

**City Auditor's Office
2009 and 2010 Annual Report**

April 2011

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

CITY OF FOUNTAINS
HEART OF THE NATION



KANSAS CITY
MISSOURI

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April 20, 2011

Honorable Mayor and Members of the City Council:

This annual report of the City Auditor's Office of Kansas City, Missouri, for the years ended April 30, 2009 and 2010, is presented for your review.

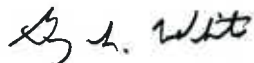
In fiscal years 2009 and 2010, we released a total of 13 audit reports and 13 memoranda. Our audits examined issues such as the reliability of the Police Department's crime and clearance data; the Minority and Women Business Enterprise Program's certification and goal setting process and monitoring and reporting efforts; compliance with the city's purchasing card guidelines; the city's compliance with federal requirements of the Family and Medical Leave Act and use of recommended practices in administering it; controls and services over the city's e-service systems; and the reliability of the city's master vendor file and the city's use of recommended practices to maintain it. We also conducted an employee survey to obtain employee's perceptions about the city's working conditions and ethical environment.

Our reports balanced our goal of suggesting ways the city could achieve quantifiable improvement in its efficiency, effectiveness, and in some cases revenues, against a sometimes competing goal of ensuring appropriate controls are in place to prevent misuse or loss of city assets. Some recommendations, such as charging for MBE/WBE certifications, will bring the city additional revenue. Other recommendations, such as establishing policies to identify acceptable uses of city funds when using purchasing cards or ensuring reconciliation accountants do not have a direct reporting relationship to a purchasing card holder, can prevent the misuse or loss of city assets.

In March 2010, we completed our sixth external quality control review. The reviewers determined that the City Auditor's Office complies with government auditing standards issued by the U.S. Comptroller General. Their report and our response are appended.

Ordinance 090034, passed in January 2009, repealed the resolution for our annual budget review, and reduced the frequency of the distribution of our governance assessment checklist. In addition, Second Committee Substitute for Ordinance 090980, also passed in January 2009, transferred responsibility for reviewing audits of outside agencies from the city auditor to the city manager. These changes are expected to increase audit resources available for current council concerns.

We look forward to continuing to work with elected officials and management staff on finding ways to strengthen public accountability, improve the efficiency and effectiveness of city government, reduce costs and increase revenues, and provide information to facilitate decision making.

A handwritten signature in black ink, appearing to read "Gary L. White". The signature is written in a cursive style with a large initial "G".

Gary L. White
City Auditor

City Auditor's Office 2009 and 2010 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 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.

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 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.¹ 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.

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.

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

Office Operations

Audit Selection

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.

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, Ordinance 011307, passed in September 2001, required the city auditor to report on the results of a governance assessment of boards and commissions, and Ordinance 990766, passed in July 1999, directed the city auditor to review the financial audits and internal control reports of those agencies that receive at least \$100,000 in city funding annually. In fiscal year 2009, the City Council also passed Resolution 090340 directing the city auditor to prepare quarterly citizen satisfaction surveys.

In fiscal year 2009, the Finance and Audit Committee asked the city auditor for recommendations for improving office operations. Ordinance 090034, passed in January 2009, repealed the resolution for the annual budget review, and reduced the frequency of the distribution of the governance assessment checklist to no less than every four years. In addition, Second Committee Substitute for Ordinance 090080, passed in January 2009, transferred responsibility for reviewing and summarizing audits of outside agencies from the city auditor to the city manager. These changes are expected to increase audit resources available for current council concerns.

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 audits 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.

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.

Expenditures

The City Auditor's Office had expenditures of almost \$1.4 million in fiscal year 2009 and almost \$1.2 million in fiscal year 2010. (See Exhibit 1.)

Exhibit 1. City Auditor's Office Annual Expenditures

Category	Fiscal Year		
	2008	2009	2010
Personnel	\$1,172,190	\$1,266,680	\$1,069,019
Contractual	138,459	103,645	94,156
Commodities	5,794	6,429	3,216
Capital Outlay	8,920	0	0
Total	\$1,325,363	\$1,376,754	\$1,166,391

Source: PeopleSoft Financials.

