

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

Date: April 3, 2014

RE: Audit Recommendation Follow-Up April 2014

Following-up on performance audit recommendations provides the City Commission with information on management’s efforts to implement recommendations. This report covers recommendations from nine performance audits: Street Lights, Solid Waste, Pavement Data, Financial Indicators (2011), Rental Housing, Cash Handling, Taste of Water, City-County Cooperation and Financial Indicators (2013). City Code requires follow-up reporting. Figure 1 summarizes the status of open recommendations from the nine performance audit reports.

Figure 1 Implementation summary

Status	Number of Recommendations
Implemented	1
Not-Implemented	0
In Progress	16

Figure 2 summarizes 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 Status of open performance audit recommendations

Performance Audit	Recommendation	Implemented	Not Implemented	In Progress	Undetermined
Street Lights	The City Manager should evaluate the feasibility of acquiring the street lights from the utility company.			<input checked="" type="checkbox"/>	
	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	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> .	<input checked="" type="checkbox"/>			
	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"/>	
Rental Housing	Propose an ordinance to raise the fee level to better recover program costs.			<input checked="" type="checkbox"/>	
	Establish performance measures and reporting for the rental program.			<input checked="" type="checkbox"/>	
	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.			<input checked="" type="checkbox"/>	
	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.			<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"/>	
Financial Indicators 2013	Once the city has received an updated study of obligations related to retired employee health care, the City Manager should provide the City Commission updated information about those costs and risks associated with those costs.			<input checked="" type="checkbox"/>	

Recently implemented recommendation

Management implemented the recommendation to write policies and procedures for estimating solid waste and recycling. Implementing the recommendation should help the city:

- Measure progress in recycling
- Streamline and standardize reporting
- Rely on methods employed nationwide
- Reduce the time and cost involved in collecting the data, and
- Improve the city's ability to compare with other communities.¹

City staff wrote a summary of the method they use to calculate and report on solid waste and recycling. The summary is included in Appendix B. The method references the EPA guidelines on how local governments should measure recycling.

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 6, 2014, 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.

¹ United States Environmental Protection Agency, *Measuring Recycling A Guide for State and Local Governments*, 1997, pages 1-3.

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.

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

Memorandum

City of Lawrence

City Manager's Office

TO: Michael Eglinski, City Auditor

FROM: David Corliss, City Manager

CC: Cynthia Wagner, Assistant City Manager
Diane Stoddard, Assistant City Manager

DATE: March 14, 2014

RE: Response to Audit Recommendation Follow-Up Report March 2014

The following is provided in response to questions posed on the status of outstanding 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 has been re-evaluating the feasibility of acquiring the system. A recommendation on this item will occur with the City Manager's recommended budget for 2015.
- **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. As noted above, a recommendation on City acquisition of the street lights will occur with the City Manager's recommended budget for 2015.

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 **attached** process for estimating municipal solid waste and recycling has been developed and will be utilized going forward. Staff recommends this item be closed.

- **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 reviewed by the City Commission on January 21, 2014. Further review by neighborhood associations, the Lawrence Preservation Alliance and the HRC along with final review by the City Commission is anticipated this spring.

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. The five-year CIP was updated in the fall of 2013 and will be presented to the City Commission during the 2015 budget process.

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

Staff continues to work on a multi-year financial projection of revenues and expenditures and will be reviewing it as part of development of the 2015 budget. Additionally, the City Commission will be presented general fund revenue and expenditure projections as part of the 2015 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. Review is ongoing and subject to the City Commission determination of a rental registration ordinance.

- **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.**
Employees in most departments received cash handling training in the fall of 2013. Police and Fire Department training was not completed in that time period. This training is currently on hold until the vacancy in the Assistant Finance Director position is filled.

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 selling samples of water.**

The department hired a consultant to evaluate taste and odor and make recommendations for process and/or facility changes. The report has been generated and department staff is reviewing the recommendations. These recommendations will be made to the City Manager and City Commission this spring. A resident survey is planned for fall 2014 and the results made available to the public. The survey will contain questions specific to the taste and odor of the water as well as other customer satisfaction questions. Since the last report to these findings, the department has not received significant resident complaints due to geosmin.

- **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 department will include questions on the periodic citizen survey, which is currently budgeted for 2014, and anticipated in the fall. 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.

City County Cooperation

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

Draft guidelines have been prepared and are under modification. Implementation of this item should occur during the Spring of 2014.

Financial Indicators 2013

- **Once the city has received an updated study of obligations related to retired employee health care, the City Manager should provide the City Commission updated information about those costs and risks associated with those costs.**

The city's actuary has completed an updated Other Post-Employment Benefits (OPEB) study, which is currently under review by the Finance and Human Resources Departments. Once reviewed, recommendations will be forwarded to the City Manager for action later this spring.

Appendix B: Solid waste division method for estimating solid waste and recycling

City of Lawrence Solid Waste Division

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.

Estimating Municipal Solid Waste and Recycling

Each year the City of Lawrence Solid Waste Division calculates the amount of municipal solid waste (MSW) generated in Lawrence and estimates the MSW amount recycled or composted. This information is presented in an annual report submitted to the City Commission and posted on the City's website. The annual report is available starting in May for the previous year.

