

Memorandum

City of Lawrence

City Auditor

TO: Members of the City Commission

FROM: Michael Eglinski, City Auditor

CC: Diane Stoddard, Interim City Manager
Casey Toomay, Assistant City Manager

Date: October 15, 2015

RE: Audit Recommendation Follow-Up October 2015

Following-up on performance audit recommendations provides the City Commission with information on management's efforts to implement recommendations. This report covers recommendations from 11 performance audits: Street Lights, Solid Waste, Pavement Data Use, Financial Indicators 2011, Cash Handling, Taste of Water, City-County Cooperation, RCP Infrastructure, Sidewalk Data, Financial Indicators 2014 and Financial Indicators 2015. City Code requires follow-up reporting.

Figure 1 Implementation summary

Status	Number of Recommendations
Implemented	7
Not-Implemented	1
In Progress	12

Figure 2 summarizes the status of all of the recommendations. See Appendix A for the City Manager's written update on recommendation status.

Action item

The City Commission can direct the City Auditor to "close" the audit recommendations categorized as implemented or not implemented. Closed recommendations won't be included in future follow-up.

Figure 2 Summary of recommendations

Performance audit	Recommendation	Implemented	Not Implemented	In Progress	Undetermined
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.			<input checked="" type="checkbox"/>	
Solid Waste	Include additional performance measures and benchmarking information in annual rate memos.	<input checked="" type="checkbox"/>			
Pavement Data Use	Develop a maintenance policy for city streets paved in brick and with pavement over brick.			<input checked="" type="checkbox"/>	
Financial Indicators 2011	Prepare and present to the City Commission a 5-year Capital Improvement Plans for the city as a whole.			<input checked="" type="checkbox"/>	
	Prepare and present to the City Commission Multi-year financial projections of major revenues and expenditures.			<input checked="" type="checkbox"/>	
Cash Handling	Develop training for employees and managers responsible for handling cash.			<input checked="" type="checkbox"/>	
Taste of Water	Develop and report measures related to taste on a regular basis, such as annually. Sources of data for reporting could include resident surveys, complaints, laboratory testing results and results of sensory tests such as smelling samples of water.			<input checked="" type="checkbox"/>	
	If the city does resident surveys in the future include questions about the taste and odor of water and efforts to communicate about taste and odor issues.	<input checked="" type="checkbox"/>			
City County Cooperation	Create guidelines for when cooperation should be formalized.			<input checked="" type="checkbox"/>	
	Create guidelines for a consistent method to entering into cooperative agreements.			<input checked="" type="checkbox"/>	
RCP infrastructure	Ensure that Rock Chalk Park infrastructure is included in existing inventory and condition assessment systems.	<input checked="" type="checkbox"/>			
	Develop infrastructure inventory and condition assessment systems for city parking infrastructure.			<input checked="" type="checkbox"/>	
	Develop performance measures related to Rock Chalk Park infrastructure to track and report in the annual staff report on economic development incentives.			<input checked="" type="checkbox"/>	
	Use the city's miscellaneous billing process for economic development incentive application and related fees.		<input checked="" type="checkbox"/>		
	Provide training to city employees who handle cash.			<input checked="" type="checkbox"/>	

2014 Sidewalk Data	Review, modify as appropriate, and adopt the guidelines prepared by Planning and Development Services of sidewalk conditions	<input checked="" type="checkbox"/>			
	Make the guidelines and sidewalk defect data available on the city web page.	<input checked="" type="checkbox"/>			
Financial Indicators 2014	Ensure that the governing body reviews the annual financial report soon after the report is complete.	<input checked="" type="checkbox"/>			
	Report to the City Commission on the pension liability changes in government accounting standards to help understand the changes and implications for the City.			<input checked="" type="checkbox"/>	
Financial Indicators 2015	Provide the approved debt issuance guidelines in the City's budget document	<input checked="" type="checkbox"/>			
		Implemented	Not Implemented	In Progress	Undetermined

Recently implemented recommendations

Management implemented seven recommendations since the April 2015 recommendation follow-up.

The Public Works Department provided performance and benchmarking data in a memo for the June 16, 2015 City Commission study session. Providing performance and benchmarking data should help the City Commission and public evaluate the efficiency and effectiveness of the City's solid waste programs and identify new ideas and practices that could improve performance.

