

Memorandum

City of Lawrence

City Auditor

TO: Members of the City Commission

FROM: Michael Eglinski, City Auditor

CC: David L. Corliss, City Manager
Cynthia Wagner, Assistant City Manager
Diane Stoddard, Assistant City Manager
Jonathan Douglass, Assistant to the City Manager

Date: October 7, 2010

RE: Audit Recommendation Follow-Up October 2010

Following-up on performance audit recommendations provides the City Commission with information on management's efforts to implement recommendations. This report covers recommendations from four performance audits: Pavement Condition Measures, Street Lights, Purchasing Cards, and Solid Waste. City Code requires follow-up reporting.

Management has implemented five recommendations, made progress on 11 recommendations, and not implemented two recommendations. The status of three recommendations is undetermined/pending. Figure 1 summarizes the status of the recommendations.

Action item

The City Commission can direct the City Auditor to "close" audit recommendations a) through e) as appropriate. Closed recommendations will not be included in future follow-up reporting.

Figure 1 Audit recommendation status

Status	Recommendations
Implemented	<p>Street Lights (May 2009):</p> <ul style="list-style-type: none"> a) The City Manager should work to establish clear performance expectations for the utility company's responsibility to identify and repair outages. b) The City Manager should request that Westar Energy provide the city with an inventory. c) The City Manager should ensure that staff review bills on a regular basis and follow up on any discrepancies. <p>Solid Waste (January 2010):</p> <ul style="list-style-type: none"> d) Track and report on actual hours worked for employees under the task incentive. <p>Purchase Card Transactions (March 2010):</p> <ul style="list-style-type: none"> e) Determine if the city could benefit from “rewards” programs for vendors the city does business with and, as appropriate, work with the vendor to ensure transactions are credited to the city's rewards account.
Not implemented	<p>Pavement Condition Measures (October 2008):</p> <ul style="list-style-type: none"> f) The City Manager should develop a method to enforce the ordinance requirement for an excavation permit or consider revising the city's processes for managing the right-of-way. <p>Street Lights (May 2009):</p> <ul style="list-style-type: none"> g) The City Manager should evaluate the feasibility of acquiring the street lights from the utility company.
In progress	<p>Street Lights (May 2009):</p> <ul style="list-style-type: none"> h) The City Manager should request Westar Energy to adopt estimated kWh rates for street lights that are consistent with those of other utilities. i) The City Manager should request Westar Energy to estimate monthly kWh use for street lights based on seasonal variations in the actual use of street lights. j) The City Manager should request Westar Energy to review the estimates of energy used for area lights, determine why the estimates are too high, and refund customers for excess

	<p>surcharges if appropriate.</p> <p>k) The City Manager should work to ensure that customers are not billed when service or outages fail to meet reasonable expectations.</p> <p>Solid Waste (January 2010):</p> <p>l) Write policies and procedures for estimating municipal solid waste and recycling. Policies and procedures should ensure backyard composting is not counted in the recycling rate and address how the city will account for debris from major storms. Policies and procedures could include forms published by the US EPA in Measuring Recycling: A Guide for State and Local Governments.</p> <p>m) Test the conversion factors used for estimating yard waste. Consider estimating yard waste collected at curbside by counting truck loads rather than collected items.</p> <p>n) Write policies on overtime for the solid waste division.</p> <p>o) Review the lifetimes used for depreciation calculations for fixed assets in the solid waste division.</p> <p>p) Write policies and procedures for provision of free solid waste services.</p> <p>q) Include additional performance measures and benchmarking information in annual rate memos.</p> <p>r) Analyze costs/benefits and feasibility of implementing more automated collection, routing and vehicle/driver performance monitoring technologies, and residential volume-based collection.</p>
Undetermined/Pending	<p>Solid Waste (January 2010):</p> <p>s) Charge enterprise operations for solid waste services.</p> <p>Purchase Card Transactions (March 2010):</p> <p>t) Provide cardholders and supervisors with an explanation of the reason for the purchase card transaction limit. The explanation should be included in the Purchase Card Guidelines and in training for cardholders to ensure that cardholders understand both the rule and the reason for the rule.</p> <p>u) Revise Purchase Card Guidelines to address cardholder use of personal "rewards" programs when making city purchases.</p>

