

Memorandum

City of Lawrence

City Auditor

TO: Members of the City Commission

FROM: Michael Eglinski, City Auditor

CC: David L. Corliss, City Manager
Cynthia Boecker, Assistant City Manager
Diane Stoddard, Assistant City Manager
Jonathan Douglas, Assistant to the City Manager

Date: April 1, 2010

RE: Audit Recommendation Follow-Up March 2010

Following-up on performance audit recommendations provides the City Commission with information on management's efforts to implement recommendations. This report covers recommendations from two performance audits: Pavement Condition Measures and Street Lights. City Code requires follow-up reporting.

Management has implemented or made progress on implementing 10 of the recommendations and has not implemented one recommendation. Figure 1 summarizes the status of the recommendations.

As appropriate, the City Commission can direct the auditor to "close" recommendations. Closed recommendations will not be included in future follow-up.

This report also includes some additional information related to street lights; description of the scope, method and objectives; and an appendix summarizing the follow-up on each recommendation.

The follow-up information on street lights shows that fewer lights are out now than in 2009; street light rates continue to increase; and the City of Lenexa reports significant savings one year after purchasing lights from a utility company.

Action Item

Direct the City Auditor to "close" audit recommendations A through C, if appropriate. Closed recommendations will not be included in future follow-up reporting.

Figure 1 Audit recommendation status

Status	Number	Recommendations
Implemented	2	<p>Pavement condition measures recommendations:</p> <ul style="list-style-type: none">A. The Director of Public Works should identify the resources needed to maintain the pavement management information and should request those resources in future budget submittals.B. The Director of Information Systems should develop a policy on backing up data.
Not implemented	1	<p>Pavement condition measures recommendation:</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	8	<p>Street lighting recommendations:</p> <ul style="list-style-type: none">D. The City Manager should request Westar Energy to adopt estimated kWh rates for street lights that are consistent with those of other utilities.E. The City Manager should request Westar Energy to estimate monthly kWh use for street lights based on seasonal variations in the actual use of street lights.F. The City Manager should request Westar Energy to review the estimates of energy used for area lights, determine why the estimates are too high, and refund customers for excess surcharges if appropriate.G. The City Manager should work to establish clear performance expectations for the utility company's responsibility to identify and repair outages.H. The City Manager should work to ensure that customers are not billed when service or outages fail to meet reasonable expectations.I. The City Manager should request that Westar Energy provide the city with an inventory.J. The City Manager should ensure that staff review bills on a regular basis and follow up on any discrepancies.K. The City Manager should evaluate the feasibility of acquiring the street lights from the utility company.
Undetermined	0	

Additional Follow-Up Related to Street Lights

The city spends about \$500,000 a year to provide street lighting. Westar Energy owns about 3,500 street lights and bills the city on a monthly basis. A “tariff” approved by the Kansas Corporation Commission governs the relationship, defines the services, and sets the prices. Street lighting costs have increased over the years and increased significantly with the tariff increases in 2009 and 2010.

Fewer street lights out compared to 2009 audit

Fewer street lights are out now than when the 2009 audit work was completed. A March 2010 survey of 200 street lights in Lawrence found just one light out. In the 2009 audit, 7 percent of street lights surveyed were out. While the sampling methods differed, the recent survey suggests that Westar Energy has improved its ability to identify and correct street light outages.

Figure 2 Comparison of street light outage surveys

	January 2009	January 2009	March 2010
Lights on	92	198	199
Lights out	6	15	1
Percent out	6.5	7.0	0.5
Sample	All lights in a small section of the city	Random sample of street segments	Randomly designed routes

Westar Energy is responsible for installing, operating and maintaining the street lights that they own in the city. Maintenance includes replacing lamps and photoelectric controllers, cleaning the lenses and the like, on an as needed basis. Westar Energy reports that they have divided the city into quadrants and patrol the streets to identify nonworking lights which are repaired in the daylight the following days. They note that the approach is more efficient and safer for their employees than the approach they had been using previously. The survey suggests that the approach has been effective, reducing the portion of lights out.

The city pays for lights whether or not they are on, at the 7 percent outage rate found in January 2009, the city was spending about \$35,000 a year for lights that were not on. Reducing the outage rate ensures that the city gets what it is paying for.