Staffing

Staff Qualifications

The office was authorized 13 full-time equivalent positions in fiscal year 2009; that number fell to 11 in 2010. All professional staff have advanced degrees in fields such as accounting, business administration, finance, law, public administration, and psychology. Several staff members have previous auditing and management experience in the public and private sectors. In addition, one staff member is a licensed attorney. Seven 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.

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 years 2009 and 2010, auditors received an average of 80 hours of training by attending seminars, workshops, conferences, and in-house training sessions, including audio conference and web-based training. Training topics included accounting, auditing, contracting, information technology, fraud, ethics, and statistics.

To minimize our training costs, we partner 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 ACL Services Ltd., the Information Systems Audit and Control Association, and the University of Kansas.

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 Missouri Society of Certified Public Accountants, the Information Systems Audit and Control Association, the Intergovernmental Audit Forum, and the Missouri Bar Association. In addition, one staff member is on the Missouri Society of Certified Public Accountants' Governmental Accounting 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 13 audit reports and 13 memoranda in fiscal years 2009 and 2010. (See Appendix A and B for a list and summary of the audits and memoranda.)

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 2009, management agreed with 97 percent of our report recommendations; in fiscal year 2010, management agreed with 88 percent.

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.² 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. The potential economic impact identified in 2009 was \$250,000 due to a recommendation to charge a fee for certifying minority and women owned businesses. We did not quantify any cost reductions, loss avoidance, or revenue increases in reports released in fiscal year 2010, however, some of our work includes potential economic impact. For example:

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.

- Purchasing cards provide an efficient and cost effective method of purchasing small-dollar as well as high volume, repetitive purchases. However, if appropriate controls are not in place, the risk of inappropriate purchases and the cost to the city increases. Our recommendations to improve internal controls, develop policies to provide guidance regarding appropriate uses of city funds, and improving training and communication efforts, should help ensure that only authorized and appropriate purchases are made.
- The Family and Medical Leave Act (FMLA) provides 12 weeks of job-protected leave for eligible employees for certain medical and family reasons. While most employees use FMLA leave in the spirit intended, there are some who will attempt to “work the system” resulting in additional costs to the city (e.g., overtime costs may increase if the city must have another employee fill in for the absent employee). We make numerous recommendations to strengthen controls and management of this benefit in order to reduce the risk of abuse and prevent added financial costs. We also make recommendations for policy changes that would reduce costs such as eliminating the policy allowing exempt employees approved for intermittent FMLA leave to use up to 120 hours of paid leave for partial day absences without it being deducted from their accrued sick leave or vacation; calculating FMLA leave using a rolling year instead of a calendar year to determine the 12-month period in which the 12 weeks of leave entitlement occurs; and including the number of sick leave hours employees use annually for FMLA leave when determining their eligibility for an attendance bonus.
- The city’s master vendor file is used to process vendor payments and employee reimbursements; to identify vendors to solicit for proposals and bids; and to file IRS information returned related to vendor payments. The accuracy of the file is critical to ensuring that the right payments are made to the right vendors. Our recommendations to improve management and monitoring of the system, should reduce the risk of fines, erroneous payments, and fraud.

Efficiency

Staff Hours Per Report

In fiscal year 2009, we averaged about 1,270 staff hours per report issued; in fiscal year 2010, that number rose to almost 1,850. As smaller

scoped audits are emphasized, we expect the average number of hours per audit to decrease.

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. Our fiscal year 2009 recommendation to charge for MBE/WBE certifications is estimated to bring in \$250,000 over a five year period if it is implemented, resulting in a ratio of \$.18 for every \$1 of auditor costs. We did not quantify potential economic impact for fiscal year 2010.

Exhibit 2. City Auditor's Office Performance Measures

Performance Measures	Fiscal Years		
	2008	2009	2010
Inputs			
Expenditures	\$1,325,363	\$1,376,754	\$1,166,391
Auditors	13	10	8
Outputs			
Reports Issued	11	9	4
Memoranda	4	9	4
Outcomes			
Recommendation Agreement Rate ³	95%	97%	88%
Recommendation Implementation Rate ⁴	Unknown	Unknown	Unknown
Potential Economic Impact	\$24,000	\$250,000	\$0
Efficiency			
Hours per Report	1,217	1,271	1,847
Ratio of Economic Impact to Cost	\$0.02:1	\$0.18:1	\$0

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

³ Percentage of recommendations with which management agreed.

