

**Performance Audit: City
Needs a Consistent Method
for Cooperating with the
County**
August 2013

City Auditor
City of Lawrence, Kansas

August 15, 2013

Members of the City Commission

The City of Lawrence and Douglas County cooperate to provide a wide range of services. Services provided cooperatively include economic development financing, emergency communications, emergency medical services, household hazardous waste disposal, and many others.

The City should develop a consistent method for cooperating with the County. A consistent method would help ensure that cooperative efforts clearly define the services involved, specify the funding approach and relevant administrative approaches, and establish monitoring mechanisms. A consistent method does not mean that all agreements would be the same.

I make two recommendations intended to help the City develop a consistent method for cooperating with the County.

I provided the City Manager with a draft of this report on July 16, 2013. The City Manager's written response is included in the report.

I appreciate the cooperation and assistance I received from City staff and from the County Administrator as I conducted this performance audit.

Michael Eglinski
City Auditor

Performance Audit: City-County Cooperation

Table of Contents

Results in Brief	1
City and the County cooperate to provide a wide range of services.....	2
City should develop a consistent method for cooperating with the County	6
Recommendations.....	11
Scope, methods and objectives	12
Appendix A: Questions used to review agreements	14
Appendix B: Opportunities for service consolidation and cooperation....	16
Management's Response	17

Performance Audit: City-County Cooperation

Results in Brief

The City of Lawrence and Douglas County cooperate to provide a wide range of services. Services provided cooperatively include economic development financing, emergency communications, emergency medical services, household hazardous waste disposal, and many others. The City and County allocate funding to the services in different ways depending on the specifics of each cooperative agreement.

Some of the City-County agreements are informal. Informal agreements can be appropriate, especially when services are relatively minor and the duration is limited. In other cases, formalizing agreements helps provide validity, improve the operations of the service, avoid turf issues and prevent ad hoc collaboration. The City Manager should develop guidelines to help staff determine when cooperation should be formalized.

The City should develop a consistent method for cooperating with the County. A consistent method would help ensure that cooperative efforts clearly define the services involved, specify the funding approach and relevant administrative approaches, and establish monitoring mechanisms. A consistent method does not mean that all agreements would be the same. The City has not established a consistent method. Doing so would help ensure benefits of cooperation. The City Manager should develop guidelines for creating a consistent method for cooperating with the County and for developing complete agreements.

Performance Audit: City-County Cooperation

City and the County cooperate to provide a wide range of services

The City and County cooperate to provide a wide range of services. Cooperation is generally intended reduce costs through economies of scale, reduce duplication of services, make use of excess capacity, improve the availability and quality of services and address regional issues. Table 1 lists agreements between the City and County identified through interviews and document searches. Appendix B provides a list of local government services that often provide opportunities for consolidation and cooperation.

Table 1 City-County cooperative agreements

Service/agreement description	Year initiated
Farmland improvements and deferred special assessments	2013
Retiree attraction marketing	2013
Lead abatement at Fraternal Order of Police range	2013
Emergency communications center capital improvements	2012
Aerial photography and lidar purchase	2012
Senior services executive director and marketing funding	2012
Drug enforcement unit	2011
Social and Rehabilitation Services funding	2011
Employee training grant for Argenta	2011
Employee training incentive for Plastikon	2011
Lawrence-Douglas County Bioscience Authority lease	2010
Amended landfill fees	2010
BTBC expansion facility (West Lawrence labs facility)	2010
Sustainability coordinator	2009
31st extension consulting engineering	2008
Douglas County Fairgrounds baseball facilities	2008
East Hills Business Park defer special assessments	2008
8th and Pennsylvania revitalization	2007
East Hills Business Park property purchase option	2007
Southeast Lawrence sewer agreement	2006
Southeast sewer facility improvement finance	2006

Construction of fire station 5	2004
Broken Arrow Park mowing and maintenance	2002
Law enforcement center space exchange	1999
Health care agencies facility financing and construction	1996
Emergency medical services in Douglas County	1996
Health care agencies facility improvements	1995
One percent sales tax	1994
Emergency communications center	1994
Landfill fees	1992
Household hazardous waste facility	1992
East Hills Business Park amendment	1991
East Hills Business Park	1989
12th Street parking lot	1988
East Hills Business Park	1988
South Lawrence Trafficway planning and financing	1988
South Lawrence Trafficway studies	1986
Law enforcement center parking lot	1985
31st from Iowa to Kasold	1984
Water line construction on County r.o.w.	1978
Health care agencies facility	1978
Law enforcement center	1973
Law enforcement center	1971
Lawrence-Douglas County Planning Commission staffing	1969

The City and County also provide funding to the Lawrence-Douglas County Health Department. A board governs the department. The City and the County appoint board members.