Summary of recently implemented recommendations

Management implemented five recommendations since the last audit recommendation follow-up report (April 2010). Implementing the recommendations should strengthen the city's control over payments for street lights; provide the City Commission and management with better information about the workload of the solid waste division; and ensure the city consistently takes advantage of a purchasing rewards program.

Street lights:

Westar Energy and their maintenance contractor have established a goal of addressing street light outages within 48 hours of being reported. They also regularly patrol the entire system to identify outages. While the tariffs still don't establish clear performance expectations, the 48 hour goal provides the city with a benchmark to evaluate Westar Energy's performance.

At the time of the performance audit, many street lights were out (an estimated 250) and responsibilities for identifying and repairing outages hadn't been clearly defined. Some other utility companies that provide street lighting clearly defined responsibilities and the conditions under which customers received payment credit when outages weren't repaired quickly.

The city has an inventory of the street lights with information about the location, identification tag number and type of light. Westar Energy provided the city with an inventory of street lights and city staff included the inventory in the city's Geographic Information System.

At the time of the performance audit, the city didn't have an inventory. An inventory could provide the city with information to help evaluate the appropriateness of billing and could help identify and report outages and track maintenance performance.

Public Works reviews bills on a regular basis. The City Manager assigned Public Works staff the responsibility of reviewing bills on a regular basis.

At the time of the performance audit, city staff weren't reviewing bills, increasing the chance that an error could be made and not identified.

Solid waste:

The Solid Waste Division tracks and reports on incentive hours worked. Under the incentive approach, eligible employees that complete their assigned tasks in a safe and timely manner to the satisfaction of their supervisor in less than eight hours will earn eight hours pay and be released for the day. Figure 2 shows a recent report of incentive hours for the Solid Waste Division.

Figure 2 Solid waste incentive hour summary

Average of all incentive hours for:		Pay period 8/6/2010 to date	
Solid Waste Loaders		7.98	
Operator 1's		8.04	
Operator 2's		5.94	
Check Date	Loaders	Op 1's	Op 2's
8/6/2010	6.49	5.94	3.98
8/20/2010	7.20	8.10	5.58
9/3/2010	8.90	8.78	5.73
9/17/2010	6.96	6.92	4.86
10/1/2010	10.36	10.46	9.93

At the time of the performance audit, management didn't track incentive hours. Tracking incentive hours could help implement the incentive policy, measure workload, and provide information to management and the City Commission about work completed.

Purchase card transactions:

The city takes advantage of one "rewards program" through Ace Hardware. The Purchasing Officer also reviewed another rewards program but determined it would not be practical for the city to participate because the rewards program is tied to an individual rather than corporate account.

At the time of the performance audit, the city had a rewards account with Ace Hardware but wasn't consistently taking advantage of the program.

Scope, method and objectives

Following-up on the status of audit recommendations provides the City Commission with information about management's efforts to implement audit recommendations. The City Code requires the City Auditor to follow-up on audit recommendations no later than 6-months after issuing an audit, to determine that corrective action was taken and is achieving the desired results. City Code requires that the auditor inform the City Manager and the City Commission of the results of the follow-up.

The City Auditor provided the City Manager with a list of audit recommendations and status on August 11, and asked management to provide updates. The request covered recommendations for reports released more than 120 days ago and for open recommendations from older reports. This report covers recommendations from four performance audits: Pavement Condition Measures, Street Lights, Purchasing Cards, and Solid Waste.

The auditor compiled the information but did not verify the information provided by management. For each recommendation, the auditor made a judgment about the status of the recommendation.