⁴ We did not determine the rate for 2008, 2009, or 2010 because of the backlog of ARTS reports.

Appendix A

Reports Released in Fiscal Year 2009

Performance Audits

Review of 2003 – 2006 Commercial Audits of Jackson and Platte Counties (June 2008)
Police Case Clearance (September 2008)
Governance Assessment 2008 (October 2008)
Kansas City Citizen Survey Report (November 2008)
Kansas City Global Commission (January 2009)
Review of Audits of Outside Agencies (February 2009)
Minority and Women Business Enterprise Program (April 2009)
Listening to the Workforce 2008 Employee Survey (April 2009)
City Purchasing Card Program (April 2009)

Memoranda

Comparable Cities for Police Case Clearance (September 2008)
Flower, Lawn and Garden Show Audit Request (October 2008)
Mapping Economic Development Incentives and Blight (January 2009)
City Staffing Levels (1990 - 2010) (February 2009)
City Staffing Levels – Mayor’s Office and City Council Office (February 2009)
Take-Home Vehicles (March 2009)
Summary of Issues Identified in Commercial Audits since 1987 (March 2009)
City Consultant Services Expenditures May 1, 2008 to March 12, 2009 (March 2009)
City Consultant Services Expenditures by Department - May 1, 2008 to March 12, 2009 (April 2009)

Performance Audits

Review of 2003 – 2006 Commercial Audits of Jackson and Platte Counties (June 2008)

This audit focused on whether Jackson and Platte counties' commercial auditors identified conditions that could jeopardize the counties' ability to account for and accurately remit the real property taxes they collect for the city.

We found that none of the audits, management letters, or reports on internal control specifically addressed the counties' ability to accurately collect and remit real property taxes for the city. We did find, however, that the auditors noted that Jackson County had some issues with recording accounts payable in 2006.

To exercise the oversight opportunities provided for by the city's agreements with Jackson and Platte counties, we recommended that the director of finance annually request and review the commercial audits and management letters for the counties.

Police Case Clearance (September 2008)

This audit focused on the Kansas City Police Department's (KCPD's) case clearance reporting processes and the reliability of crime and clearance data. Missouri law requires local law enforcement agencies to report crime statistics monthly to the Missouri State Highway patrol. KCPD's efforts to track and report offense and clearance data was complicated by a change in the department's computer system.

We found that KCPD's clearance data was incomplete and not all crime data was being reported to Missouri's Uniform Crime Reporting (UCR) Program. The KCPD had not developed the programming capability to transfer clearance data from its new computer system, Tiburon, to ALERT, the department's computer system used to report UCR summary data. The department was manually entering homicide data into ALERT, but not clearances by arrest for other crimes.

We also found that there were incomplete or unapproved reports in the new computer system, resulting in fewer offenses and clearances being reported. In addition, the KCPD had been late in submitting summary data and the state rejected KCPD's monthly UCR crime reports from October 2007 through April 2008 due to major data errors.

To increase the completeness of crime data and ensure that the department complies with state statute on crime reporting, we recommended new procedures and training on the new computer system and the new reporting format.

Governance Assessment 2008 (October 2008)

This audit, required by Section 2-722 of the Code of Ordinances, summarized the city's component units' and the Board of Parks and Recreation Commissioners' written responses to questions about their governance practices. We administered a governance assessment checklist to 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. Responses suggested that most boards and commissions have adopted governance practices to lead their organizations, define responsibilities, and establish accountability for achieving goals. Areas where governance could be strengthened included monitoring compliance with board directives, strengthening board performance, and sharpening the focus in the recruitment and appointment of new board members to better represent the interests of the public.

