

**City Auditor's Office  
2008 Annual Report**

October 2008

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

October 29, 2008

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, 2008, is presented for your review.

In fiscal year 2008, we released 11 reports. Our audits examined issues such as whether Water Services was billing property owners the correct stormwater fee; the reliability of information from the Police Department's computer-aided dispatch system; how prepared the city is for a pandemic flu outbreak; the city's request for proposal contracting practices; the effectiveness of the city's 2003 early retirement incentive program; and whether the Capital Improvements Management Office completed the backlog of projects identified in our January 2005 audit.

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. Policy audits provide less immediate financial impact but offer more potential for long-term improvement in finances and services.

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.

Gary L. White  
City Auditor

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# City Auditor's Office 2008 Annual Report

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## **Mission and Goals**

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### **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 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 Finance and Audit Committee oversees the activities of the city auditor, and reviews audits and other work products of the City Auditor's Office.

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### **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 prepares memoranda. Audit work is conducted in accordance with generally accepted government auditing standards.

These standards require:

- Professional judgment in conducting and reporting on audits
- Professionally competent staff
- Independence
- Audit quality control and assurance
- Adequate supervision and planning of audit work
- Sufficient and appropriate evidence
- Reporting of audit results
- Periodic review of the office by outside professionals

A performance audit provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.<sup>1</sup> A follow-up audit is a performance audit that determines the progress made in addressing findings identified in previous audits.

Occasionally councilmembers request information about pending legislation and other issues coming before them. Staff may be assigned to research costs and other effects of proposed legislation or to provide independent assessments of financial information and other proposals by city management. The resulting memoranda are distributed to the mayor, City Council, and management staff.

Previous City Councils have required the city auditor to conduct some audits annually. 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 audits and

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2007), p. 17.

internal control reports of those agencies that receive at least \$100,000 in city funding annually.

Most audits result in recommendations that should 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 its oversight responsibilities.



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# Office Operations

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## Audit Selection

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Audits can be initiated one of three ways:

- The City Council as a body may direct us to do an audit.
- The City Council's Finance and Audit Committee may direct us to do an audit.
- The city auditor can initiate an audit.

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.<sup>2</sup> 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.

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

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.

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<sup>2</sup> *Strategic Plan*, Office of the City Auditor, Kansas City, Missouri, May 2005.



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

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## Expenditures

The City Auditor's Office had expenditures of about \$1.3 million in fiscal year 2008. (See Exhibit 1.)

Exhibit 1. City Auditor's Office Annual Expenditures

| Category       | Fiscal Year |             |             |
|----------------|-------------|-------------|-------------|
|                | 2006        | 2007        | 2008        |
| Personnel      | \$1,227,831 | \$1,147,043 | \$1,172,190 |
| Contractual    | 105,772     | 132,840     | 138,459     |
| Commodities    | 5,105       | 3,816       | 5,794       |
| Capital Outlay | 206         | 0           | 8,920       |
| Total          | \$1,338,914 | \$1,283,699 | \$1,325,363 |

Source: PeopleSoft Financials.

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## Staffing

### Staff Qualifications

The office was authorized 16 full-time equivalent positions in fiscal year 2008: the city auditor, 14 auditors, and an executive assistant. All professional staff have advanced degrees in fields such as accounting, business administration, education, finance, law, public administration, and psychology. Several staff members have previous auditing and management experience in the public and private sectors. In addition, two staff members are licensed attorneys. Eight staff members 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.

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## **Professional Development**

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### **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.

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### **Continuing Education**

Government auditing standards require that our staff complete at least 80 hours of continuing education every two years. In fiscal year 2008, auditors received an average of 83 hours of training by attending seminars, workshops, conferences, and in-house training sessions, including audio conference and web-based training. Training topics included auditing, financial reporting, information technology, fraud, and internal controls.

