

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 17, 2013

RE: Audit Recommendation Follow-Up October 2013

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, Pavement Data, Financial Indicators (2011), Rental Housing, Cash Handling and Taste of Water. City Code requires follow-up reporting.

Figure 1 Implementation summary

Status	Number of Recommendations
Implemented	1
Not-Implemented	0
In Progress	14

Figures 2 and 3 summarize the status of all of the recommendations. See Appendix A for the City Manager’s written update on recommendation status and attachments.

Action item

The City Commission can direct the City Auditor to “close” the audit recommendation categorized as implemented. Closed recommendations won’t be included in future follow-up.

Figure 2 Implemented recommendation status

Implemented Recommendation

Taste of Water (January 2013)

- a. Increase communications with water consumers to provide information about:
 - o The nature of taste and odor problems;
 - o Steps the city takes to address those problems;
 - o Steps consumers can take to minimize taste problems.

Figure 3 In-progress recommendation status

In-Progress Recommendations

Street Lights (May 2009)

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

Solid Waste (June 2010)

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

Pavement Data Use (September 2011)

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

Financial Indicators (September 2011)

- f. Prepare and present to the City Commission a 5-year Capital Improvement Plan for the city as a whole.
- g. Prepare and present to the City Commission Multi-Year Financial Projections of major revenues and expenditures.

Rental Housing (March 2012)

- h. 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.
- i. Establish performance measures and reporting for the program.

- j. Propose an ordinance to raise the fee level to better recover program costs.
- k. 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.

Cash Handling (August 2012)

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

Taste of Water (January 2013)

- m. 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.
- n. 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.

Recently implemented recommendations

Management implemented one recommendation since the March 2013 recommendation follow-up. Implementing the recommendation should improve water customers' access to information about issues that can cause problems with the taste of water, how the city addresses those problems, and steps customers can take to reduce unpleasant tastes.

City staff updated the Utilities Department web page to provide additional information on issues related to the taste of water including that:

- environmental and seasonal changes can cause drinking water to taste earthy or musty;
- the city monitors water at Clinton Reservoir and in the Kansas River and treats for taste and odor with powdered activated carbon: and
- customers can reduce impacts of “funny” tasting water by chilling it, blending it or adding a small amount of lemon juice.

Providing this sort of information is consistent with recommendations from experts on managing the taste and odor of water.

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 29, 2013, 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. 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 4 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.

Appendix A: City Manager's update on audit recommendation status

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 12, 2013

RE: Response to Audit Recommendation Follow-Up Report September 2013

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.**

In view of changes in LED technology, increasing costs of utilities and growing numbers of communities who are acquiring street light systems, staff is re-evaluating the feasibility of acquiring the system. An initial meeting of staff was held in early September.

- **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 previous review of the feasibility of purchasing the system, staff recommended 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. Westar had previously installed one meter that staff monitored, however, that meter has since been removed. The data collected from that metering will be used in review of feasibility of acquiring the system and staff will determine what further requests to make of Westar regarding kWh rates.

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 published by the US EPA in Measuring Recycling: A Guide for State and Local Governments.

The Solid Waste Division drafted a preliminary policy and a new recycling rate calculation using EPA guidelines was provided to the Solid Waste Task Force in January 2012. The final draft of the policy will be completed and submitted to the City Manager and City Auditor by Monday, November 4, 2013.

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

Progress on performance measures and benchmarking has been identified as a priority for the solid waste division and included in appraisal goals for supervisory staff in the division. There was no rate increase for 2014, other than costs associated with curbside recycling implementation and no rate memo completed as part of the 2013 annual budget development. Performance measures and benchmarking information will be included in materials for 2015 rates.

Pavement Data Use

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

A procedure has been developed and was presented to the Historic Review Commission at the April 18, 2013 meeting. The procedure will be presented to neighborhood associations this fall for input. It is anticipated that an item would be included on a City Commission agenda for review later this year.

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, 2012 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. The Planning Commission approved the CIP as being in conformance with the City's Comprehensive Plan on December 10, 2012. We are in year two of that plan. Staff is working to update that plan in the fall of 2013.

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

Staff has developed a multi-year financial projection of revenues and expenditure and reviewed as part of development of the 2014 budget. Additionally, The City Commission was presented general fund revenue and expenditure projections through 2015 as part of 2014 budget discussions.

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.**
Draft policies and procedures have been reviewed by the City Commission and in public meetings multiple times over the past several months. Further review continues this fall, with City Commission review and action anticipated later this fall.
- **Establish performance measures and reporting for the program.**
As with the policies noted above, development of performance measures is in progress, but completion awaits City Commission action on rental program expansion.
- **Propose an ordinance to raise the fee level to better recover program costs.**
New fees were proposed with the rental licensing expansion. Implementation of the increases awaits City Commission action on this item.
- **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.**
Action on this item awaits Commission direction regarding expansion of the rental program to all properties.

Cash Handling

- **Develop training for employees and managers responsible for handling cash.**
Given the workload in the finance department this spring due to implementation of the new utility billing and accounts receivable software as well as the assistant finance director assuming the majority of the duties of the purchasing specialist with the retirement of the incumbent in that position, training did not occur as planned this spring. The assistant finance director plans to work with the intern in the city manager's office to develop and provide this training this fall.

Taste of Water

- **Increase communications with water consumers to provide information about:**
 - **The nature of taste and odor problems;**
 - **Steps the city takes to address those problems;**
 - **Steps consumers can take to minimize taste problems.**
- **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 selling samples of water.

- **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 Utilities Department has made changes and considerations to its communication strategy based on the taste and odor audit findings. These include providing additional taste and odor information in the Consumer Confidence Report, as well as directing customers to the web site for further information on taste and odor and overall water quality issues. The department will include questions on the periodic citizen survey, which is currently budgeted for 2014. This survey data along with laboratory and sensory testing results will be included in public communications as needed. The City Manager is kept informed of taste and odor changes that are observed. Talking points are provided to assist in fielding customer calls. The department continues to analyze and track taste and odor compounds and review the correlation between the levels and customer complaints. This data will be used to refine the current communications plan and guide operational decision-making.

This summer the taste and odor study was approved as part of the Capital Improvement Plan through City Commission action, including posting the information on the web site, presentations to the City Commission, and multiple study sessions and agenda items. The study was awarded to Burns and McDonnell and is in the final stages of completion. We expect the results within a month and a presentation of the findings to the City Commission in a study session or regular agenda item. The study scope includes determining improvements to existing treatment and evaluation of additional treatment.