Street light rates continue to increase

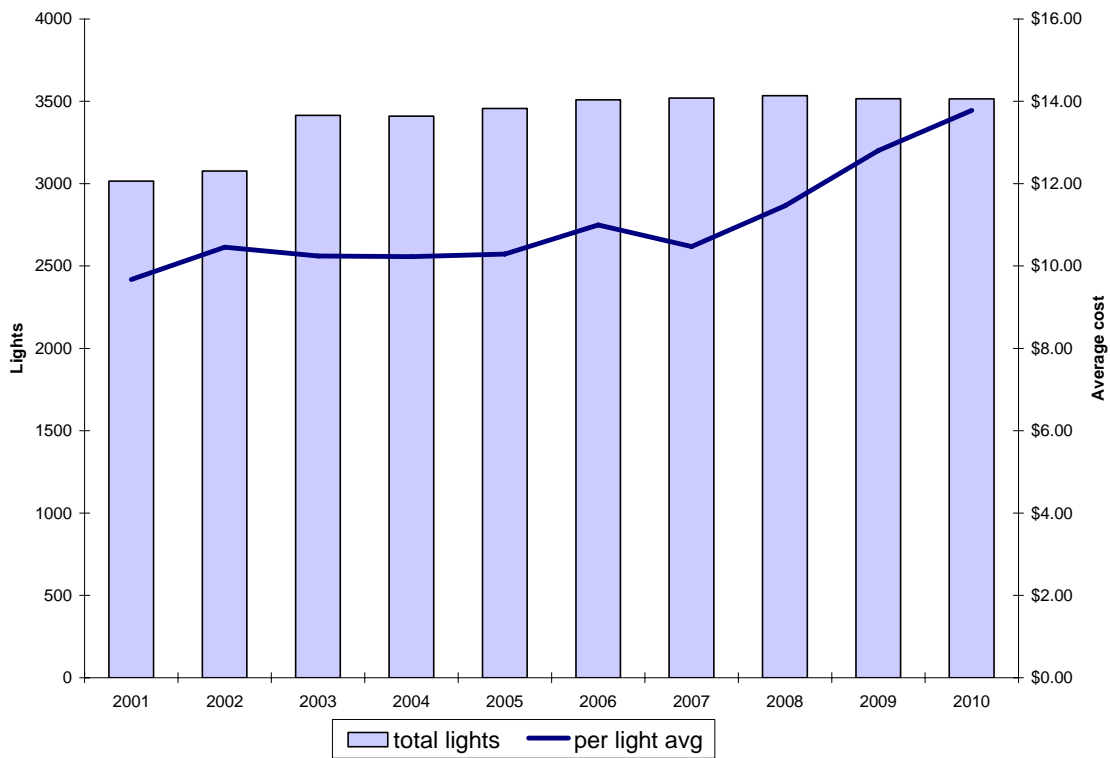
Westar Energy began charging a new rate for street lights in February 2010, the new rate increased the city’s cost for street lights. For the types of street lights that make up the largest portion of the city’s bill, the base charge increases ranged from 5.7 to 15.1 percent compared to the February 2009 base charge. The base charge covers the owning, operating, and maintaining the lights, but does not include additional surcharges and franchise fees.

Figure 3 Analysis of February 2010 rate increase

Lumens	Watts	Number of lights	Feb 2009 tariff base charge	Feb 2010 tariff base charge	Percent increase
8500	100	915	7.75	8.19	5.7%
13500	150	983	7.76	8.51	9.7%
40500	360	353	11.57	13.32	15.1%

The average cost per light increased with the new tariff and has increased significantly since 2007. The average cost per light includes surcharges and franchise fees. Figure 4 shows the total number of street lights the city pays Westar Energy for and the average cost per light.

Figure 4 Number and average cost of street lights (2001-2010)



Lenexa reports significant savings after purchasing street lights

The 2009 audit noted that a city-owned system might reduce costs and described the recent purchase of street lights by the City of Lenexa. Lenexa purchased 2,400 lights from Kansas City Power and Light effective January 2009 and anticipated significant savings. A little more than a year after the purchase, staff in Lenexa report that they have achieved significant savings as expected.

The City of Lenexa purchased the lights from Kansas City Power and Light and contracts for maintenance of the newly purchased lights. Lenexa selected a contractor through a request for proposals. The contractor inventoried and assessed the system, installs new lamps, repairs equipment, and repairs burnouts.

Cost savings depend on the specifics of the purchase, but experiences of Lenexa and other municipalities suggest the city might save from 30-50 percent if it owned and operated the street lights, paying the utility company for electric power. If Lawrence were to acquire the street lights and achieve savings similar to those of other cities, the city could save over \$150,000 annually.

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. No later than 6-months after issuing an audit, the City Code requires the City Auditor to follow-up 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 24 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. This report covers recommendations from two performance audits: Pavement Condition Measures and Street Lights.

