

# **CITY OF GAINESVILLE, FLORIDA**

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**Auditors' Management Letter  
And  
Additional Elements of Report Prepared  
In Accordance With OMB Circular A-133**

**September 30, 2000**

**CITY OF GAINESVILLE, FLORIDA**  
**AUDITORS' MANAGEMENT LETTER**  
**AND**  
**ADDITIONAL ELEMENTS OF REPORT PREPARED**  
**IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND**  
**OMB CIRCULAR A-133**

**SEPTEMBER 30, 2000**

CONTENTS

	<u>PAGE</u>
Management Letter (Required By Chapter 10.550, Rules of the Auditor General)	1-2
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	3-4
Schedule of Expenditures of Federal Awards	5-6
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	7-8
Schedule of Findings and Questioned Costs	9-11
<u>Auditee's Follow-up of Audit Findings</u>	
Summary Schedule of Prior Audit Findings	--
Corrective Action Plan for Current Year Findings	--

## MANAGEMENT LETTER

Honorable Mayor and City Commissioners  
City of Gainesville, Florida:



Certified Public Accountants  
& Business Consultants

P.O. Box 13494  
4010 N.W. 25th Place  
Gainesville, Florida 32604  
Telephone (352) 372-6300

We have audited the general purpose financial statements of the City of Gainesville, Florida (the City), as of and for the fiscal year ended September 30, 2000, and have issued our report thereon dated December 15, 2000. Our report on the general purpose financial statements included a paragraph explaining that the general purpose financial statements reflect a change in presentation of the City's defined contribution pension plan. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Our audit was also conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of governmental audits performed in the State of Florida. In that regard, we make the following representations:

- As required by the *Rules of the Auditor General*, we determined that the annual financial report for the City for the fiscal year ended September 30, 2000, was filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with our audit report. It should be noted that the annual financial report includes the accounts of the Gainesville Housing Authority, which the State of Florida has characterized as a dependent special district. Pursuant to the provisions of GASB Statement No. 14, the City's general purpose financial statements do not include the Gainesville Housing Authority in the financial reporting entity.
- The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." Our review did not reveal any conditions indicative of a state of financial emergency as described in that section.
- As required by the *Rules of the Auditor General*, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.



Barnett Tower  
1 Progress Plaza, Suite 1600  
St. Petersburg, Florida 33701  
Telephone (813) 822-8521

- The *Rules of the Auditor General* stipulate that auditors should review the status of prior-audit findings. There were no findings reported in the City's audit report for the year ended September 30, 1999.

Chapter 10.600, *Rules of the Auditor General*, and Section 216.349, Florida Statutes, impose audit requirements on recipients of State grants designated as "grants and aids" in the Florida appropriations act. The City received no such funding during the 1999-00 fiscal year and, accordingly, the related audit requirements were not applicable.

This report is intended solely for the information and use of the Audit and Finance Committee, management and appropriate audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the cooperation and courtesies extended to us during the course of our audit. We have sincerely enjoyed our association with the City and look forward to a continuing relationship.

Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



DAVIS, MONK & COMPANY  
Gainesville, Florida

*KPMG LLP*

KPMG LLP  
St. Petersburg, Florida

December 15, 2000

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Commissioners  
City of Gainesville, Florida:

We have audited the general purpose financial statements of the City of Gainesville, Florida (the City), as of and for the year ended September 30, 2000, and have issued our report thereon dated December 15, 2000. Our report on the general purpose financial statements included a paragraph explaining that the general purpose financial statements reflect a change in presentation of the City's defined contribution pension plan. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Certified Public Accountants  
& Business Consultants

P.O. Box 13494  
4010 N.W. 25th Place  
Gainesville, Florida 32604  
Telephone (352) 372-6300

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



Barnett Tower  
1 Progress Plaza, Suite 1600  
St. Petersburg, Florida 33701  
Telephone (813) 822-8521

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting, which we have described in the accompanying Schedule of Findings and Questioned Costs as item 00-2.