Recycling is an important part of integrated solid waste management (ISWM). In the ISWM hierarchy, recycling (including composting) is the preferred waste management option, after source reduction, to reduce potential risks to human health and the environment, divert waste from landfills, conserve energy, and slow the depletion of nonrenewable natural resources.

Calculating MSW Generated

Definition: The U.S. Environmental Protection Agency (EPA) defines municipal solid waste (MSW) as wastes such as durable goods, nondurable goods, containers and packaging, food scraps, yard trimmings, and miscellaneous inorganic wastes from residential, commercial, institutional, and industrial sources, such as appliances, automobile tires, old newspapers, clothing, disposable tableware, office and classroom paper, wood pallets, and cafeteria wastes. It excludes solid wastes from other sources, such as construction and demolition debris, autobodies, municipal sludge, combustion ash, and industrial process wastes that might also be disposed of in municipal waste landfills or incinerators (U.S. EPA, 1996b).

The Solid Waste Division provides exclusive trash service for residential, commercial and institutional customers in Lawrence. All trash is transported and disposed in the Hamm Subtitle D Sanitary Landfill located 5 miles north of the city limits. To calculate the amount of MSW landfilled each year the Solid Waste Division adds the monthly tonnage total reported (City trucks are weighed at the scale house and Hamm submits monthly tonnage reports to the City).

The Division does not estimate tonnage for trash dropped off directly at the landfill by an individual who generated the trash in Lawrence because (1) percentage is low approximately 1 - 2 % of all Lawrence trash and (2) data is not available since landfill customers are not asked where the trash they are dropping off was generated.

Recycling and composting opportunities in Lawrence are provided by a variety of private and public services. These programs vary from year to year. Community recycling services as well as recycling practices by businesses, institutions, and organizations are tracked as best as possible (no entity is required to report this information; many share it voluntarily) by the Solid Waste Division staff. Staff gathers recycling information by following the steps outlined in the EPA guidance document described in the next section.

City of Lawrence Solid Waste Division

Estimating MSW Recycled or Composted

The Solid Waste Division estimates the MSW amount recycled or composted following the EPA's *Measuring Recycling: A guide for State and Local Governments* (see attached). This guide was designed to help promote consistency in the way recycling data is collected, measured, and reported by state and local governments. It is step-by-step process for developing a recycling measurement program, complete with tips and case studies. Although numerous tips are offered in the guide for obtaining accurate data, the EPA recognizes the need to balance the resources spent on recycling measurement against the larger goal of advancing integrated solid waste management. For this reason, the EPA allows for the estimation of data in certain instances, providing that estimates are based on good, solid knowledge of the sources and flow of MSW within a region.

Aside from establishing a voluntary, uniform method for calculating recycling rates, the EPA *Measuring Recycling* guidance document offers state and local governments a number of benefits, including advice and recommendations for:

- Obtaining accurate data.
- Minimizing double counting.
- Identifying possible errors or omissions in data.
- Establishing relationships with the private sector to obtain commercial recycling information.
- Ensuring the private sector's confidentiality when reporting data.
- Using national waste characterization data to estimate waste generation when disposal data are not available.
- Accounting for imports and exports of MSW and recyclable materials.
- Streamlining and improving data collection.
- Reducing recycling measurement costs.

Calculation and Report Timeline:

January and February: Collect recycling data city-wide.

- Collect data from all recycling outlets and processors (e.g., Wal-Mart, 12th & Haskell Recycle Center, Lonnie's Recycling, Deffenbaugh, etc.).
- Survey local manufacturers who may have large quantities of recycled material (e.g., Hallmark, Lawrence Paper Company, etc.).

March and April: Work on MSW generated and MSW recycled calculations. Draft report.

- Follow up with any questions for those who provided recycling data, as needed.

May: Finalize MSW recycling rate and publish final annual report.

- Submit annual report to the City Commission.
- Post annual report on the City's website.

Equation for Calculating the Standard Recycling Rate

$$MSW \text{ Recycling Rate (\%)} = \frac{\text{Total MSW Recycled}}{\text{Total MSW Generated}^*} \times 100$$

*Total MSW Generated = Total MSW Recycled + Total MSW Disposed of

City of Lawrence Solid Waste Division

Ensuring backyard composting is not counted in the recycling rate: As described in the EPA *Measuring Recycling* guidance document under “scope of activities included in the standard MSW recycling rate”, backyard composting does not count as recycling instead it is considered a source reduction activity. The Solid Waste Division will not include backyard composting estimations in the calculations of MSW recycled.

Addressing how the City will account for debris from major storms: As described in the EPA *Measuring Recycling* guidance document under “scope of materials included in the standard MSW recycling rate” natural disaster debris is not considered MSW. The guidance document states natural disasters include earthquakes, floods, hurricanes, and tornadoes while heavy storms are not considered natural disasters. The Solid Waste Division will not include natural disaster debris in the calculations of MSW generated. On the other hand, debris from heavy storms will be included in the calculations of MSW generated.

Recycling Measurement Program Improvements

Each year the Solid Waste Division will consider ways to improve and enhance the recycling measurement program for subsequent data collection efforts by:

- expanding or changing data collection efforts;
- refining and modifying the survey forms;
- considering measuring source reduction; and/or
- taking advantage of electronic reporting.