To help minimize our training costs in 2008, we partnered with the Finance Department's Accounts Division to provide audio training (sponsored by the Association of Government Accountants) for staff in both departments. In addition, staff attended free training sponsored by the Information Systems Audit and Control Association, Cochran Head Vick & Co Certified Public Accounting firm, and the University of Kansas.

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### **Professional Associations**

Several staff members are active in organizations of auditors, accountants, and public managers. Professional associations include the 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, we have staff who are on the Missouri Society of Certified Public Accountants' Governmental Accounting Committee; the Association of Local Government Auditors' Professional Issues Committee and Advocacy Committee; the Board of Directors of the

Association of Airport Internal Auditors; and the General Accountability Office's Domestic Working Group on Pandemic Flu.

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## Performance Measures

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### 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.

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### Outputs

We released 11 audit reports and 4 council memoranda in fiscal year 2008. (See Appendix A.)

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### Outcomes

#### **Implementation of Audit Recommendations**

The primary benefits of the work of the City Auditor's Office include government accountability, reduced costs, increased revenues, and improved services. Auditing, however, does not directly produce these benefits; they only come from implementing audit recommendations. It is up to management to implement 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 2008, management agreed with 95 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. In 1987, the City Council directed the city manager to establish a policy and procedure to track department progress in implementing audit recommendations. Administrative Regulation (AR) 1-11 outlines the audit report tracking system (ARTS). The AR requires departments to complete an audit tracking report, including a summary

of the progress made toward implementing each recommendation, every six months and submit it to the city manager. The city manager is supposed to distribute the ARTS report to the city auditor and the Finance and Audit Committee members.

Because agreeing to implement a recommendation does not guarantee that it will or can be implemented, we use the actual implementation rate as another means to measure our effectiveness. Our goal is for 75 percent of our recommendations to be implemented within two years of when a report is issued.<sup>3</sup> We use the responses in the ARTS report to determine our implementation rate. We are unable, however, to report an implementation rate for the last several years because the ARTS process was suspended.

An audit tracking process ensures that the City Council is updated on important operational issues and helps ensure that recommendations made to improve city operations are implemented. Management is less likely to follow through on recommendations if they are not required to update the Council on the status. In fiscal year 2008, the ARTS process resumed. Since then, a number of ARTS reports have been presented to the Finance and Audit Committee but there is still a backlog. Once the process becomes current, we will be able to report our recommendation implementation rate.

### **Potential Economic Impact**

The potential economic impact includes the estimated one-time and recurring annual revenue increase or cost decrease associated with report recommendations with an estimated monetary impact. We identified \$24,000 in potential economic impact in fiscal year 2008, due to our recommendation to identify a consistent event to use when billing stormwater for new commercial structures.

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

- Community improvement districts (CIDs) exercise significant powers. Depending on their structure and the activities authorized in their petition, they may impose a tax, levy a special assessment, and or/issue bonds. Although the city's land and other property are specifically excluded from CID assessments

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<sup>3</sup> 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.

and taxes, our audit on CID reporting requirements determined that the city had paid more than \$380,000 to a CID. Because the city is not obligated to pay the CIDs and the city gives the same level of services to CIDs as it does other areas of the city, we recommended the City Council evaluate whether additional city funding should go to CIDs. If the city does not give additional funds to the CIDs, it could save these funds or use them for critical services.