The City and County use a variety of approaches to fund cooperative services. Agreements may set payment amounts or portions. For example, the City and County split funding for staff for the Planning Commission on a 1/6 to 5/6 basis while the City and County split funding for the BTBC expansion facility on a 50/50 basis. Some agreements include non-payment resource commitments. For example, the County provides space and some staff support to operate the household hazardous waste function.

The City and County agreements can be in place for a long time. The oldest agreement identified in the audit addresses staff support for the Planning Commission. That agreement has been in place for over 40 years. The agreements establishing the emergency medical system and emergency communications have been in place for 17 and 19 years. Over longer periods of time, service demands and methods to provide services,

financial capacities, equipment and infrastructure may all change significantly.

County long range goals highlight City-County cooperation

Douglas County has five long range goals highlighted in the County budget. One of those goals addresses City-County cooperation:

Efficient cooperative units of government

Always striving for improved efficiency for the benefit of citizens of Douglas County, officials and department heads constantly explore opportunities to consolidate County and City services...

Source: 2013 Budget, Douglas County, Kansas

Some cooperation based on informal “handshake” agreements

While the City and County frequently enter into formal agreements for cooperative efforts, some cooperative efforts are based on informal “handshake” agreements. Table 2 lists the informal agreements identified during the performance audit.

Table 2 City-County handshake agreements

Less formal examples of City-County cooperation

- Fiber sharing
- Community service work
- Miscellaneous purchasing of goods and services
- Police records management
- Maintenance and snow removal on boundary roads
- Joint law enforcement crisis response team
- Joint law enforcement dive team
- Joint law enforcement justice assistance grants
- Law enforcement property and evidence

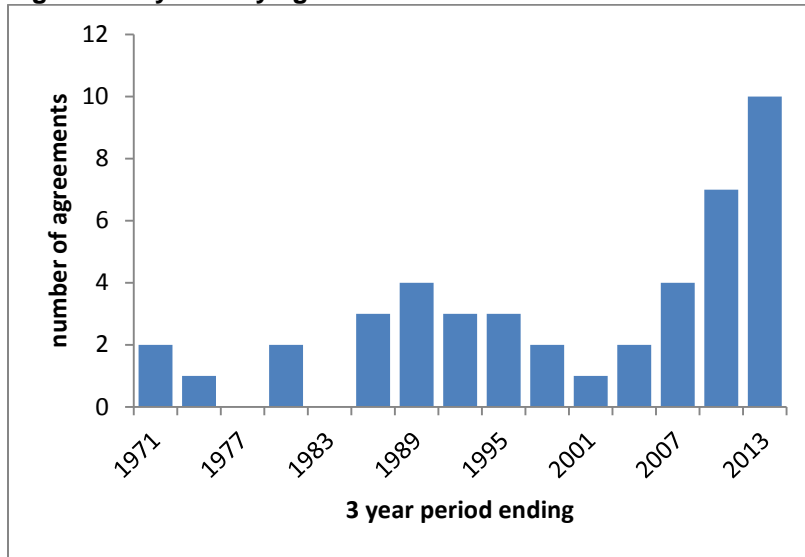
Informal agreements can be appropriate, in particular in cases where the service involved is relatively minor and the duration of cooperation is limited. In other cases, formalizing agreements can help provide validity, improve the operations of the service, avoid turf issues, and prevent ad hoc collaboration.

The City Manager should develop guidelines for staff to determine when cooperation should be formalized through a written agreement.

City-County cooperation may have increased in recent years

The number of cooperative agreements between the City and County appear to have increased in recent years. In the 3 years that end in 2013, the City and County entered into 10 formal agreements, up from seven in the 3 year period that ended in 2010. See Figure 1. Keep in mind that the audit work may not have identified all of the City-County agreements and the increase in recent years may also reflect the relative ease of identifying more recent agreements.

Figure 1 City-County agreements over time



The apparent increase in agreements may reflect factors that encourage cooperation or a decline in factors that discourage. Table 3 identifies factors that generally encourage or discourage cooperation.

