

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: March 29, 2012

RE: Audit Recommendation Follow-Up March 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: Pavement Condition Measures, Street Lights, Solid Waste, Financial Indicators (2010 and 2011), City Fees and Pavement Data. City Code requires follow-up reporting.

Status	Number of Recommendations
Implemented	2
Not-Implemented	1
In Progress	11

I also include an update on changes to my internal policies, procedures and practices after the September 2011 external quality control review of my office. I have taken steps to address all of the reviewers' suggestions.

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:

- Two recommendations that have been implemented (a and b)
- One recommendation not implemented (c)

Figure 1 Audit recommendation status

Status	Recommendations
Implemented	<p>Solid Waste (January 2010):</p> <ul style="list-style-type: none"> a) Write policies and procedures for provision of free solid waste services. <p>City Fees (May 2011)</p> <ul style="list-style-type: none"> b) Establish an administrative procedure for staff to follow when preparing information to consider when establishing or eliminating fees; adjusting fee levels; and presenting information to the City Commission.
Not implemented	<p>Pavement Condition Measures (October 2008):</p> <ul style="list-style-type: none"> c) 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.
In progress	<p>Street Lights (May 2009):</p> <ul style="list-style-type: none"> d) The City Manager should evaluate the feasibility of acquiring the street lights from the utility company. e) 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"> f) Charge enterprise operations for solid waste services. g) Include additional performance measures and benchmarking information in annual rate memos. h) 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>. <p>Financial Indicators (July 2010)</p> <ul style="list-style-type: none"> i) 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"> j) Prepare a city fee policy for consideration by the City Commission. k) Establish a specific review cycle for fees, so that individual fees would be evaluated on a periodic basis.

Pavement Data Use (September 2011)

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

Financial Indicators (September 2011)

- m) Prepare and present to the City Commission a 5-year Capital Improvement Plan for the city as a whole.
- n) Prepare and present to the City Commission multi-year financial projections of major revenues and expenditures.

Recently implemented recommendations

Management implemented two recommendations since the October 2011 recommendation follow-up. Implementing those recommendations should strengthen controls over free solid waste services and improve information provided to the City Commission and public on city fees.

Public Works created a policy to guide solid waste fee waivers. The policy provides guidelines for waiving fees for special events, waives fees for city departments, and describes alley, bridge, highway and neighborhood clean-up services. At the time of the *Performance Audit: Solid Waste Division* the city waived fees for some events and provided free services to enterprise operations, but had not established policies and procedures to guide the activities. Having a written policy helps ensure equitable treatment.

City staff created guidelines, as part of the draft fee policy, on information to review in developing and implementing fees. At the time of *Performance Audit: Fee Policy Could Guide Staff and Inform the Public*, city staff weren't always providing the City Commission with the full range of information needed to best set fees, encourage efficiency, achieve desired goals and provide information to the public. The new guidelines provide a consistent framework for reviewing information and providing information to the City Commission.

2011 Performance audit identified best practices for information when setting fees

Consistent and complete information on fees and charges helps ensure fees are based on sound information, encourage efficiency, achieve desired goals, and provide transparency to the public. When considering service and fee levels, recommended practices call for the City Commission and the public to have information to base decisions on. The City Auditor identified nine types of information encouraged by best practices summarized below.

Best practice information on fees

Information item	Provides information to answer questions such as:
Cost	How much does it cost the city to provide the service?
Service, purpose, users	What is the service? Why does the city provide the service? Who uses the service?
Cost recovery goal	How much of the cost of service is subsidized by general tax revenue? How much of the cost does the city intend to recover through fees and charges?
Level of use or demand	How many people or businesses use the service?
Comparisons	How do the city's fees compare with other cities or with private businesses?
Past or planned fee reviews	When did the city set the current fee? When did the city last review the fee? When does the city plan to review the fee next?
Stakeholder input	How did the city seek input from stakeholders, such as users of the service? What input did stakeholders provide?
Authority	What part of the City Code or other legal authority guides the city's fee?
Fee collection method	How will the city collect the fee?

Not implemented recommendation

The recommendation to either enforce the existing excavation permit ordinance or revise the city's process for managing the right-of-way has not been implemented. If the City Commission closes the recommendation, it will not be considered in future follow-up memos. The recommendation was made in *Performance Audit: Pavement Condition Measures* (October 2008). The City Manager's describes the status of the recommendation as:

While revised right-of-way ordinances would have some community benefit, City staff believes implementation of an ordinance would exceed current resources, both financial and staffing. The benefit of an ordinance continues to be outweighed by the cost of staffing.

**2008 Performance auditing finding:
City should enforce excavation permit requirement**

City Code requires people to get permits before excavating on streets or sidewalks, but the city has not been issuing or enforcing the requirement. Street inspectors consider restored excavations when they rate streets and the excavations affect the overall PCI score for a street. Excavation permits help cities manage use of the right-of-way, improve traffic safety, reduce user inconvenience, and minimize damage to city infrastructure.