Kansas City Citizen Survey Report (November 2008)

This audit provided results of the 2008 Kansas City citizen survey and compared the results to those of 13 large regional U.S. cities and 26 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 this is lower than the average satisfaction level for the metropolitan communities. Kansas City residents' satisfaction ratings met or exceeded the large U.S. cities or metropolitan communities average satisfaction ratings on three of the service-related benchmarks – public safety, street lights, and maintenance/preservation of downtown. Compared to other metropolitan communities and large U.S. cities, many of Kansas City's satisfaction ratings have generally been below benchmark averages for the last nine years.

We also found that satisfaction ratings increased for eight city services, including overall traffic flow; street lighting; overall quality of police,

fire, and ambulance services; and maintenance and preservation of downtown. Satisfaction significantly declined for 32 city services, including how the city plans for growth; the effectiveness of the city manager and appointed staff; the leadership provided by elected officials; maintenance of city streets; smoothness of city streets; code enforcement activities; maintenance of city parks; and the overall quality of services provided by the city.

We also found that citywide, most respondents rated the city as a good or excellent place to live and work, but a little less than half rated the city as a good or excellent place to 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.

Kansas City Global Commission (January 2009)

This audit, which was directed by the City Council, focused on the finances and functions of the Global Commission and whether there had been any violations of the Red Flag Commission's⁵ recommendations by any city elected official, appointed official, or city employee related to these finances and functions. The Global Commission's purpose is to assist and support the City Council by making recommendations regarding current and future international activities.

We found that the Global Commission, as a body, could not have violated the Red Flag Commission's recommendations because the recommendations were directed to the City Council, city manager, and city auditor. We also found that there was no evidence that councilmembers on the commission violated the Red Flag recommendations. Additionally, the only significant money the city spent on the commission was about \$11,000 for a facilitator to help the commission develop priorities and vision. The commission, not an individual, agreed to use a facilitator.

Review of Audits of Outside Agencies (February 2009)

This annual review, which was 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 2008.

We found that 44 outside agencies received over \$180 million in funding or pass-through money to operate or administer programs or services that

⁵ The Red Flag Commission was established to examine the city's contract processes, procedures, and monitoring in light of a wave of public corruption prosecutions involving elected city officials in the 1990's.

further the public good. Commercial auditors for 13 of these agencies reported accounting, internal control, or material compliance problems. Two agencies did not submit their financial audit and internal control analysis. Our report also includes financial analysis for reporting agencies that received over \$1 million in fiscal year 2008. Nine of these fourteen agencies had at least one weak financial indicator.

Minority and Women Business Enterprise Program (April 2009)

This audit focused on the city's Minority and Women Business Enterprise (MBE/WBE) Program's primary functions: certifying qualified firms, establishing goals for contracts, and monitoring and reporting utilization results.

We found that certifications took a long time. Applications submitted in 2007, took from 18 to 326 days to be certified. Human Relations Division (HRD) staff claimed that most applications do not provide all the required documentation and applicants claimed that the division loses documentation. In addition, some certification files lacked evidence to support the certification decision. HRD does not have written policies and procedures for processing applications and had not established certification deadlines.

We also found that departments were generally dissatisfied and mistrustful of the goal setting process; management had not met MBE/WBE reporting requirements; HRD did not verify the information on the monthly utilization reports contractors provide; and the city rarely assessed liquidated damages when MBE/WBE goals were not met.

To improve the timeliness and effectiveness of the certification and goal processes, we recommended the Human Relations Division adopt certification timeframes; adopt a new MBE/WBE certification application and include instructions and explanatory information with it; and develop written policies and procedures. In addition, we recommended charging fees for certifications, reporting MBE/WBE information as required by resolution or ordinance, and improving Human Relations' customer service.

Listening to the Workforce 2008 Employee Survey (April 2009)

This report provided results from an employee survey we conducted to obtain employees' perceptions about the city's working conditions and ethical environment.

About two-thirds of employees responding were satisfied with their employment with the city. A majority agreed that they are satisfied with their working environments; however, 44 percent reported that the work environment in their department had worsened over the past three years. When asked to comment on the greatest hindrance to the routine performance of their jobs, respondents described situations involving leadership and managerial effectiveness most frequently.

