

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: November 8, 2012

RE: Audit Recommendation Follow-Up November 2012

Following-up on performance audit recommendations provides the City Commission with information on management's efforts to implement recommendations. This report covers recommendations from seven performance audits: Street Lights, Solid Waste, Financial Indicators (2010 and 2011), City Fees, Pavement Data and Rental Housing. City Code requires follow-up reporting.

Status	Number of Recommendations
Implemented	4
Not-Implemented	0
In Progress	12

Figure 1 summarizes the status of all of the recommendations. The City Manager's written update on recommendation status is attached.

Action item

The City Commission can direct the City Auditor to "close" audit recommendations a) through d). Closed recommendations won't be included in future follow-up.

Figure 1 Audit recommendation status

Status	Recommendations
Implemented	<p>Solid Waste (January 2010):</p> <ul style="list-style-type: none"> a) 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>Financial Indicators (July 2010):</p> <ul style="list-style-type: none"> b) Present for the City Commission a recommended policy on interfund transfers for enterprise operations <p>City Fees (May 2011)</p> <ul style="list-style-type: none"> c) Prepare a city fee policy for consideration by the City Commission. d) Establish a specific review cycle for fees, so that individual fees would be evaluated on a periodic basis.
In progress	<p>Street Lights (May 2009):</p> <ul style="list-style-type: none"> e) The City Manager should evaluate the feasibility of acquiring the street lights from the utility company. f) The City Manager should request Westar Energy to adopt estimated kWh rates for street lights that are consistent with those of other utilities. <p>Solid Waste (January 2010):</p> <ul style="list-style-type: none"> g) 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 <i>Measuring Recycling: A Guide for State and Local Governments</i>. h) Charge enterprise operations for solid waste services. i) Include additional performance measures and benchmarking information in the annual rate memos. <p>Pavement Data Use (September 2011)</p> <ul style="list-style-type: none"> j) Develop a maintenance policy for city streets paved in brick and with pavement over brick. <p>Financial Indicators (September 2011)</p> <ul style="list-style-type: none"> k) Prepare and present to the City Commission a 5-year Capital Improvement Plan for the city as a whole. l) Prepare and present to the City Commission multi-year financial projections of major revenues and expenditures. <p>Rental Housing (February 2012)</p> <ul style="list-style-type: none"> m) Write policies and procedures for the rental inspection program. The written documentation should address program practices and cover the elements of good practice identified in this performance audit. n) Establish performance measures and reporting for the program. o) Propose an ordinance to raise the fee level to better recover program costs. p) Seek direction from the City Commission about whether the city should continue to exempt rental properties in the PUD areas that were formerly RS zoned.

Recently implemented recommendations

Management implemented four recommendations since the March 2012 recommendation follow-up. Implementing those recommendations should improve information provided to the City Commission and the public.

Public Works tested and revised conversion factors used to estimate yard waste and recycling. Using revised conversion factors should result in more accurate estimates of the amount of yard waste collected and recycling rates.

Staff prepared and the City Commission approved a policy on interfund transfers for enterprise operations. The policy increases transparency and provides a rationale for transfers from the city's enterprise operations.

Staff prepared and the City Commission approved a policy on city fees. The fee policy improves information available to the public and the City Commission on fee supported services, the costs of providing those services, and the extent to which general revenues support those fee-based services. Reviewing fees on a regular basis helps ensure consistent cost recovery.

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 September 14, 2012, 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.

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 2 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 taken 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 unless “closed” by the City Commission.

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.

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: November 2, 2012

RE: Response to Audit Recommendation Follow-Up Report September 2012

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

Street Lights

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

While review of the feasibility of acquiring the system is ongoing, it appears that the additional annual cost to purchase and own the system would be approximately \$264,790. This increase is due to the upfront expense of yearly addition of new poles and bulbs, metering fees, administrative cost and bond and interest costs related to financing the purchase. A staff report is attached and was included in the City Manager's Report for the City Commission for their October 23 meeting.

- **The City Manager should request Westar Energy to adopt estimated kWh rates for street lights that are consistent with those of other utilities.**

As part of review of the feasibility of purchasing the system, staff recommends an interim step of working with Westar to determine the cost and potential timing to meter unique streetlight types and charge the same rate for similar lights throughout the system.

Further, staff will consult with KCC to determine the best approach for ensuring consistency in the non metered street light usage among Kansas electrical providers.