Figure 3 Implementation Status Definitions

Status	Indicator
Implemented	Management describes steps taken to implement the recommendation.
Not implemented	Management asserts that the recommendation will not be implemented or has not taken steps to implement the recommendations.
In progress	Management describes progress toward implementing the recommendation.
Undetermined/pending	Status cannot be determined, for example, because the recommendation requires future actions or because management describes steps that will be taking in the future.

The City Auditor, with the City Commissions' direction, will "close" a recommendation and exclude it from future follow-up reports. Open recommendations will be included in future follow-up reports.

The follow-up information on the status of implementing recommendations was not conducted as a performance audit under Government Auditing Standards.

The City Auditor shared a draft of this report with the City Manager.

Appendix: City Manager's recommendation status update

The appendix includes the City Manager's September 29, 2010, update on audit recommendations and two attached letters.

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager

FROM: Cynthia Wagner, Assistant City Manager

CC: Diane Stoddard, Assistant City Manager

DATE: September 20, 2010

RE: Response to Audit Recommendation Follow-Up Report September 2010

The following is provided in response to questions posed by City Auditor Michael Eglinski regarding the status of some audit recommendation items.

Pavement Condition Measures

- *The City Manager should develop a method to enforce the ordinance requirement for an excavation permit or consider revising the city's processes for managing the right-of-way.*

A draft ordinance has been prepared. The current economic climate has not been favorable to implementation of new permitting processes, predominantly related to staffing resources.

Street Lights

- *The City Manager should evaluate the feasibility of acquiring the street lights from the utility company.*

The City has not pursued a feasibility of street light acquisition, but several other tactics have been pursued within current resources.

1. KCC Intervention: On May 7, 2009, the City filed a Petition to Intervene in the current rate matter. A settlement agreement has been reached in the rate case. As part of that settlement agreement, the Kansas Corporation Commission ordered a new case to be opened, particularly looking at legacy rates. On April 5, 2010, the KCC issued an order opening a docket no. 10-WSEE-358-GIE. In the new docket the parties in the case are collaborating on a variety of issues not fully resolved in earlier Westar rate cases. Westar has recently identified its list of remaining rate consolidation items and options to consider and is receiving feedback from the parties. KCC staff has been directed to

provide a status report to the KCC by October 1, 2010. The case is ongoing. Staff continues to monitor the status of the new case and determine next steps.

2. Staff has been monitoring new Westar vendor work on streetlight maintenance (see items below).

- *The City Manager should ensure that staff review bills on a regular basis.*
Public works staff has been assigned responsibility for this review.
- *The City Manager should request that Westar Energy provide the city with an inventory.*
- *The City Manager should request Westar Energy to review the estimates of energy used for area lights, determine why the estimates are too high, and refund customers for excess surcharges if appropriate.*
- *The City Manager should request Westar Energy to estimate monthly kWh use for street lights based on seasonal variations in the actual use of street lights.*
- *The City Manager should request Westar Energy to adopt estimated kWh rates for street lights that are consistent with those of other utilities.*
These items were requested in a letter to Westar on July 22, 2009. The [letter](#) and Westar's [response](#) are both attached.

- *The City Manager should work to ensure that customers are not billed when service or outages fail to meet reasonable expectations.*

See letter mentioned above in addition to KCC intervention.

- *The City Manager should work to establish clear performance expectations for the utility company's responsibility to identify and repair outages.*
Westar has contracted with Black & McDonald Utilities Services to maintain Westar-owned street lights in Lawrence, and several other Westar served communities. The maintenance transition began August 1, 2010. Public and city contacts for reporting street light outages will remain the same. Westar and Black & McDonald have indicated that they have a goal of responding to routine maintenance requests within 48 hours of notification of street light outage. They also have initiated regular patrols of the entire system to identify street light outages.