Table 3 Factors that encourage and discourage cooperation

Encouraging factors	Discouraging factors
Financial constraints on city or county budgets	Fear of losing local control
Professional managers	Lack of leadership or political will
Frequent communication between city and county officials	Distrust of – or previous poor experiences with – the city or county
Cities and counties being located close enough to each other	Competition among cities and counties
Benefits of cooperative efforts must be mutual	Fear that costs won't be shared equally by the city and county

Source: Kansas Legislative Post Audit, 2002

City should develop a consistent method for cooperating with the County

The City should develop a consistent method for cooperating with the County. While each service and agreement is different, a consistent method could involve a set of items to consider for each partnership. A consistent method could help reduce ambiguity, ensure smooth administrative processes, and improve oversight mechanism.

Comparing select agreements with good practices identified gaps

Comparing a sample of cooperative agreements with good practices identified gaps. Gaps were found in all four of the key areas to address in cooperative agreements. Closing gaps could reduce the costs of administering agreements, improve the ability of residents and the governing bodies to monitor services and improve the quality of services.

Key areas to address in cooperative agreements

Agreements should usually address four key areas:

- Clearly define the service
- Specify the funding approach
- Specify relevant administrative approaches
- Establish monitoring mechanisms

See appendix A for more detail about these key areas.

The City Auditor selected five agreements and reviewed the agreements to determine how they addressed a series of items representing good practices for agreements. **Table 4** provides additional information about the five agreements. The comparison was intended to identify areas where the agreements addressed the criteria for good practice. Good practices are based on items frequently identified in relevant literature. Appendix A provides more description of the method.

Table 4 Summary of agreements selected for review

Agreement	Service summary	Year
Lawrence-Douglas County Planning Commission staff	Providing the Planning Commission with staff support, including office space and equipment, contractual services and other relevant expenses. The County provides 1/6 th of the budget. The City employs the staff, provides office space and provides 5/6ths of the budget.	1969
Household hazardous waste facility	Operating a household hazardous waste facility. The County provides space for the collection and storage facility, administered the contract to build the facility, and provides some staff to help operate the facility. The City provides funds for building and operating the facility, storing and disposing of waste, promotion of the program, and staff to operate the facility.	1992
Emergency medical services in Douglas County	Providing emergency medical services throughout the County. The County provides 26 percent of the budget and separately budgets for capital equipment for medical uses. The City operates the service through the Fire and Medical Department and provides 74 percent of the budget.	1996
Biotechnology Technology Business Center expansion facility	Purchasing and improving a lab building to be used to stimulate expansion and retention of business and commercial activities. The City and the County split ownership interests and expenses 50/50 with the City issuing debt for the initial purchase.	2010
Emergency communications center capital improvements	Making capital improvements to the emergency communications system including converting to different frequencies and replacing old equipment. The County contracts for and will own the improvements and provides 34 percent of the funding. The City provides 66 percent of the funding.	2012

Clearly define the service

The five agreements reviewed provide relatively clear descriptions of the service to be provided, but didn't address service levels. Improved service level definitions would help clarify goals and expectations of partnerships by clearly describing the quality and quantity of services provided.

Specifying the funding approach

The five agreements reviewed clearly describe the funding allocations between the City and County, but didn't address financing methods or financial performance measures. Funding allocations in the five agreements were based on a portion of the budget, a 50/50 split or shared resources other than funding such as facility space and staff support. Clearly describing funding methods – such as user chargers, dedicated revenues or general revenues – helps clarify the financial support of a service. Performance measures help governing bodies monitor the financial performance and condition of services.

Performance measures could help monitor finances

Financial performance measures could address growth in costs of providing a service or the extent to which fees and charges recover those costs. For example, emergency medical service is partially funded through fees for services. The City Commission and County Commission jointly establish the fee level. Regular measurement and reporting of the extent to which fees cover the costs of services could help the governing bodies understand and evaluate the financial status of the service.

Specify relevant administrative approaches

The five agreements provide some information on administrative approaches to the cooperative services, but generally lacked detail and had some significant gaps. Defining an administrative approach involves setting up day-to-day management roles and responsibilities, considering the details of how and when any financial commitments will be due, and clarifying relevant policies and procedures related to human resources, information technology, internal controls, and purchasing.

Clear administrative process could help avoid problems

In 2004, the County Commission agreed to commit 25.64 percent of the construction of the City's Fire Station 5. Based on estimates at the time, that commitment would be \$1,260,600.