Solid Waste

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

Staff tested conversion factors and revised them. Based on a weight audit performed by the Solid Waste Division, staff now estimates the city carts to weigh 65 pounds, a regular can to weigh 25 pounds, compostable paper bags to weigh 20 pounds and a Christmas tree to weigh 20 pounds.

- **Charge enterprise operations for solid waste services.**
- **Include additional performance measures and benchmarking information in annual rate memos.**

The focus of this division for the last several months has been on support of the Solid Waste Task Force, and more recently cart rollout and curbside recycling proposals. As a lower priority project, progress on the audit recommendations has been on hold at this time.

Financial Indicators 2010

- **Present for the City Commission a recommended policy on interfund transfers for enterprise operations.**

A transfer policy was approved by the City Commission August 21, 2012. This policy can be found on the City's website at: https://www.lawrenceks.org/city_policies.

City Fees 2011

- **Prepare a city fee policy for consideration by the City Commission.**
- **Establish a specific review cycle for fees, so that individual fees would be evaluated on a periodic basis.**

A fee policy was approved by the City Commission August 7, 2012. This policy can be found on the City's website at: https://www.lawrenceks.org/city_policies.

Using the policy as a guideline, review of all city fees is currently under way. A schedule is under development so that each fee will be reviewed at least once every five years to ensure that the fees capture revenue consistent with the user fee policy.

Pavement Data Use

- **Develop a maintenance policy for city streets paved in brick and with pavement over brick.**

Summer 2012 completion timeline was previously reported, however, other priorities have caused delays in completing a draft of a policy. Once a draft is complete, public review will be necessary. Late 2013 completion is currently targeted.

Financial Indicators 2011

- **Prepare and present to the City Commission a 5-year Capital Improvement Plan for the city as a whole.**

The City Commission adopted a multi-year Capital Improvement Plan on August 7, in conjunction with approval of the 2013 budget. The plan can be found at the following link: http://www.ci.lawrence.ks.us/assets/agendas/cc/2012/08-07-12/dlc_capital_budget_2013_2017.pdf

- **Prepare and present to the City Commission Multi-Year Financial Projections of major revenues and expenditures.**

Staff is currently developing a multi-year financial projection of revenues and expenditures. It is anticipated that the projections will be provided to the City Manager in 2012 for his review and discussion and presentation to the City Commission at a future date.

Rental Housing

- **Write policies and procedures for the rental inspection program. The written documentation should address program practices and cover the elements of good practice identified in this performance audit.**

A working draft has been created that will address the procedures and policies of the rental licensing and inspection of dwellings in RS zoning districts. Areas of interest are the following:

- Purpose statement
- When rental license is required
- Rental license application and issuance
- Documentation of inspection history and violations
- Inspections to occur every 3 years
- Identify practices to identify unlicensed rental properties
- Address how to measure inspection results, most common violations, etc...
- Summarize the scope of the inspections
- Identify time period for compliance of violations found that are not "life safety" and identify violations that need immediate attention

- Look at incorporating GIS to identify licensed rentals and status of inspection and license
 - Discuss probation and revocation of license
 - Identify the requirements for Section 8 housing
- **Establish performance measures and reporting for the program.**
 Staff is transitioning to a new code enforcement tracking software program and has not yet determined exactly which data to use to build reports. Performance measures under consideration include, but are not limited to:
 - Timeliness of scheduling inspections.
 - Consistent follow up with re-inspections.
 - Tracking data such as number of inspections and re-inspections, number of violations, number of compliance resolved.
 Because of the implementation of the new system, it is not known at this time when the measures will be finalized or reporting will begin.
 - **Propose an ordinance to raise the fee level to better recover program costs.**
 A memo dated June 13, 2012 is included on the future agenda items list on the City Commission agenda and is currently scheduled for consideration on the November 20, 2012 City Commission agenda. Included in that memo is detailed review of fees and the suggestion to increase the fees.
 - **Seek direction from the City Commission about whether the city should continue to exempt rental properties in the PUD areas that were formerly RS zoned.**
 A memo dated June 13, 2012 is included on the future agenda items list with the City Commission agenda and is currently scheduled for consideration on the November 20, 2012 City Commission agenda. The memo addresses the history of the PUD zoning and staff's recommendation to revise ordinance to include dwellings located in any PD district.