- Contracting best practices are designed to encourage fair and open competition. Our audit of the document output management and mail services request for proposal process questioned the integrity of the process and recommended the city reject the proposals and begin again. The city did reject the proposals and has or will bid out the mail services, duplicating services, and copiers separately. A new contract for duplicating services is estimated to save the city at least \$250,000 for the first year of the contract over the rejected contract.
- Stormwater fees are a major revenue source for the city's stormwater management program. Our audit of the stormwater fee billing process found that Water Services was forfeiting revenue through inconsistent stormwater billing and collection practices and errors in setting up and maintaining accounts. Our recommendations to amend city code to allow Water Services to estimate impervious surface for new commercial property so that stormwater billing could begin sooner; and to take additional steps to collect outstanding balances on delinquent stormwater accounts, should increase stormwater fee revenues for the Water Services Department. In response to one of our recommendations, Water Services implemented a new process for when to begin stormwater billing for new commercial properties. According to the August 12, 2008 ARTS report for stormwater fee billing, Water Services estimates this new process will generate revenue of about \$109,000 per year.
- The Capital Improvements Management Office was instituted to address a backlog of capital improvement projects. Our follow-up to our 2005 audit found that CIMO was in jeopardy of running out of work. Some departments which initiate the most capital projects were not using CIMO for their projects. Because the number of CIMO projects has declined significantly, CIMO may not be cost effective. We recommended the city manager determine whether CIMO should continue or be folded back into operating departments.

## Efficiency

### Staff Hours Per Report

Hours per audit increased in fiscal year 2008 to about 1,200 staff hours per report issued. That is up significantly from the 850 in 2007. About a fourth of the staff has been hired within the last year and a couple of the reports released this year required significant staff time. As new staff becomes more experienced and smaller scoped audits are emphasized, we expect the average number of hours per audit to go down.

### 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 2008, we identified \$24,000 in potential increased revenue, resulting in a ratio of \$.02 in potential economic impact for every \$1 of auditor costs. Some of our 2008 audits examined the quality and effectiveness of services and operations on a city-wide basis and although they have significant potential economic impact we did not quantify it.

Exhibit 2. City Auditor's Office Performance Measures

| Performance Measures                            | Fiscal Years |             |             |
|---|--------------|-------------|-------------|
|   | 2006         | 2007        | 2008        |
| <b>Inputs</b>                                   |              |             |             |
| Expenditures                                    | \$1,338,914  | \$1,283,699 | \$1,325,363 |
| Full-time Audit Staff                           | 13           | 11          | 13          |
| <b>Outputs</b>                                  |              |             |             |
| Reports Issued                                  | 16           | 10          | 11          |
| Memoranda                                       | 4            | 0           | 4           |
| <b>Outcomes</b>                                 |              |             |             |
| Recommendation Agreement Rate <sup>4</sup>      | 81%          | 86%         | 95%         |
| Recommendation Implementation Rate <sup>5</sup> | Unknown      | Unknown     | Unknown     |
| Potential Economic Impact                       | \$0          | \$0         | \$24,000    |
| <b>Efficiency</b>                               |              |             |             |
| Hours per Report                                | 700          | 847         | 1,217       |
| Ratio of Economic Impact to Cost                | \$0          | \$0         | \$0.02:1    |

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

<sup>4</sup> Percentage of recommendations with which management agreed.

<sup>5</sup> We did not determine the rate for 2006, 2007, or 2008 because of the backlog of ARTS reports.

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## Appendix A

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### Reports Released in Fiscal Year 2008

#### Performance Audits

Police Computer-Aided Dispatch Data Reliability (August 2007)

Pandemic Flu Preparedness (October 2007)

Governance Assessment 2007 (October 2007)

Stormwater Fee Billing (November 2007)

Community Improvement District Reporting Needs Improvement  
(December 2007)

City Manager Needs to Strengthen RFP Contracting Practices (January  
2008)

Impact of Early Retirement Incentive Program (February 2008)

Capital Improvements Management Office Follow-up (February 2008)

Review of Audits of Outside Agencies (February 2008)

Review of Submitted Budget for Fiscal Year 2009 (March 2008)

Kansas City Citizen Survey Report (March 2008)

#### Councilmember Memoranda

Timeline for Consultant's Contracts and Contracting Recommendations  
(January 2008)

Support for RFP Timeline Entry (January 2008)

Request for Information on 911 Audit Work (February 2008)

Citizen Satisfaction Scores Related to Citizen Experience with 3-1-1  
(April 2008)





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## Performance Audits

### **Police Computer-Aided Dispatch Data Reliability (August 2007)**

This audit focused on the reliability of information from the Police Department's computer-aided dispatch system (CAD). The CAD supports Police Department operations and provides information on activities such as response time.