The auditor compiled the information but did not audit the information provided by management. For each recommendation, the auditor made a judgment about the status of the recommendation.

Figure 5 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	Status cannot be determined, for example, because the recommendation requires future actions.

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.

The follow-up information on the status of implementing recommendations was not conducted as a performance audit under Government Auditing Standards. However, the City Auditor designed additional work to:

- Estimate the portion of street lights out
- Identify significant changes in tariffs for street lights and private area lights
- Understand effects in Lenexa of their recent purchase of street lights from an electric utility

The work to address those three objectives was conducted as a performance audit under Government Auditing Standards.

The City Auditor observed street lights on a sample of city streets on March 12, 2010. The city's GIS coordinator and the Public Works GIS intern created routes that connected randomly selected start points and end points that were 5000-7000 feet away. The auditor then drove the routes, counting the number of street lights on and off. The method differs from the sampling method in the 2009 audit, where the auditor observed street lights on a random sample of street segments. The auditor also reviewed the 2009 performance audit, reviewed tariffs and interviewed staff with the City of Lenexa.

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 the 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 of estimating the portion of street lights out, identifying significant changes in tariffs, and understanding the effects in Lenexa of their recent purchase of street lights.

The City Auditor shared a draft of this report with the City Manager.

Appendix: Recommendation Status Summary

The following pages provide each recommendation, management assertions about the steps taken to implement each recommendation, and the auditor's determination of the status of each recommendation.

Audit Recommendation Follow-Up Report

Pavement Condition Measures

October 2008

Status:

Recommendation: 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.

Not implemented

Follow up 1: As of 2/3/09 ROW management is on track as scheduled - please see the inserted schedule [schedule shows commission update on 2/17/09, several more benchmarks, and finally beginning enforcement 4/12/2010]

Follow up 2: As of 6/11/09: R/W Management – Working on Final Draft to be reviewed by City staff (BizLink item) in July, should have report / update to Commission in August.

Follow up 3: As of 8/31/09: R/W management - ordinance. document is complete and in the third and final review. Should be on BLINK 9/16. Next step after internal review would be external review - two week notice and then two or three meetings with review panel. Final draft review. Commission agenda for approval. Some interim dates have been adjusted - however the actual completion date is still on the original schedule for March of 2010 to begin enforcement

Follow up 4: As of 3/23/10: A draft right-of-way management ordinance has been prepared, however, staffing for some of the new ordinance responsibilities has neither been identified nor funded.

Pavement Condition Measures

October 2008

Status:

Recommendation: The Director of Information Systems should develop a policy on backing up data.

Implemented

Follow up 1: As of 2/3/09, the backup policy is approximately 60% completed. If the backup policy was just for the server storing the pavement management database it would have been completed long ago, but the backup policy will be for all of our servers and data. Information Systems has completed a review of 60+ servers to evaluate the data being backed up, the process and methods being used and evaluating changes that are being considered.

There are the basic 'data' backups (traditionally to a tape drive), 'instant' backups (VMWare servers

Follow up 2: As of 6/11/09: Back up Policy Draft policy complete and being review by Dept Director.

Follow up 3: As of 9/9/09: The Server Backup Policy #107 draft is complete and will be submitted to the City Manager's Office for review by by 9/18/09.

Follow up 4 As of 3/23/10: A business continuity planning policy was completed in September 2009.

Pavement Condition Measures

October 2008

Status:

Recommendation: The Director of Public Works should identify the resources needed to maintain the pavement management information and should request those resources in future budget submittals.

Implemented

Follow up 1: As of 2/23/09, Public Works have 121.5 centerline miles of streets rated as Cycle 2. Currently there are a total of approx. 317.5 centerline miles of ratable streets identified which would equate to a full cycle (other new streets will increase this total). Public Works have completed a little over 38% of the total current city street centerline miles and thus have completed over 1/3 of Cycle 2 so far.

Follow up 2: As of 6/11/09: Pavement evaluation - No progress since February. Staff has been working on several projects. Goal is to have Cycle 2 complete mid- August. Cycle 2 includes the area West of Iowa North of Bob Billings Parkway

Follow up 3: As of 9/9/09: Pavement evaluation – cycle 2 is 63 % COMPLETE. Emphasis being placed on this as a priority to complete Cycle 2 by October. GIS intern position - Summer intern took permanent position.

Follow up 4: As of 3/23/10: Pavement cycle 2 was completed in 2009. A part-time GIS intern is on staff and providing assistance on these responsibilities. Additional staffing is desired but not funded at this time.

Street Lights

May 2009

Status:

Recommendation: The City Manager should evaluate the feasibility of acquiring the street lights from the utility company.