Respondents were dissatisfied with the level of employee recognition in their departments. They were also dissatisfied with communications between departments and with the quality of top management's communications. Only 41 percent of respondents believed they could report unethical behavior without fear of retaliation, and only 30 percent believed that if someone participated in unethical behavior, it would be detected and punished. Elected officials did not fair well in the survey. Only about a fourth of the respondents agreed that the mayor and City Council make decisions based on what is best for the entire community.

City Purchasing Card Program (April 2009)

This audit focused on compliance with the city's purchasing card guidelines and whether the city's monitoring and internal control processes were consistent with recommended practices.

We found purchasing card transactions that violated the city's purchasing card program guidelines, city code, or city procurement rules. In particular, some purchases exceeded or were split to avoid the dollar limit on purchases; not all documentation could be located; some purchases were prohibited; and some purchases may not have been an appropriate use of city funds.

During the course of the audit, the city revised its purchasing card program. We found that the new program contains most of the practices or policies recommended by the Government Finance Officers Association and the Association of Government Accountants. It also provides the city with better managerial oversight and monitoring capabilities. That, along with a monitoring program the Finance Department instituted, should help prevent some of the issues found in the audit.

We made a number of recommendations to improve the control environment and internal controls, to develop policies to provide guidance regarding appropriate uses of city funds, and to improve training and communication efforts.

Memoranda

Comparable Cities for Police Case Clearance (September 2008)

This memo identified the cities we were planning to use to compare Kansas City's case clearance rates in our September 2008 audit, *Police Case Clearance*. Although we did not do the comparisons because Kansas City's data was flawed, Police Commissioner Mark Thompson asked for a list of the cities we would have used.

Flower, Lawn and Garden Show Audit Request (October 2008)

This memo was in response to the Board of Parks and Recreation Commissioners' request for us to audit the Flower, Lawn and Garden Show. The memo described how issuing a request for proposal for the 2009 show would allow the board to use a competitive process to identify the operator that will maximize the city's benefits from the Flower, Lawn and Garden Show. The memo also stated that a competitive process would be a more effective method to address the board's concern than an audit.

Mapping Economic Development Incentives and Blight (January 2009)

This memo notified the City Council that we terminated our audit on mapping economic development incentives and blight. Because of concerns the Finance and Audit Committee had about the audit and other factors, we terminated the audit and directed our audit resources toward other projects. This memo also provides definitions of blight as defined in state statutes and city code and other information on blight that may be helpful to the City Council.

City Staffing Levels (1990 - 2010) (February 2009)

Councilwoman Deb Hermann, asked us to provide information about the city's staffing levels from 1990 through 2010, including the number of positions within job classification and changes over time.

Between fiscal year 1990 and the submitted budget for fiscal year 2010, the number of full-time equivalent (FTE) positions increased by 742.2 (11.5%), largely due to increases in Aviation, Fire, Police, and Water Services.

**City Staffing Levels – Mayor’s Office and City Council Office
(February 2009)**

This memo, requested by Councilman Ed Ford, listed changes in staffing levels for the Mayor’s Office and the City Council Office from fiscal year 2002 through 2009.

Take-Home Vehicles (March 2009)

This memo summarized information on take-home vehicles used by city employees and the Police Department. Since 2000, half the number of city-owned vehicles are taken home; the number of take-home police vehicles has increased. We estimated the commuting costs associated with all take-home vehicles to be about \$1.6 million in calendar year 2008.

**Summary of Issues Identified in Commercial Audits since 1987
(March 2009)**

This memo, requested by Mayor Mark Funkhouser, summarized the material weaknesses, reportable conditions, significant deficiencies, and other management letter comments included in the city’s annual financial audits completed by commercial auditors.

**City Consultant Services Expenditures May 1, 2008 to March 12,
2009 (March 2009)**

Councilwomen Melba Curls and Jan Marcason asked us for information about the city’s consultant expenditures, including legal services, in fiscal year 2009. We found that from May 1, 2008 through March 12, 2009, 16 departments expensed about \$4.7 million to the consultant services account. Approximately \$2.6 million in various court and legal service costs were expensed to the legal services accounts.

**City Consultant Services Expenditures by Department - May 1, 2008
to March 12, 2009 (April 2009)**

This memo, requested by Councilwoman Sharon Sanders Brooks, breaks down the consultant and legal services expenditures identified in our March 23, 2009 memo by department and vendor.