Solid Waste

- *Track and report on actual hours worked for employees under the task incentive.*
The Solid Waste Division has initiated a system for tracking incentive hours by pay period, using existing time clock and AS400 software. The new time and attendance software will automate some of the manual process of determining actual work hours and incentive hours for solid waste loaders and solid waste operators. Data from the system was most recently reported to the City Manager September 7, 2010. Below is a summary of incentive hours for the last

three pay periods. The first information is the average of all incentive hours, the second table is listed by pay period.

Average of all incentive hours for pay period 8-6-2010 to date

Solid Waste Loaders	7.54
Operator 1's	7.60
Operator 2's	5.10

Check Date	Loaders	Operator 1's	Operator 2's
8/6/2010	6.49	5.94	3.98
8/20/2010	7.20	8.10	5.58
9/3/2010	8.90	8.78	5.73

Data continues to be collected by pay period. The division will have more robust tracking and reporting capabilities with the implementation of the time and attendance system recently approved for the City. For the current time, the recommendation for tracking and reporting actual hours worked for employees under the task incentive program is being implemented.

- *Test the conversion factors used for estimating yard waste. Consider estimating yard waste collected at curbside by counting truck loads rather than collected items.*

A testing system is underway to collect data on yard waste weights. The data collection plan is to collect weights monthly to ensure that all seasons and various conditions are represented. A data collection tool has been created. Crews have been collecting data since March on items collected curbside (numbers of cans, carts and compostable bags). The continued collection of this information will provide staff with the data necessary to "retrofit" previous yard waste weight calculations to be consistent with the new conversion factors. On data collection days, all yard waste trucks are re-directed to the co-op for weighing prior to dumping materials. This data is validated by a separate effort to weigh items at the curb by the WRR Division in randomly selected areas. A full year of data collection is important to ensure the best "average item" calculations. Those averages will be applied to historical collection data. At the current time, the plan is to validate weights using this system one out of every three years, collecting a full year of monthly samples each cycle. Staff will evaluate an alternative option of installing scales at the compost site to collect all data for cost effectiveness.

- *Write policies on overtime for the solid waste division.*

While no written policies exist, changes to the overtime system were implemented effective March 1, 2010. These changes included a rear-load collection crew voluntarily changing their normal work days scheduled from Monday through Friday through Saturday. This schedule change eliminated Saturday overtime for the rear-load crew. This change has resulted in a slightly off-setting increase to Monday overtime due to staffing shortages on the busiest day of the week for all operations. Due to staffing levels, similar changes have not been feasible for the Operator II providing front-load services Saturdays or

supervision. As new employees are hired, one of the conditions of appointment is that the scheduled five day work week may include Saturdays and does not guarantee two consecutive days off in the work week. The effectiveness of these changes will continue to be evaluated. Further policy development are under currently under review along with other city-wide overtime policies.

- *Review the lifetimes used for depreciation calculations for fixed assets in the solid waste division.*

A review of life expectancy assigned to equipment is underway. The Assistant Director of Public Works overseeing this area has preliminarily reviewed the fixed asset listing maintained by the Finance Department for life expectancy assignments. The data entered into the asset register has been completed. Expected life of equipment is better determined by the Fleet Manager. Earlier this month, the Public Works Department provided the Finance Department with an expected life recommendation for solid waste rolling stock. The Finance Department will correct the asset register for existing pieces of equipment and have a reference document for future solid waste rolling stock purchases.

- *Write policies and procedures for provision of free solid waste services.*

Data is collected monthly on provision of free services. Based on the current revenue situation, the Division has been limiting free services where possible. In September, the Solid Waste Division will complete a report including an accounting of free services for special events and regular commercial services provided free of charge (including the number and size of containers, frequency of collection, and value of service if charged). The division will then work with the Department Director to recommend and formalize a policy.

- *Charge enterprise operations for solid waste services.*

This item will be considered during future budget development period.

