

Office of the City Auditor

City of
Gainesville,
Florida

211114

Report to the City Commission

2021 Activities and Accomplishments

-Office of the City Auditor-

Feburay 9, 2022

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200 E University Avenue, Room 211
Gainesville, FL 32601



GAINESVILLE CITY COMMISSION

Lauren Poe, Mayor
David Arreola, Mayor-Commissioner Pro Tem
Desmon Duncan-Walker
Adrian Hayes-Santos
Reina Saco
Harvey Ward

AUDIT COMMITTEE

Lauren Poe, Mayor
David Arreola, Mayor-Commissioner Pro Tem
Harold Monk, CPA, CFE, Appointed

INTRODUCTION

The City Auditor's Office is an independent internal audit function, reporting directly to the City Commission, while the Audit Committee consisting of the Mayor, Mayor Pro-Tem and appointed external subject matter expert provides oversight of internal audit activities and selection and governance of the external financial statement auditors and other external auditors.

The Office of the City Auditor's mission is to promote honest, efficient, effective, transparent and fully accountable government. To carry out this mission we perform risk-based audits, advisory services, special projects, and management requests. We also manage the City's Fraud, Waste and Abuse Hotline and conduct investigations.

2021 GOALS

1. ***Team building and professional auditor development:*** Continue training and recruiting efforts to ensure quality of audit work and continuity of operations in support of citywide succession planning efforts and strong governance.

Activities and Accomplishments

All professional auditors completed 40 or more hours of required continuing professional education that included topics such as ethics, performance auditing, IT risk-based auditing, utility accounting, government finance, cybersecurity, project management, and data analytics.

In addition, we provided a **2 hour in-person ethics training** delivered to City Commissioners and board members by a State of Florida Ethics Commission Senior Attorney. The training was well received and requested to be offered again in 2022.

2. ***Audit Plan:*** Conduct risk-based audit engagements and follow up on audit issues when due.

Activities and Accomplishments

Execution of the audit plan is our core service. The minimum time to complete a targeted scope audit is 8-12 weeks, while complex processes or services typically take 3-4 months. Though not common, projects can be delayed if management is unavailable to provide information or process

walkthroughs. Auditors do their best to schedule time with management while avoiding their most critical time constraints.

2021 Completed Audits and Consultations

- GG Financial Reporting Process Consultation
- GG Grant Administration Consultation (Identified areas for improvement for enhancement of grant administration)
- GRU Customer Billing System – Phase I Pre-Implementation Requirements Consultation (Identified four observations/keys risks for management to consider)
- Citywide Succession Planning Audit (Identified two opportunities for improvement)
- Police Property and Evidence Cash Audit (Identified four opportunities for improvement)
- Administration and Management of Evergreen Cemetery Operations Audit (Identified four opportunities for improvement)
- Body Worn Camera Compliance Audit (Identified three opportunities for improvement)
- GRU Badge Access and Physical Keys Management Audit (Confidential Findings)

2021 Completed Special Projects

- Organizational Culture Assessment – citywide collaborative effort with a core senior management team – five recommendations. This project required significant effort to overcome objections and siloed functions to gather a collaborative core team, execute the assessment, and conduct workshops. Process improvements are in progress.
- GPD Evidence Count Observation (management request)
- Phalanx Defense Systems, LLC, Documentation Review for Loan Forgiveness Review (management request)
- Review of Management Due Diligence Results_Unsolicited Proposal (CCOM request)

Completed Projects Reported January 11, 2022

- Compliance Audit –Colliers International Contract (two opportunities for improvement identified)
- GG Internal Controls Over Financial Reporting Audit (two high risk issues identified and other opportunities for improvement)
- Auditor General Presentation

Audit issue follow up and remediation is key to effective and efficient operations and governance. Auditors spent an inordinate amount of time late 2021 communicating with management in some areas about following through with their agreed upon action plans. Past due issues are reported to the Audit Committee. In 2021 14 new audit issues were identified and a number of confidential security issues (physical access, systems and cybersecurity). In 2021 20 audit issues and all cybersecurity confidential issues were closed.

We are currently wrapping up the **2021 enterprise risk assessment refresh** designed to inform a risk-based audit plan with 12-18 months of risk-based projects. Audit Plan refresh results will be reported this year in the City Auditor's Office annual report and risk assessment at the Audit Committee on March 7, 2022.