Appendix B

Reports Released in Fiscal Year 2010

Performance Audits

The City Could Do More to Reduce the Risk of FMLA Abuse
(October 2009)
Resolution Tracking (October 2009)
E-Service Systems Security (October 2009)
Master Vendor File Data Reliability (April 2010)

Memoranda

Fiscal Year 2010 First Quarter Citizen Satisfaction Survey Results
(September 2009)
Fiscal Year 2010 Second Quarter Citizen Satisfaction Survey Results
(October 2009)
Fiscal Year 2010 Third Quarter Citizen Satisfaction Survey Results
(January 2010)
Surplus City-Owned Real Property (April 2010)

Performance Audits

The City Could Do More to Reduce the Risk of FMLA Abuse (October 2009)

This audit focused on the city's compliance with federal Family and Medical Leave Act (FMLA) requirements and the use of recommended practices.

We found that the city's written FMLA policy complied with federal requirements but in practice, the city's calculation of leave entitlement for intermittent and reduced leave schedules was not consistent with the definition in the federal guidelines. As a result, some full-time staff may not have received the total FMLA leave hours they were entitled to receive when the leave was taken on an intermittent or reduced leave schedule.

We identified several recommended practices for reducing the risk of FMLA leave abuse. The city already incorporated some of these practices, but could improve efforts to reduce the risk and perception of FMLA leave abuse by ensuring consistent application of other practices across departments and by adopting additional recommended practices.

We also found that internal controls for administering FMLA leave needed improvement. The human resources management system could not alert supervisors that an employee was approaching or had exceeded his or her maximum allowed FMLA leave hours. The system also allowed absences to be coded as FMLA leave for employees who had no record in the system of being approved for the benefit. In addition, Human Resources did not always meet its timeliness goals for processing FMLA leave paperwork.

We made a number of recommendations to improve the timeliness and accuracy of FMLA leave request processing, reduce the perception and risk of abuse of this benefit, improve management controls, and ensure that the city accurately interprets federal requirements

Resolution Tracking (October 2009)

This audit focused on resolutions adopted by the City Council in 2007 that directed city staff to take some action. We conducted the audit to determine whether staff carried out the directives in the resolutions.

We found that most of the resolutions had been fully or partially implemented. Work directed in one resolution was not done, and city staff seldom met deadlines when one was specified in a resolution. We also found that there was not a mechanism to assure the Council is updated on the progress of the work they have directed through resolutions.

To ensure the City Council is kept informed of the progress of the work they have directed through resolutions, we recommended developing a process to track and report the status of Council resolutions. We also recommended a procedure to monitor the accuracy of data entered in the city's legislative tracking system.

E-Service Systems Security (October 2009)

The city offers a number of on-line services for paying taxes, water bills, and traffic and parking tickets; registering for Parks and Recreation classes; and obtaining some permits. This audit focused on the controls and security over these e-service systems.

We determined that the city's e-service systems and data appeared to be reasonably secure. An information security assessment performed by an outside firm rated the city's network security above average. The same assessment identified a number of high-risk vulnerabilities in some e-service applications, which have been resolved. Another outside firm's assessment determined that the city complied with the payment card industry's data security standards.

We also found that although Information Technology followed a number of recommended security practices, some of them, including requiring account reconciliations, segregating incompatible duties, and periodic review of users' access, were not included in the department's written policies. In addition, the city did not have an entity wide information security management program that encompassed all information security, including application level systems and programs.

To enhance the security of the e-service systems, we recommended developing an entity-wide information security management program and an application security plan for the e-service systems and related data. To improve internal controls related to e-service systems security, we recommended developing written policies and procedures requiring account reconciliations, segregation of incompatible duties, and periodic review of users' access.

Master Vendor File Data Reliability (April 2010)

This audit focused on the data reliability of the city’s master vendor file and the city’s use of recommended practices to maintain the file. The city uses information in the master vendor file to process vendor payments and to identify vendors to solicit for proposals and bids.

We concluded that there were no required data entry fields in the master vendor file and limited consensus among key departments on which data fields are crucial. Information was not entered consistently into the master vendor file, and the file contained data entry errors and duplicate records.

