crimes per capita. In addition, Kansas City's clearance rates for violent and property crimes were the third lowest of nine cities, while the number of sworn officers and civilians per capita in the Kansas City, Missouri Police Department was the highest of five cities reporting this information.

Testimony to the Neighborhood Development and Housing Committee regarding HEDFC (September 2004)

Councilman Jim Glover asked us to respond in writing to the president and CEO of the Housing and Economic Development Financial Corporation's testimony to the Neighborhood Development and Housing Committee August 18, 2004. The testimony followed the release of our performance audit, *The City's Housing Program and the Roles of the Housing and Economic Development Financial Corporation, City of Kansas City, Missouri*, which we conducted jointly with the HUD office of Inspector General. We obtained a copy of the transcript of the meeting and summarized the testimony. This memorandum provided our response to the testimony.

Appendix B

Reports Issued, Fiscal Years 2002-2004

Revenue Division Document Processing Unit (May 2001)
Department of Housing and Community Development: Review of
Subrecipient Selection, Monitoring and Reporting (July 2001)⁷
Budget Process Practices (August 2001)
Analysis of Report Recommendations 1988-2001 (August 2001)
Good Governance Practices for Boards and Commissions (August 2001)
Human Resources Department Follow-up (August 2001)
City's Flood Response Follow-up (September 2001)
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 (December 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)
Sanitary Sewer Special Assessment Program Follow-up (March 2002)
Concurrent Review: ERP Solicitation (April 2002)
Span of Control (April 2002)
Parks and Recreation Department Community Centers (April 2002)
KCATA Follow-up (July 2002)
Fire Prevention Division (August 2002)
Financial Condition Forum (September 2002)
Governance Assessment Fiscal Year 2002 (October 2002)
Park Conditions (November 2002)
Telephone Billing Process (January 2003)
Review of Audits of Outside Agencies (February 2003)
Review of the Submitted Budget for Fiscal Year 2004 (March 2003)
City Services Performance Report for Fiscal Year 2002 (March 2003)
Convention and Entertainment Centers Facility Rental Revenues (May
2003)
Accounts Receivable (May 2003)
MAST Financial Viability (July 2003)
Controls Over TIF Expenditures (September 2003)
Animal Control (October 2003)

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

Governance Assessment Fiscal Year 2003 (October 2003)
Payroll (November 2003)
Trash Collection Cost Data (November 2003)
Insurance for Use of Parks and Recreation Facilities and Property
(December 2003)
Review of the Submitted Budget for Fiscal Year 2005 (March 2004)
MAST Financial Viability Follow-up Audit (March 2004)
City Services Performance Report for Fiscal Year 2003 (March 2004)
Review of Audits of Outside Agencies (March 2004)
Citywide Use of Sick Leave (April 2004)

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