We found that the dispatch data were generally reliable. Updated policies and procedures and training help ensure dispatchers and officers enter CAD information consistently and accurately. Data from the 911 system to the CAD system transfers automatically, assuring that the information in the CAD system is complete. In addition, our tests of the data did not find any discrepancies.

Although the dispatch data were generally reliable, we found that the completeness and accuracy of the data could be improved. Officers are supposed to provide dispatchers with their arrival times to a scene, but they did not always do so. Calls with missing arrival times were excluded when calculating response time, resulting in incomplete police response time reports. In addition, because the department translates minutes recorded in the CAD system to hundredths of an hour and eliminates the seconds, individual response time calculations can be off by up to 83 seconds.

To improve data accuracy and completeness, we recommended that the chief of police ensure that the CAD system includes all arrival times. We also recommended that the chief of police develop a new response time program that does not require the translation and uses all available CAD dispatch data.

### **Pandemic Flu Preparedness (October 2007)**

This audit focused on what the city is doing to prepare for a pandemic flu outbreak. In 2006, the U.S. Government Accountability Office (GAO) began to assess the nation's preparedness for a pandemic flu. GAO asked some government audit offices to participate in assessing state and local efforts for pandemic flu preparedness. The audit is based on responses from city staff to questions prepared by GAO; additional audit work would be needed to confirm the city's specific level of preparedness.

We found that the city has been preparing for a pandemic flu outbreak. The Health Department has developed partnerships with a number of local and regional entities. Through its planning efforts, the department has learned that the community will rely heavily on government during a pandemic flu but support will be limited because governments will also be impacted. In response, the Health Department's planning efforts have focused on personal preparedness and business continuity support.

We also found that while the city is planning for a pandemic outbreak, challenges remain. Regional consensus about the timing of measures to limit disease transmission is needed. Local citizen preparedness is not at the level it should be. A severe pandemic could cause high absenteeism due to personal illness as well as the need to care for ill family members. High rates of worker absenteeism could significantly reduce the city's ability to provide fire protection and law enforcement, operate water treatment plants, collect trash, and continue other basic city services.

Because the audit was based solely on responses to the questions posed by the GAO, we did not make any recommendations.

#### **Governance Assessment 2007 (October 2007)**

This audit summarized city boards' and commissions' written response to questions about their governance practices. Each year we administer a governance assessment checklist to the boards and commissions and this audit provided the City Council with information to help understand the boards' and commissions' governance practices.

All the boards and commissions surveyed complied with the city's code and submitted a governance assessment checklist. Overall, the completed surveys indicated that respondents believe they were setting goals, ensuring accountability for achieving goals, and delineating board and staff responsibilities. Assessment responses indicated that management compliance with board objectives, measuring board effectiveness, and representing the people of Kansas City were areas where governance could be improved.

#### **Stormwater Fee Billing (November 2007)**

This audit focused on whether Water Services was billing property owners the correct stormwater fee.

We found that Water Services was forfeiting revenue through inconsistent stormwater billing and collection practices, and errors in setting up and maintaining accounts. Identifying changes in property

ownership and correcting that data in the stormwater billing system was complicated and error prone, and could take months or even years. In addition, we identified discrepancies in some stormwater accounts including credits that exceeded the maximum allowable amount, multiple accounts being billed for a single parcel, and errors in updating account billing information.

We also found that some billing practices were inconsistent with city ordinances and other regulations. Water Services did not assess a penalty fee to all delinquent accounts and did not bill all properties. In addition, some accounts for city-owned properties were delinquent.

We made recommendations to increase timeliness and accuracy of stormwater billing; promote billing and collection consistency between account types; improve management controls and accountability; and ensure that the department complies with city ordinances and other regulations.