City Code requires that before digging in or under a city street or sidewalk, a person must have an excavation permit issued by the city. The City Engineer reviews and approves permit applications and the City Clerk issues permits after an applicant pays a \$15 fee.* The city established the requirement in 1904 and most recently updated the ordinance in 1976. Franchised utilities are subject to city rules and ordinances relating to permits such as the excavation permit.

While the city issues permits for temporary use of the right-of-way and constructing driveways, the city does not currently issue excavation permits. City staff was not aware of why the city doesn't issue excavation permits or when the city may have stopped issuing the permits.

Other Kansas municipalities require excavation permits. Searching the web pages of municipal governments found excavation permit requirements for Wichita, Overland Park, Wyandotte County/Kansas City, Topeka, Olathe, Shawnee, Manhattan, Salina, and Lenexa.

The city should issue the permits required by the Code. However, rather than developing a method to issue and enforce the existing excavation permit requirement, the City Manager should consider reviewing the city's overall right-of-way management approach.

Right-of-Way Management

Managing the right-of-way helps a city minimize traffic safety concerns, avoid unnecessary traffic hindrance, and minimize damage to streets, curbs, drainage structures and sidewalks. State law allows cities to collect fees related to right-of-way:

- Permit fee to cover processing
- Excavation fee for pavement cuts to cover costs related to reduced life of the street
- Inspection fee
- Repair and restoration costs related to restoring the public right-of-way

Source: *Guide for Accommodating Utilities within Right-of-Way for Counties & Small Cities in Kansas*, Kansas Local Technical Assistance Program, Kansas University Transportation Center, March 2007.

* The City Commission set the current permit fee of \$15 by ordinance in 1976. The fee was set to cover, in part, the cost of regulations of street excavations and issuing excavation permits. Because of inflation, a \$15 fee in 1976 would have the buying power of \$60 in 2012.

Status of External Review Recommendations to the City Auditor

An external review team conducted a review of my work, found that the internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* and made several suggestions to further strengthen my internal quality control system. The review team made their recommendations in September 2011. Although the recommendations are not formal audit recommendations, I thought it was appropriate to update the status of them in this memo.

External review suggestion	Implementation
Strengthen policies and procedures on reporting the scope of work on internal controls and deficiencies in internal controls.	Revised policies and procedures and incorporated a “finding sheet” as a tool for better addressing and documenting work related to internal controls
Improve policies and procedures for annual monitoring of internal quality control systems	Revised policies and procedures to require annual review of each project’s quality control checklist and to maintain documentation of the annual review.
Revise policies and procedures to better address specific situations that occur infrequently but are included in <i>Government Auditing Standards</i>	Revised policies and procedures to better address specific standards and reviewed entire document to reflect changes in the standards that went into effect in December 2011.
Clarify language adopting <i>Government Auditing Standards</i>	Presented the City Commission with a memo adopting the use of <i>Government Auditing Standards</i> at the December 6, 2011 City Commission meeting

I posted revised *Performance Audit Policies and Procedures* (December 2011) on the City Auditor’s web page. The revisions reflect both the suggestions from the external review team and changes based on the Comptroller General’s *Government Auditing Standards, December 2011 Revision*.

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 February 13, 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: March 23, 2012

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

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.**

While revised right-of-way ordinances would have some community benefit, City staff believes implementation of an ordinance would exceed current resources, both financial and staffing. The benefit of an ordinance continues to be outweighed by the cost of staffing.

Street Lights

- **The City Manager should evaluate the feasibility of acquiring the street lights from the utility company.**
- **The City Manager should request Westar Energy to adopt estimated kWh rates for street lights that are consistent with those of other utilities.**

Review of these issues is part of the current work plan of Brian Watson, Assistant Finance Director. Depending upon how quickly additional information is obtained from Westar, other city departments, other communities and other necessary is completed, it is anticipated that this review will be completed early this fall.

Solid Waste

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

The **attached policy** has been developed and was effective November 1, 2011. Closeout of this item is requested at this time.

- **Charge enterprise operations for solid waste services.**
While the City will continue the practice of providing solid waste services to City departments, the transfer policy presented to the City Commission September 27, 2011 takes into account services provided to City enterprise functions.
- **Include additional performance measures and benchmarking information in annual rate memos.**
While some benchmarks currently exist, additional or revised benchmarks are under development and will be included in the rate memo for establishment of the 2013 solid waste rates.
- **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 Solid Waste Division has drafted a preliminary policy and new recycling rate calculations using EPA guidelines was provided to the Solid Waste Task Force in January, 2012.

Financial Indicators 2010

- **Present for the City Commission a recommended policy on interfund transfers for enterprise operations.**
A transfer policy has been developed and was presented to the City Commission September 27, 2011. Discussion of this policy at May City Commission Study Session is included in the 2013 budget calendar.