We found that the city’s policies and procedures for managing the master vendor file partially incorporated some recommended practices but there were a number of practices or internal controls that the city did not follow. Some individual’s access rights in the financial management system were not properly segregated; audit trails to monitor access and activity in the master vendor file had not been activated; and vendor information was not validated adequately before a new vendor was set up.

We made a number of recommendations to improve the completeness, accuracy, and consistency of data in the master vendor file; improve management controls; and decrease the risk of erroneous payments, duplicate records, fines, and fraud.

Memoranda

**Fiscal Year 2010 First Quarter Citizen Satisfaction Survey Results
(September 2009)**

This memo presented the first quarter results of the Fiscal Year 2010 Citizen Satisfaction Survey. Council Resolution 090340 directs the city auditor to prepare quarterly citizen satisfaction surveys and present the results in City Council business sessions.

**Fiscal Year 2010 Second Quarter Citizen Satisfaction Survey Results
(October 2009)**

This memo presented the second quarter results of the Fiscal Year 2010 Citizen Satisfaction Survey. Council Resolution 090340 directs the city

auditor to prepare quarterly citizen satisfaction surveys and present the results in City Council business sessions.

**Fiscal Year 2010 Third Quarter Citizen Satisfaction Survey Results
(January 2010)**

This memo presented the third quarter results of the Fiscal Year 2010 Citizen Satisfaction Survey. Council Resolution 090340 directs the city auditor to prepare quarterly citizen satisfaction surveys and present the results in City Council business sessions.

Surplus City-Owned Real Property (April 2010)

This memo was in response to questions Councilwoman Deb Hermann raised about the status of the sale of surplus city-owned real property. The memo described the process for declaring city-owned property as surplus, the process for disposing of surplus property, and the status of General Services' efforts to sell surplus property.

Appendix C

Reports Issued, Fiscal Years 2006-2008

City Services Performance Report for Fiscal Year 2004 (May 2005)
Reporting Requirements for Non-Pension Retiree Benefits (July 2005)
Water System Security (August 2005)
Managing the Risks of Increased Debt (August 2005)
Annual Governance Assessment (October 2005)
City Services Performance Report for Fiscal Year 2005
(November 2005)
Starlight Theatre Concession Agreement (December 2005)
Employee Grievances Take Too Long to Resolve (February 2006)
Police Department Property and Evidence (February 2006)
Review of Audits of Outside Agencies (March 2006)
Review of the Submitted Budget for Fiscal Year 2007 (March 2006)
Mission and Performance Reporting Requirements for Non-Municipal
Agencies (March 2006)
Benchmarking Report and Citizen Survey Results by Geographic Area
(March 2006)
Council Oversight of Housing Programs (March 2006)
Kansas City's Financial Future Forum (April 2006)
Sidewalk Management (April 2006)
ERP Post-Implementation (August 2006)
Component Units' Legal Services Procurement and Monitoring
(September 2006)
Governance Assessment 2006 (November 2006)
Kansas City Area Transportation Authority Share-A-Fare Program
(November 2006)
Sales Tax Study Follow-up (January 2007)
Review of Audits of Outside Agencies (March 2007)
Review of the Submitted Budget for Fiscal Year 2008 (March 2007)
City Cleanliness (March 2007)
Kansas City Citizen Survey Report (April 2007)
Tax Increment Financing Follow-up (April 2007)
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)

Appendix D

Results of the External Quality Control Review 2006 - 2009



Association of Local Government Auditors

March 26, 2010

Mr. Gary White, City Auditor
 City of Kansas City, Missouri
 414 E. 12th Street, Suite 2103
 Kansas City, Missouri 64106

Dear Mr. White,

We have completed a peer review of the Kansas City, Missouri City Auditor's Office for the period September 1, 2006 to August 31, 2009. In conducting our review, we followed the applicable standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Kansas City, Missouri City Auditor's Office internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the September 1, 2006 to August 31, 2009.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sincerely,

Trevor L. Williams
 Assistant Chief Auditor
 The Office of Management
 & Compliance Audits,
 Miami-Dade County
 Public Schools