#### **Community Improvement District Reporting Needs Improvement (December 2007)**

This audit focused on whether community improvement districts were meeting statutory reporting requirements. Community improvement districts (CIDs) are political subdivisions of the state or not-for-profit corporations. Depending on their structure, CIDs may impose a tax, levy a special assessment, and/or issue bonds.

We found that CIDs located in Kansas City, Missouri, had not met their statutory reporting requirements consistently. The state statute that allows for the establishment of CIDs does not give the city any leverage to enforce statutory report requirements. We also found that the city agreed to contribute funding to a CID that contained city property even though the city is excluded from CID assessments and taxes. In addition, the city was considering providing voluntary payments to four other CIDs that contained city property.

To better oversee the use of the taxing and assessment powers that the city authorized to CIDs, we recommended the city develop a mechanism to publicly report on CID submissions, reexamine supplemental funding to CIDs, and enforce contractual obligations.

### **City Manager Needs to Strengthen RFP Contracting Practices (January 2008)**

This audit focused on the city's request for proposal (RFP) contracting practices. The City Council directed us to review the city's RFP process and to look at the solicitation, evaluation, and selection process used to recommend a vendor for the Document Output Management and Mail Services RFP.

We found the city's process to recommend a vendor to supply document output management and mail services was conducted poorly at all stages. The city's RFP process incorporated few best practices and during the Document Output Management and Mail Services RFP process, the city did not comply with all of its own requirements.

We found that the integrity of the Document Output Management and Mail Services RFP process was questionable because of the actions of some members of the selection committee, some city staff, and an elected official. In addition, the draft contract did not adequately protect the city's interest, providing little leverage to control costs or ensure performance. We also found that the city failed to follow basic contracting principles in the solicitation, execution, and monitoring of contracts with a consultant who was a member of the selection committee.

We recommended the city reject the proposals for the Document Output Management and Mail Services RFP and begin again with a new RFP and a new selection committee. To strengthen the city's contracting culture, we recommended the city manager and the City Council incorporate best practices and recommendations made in prior audits and reports of city commissions and committees.

### **Impact of Early Retirement Incentive Program (February 2008)**

This audit determined the effectiveness of the city's 2003 early retirement incentive program. The program was proposed to help the city deal with a difficult financial period by encouraging long-term, highly paid employees to retire.

We found that early retirement salary savings exceeded original projections. We estimated that salary savings for the first four years was almost \$100 million compared to the Budget Office's projected savings of \$63 million. We also found that the negative impact of the early retirements on city operations lessened over the last five years. In

addition, the number of filled positions was almost the same as before the early retirement incentive.

### **Capital Improvements Management Office Follow-up (February 2008)**

The purpose of this audit was to determine whether the Capital Improvements Management Office (CIMO) completed the backlogged projects identified in our January 2005 audit, whether project data was reliable, and whether CIMO provided project data stakeholders needed.

We found that CIMO made progress on the high priority construction projects it was charged with managing. CIMO completed construction on about half of the projects and either cancelled or returned a fourth of the projects to the initiating department. We also found that the number of new projects assigned to CIMO was decreasing significantly and CIMO might not have enough work to do in the near future.

We determined that stakeholders need more information about CIMO's indirect cost allocation method and more detail about the indirect charges to individual projects. CIMO needs to improve the accuracy of its project tracking data and report its performance in terms of cost containment and customer satisfaction. We also found that capital improvement data is not centralized and that city departments that manage their own capital projects use varying methods to track projects.

We made several recommendations to improve project cost information and billing practices; improve CIMO's project milestone data; centralize the data management for capital projects; and determine whether CIMO should continue or be folded back into operating departments.

### **Review of Audits of Outside Agencies (February 2008)**

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 received at least \$100,000 in city funding in fiscal year 2007.