City Fees 2011

- **Prepare a city fee policy for consideration by the City Commission.**
- **Establish an administrative procedure for staff to follow when preparing information to consider when establishing or eliminating fees; adjusting fee levels; and presenting information to the City Commission. The procedure should instruct staff to provide information consistent with the best**
- **Establish a specific review cycle for fees, so that individual fees would be evaluated on a periodic basis.**

A fee policy has been developed and was presented to the City Commission September 27, 2011. Using the policy as a guideline, review of all city fees is currently under way. A schedule is being developed 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. An update on status of the fee review is scheduled for May and is included in the 2013 budget calendar.

Pavement Data Use

- **Develop a maintenance policy for city streets paved in brick and with pavement over brick.**
A policy is being developed by Public Works Department staff for public, HRC and City Commission review. Anticipate summer 2012 completion.

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 to develop a 5 year Capital Improvement Plan which will be reviewed by the Planning Commission and City Commission during the 2013 budget process.
- **Prepare and present to the City Commission Multi-Year Financial Projections of major revenues and expenditures.**
Finance department staff has begun looking at longer term financial projections and exploring the best way to provide defensible regression and historical information for review during the 2013 budget development process.

City of Lawrence
Administrative Policy

SUBJECT Waiver of solid waste service charges		APPLIES TO Special events and City departments	
EFFECTIVE DATE November 1, 2011	REVISED DATE	NEXT REVIEW DATE November 1, 2013	
APPROVED BY <i>Charles Soules, Director of Public Works</i>		TOTAL PAGES	POLICY NUMBER

1.0 PURPOSE

This policy provides guidelines for waiving Solid Waste service fees. The Solid Waste Division operates as a utility or enterprise fund. Fees waived by the division are functionally supported by the entire rate base of the service. Therefore, waivers of service fees are generally discouraged and require approval of the Director of Public Works.

2.0 SPECIAL EVENTS (community and non-profit organizations)

Solid Waste services are a necessary component of event planning and organizational operations. Organizations will generally arrange for waste management services and pay fees at the standard monthly rates. Certain events may have a wide-based community impact and may be considered for waiver of solid waste collection fees.

2.1 Procedures to request fee waiver

- 2.1.1 Request for waiver of services charges must be submitted to the Solid Waste Division.
- 2.1.2 Request must be made a minimum of 14 days before service is required.
- 2.1.3 Request should be sufficiently complete such that the Director of Public Works can evaluate the request against criteria below.

2.2 Criteria for evaluating fee waiver requests

- 2.2.1 Service or event should demonstrate broad community involvement and/or benefit.
- 2.2.2 Service must be limited in scope (such as one day / weekend per year).
- 2.2.3 Placement of containers and access for equipment must be feasible.
- 2.2.4 Collection services must be performed during normal working hours.
- 2.2.5 Services charges will not be waived for fund-raising events.
- 2.2.6 Service charges will not be waived due to non-profit status.
- 2.2.7 Large community events intended to increase tourism may be considered for waiver of fees but will also be submitted for reimbursement of costs IF the event is deemed eligible to reimburse municipal costs for other city services.

3.0 CITY DEPARTMENTS

City operations are supported by the same base of rate payers as the Solid Waste enterprise fund, through property taxes, sales taxes, and user fees. As such, City of Lawrence departments will generally receive solid waste services at no charge. It is the responsibility of department directors and division managers to establish solid waste services. Each department is required to follow the solid waste division guidelines pertaining to container type, placement, and scheduling for waste disposal. Reimbursement may be requested for landfill fees only if roll-off service is requested on a short-term basis for large clean-out or other one-time projects.

Any department and/or division that has purchased their own roll-off or multi-lift containers will be responsible for any waste disposal charges and need to set up accounts with the City contracted waste disposal facility.

4.0 ALLEY AND NEIGHBORHOOD CLEAN UP PROJECTS

To control litter and blight from congested alleys, dumpster areas, under large bridge structures, the Solid Waste Division will provide clean up services in designated areas as outlined below, as staffing is available.

Litter control projects are limited scope projects to collect loose debris, remove of bulk and other municipal solid waste that is not in an authorized container. Designated areas of clean up are:

- Downtown alleys: Massachusetts / Vermont and Massachusetts / New Hampshire alleys from 6th to 11th Street. Clean ups are scheduled as needed by the solid waste division.
- High density college living areas: Oread, Lawrence High, East and West Lawrence alley lines and neighborhoods. Clean ups are scheduled as needed by the solid waste division.
- Neighborhood Associations can request community clean ups to control blight and provide community beautification this is typically done once or twice within a calendar year.
- Bridge ways are checked by supervision and cleaned up as needed.
- Highway area between north city limits and Hamm's landfill is monitored for loose debris from trash trucks and cleaned up as needed.
- Any clean up project otherwise deemed necessary by the City Manager, Director of Public Works and/or Solid Waste Manager.

4.0 Revenue from Recycled Materials

Revenue received from recycled materials that are collected in solid waste containers from other city departments, special events or non-profit organizations will be applied to the solid waste fund, as an off-set to the costs of providing service.