Arnie R. Adams, CFE, CIA
 Audit Manager
 City of Houston Office of the
 Controller's Audit Division

Lynette L. Fridley
 Internal Auditor
 City of Albuquerque
 Office of Internal
 Audit &
 Investigations



Association of Local Government Auditors

March 26, 2010

Mr. Gary White, City Auditor
City of Kansas City, Missouri
414 E. 12th Street, Suite 2103
Kansas City, Missouri 64106

Dear Mr. White,

We have completed a peer review of the Kansas City, Missouri City Auditor's Office for the period September 1, 2006 to August 31, 2009 and issued our report thereon dated March 26, 2010. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The office has a very detailed Policy and Procedures Manual, which is appropriately referenced to and in compliance with *Government Auditing Standards*.
- The office's overall system of quality control is rather extensive and ensures that the audits completed are of high quality.
- The presentation format, content, and readability of the reports are impressive.
- The audit planning process is detailed, but targeted to the audit objectives and results in a thorough comprehensive audit report.
- The work paper files are organized and easy to follow.
- The office staff is highly qualified, competent, and varied in their background, which contributes to producing more comprehensive reports.
- The level of staff development and training afforded the staff is impressive.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Observation 1 – GAS 7.30 – Fraud

ALGA Peer Review
Office of the District of Columbia Auditor
Page 2 of 2

Standard 7.30 requires auditors to consider and discuss potential fraud risks that could significantly affect their audit objectives and the results of their audits. In reviewing a sample of the office's work papers, we observed that while potential fraud risks may have been considered in planning the audit, those considerations were not always documented. We suggest the office improve its documentation of the audit team's consideration and discussion of fraud, waste, and abuse as required in GAS 7.30 (2007).


- Observation 2 – GAS 1.33 – Professional Services Other Than Audits (Nonaudit Services) Provided by Audit Organizations

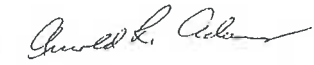
Standard 1.33 requires that audit organizations providing nonaudit services report that the nonaudit services were not performed in accordance with GAGAS.

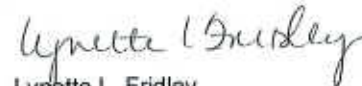
In reviewing the office's workpapers, we noted a project listed as a nonaudit service did not contain the required disclaimer that the nonaudit service was not conducted in accordance with GAGAS. We recommend the office review GAS 1.33 with respect to reporting requirements for nonaudit services.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,


Trevor L. Williams
Assistant Chief Auditor
The Office of Management
& Compliance Audits,
Miami-Dade County
Public Schools


Arnie R. Adams, CFE, CIA
Audit Manager
City of Houston Office of the
Controller 's Audit Division


Lynette L. Fridley
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Office of the City Auditor

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March 26, 2010

Trevor L. Williams, CPA
Assistant Chief Auditor, Operations & Performance Audits
Miami-Dade County Public Schools
1450 NE 2nd Avenue, Room 415
Miami, FL 33132

Dear Mr. Williams:

This letter is my response to your reports on the external quality control review of our office. My comments address both the opinion letter and the management letter.

I am pleased that the review team concluded that the City Auditor's Office complies with Government Auditing Standards. The audit staff has devoted a great deal of effort to developing and implementing an internal quality control system to help us achieve this goal. I also appreciate your positive comments on the review team's overall impression of the office.

I appreciate your suggestions for improvement. We have updated our planning work plan template to include a step to document the risk factors we identify. We will also update our policies and procedures to include a disclaimer in non-audit work reports/memos that clarifies that the report/memo does not constitute an audit under Government Auditing Standards.

We appreciate you and the audit team taking the time to conduct our peer review. I appreciate the thoroughness and professionalism with which you, Arnie Adams, and Lynette Fridley conducted the review.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary White".

Gary White
City Auditor

cc: Arnie Adams, Audit Manager, City of Houston Controller's Office
Lynette L. Fridley, Internal Auditor, City of Albuquerque

City Auditor's Office Staff
(As of May 1, 2010)

Gary L. White, MBA, CMA, CGFM
City Auditor

Mary Jo Emanuele, MBA, CIA, CGFM

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