We found that 46 outside agencies received over \$158 million in funding or pass-through money to operate or administer programs or services that further the public good. Commercial auditors for 18 of these agencies reported accounting, internal control, or material compliance problems. All the agencies submitted their audits as required, however, four agencies did not submit the required internal control analysis. Our report also includes financial analysis for reporting agencies that received over

\$1 million in fiscal year 2007. Nine of these twelve agencies had at least one weak financial indicator.

### **Review of Submitted Budget for Fiscal Year 2009 (March 2008)**

This annual review, which is directed by council resolution, focused on current and future financial pressures the city faces.

We found that the submitted budget was structurally imbalanced. Expenditures were projected to grow faster than revenues; the city's general fund balance was low; and the city had deferred capital maintenance. In addition, employee-related costs, requests from public safety departments, and commodity costs have increased. These increases along with revenues redirected to economic development projects, the funding gap in capital maintenance, and commitments to projects without funding sources prevent the city from offering all programs and services at an adequate level.

We also found that the city does not have a comprehensive set of financial policies; the city's annual financial report has not been released timely; and the City Council's budget priority session may occur too late in the budget process to provide guidance to the city manager and departments when developing the budget.

To strengthen the city's financial condition and oversight, we recommended the city manager prepare a comprehensive set of financial policies; ensure that the city's debt and economic development policies are followed; improve the timeliness of financial reporting; address rising employee-related and public safety expenditures; and address the expiration of the public safety and fire sales taxes.

### **Kansas City Citizen Survey Report (March 2008)**

This audit provides results of the 2007 Kansas City citizen survey and compares the results to those of 13 large regional U.S. cities and 21 metropolitan communities. The audit also included analyses of survey results by four geographic areas in the city – north, south, east, and west.

We found that more than half of those surveyed were satisfied with the overall quality of life in the city, but it is less than the percent satisfied by those surveyed in other metropolitan communities. Compared to other area communities and large U.S. cities, Kansas City's citizen satisfaction was still near or at the bottom for code enforcement efforts, some public safety activities, and some city maintenance services.

We also found that satisfaction with the quality of customer service provided by city employees and the availability of information about city programs and services continues to improve. In addition there was increased satisfaction in both the city's efforts to keep citizens informed about local issues and the level of public involvement in local decision-making; however, compared with benchmark cities, Kansas City's satisfaction was below the average satisfaction.

We also found that citywide, most respondents rated the city as a good or excellent place to live and work. But, only about half rated the city as a good or excellent place to raise children. Respondents from the east area rated the city significantly lower as a place to live, work, and raise children. Respondents continue to rate maintenance of city streets, buildings, and facilities as their highest priority for emphasis by city leaders in the next two years.

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## **Councilmember Memoranda**

### **Timeline for Consultant's Contracts and Contracting Recommendations (January 2008)**

This memo includes a list of the contracting recommendations we referred to in our audit, *City Manager Needs to Strengthen RFP Contracting Practices*. It also contains a timeline of contract activities for the consultant who worked on a document management output and mailroom services request for proposal.

### **Support for RFP Timeline Entry (January 2008)**

In response to the Finance and Audit Committee's request, this memo includes our evidence for a timeline entry in our *City Manager Needs to Strengthen RFP Contracting Practices* audit.

### **Request for Information on 911 Audit Work (February 2008)**

During a Finance and Audit Committee meeting, Councilman Russ Johnson asked whether the City Auditor's Office had done any work on the 911 system. This memorandum summarizes the work we have done that refers to the 911 system.



**Citizen Satisfaction Scores Related to Citizen Experience with 3-1-1  
(April 2008)**

Councilman Russ Johnson asked us to compare citizen satisfaction scores between respondents that report calling 3-1-1 in the past year versus those that did not. We found that generally, respondents who did not call 3-1-1 were more satisfied with city services than those who had called 3-1-1. This memo also includes a list of survey questions about specific city services and the percentage of respondents who were satisfied or very satisfied broken down by those who called 3-1-1 and those who had not.

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## Appendix B

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### Reports Issued, Fiscal Years 2005-2007

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

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