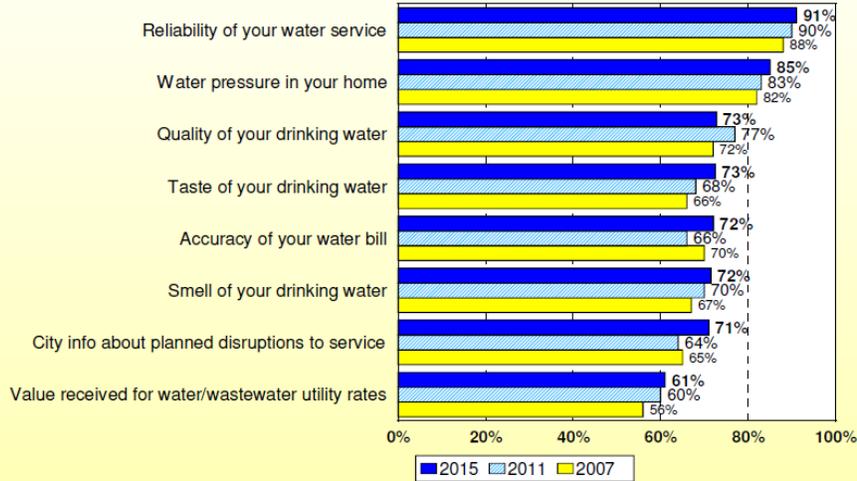
Solid Waste measures presented in June 2015			
Performance measures	2012	2013	2014
Recycling rate or percent of municipal solid waste recycled	38%	38%	tbd
Pounds of trash per person per day	3.7	3.7	3.7
Pounds of material generated per person per day	4.4	4.5	4.6
Operational costs per ton collected	111.7	102.2	117.0
Tons of material per FTE in Solid Waste	789.3	838.3	833.5
Average rebate per ton during year			\$ 0.56
Work comp expenditures per FTE	2,088	1,106	1,133
Total cost HHW/BHW per participant	44.89	46.33	47.76
Disposal cost HHW/BHW per participant	15.69	14.41	15.05
Pounds of HHW/BHW collected per participant	50.6	52.5	55.5
Percent of HHW re-distributed (product reuse)	27.0%	27.3%	26.4%
Percent of HHW participants from outside city limits	16.1%	15.8%	16.1%
Average tons OCC collected per container per year			4.45
Average revenue per ton OCC collected	\$ 98.47	\$ 107.85	\$ 91.79
Average number of businesses served with OCC			522
Percent of yardwaste in preferred containers	99.7%	99.7%	99.9%
Citizen survey data			
Percent of customers satisfied with solid waste services	93.2%	93.2%	93.2%
Percent of customers satisfied with yard waste services	88.3%	88.3%	88.3%
Percent of customers satisfied with drop off recycling	57.0%	57.0%	57.0%
Percent of customers satisfied with recycling outreach & info	57.0%	57.0%	57.0%
Percent of customers satisfied with HHW disposal services	56.0%	56.0%	56.0%

The City's recent resident survey included questions about the taste and odor of water. The 2015 survey included questions about satisfaction with the taste, smell and quality of drinking water. Information on customer perceptions can help inform decisions.

Resident survey information on the taste of drinking water

TRENDS: Satisfaction with Various Aspects of Water and Wastewater Utilities - 2015 vs. 2011 vs. 2007

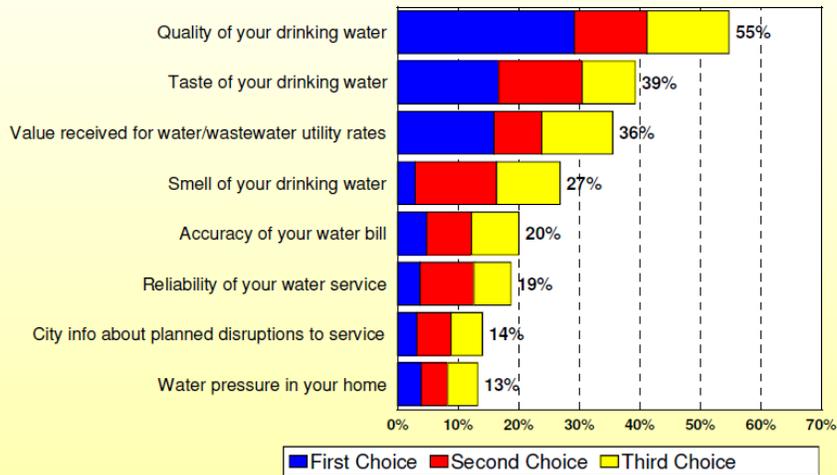
by percentage of respondents who rated the item as a 4 or 5 on a 5-point scale (excluding don't knows)