- *Include additional performance measures and benchmarking information in annual rate memos.*

Additional information was provided to the City Commissioners during the budget process based on Commission request. The Solid Waste Division has not yet formalized additional performance measure or benchmarking information. The division is currently undergoing a data collection effort from both regional and like-character communities. The primary focus of the data collection is on single-family residential bulk item collection fees and commercial solid waste rates. However, in the process of collecting this information, the division is also collecting data from other communities on productivity metrics.

- *Analyze costs/benefits and feasibility of implementing more automated collection, routing and vehicle/driver performance monitoring technologies, and residential volume-based collection.*

Staff has been evaluating equipment (both semi-automated and automated) with consideration of application to the fleet. Two vendors have provided demonstration units that were able to complete trial runs of single-family residential routes. The Solid Waste Division is undertaking a pilot project for

routing using existing GIS software. The goal is to test the routing for predominantly commercial collection rear-load areas. Step one of the process has been to document all tank locations, special collection conditions, schedules and frequency in a single format that can be loaded into the GIS. Solid Waste supervisory have been working on this data collection component, in consultation with the GIS Coordinator.

Also, included in the 2011 budget is funding for GPS tracking to monitor routes and collections, which will assist in vehicle/driver monitoring.

- *Write policies and procedures for estimating municipal solid waste and recycling. Policies and procedures should ensure backyard composting is not counted in the recycling rate and address how the city will account for debris from major storms. Policies and procedures could include forms.*

The WRR Division is currently working on collecting data city-wide to calculate the recycling rate. Data is collected from all recycling outlets and processors. In addition, staff is surveying local manufacturers who may have large quantities of recycled material (including Hallmark, Lawrence Paper Company, etc.). As the recycling rate is developed for the previous year, all processes will be documented and catalogued to provide a comprehensive overview of the data collection and estimating process. Backyard composting will not be included in this generation of recycling calculation. Once the process is completed the WRR Operations Supervisor will review previous years' calculations and make adjustments where feasible so the City will have the most accurate comparison possible on year to year changes. The target for completion of the calculation and documentation is November 1. A policy and procedure document will be drafted by November 1.

Purchase Card Transactions

- *Provide cardholders and supervisors with an explanation of the reason for the purchase card transaction limit. The explanation should be included in the Purchase Card Guidelines.*

To date, the Finance Department has not attempted to explain the \$1,000 limit on purchasing cards. Because this limit also applies to purchase orders, a more comprehensive response will be provided in the next update to purchasing procedures.

- *Determine if the city could benefit from "rewards" programs for vendors the city does business with and, as appropriate, work with the vendor to ensure transactions are credited to the city's account.*
- *Revise Purchase Card Guidelines to address cardholder use of personal "rewards" programs when making city purchases.*

While the City has begun taking advantage of one program, the Finance Department does not recommend including "rewards programs" procedures in the purchasing card guidelines for two reasons: 1) rewards are possible on non-credit card purchases as well as credit card purchase and 2) information on these

reward programs is being communicated to purchasers in other ways. A general purchasing training session is scheduled for this fall and information will be provided at that time.

The Purchasing Officer is aware of two local rewards programs, one through Ace Hardware and one through Sears. The Ace Hardware program applied to all purchases and is not limited to credit card purchases. Purchasers have been informed of the procedures to use the rewards program, which began late this spring. To date, the City has received \$100 for purchases.

The Sears program is tied to an individual's name and not by corporate account. Due to the issues which may result from this type of system, the Finance Department does not currently recommend participation in this rewards program.



DAVID L. CORLISS
CITY MANAGER

City of Lawrence

CITY MANAGER'S OFFICE

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CITY COMMISSION

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July 22, 2009

Mr. Chad Luce
Manager, Customer and Community Relations
Westar Energy
818 S. Kansas Avenue
Topeka, Kansas 66601

Re: Lawrence Street Lights

Dear Mr. Luce:

A recent review of the City's street lighting costs and maintenance program has identified opportunities for improvements. A copy of the May 2009 Performance Audit on Street Lighting is enclosed for your review. The purpose of this letter is to request Westar make several adjustments to the City's street lighting billing practices and maintenance system.