The City never received the original payment and may have never requested it. While the payment was never made, the city received credit for it in a separate 2012 agreement.

In 2012 the City and County agreed to a plan for financing improvements to the emergency communications system to convert to different frequencies and replace aging and obsolete equipment. As part of that plan, the City was credited with \$1,260,616 to represent the amount the County Commission agreed to provide the City years earlier.

While it isn't clear why the City never received the original payment, agreements with clearly defined administrative practices for making and receiving payments reduce the risk that such an error could happen.

Establish monitoring mechanisms

The five agreements provide little information on monitoring service provision. To address monitoring, an agreement should assign responsibility for monitoring, establish maintenance and equipment standards if appropriate, set benchmarks and performance measures or call for them to be set, and require periodic reporting. Monitoring helps improve accountability and provides an opportunity to periodically revisit agreements as needed. Monitoring also helps ensure that payments align appropriately with benefits of those services.

Senior services agreement establishes monitoring approach

The City and County agreement to fund the executive director and marketing program for Douglas County Senior Services (DCCS) provides an example of an agreement that requires reporting and monitoring. The agreement makes the executive director responsible for coordinating to implement recommendations of the Retiree Retention and Attraction Task Force and requires DCCS to provide the City and County governing bodies with quarterly reports and an annual report during a joint meeting of the governing bodies. A clear requirement for periodic reporting should help ensure accountability and transparency.

City hasn't established consistent method for entering into partnerships

The City has not developed a standard approach to entering into cooperative agreements with the County. Staff interviewed during the audit fieldwork did not identify any standards for entering into cooperative agreements. Recent agreements – those entered into in the last four years – don't reflect a consistent method to addressing cooperation. Absent a standard approach, agreements may fail to address significant aspects of service provision.

Developing guidance for a consistent method would help ensure benefits of cooperation

The City should develop guidance for entering into cooperative agreements with the County. Guidance should address clearly defining the service, specifying the funding approach, specifying relevant administrative approaches and establishing monitoring mechanisms. Such guidance would help ensure consistent and complete agreements in the future.

The benefits of strong agreements include:

- Establish a foundation for a working relationship
- Better traverse organizational barriers
- Common understanding
- Clear focus on objectives
- Avoid misinformation which can unsettle the relationships

Recommendations

The City Auditor recommends the City Manager:

1. Create guidelines for when cooperation should be formalized.
2. Create guidelines for a consistent method to entering into cooperative agreements.

Performance Audit: City-County Cooperation

Scope, methods and objectives

The performance audit was designed to:

- Identify areas where the City and County cooperate
- For a cross section of cooperative efforts, compare agreements with recommended practices and identify any gaps

To understand issues related to cooperation and to identify common good practices, the City Auditor reviewed relevant literature, including a 2002 performance audit by Kansas' Legislative Post Auditor. To develop good practices, the auditor identified common themes in relevant literature.

To identify agreements the City Auditor interviewed City staff and the County Administrator, searched City records, reviewed payments to the County in the City's financial system, and compiled a list and shared that list with the City Manager and department heads. The audit work may not have identified every case of City-County cooperation.

To evaluate consistency of City-County agreements, the City Auditor compared five judgmentally selected agreements with criteria developed from literature. The auditor selected agreements to reflect the wide range of cooperative services.

Among the relevant literature reviewed for the performance audit were:

Local Governmental Reorganization: Assessing the Potential for Improving Cooperation and Reducing Duplication, Legislative Division of Post Audit, State of Kansas, September 2002

Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms, U.S. Government Accountability Office, September 2012

Results-Oriented Government: Practices that can Help Enhance and Sustain Collaboration among Federal Agencies, U.S. Government Accountability Office, October 2005.

Effective Cross-Agency Agreements, Australian National Audit Office, May 2010

“Economic Development Partnerships: Public-Private and Regional Agreements” in *Capital Project Planning and Evaluation: Expanding the Role of the Finance Director*, Government Finance Officers Association, 2007.

Guide to Successful Local Government Collaboration in America’s Regions, National League of Cities, October 2006.

Best Practice: Alternative Service Delivery: Shared Services, Government Finance Officers Association, 2007.

A County Manager’s Guide to Shared Services in Local Government, Zeemering and Delabbio, IBM Center for The Business of Government, 2013

The City Auditor conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The City Auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The City Auditor provided a final draft of the report to the City Manager on July 16, 2013. The City Manager’s written response is included.