3. ***Fraud Risk: Improve enterprsie fraud risk management efforts to ultimately reduce fraud risk and loss resulting from actual incidents.***

Activities and Accomplishments

We created a fraud risk management policy that was carefully reviewed with Human Resources staff and Charter Officers before approval by the City Commission. The policy, effective October 21, 2021, explains fraud, provides examples and most importantly, establishes responsibility of management to prevent and detect fraud. The policy was especially timely given the Auditor General operational audit of the city in 2020-21 and their recent reports of other organizations that include findings for lack of fraud policies where there are none.

The City Auditor is responsible for managing the anonymous **Fraud Hotline**. A fraud hotline encourages strong internal cultures. According to the Association of Fraud Examiners *2020 Report to the Nations*, the most common fraud detection method is tips. City policy does not allow retaliation which is critical to keep tips coming. In 2021 we received 21 hotline reports and closed 20 cases.

4. ***Governance: Strengthen Audit & Finance Committee structure to effect greater impact to the organization.***

We introduced and implemented the **bifurcation of the audit and finance committee**, approved in 2021 and made effective January 1, 2022. We added an external subject matter expert to the audit committee with the selection and appointment of Mr. Harold Monk. It was a heavy lift to gain consensus among some management groups but in the end, City Commission approved the new structure unanimously and current events indicate both committees are functioning very productively.

We continued to serve as **liaison for the Florida Auditor General (AG) audit** of the City of Gainesville that began early 2020. Management worked hard to remain responsive to the AG requests. Efforts culminated in December 2021 with management responses submitted to the AG findings. Supported by the Mayor and City Commissioners, we ensured a positive and productive relationship was maintained with the AG and in formal correspondence from the City to the AG. We invited the AG to present their final report to the January 11, 2022 Audit Committee.

5. ***Value Add Operational Risk Management Consults: Continue to provide support for ad hoc management advisory requests and maintain a high level of "accessibility".***

Ad hoc management consults include a number of operational topics such as:

Information Technology and Cybersecurity Risk:

- Continue to champion development of enterprise IT Governance processes and controls due to the very high level of cybersecurity and technology risks impacting our city.
- Systems risks are evaluated in operational audits: Legacy system risks; user access management programs that remove opportunities for error and fraud; third party risk management to reduce risk of technology failure and security breaches.

Financial controls: GPD proactively reached out to us regarding training on internal controls over handling gift cards for the firearm buyback program.

Frequent contact with IT and technology staff as we identify or encounter systems-related risks or control failures during the normal course of business and service delivery.

Informal policy feedback: We frequently work with management in an advisory capacity on problems that can be resolved more efficiently and effectively through collaborative, often cross-functional efforts, including policy improvements.

CONCLUSION

I would like to thank the Mayor, City Commissioners, Charter Officers, leadership and staff for their support of the City Auditor's Office and continued efforts to improve City operations and services. I would also like to thank the City Auditor's Office staff for their hard work and dedication that make the City Auditor's Office accomplishments possible.

APPENDIX - 2020 GOALS

The following goals were reported end of 2020 with activities and accomplishments.

2020 Goal 1: *Rebuild and develop a collaborative and skilled Internal Audit Team in Year One (by February 24, 2021) that provides City-wide internal audit coverage of the highest risks impacting the City of Gainesville. Develop, implement and monitor departmental goals and objectives that are aligned with the strategic direction and business plan of the City Commission and professional standards for the professional practice of internal auditing in the public sector.*

2020 Goal 2: *Develop an agile and risk-based internal audit plan that supports City Commission strategic objectives; provide annual training to the City Commission on internal audit and risk assessment processes; provide ongoing training for City Auditor staff.*

2020 Goal 3: *Develop and enhance internal audit and investigative processes through risk-based, value-add internal audit, advisory and investigative services and capabilities. Enhance real-time, agile advisory services capabilities to address emerging risks and support management requests for audits and special projects that support risk mitigation efforts and help verify the sufficiency, accuracy, and reliability of information provided to the City Commission by City management.*

2020 Goal 4: *Develop and implement an effective audit issue follow up program that identifies responsible parties, reasonable due dates, and management accountability for remediation plans, as well as Internal Audit escalation of past due issues to the City Commission. The first year program includes two parts: 1) evaluation and management of aged open audit issues; 2) improved development of future audit issues by focusing on audit issue root causes, prioritization based on assessed level of risk, and realistic management action plans to improve effectiveness and efficiency of operations and mitigate identified risk.*