Source: ETC Institute DirectionFinder (2015 - Lawrence, KS)

Water and Wastewater Issues That Should Receive the Most Emphasis Over the Next Two Years by Major Category

by percentage of respondents who selected the item as one of their top **THREE** choices

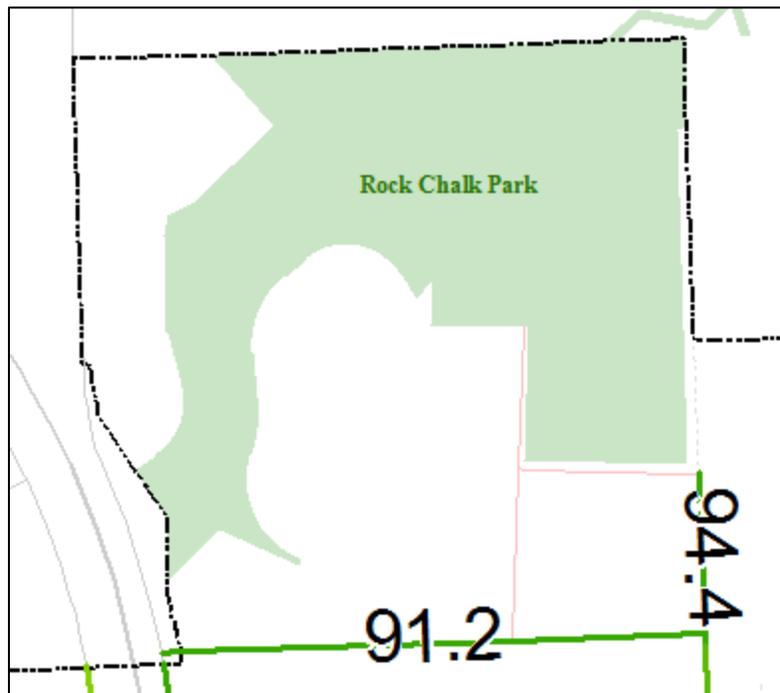


Source: ETC Institute DirectionFinder (2015 - Lawrence, KS)

City management reports that the streets, sidewalks, waterlines and park and recreation features have been added to existing inventory systems, and condition information was collected for streets and waterlines. Inventories with reliable information on conditions help inform decisions, identify maintenance and repair needs, evaluate design standards and determine appropriate maintenance.

Pavement Distress Survey

The City inspected and rated Rock Chalk Drive and George Williams Way in September 2014 and included the results in the City's pavement condition index data. Inspectors identify and quantify defects and calculate pavement condition scores. The scores help identify projects and repairs, predict maintenance needs, estimate the effects of maintenance, and identify budget needs. The *Performance Audit: Pavement Condition Measures* (2008) found that the measures provided reliable information. The map below shows the results of the 2014 inspection.



The City has made the sidewalk defect data and the guidelines available to the public on the City's web page. Planning and Development Services staff developed the guidelines to illustrate the defects. The guidelines were intended to be used for collecting information on sidewalks in Eudora and Baldwin City for the Metropolitan Planning Organization. Making the data available on the City's webpage allows residents to review the information to understand sidewalk conditions.

The Finance Department and the external auditor presented the 2014 financial audit to the City Commission at the June 16, 2015 meeting. Presenting the report provided the City Commission and public with information about the City's finances and ensured compliance with requirements related to debt the City has issued.

The City Manager’s recommended budget for 2016 included the approved debt issuance guidelines. Previous budgets had included guidelines, but they were not the same as the guidelines that the City Commission had adopted. Correcting the guidelines in the 2016 budget provides readers with more accurate information.

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 on August 4, 2015, and asked management to provide updates. The request covered open recommendations for reports released more than 120 days ago.

The auditor compiled the information but did not verify the information provided by management. The auditor did not verify that policy and procedure recommendations are being followed. 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 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: Michael Eglinski, City Auditor
FROM: Diane Stoddard, Interim City Manager
CC: Casey Toomay, Assistant City Manager
Brandon McGuire, Assistant to the City Manager
DATE: September 8, 2015
RE: Response to Audit Recommendation Follow-Up Report September 2015

The following is provided in response to questions posed on the status of outstanding audit recommendation items.