Specifically, the City requests:

1. Westar Energy adopt estimated kWh rates for street lights that are consistent with the utilities surveyed in the City's Performance Audit.
2. Westar Energy estimate monthly kWh use for street lights based upon seasonal variations in the actual use of street lights.
3. Westar Energy review the estimates of energy used for area lights, determine why the estimates are too high, and refund customers for excess surcharges, if appropriate.



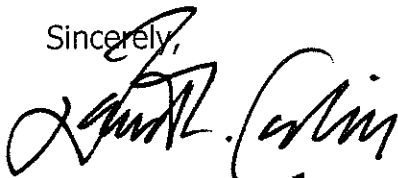
4. Execute an agreement that sets forth clear performance expectations for Westar Energy's responsibility to identify and repair street light outages that includes a provision to ensure the City is not billed when service or street light outages fail to meet reasonable expectations.
5. Provide an annual inventory of the street lights in the City.

Finally, we request a meeting with Westar Energy to discuss the possibility of the City acquiring the street lights in Lawrence.

The City of Lawrence and Westar Energy have enjoyed a long history of cooperation and open communication. We expect our relationship will continue in a healthy manner as we discuss the important issues identified in the 2009 Performance Audit.

Please contact me directly at (785) 832.3400 or electronically at dcorliss@ci.lawrence.ks.us, to schedule a meeting to discuss our mutual interests. I look forward to hearing from you.

Sincerely,



David L. Corliss
City Manager

DLC/sp
Enclosure

cc: (w/o enclosure)

Mayor and City Commissioners
Toni R. Wheeler, Legal Department Director
Mr. Martin J. Bregman, Westar Energy



September 3, 2009

David Corliss
City Manager
P.O. Box 708
Lawrence, KS 66044-0708

Dear Mr. Corliss:

Thank you for meeting with Marty Bregman and me to discuss Westar Energy's billing practices and maintenance performance related to the City's leased street lights. Our company does take your critiques seriously, and we look forward to resolving this issue to the satisfaction of both parties.

While the City pays a standard monthly lease fee per street light for installation and maintenance of the fixture, an associated kilowatt-hour (kWh) measurement is used to determine the monthly fuel cost, Environmental Cost Recovery Rider, and the Transmission Delivery Charge.

At the City's request, Westar measured the power consumption of five standard street light fixtures: 70W, 100W, 150W, 250W, and 400W. To calculate the kWh usage of the fixtures, I used the following formula:

$$\text{Volt-amperes} * 4000 (\text{hours of annual use}) / 12 (\text{months}) / 1000 (\text{converting volt-amperes to kilowatt-hours})$$

The test results revealed that our kWh values were appropriate, or slightly low, for three of the fixtures, and kWh values were slightly high for the other two fixtures.

As I stated at our meeting, these tests were conducted with brand new ballasts and bulbs, in a controlled environment. This is an important distinction as bulbs and ballasts will become less efficient with age and exposure to the elements. Due to these effects, our Standards Department believes we should test fixtures in the field, prior to any agreement to lower the kWh values. Please let me know if you would like Westar to conduct these tests in the field as well.

As we also discussed, Westar's night truck has divided the City into quadrants and is patrolling the streets in these areas for nonworking fixtures. These fixtures are noted and repaired in daylight the following day(s). We believe this is more efficient, and more importantly, safer for our employees. While the night personnel do have other

duties, a good deal of their time is spent patrolling the city streets for nonworking fixtures.

As you are aware, Westar is interested in any help the City can provide in improving notification of nonworking fixtures. Please let me know if you have any further questions or comments. Thank you.

Sincerely,

Chad Luce
Westar Energy