Inprogress

Follow up 1: As of 12/21/09 City staff continues to make progress on the recommendations presented in the Street Light performance audit. Staff have been in communication with Westar. Staff believe additional work remains with Westar and are pursuing additional participation before the Kansas Corporation Commission (see CC agenda of 12/8/09) Staff plan to participate in a new KCC case on area lighting and street light tariffs.

Follow up 2: As of 3/23/10: Staff continues to work with Westar on the issue of street lighting, including reviewing options to provide for favorable tariff language governing municipal street light systems. Until these efforts are exhausted, acquisition is viewed as secondary option for exploration at a later date.

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

Recommendation: The City Manager should ensure that staff review bills on a regular basis and follow up on any discrepancies.

Inprogress

Follow up 1: As of 3/23/10: Staff is continuing to seek improved procedures for appropriate review of street light bills. Public works conducted an inventory of traffic signals and identified a number of locations which were billed to the city but were actually county, state or other entities. This inventory review resulted in a savings of \$15,000 to the city on an annual basis. Additional reviews of street light bills is planned in the future.

Follow up 2:

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

Recommendation: The City Manager should request that Westar Energy provide the city with an inventory.

Inprogress

Follow up 1: As of 12/21/09, the City sent a letter to Westar Energy making the request.

Follow up 2: As of 3/23/10: The City and Westar continue to communicate on the desire to improve the accountability of the street light system. See attachments. Westar has indicated that they have made internal improvements to their responsibilities to timely fix street light outages.

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

Recommendation: The City Manager should work to ensure that customers are not billed when service or outages fail to meet reasonable expectations.

Inprogress

Follow up 1: As of 12/21/09, the City sent a letter to Westar Energy making the request. Westar Energy's 9/3/09 response addresses efforts by the company to identify and repair outages in a timely manner by patrolling for non-working fixtures.

Follow up 2: As of 3/24/10: The City has communicated this request to Westar, however, alterations in the Westar policies and tariff need alterations. The City's plans concerning this item and related items is to continue discussions with Westar and continue involvement in appropriate rate/tariff proceedings.

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

Recommendation: The City Manager should work to establish clear performance expectations for the utility company's responsibility to identify and repair outages.

Inprogress

Follow up 1: As of 12/21/09, the City sent a letter to Westar Energy making the request. Westar Energy's 9/3/09 response notes that they have begun patrolling the city for nonworking fixtures and repairing them in the daylight in the following days.

Follow up 2: As of 3/24/10: The City has communicated this request to Westar, however, alterations in the Westar policies and tariff need alterations. The City's plans concerning this item and related items is to continue discussions with Westar and continue involvement in appropriate rate/tariff proceedings.

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

Recommendation: The City Manager should request Westar Energy to review the estimates of energy used for area lights, determine why the estimates are too high, and refund customers for excess surcharges

Inprogress

Follow up 1: As of 12/21/09, the City sent a letter to Westar Energy making the request. Westar Energy's 9/3/09 response does not address the request. Staff believe additional work remains with Westar and are pursuing additional participation before the Kansas Corporation Commission (see CC agenda of 12/8/09). Staff plan to participate in a new KCC case on area lighting and street light tariffs.

Follow up 2: As of 3/24/10: The City has communicated this request to Westar, however, alterations in the Westar policies and tariff need alterations. The City's plans concerning this item and related items is to continue discussions with Westar and continue involvement in appropriate rate/tariff proceedings.

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

Recommendation: The City Manager should request Westar Energy to estimate monthly kWh use for street lights based on seasonal variations in the actual use of street lights.

Inprogress

Follow up 1: As of 12/21/09, the City sent a letter to Westar Energy making the request. Westar Energy's 9/3/09 response does not address the specific request.

Follow up 2: As of 3/24/10: The City has communicated this request to Westar, however, alterations in the Westar policies and tariff need alterations. The City's plans concerning this item and related items is to continue discussions with Westar and continue involvement in appropriate rate/tariff proceedings.

Follow up 3:

Follow up 4

Street Lights

May 2009

Status:

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

Inprogress

Follow up 1: As of 12/21/09, the City sent a letter to Westar Energy making the request. Westar Energy responded on 9/3/09 that they have tested some lights and they found their kWh values appropriate - slightly low for three fixtures and slightly high for two fixtures.

Follow up 2: As of 3/24/10: The City has communicated this request to Westar, however, alterations in the Westar policies and tariff need alterations. The City's plans concerning this item and related items is to continue discussions with Westar and continue involvement in appropriate rate/tariff proceedings.

Follow up 3:

Follow up 4