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.**

The City and Westar Energy have worked to address some of the items identified in this audit, however, the issue of the estimated kWh rates for street lights remains. Staff will continue to work toward requesting that Westar bring the rates for street lights more in line with the rates used by other utility providers. The City also needs to work on finding other municipal Westar customers willing to help address our common interests.

While previous analysis of purchase of the street light system was cost prohibitive, staff plans to revisit this analysis particularly given the rate increases slated for next year.

Solid Waste

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

The Solid Waste Division refined several performance measures in the spring of 2015. No rate changes were recommended as part of the 2016 budget process, but a [memo](#) including performance measurements was presented to the City Commission at a study session on June 16, 2015. These measures will continue to be updated and reported annually.

Pavement Data Use

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

Draft brick street maintenance restoration [guidelines](#) were presented to the City Commission on January 21, 2014. The Historic Resources Commission (HRC) reviewed the draft guidelines on May 15, 2014 and provided suggested revisions. Further review by neighborhood associations, the Lawrence Preservation Alliance and the HRC, along with final review by the City Commission, is anticipated.

Financial Indicators 2011

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

Staff is working on an improved capital improvement planning process and anticipates preparing a new five-year plan to present to the Commission before the start of the process to build the 2017 budget.

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

Staff used a multi-year financial projection of revenues and expenditures for the general fund internally as part of the budget process for 2016. Projections for the other budgeted funds as well as the non-budgeted funds were also prepared.

Presentation of these projections as well as a discussion of the assumptions used in the projections will be included in the process for developing the 2017 budget.

Cash Handling

- **Develop training for employees and managers responsible for handling cash.**

A comprehensive cash handling procedure review is planned for the fall of 2015. In addition, staff is working on a review of purchasing, travel, and other financial policies and practices including cash handling. Once the review is complete and changes are made to these policies, trainings will be held throughout the organization. In the meantime, AP trainings are being held with department staff at their locations.

Taste of Water

- **Develop and report measures related to taste on a regular basis, such as annually. Sources of data for reporting should include resident surveys, complaints, laboratory testing results and results of sensory tests such as smelling samples of water.**

The 2015 resident survey included questions about taste and water quality. Based on the findings of the 2015 survey, the Utilities Department is working with the City Communication Manager to develop public outreach, which will include the survey results for water quality and service and relative data. During this past year, one taste and odor event was identified, monitored, and the treatment process adjusted to mitigate it. However, no customer calls were received in relation to this taste and odor event. Utilities staff anticipate a November 2015 bid date for capital improvements to the Clinton Plant chemical feed systems. These improvements will allow operations to optimize water treatment processes to better control taste and odor compounds and other quality variables. Staff continues to conduct laboratory and sensory testing to aide in faster reaction when a taste and odor event is occurring. The City Manager is kept informed of taste and odor changes that are observed. Talking points are provided to assist in fielding customer calls.

- **If the city does resident surveys in the future, include questions about the taste and odor of water and efforts to communicate about taste and odor issues.**

The 2015 resident survey included the following questions about taste and odor. The results are also shown below.

For each of the following, please rate your satisfaction with each item on a scale of 5 to 1:	% Satisfied Or Very Satisfied
Taste of your drinking water	71%
Smell of your drinking water	70.1%
Quality of your drinking water	70.4%

Which three of the water/wastewater issues listed above do you think should receive the most emphasis from city leaders over the next two years?

Issue	% selecting as 1st, 2 nd , or 3 rd
Quality of your drinking water	54.8%
Taste of your drinking water	39.2%
Overall value that you receive for water and wastewater utility rates	35.5%
Smell of your drinking water	26.8%

City County Cooperation

- **Create guidelines for when cooperation should be formalized.**

A draft [policy](#) for City-County agreements has been prepared and needs further discussion with the County.

- **Create guidelines for a consistent method to entering into cooperative agreements.**

Commissioners have recently expressed interest in revisiting the agreement with Douglas County for EMS service. Staff would suggest using the [key areas to address in cooperative agreements](#) identified by the auditor as a guide for revisions to the agreement. The areas are:

- Clearly defining the service, including addressing service levels
- Specify the funding approach (financing methods or financial performance measures), rather than the allocation method
- Specify relevant administrative approaches to set up day to day management roles, due dates, and policies and procedures to be followed; and
- Establish monitoring mechanisms to improve accountability and provide an opportunity to revisit the agreement and ensure payments align with the benefits of the services.