Performance Audit: City-County Cooperation

Appendix A: Questions used to review agreements

The City Auditor reviewed agreements by comparing them with criteria in this appendix. The specific questions address themes commonly identified in relevant literature.

Service to be provided

Does the agreement define the service?
Does the agreement define service levels?

Funding approach

Does the agreement define a method of allocating funding (and is the basis of the allocation clear)?

Does the agreement address financing methods, such as specific revenue sources for each of the partners?

Does the agreement define measures of financial performance?

Administrative approach

Does the agreement define management roles and responsibilities?

Does the agreement identify necessary equipment and capital improvements?

Does the agreement specify the administrative standards followed, such as policies and procedures for human resources, purchasing and contracting, information technology and internal controls?

Does the agreement describe how the agreement can be amended and how changes in the scope of services will be addressed?

Does the agreement define the length of the agreement?

Does the agreement describe how disputes should be resolved?

Does the agreement provide each partner with audit access?

Does the agreement define a method to terminate the agreement?

Does the agreement describe how liabilities and risks will be shared?

Monitoring

Does the agreement define an approach for monitoring the service?

Does the agreement include standards for the performance of equipment and infrastructure maintenance?

Does the agreement address benchmarks and performance measures?

Does the agreement require periodic reporting?

Performance Audit: City-County Cooperation

Appendix B: Opportunities for service consolidation and cooperation

The Kansas Legislative Post Auditor identified opportunities for Kansas local governments to consolidate departments or share resources to provide services more efficiently.

Service Area	Consolidate into a single department	Share resources and cooperate to achieve efficiencies
Public Safety Services		
Ambulance	X	X
Animal control	X	X
Emergency communications	X	X
Emergency preparedness	X	
Fire protection (prevention, suppression and training)	X	X
Jail		X
Law enforcement	X	X
Radio communications		X
Administrative and Support Services		
Administrative Activities		X
Buildings		X
Employee health insurance		X
Facilities maintenance		X
Fleet maintenance	X	X
Human resources	X	X
Information technology	X	X
Printing	X	X
Purchasing	X	X
Risk management	X	
Community Development		
Parks and recreation	X	X
Planning		X
Code enforcement	X	X
Public Works		
Recycling	X	X
Road maintenance		X
Solid waste	X	X
Water/waste water	X	X

Lawrence and Douglas County cooperate in some of these areas.

Performance Audit: City-County Cooperation

Management's Response



City of Lawrence KANSAS

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August 12, 2013

Mr. Michael Eglinski
City Auditor
City of Lawrence, Kansas

Re: *Performance Audit on City/County Cooperation*

Dear Michael,

This responds to the draft of your audit report dated July 25, 2013.

I strongly believe that major opportunities for additional efficiencies and effectiveness in the future will be in the areas of enhanced cooperation and consolidation of services, primarily between the City of Lawrence and Douglas County governments. The City of Lawrence and Douglas County have already cooperated and consolidated in a number of services areas. We believe we are among the leaders in the state regarding the level of cooperative activity between the County and the City. A 2003 Legislative Post Audit report gave Lawrence and Douglas County high marks for our level of cooperation compared to other Kansas communities.

Your audit recommendations focused on establishing guidelines for future cooperation efforts will likely be useful for staff and governing bodies as future cooperation agreements are considered. These guidelines will need to be flexible to ensure that they serve as tools to build cooperation and not as unnecessary roadblocks to a future cooperative agreement. There may not be a strong explanation for historical decisions to base some agreements (such as the Fire Medical merger) on budgets at the time, while other agreements (such as dispatch) were more closely related to call volumes, and some observers might view these examples as lacking a consistent method. However, if these inconsistencies were required politically to accomplish the enhanced service and reduced duplication, then the cooperative arrangement should not be tossed out because of its lack of a consistent method.

Better agreements will be better. What is even better is a stronger desire for more attention to this issue by community leadership. Strong and consistent political and management impetus is needed to seek and accomplish additional cooperation and consolidation between the City and the County. As seen in other communities across the nation, consolidation and cooperation efforts languish because there is not local political will to move forward, and only a crisis makes the issue worthy of attention. Lawrence and Douglas County need strong movement toward functional cooperation and consolidation in areas where services will be enhanced, efficiencies achieved, and duplicate taxation and services reduced and/or eliminated.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Corliss". The signature is written in a cursive style with a large initial "D" and "C".

David L. Corliss
City Manager