Staff would also suggest the questions contained in [Appendix A of the audit](#) be used as a checklist to review when drafting future cooperative agreements.

RCP Infrastructure

- **Ensure that Rock Chalk Park infrastructure is included in existing inventory and condition assessment systems.**

Public Works has added the City streets at Rock Chalk Park to their existing pavement management system. Sidewalks have been added to the inventory system. The most recent collection of sidewalk condition assessment occurred prior to completion and therefore, did not include the sidewalks at Rock Chalk Park.

The waterlines have been added to the existing inventory and condition assessment systems used in Utilities.

Parks and Recreation has added the tennis courts, landscaping, and natural trails to their existing inventory system. Formal condition assessment data for Parks and Recreation does not exist at this time; however, the department continually assesses the condition of their equipment and facilities. A list is maintained of major and minor capital project needs including maintenance of existing inventory. Projects are added to the list when an assessment of the condition of a facility warrants. At this time, the assessment of condition of the infrastructure at Rock Chalk Park has not revealed any projects that rise to the level of inclusion on this list.

- **Develop infrastructure inventory and condition assessment systems for city parking infrastructure.**

While there is no centralized inventory or condition assessment system for city parking lots, all city parking lots are inventoried and assessed. The departments of public works, utilities, and parks and recreation are each responsible for the inventory and condition assessment of their facilities. Staff will continue exploring creation of a centralized assessment system for parking lots.

The three parking structures owned by the City are separately inventoried and assessed per industry recommended standards.

- **Develop performance measures related to Rock Chalk Park infrastructure to track and report in the annual staff report on economic development incentives.**

Staff will be adding performance measures, such as statistics on usage of Sports Pavilion Lawrence and the KU facilities, to the annual economic development incentives report required by City Code, beginning with the 2015 report. Convention and Visitor's Bureau data on visitors and tournaments will also be included.

- **Use the city's miscellaneous billing process for economic development incentive application and related fees.**

Miscellaneous billing is now used for recurring economic development items. Applicable incentive application fees are collected at the time the final incentives application is received and prior to when the City Commission receives the application and request for incentives. Upon receipt, payments are delivered to Finance for deposit.

- **Provide training to city employees who handle cash.**

As mentioned previously, a comprehensive cash handling procedure review is planned for the fall of 2015. In addition, staff is working on a review of purchasing, travel, and other financial policies and practices including cash handling. Once the review is complete and changes are made to these policies, trainings will be held throughout the organization, including in the City Manager's Office.

2014 Sidewalk Data

- **Review, modify as appropriate, and adopt the guidelines prepared by Planning and Development Services of sidewalk conditions.**

The Pedestrian-Bicycle Issues Task Force is currently reviewing the 2014 sidewalk data

collected and is expected to make recommendations on procedures and guidelines for sidewalk inventory and maintenance by the end of 2015.

- **Make the guidelines and sidewalk defect data available on the city web page.** A sidewalk condition map, as well as downloadable defect data, is available online at http://www.lawrenceks.org/city_maps.

Financial Indicators 2014

- **Ensure that the governing body reviews the annual financial report soon after the report is complete.**

The 2014 Comprehensive Annual Financial Report (CAFR) was presented to the City Commission on June 16, 2015. At that meeting, Commissioner Boley pointed out that there were several inaccuracies in the "Management Discussion and Analysis" (MDA) section. Most were items such as, "the decrease was due to...." when it was an actual increase. These errors have been corrected and the City's auditors have approved the changes. The corrected [2014 CAFR](#) is now available online.

Because the Management Discussion and Analysis section of the CAFR is the one place that should be written for our citizens to get a better understand of operations, finance will focus on rewriting and formatting the MDA for the 2015 Comprehensive Annual Financial Report.

- **Report to the City Commission on the pension liability changes in government accounting standards to help understand the changes and implications for the City.**

Presentation of the 2015 audited financial statements, expected in June of 2016, will include a discussion of the new governmental accounting standards as it relates to pension disclosure.

Financial Indicators 2015

- **Provide approved debt issuance guidelines in the City's budget document.**

The most recently approved debt issuance guidelines were included on [page 235](#) of the 2016 Recommended Operating and Capital Improvement Budget and will be included in the Adopted 2016 budget document that will be posted in September 2015. Staff is also reviewing the current debt policy and plans to present a revised policy prior to the debt issuance in spring 2016.