This report is intended solely for the information and use of the Audit and Finance Committee, management and appropriate audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS, MONK & COMPANY  
Gainesville, Florida

*KPMG LLP*

KPMG LLP  
St. Petersburg, Florida

December 15, 2000

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000  
CITY OF GAINESVILLE, FLORIDA**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Or Award Amount</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u>			
Block Grant – Entitlement	14.218	\$ 1,632,000	\$1,334,142
Home Investment Partnership Grant	14.239	2,451,000	804,504
Housing Counseling	14.169	31,785	(6,959)
Supportive Housing	14.235	376,223	98,487
Supportive Housing – VETSPACE	14.235	88,861	35,647
Cedar Grove Housing Project	FL29SPG503	1,000,000	<u>128,213</u>
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			<u>2,394,034</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Administration - Operating and Capital Assistance	20.507	13,769,565	<u>2,000,697</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Florida Department of Education: Summer Nutrition Program	10.559	239,856	<u>70,589</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Gainesville Regional Juvenile Assessment Center	16.541	125,000	44,646
Comprehensive Juvenile Justice Crime Prevention	16.541	100,000	43,249
Weed & Seed 2	16.595	175,000	23,127
Weed & Seed 3	16.595	175,000	108,763
Weed & Seed 4	16.595	175,000	45,662
DEA Cost Reimbursement Year 3	16.595	100,000	51,168
DEA Cost Reimbursement Year 4	16.595	50,000	11,327
Cops Universal Hiring	16.710	450,000	150,552
Cops Universal Hiring Year 2	16.710	150,000	58,430
Cops More	16.710	58,845	16,565
Cops Technology	16.710	1,000,000	120,586
Cops in School	16.710	349,974	65,684
Local Law Enforcement Block Grant 3	16.592	297,470	297,470
Local Law Enforcement Block Grant 4	16.592	289,496	<u>289,496</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>1,326,725</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Brownfield Pilot Cooperative Agreements	66.811	200,000	42,340
Water Quality Program Special Project	66.606	500,000	89
Wetlands Protection State Development	66.461	300,000	<u>6,821</u>
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>49,250</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>			
EDA/Incubator Project	11.303	1,440,000	<u>823,377</u>
TOTAL FEDERAL ASSISTANCE			<u>\$6,664,672</u>

See Accompanying Notes to the  
Schedule of Expenditures of Federal Awards

**CITY OF GAINESVILLE, FLORIDA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2000**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gainesville, Florida and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Note 2. Subrecipients**

The City of Gainesville, Florida provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$492,135
Home Investment Partnership Grant	14.239	\$241,558





Certified Public Accountants  
& Business Consultants

*A Partnership Consisting of  
Professional Associations*

*Mailing address:*

P.O. Box 13494  
Gainesville, Florida 32604

*Location:*

4010 N.W. 25th Place  
Gainesville, Florida 32606

*Phone:*

(352) 372-6300  
(800) 344-5034

*Fax:*

(352) 375-1583

*Website:*

www.davismonk.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

Honorable Mayor and City Commissioners  
City of Gainesville, Florida:

Compliance

We have audited the compliance of the City of Gainesville, Florida (the City), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2000. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2000.

*Members:*

CPAmerica International

Florida Institute of  
Certified Public Accountants

American Institute of  
Certified Public Accountants

Horwath  
International

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over

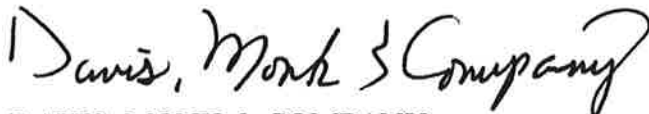
compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City as of and for the year ended September 30, 2000, and have issued our report thereon dated December 15, 2000. Our report on the general purpose financial statements included a paragraph explaining that the general purpose financial statements reflect a change in presentation of the City's defined contribution pension plan. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Audit and Finance Committee, management and appropriate audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS, MONK & COMPANY  
Gainesville, Florida

December 15, 2000

**CITY OF GAINESVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000**

**Part I - Summary of Auditors' Results**

1. The auditors' report on the general purpose financial statements was unqualified.
2. A reportable condition in internal control over financial reporting was disclosed by the audit. The reportable condition was not a material weakness.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No reportable conditions in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs was unqualified.
6. The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133.
7. The City's major programs were:

<u>Name</u>	<u>CFDA Number</u>
Economic Development – Technical Assistance	11.303
Community Development Block Grant-Entitlement	14.218
Home Investment Partnership Grant	14.239
Local Law Enforcement Block Grant	16.592
Public Safety Partnership and Community Policing Grants	16.710
Federal Transit Administration – Operating and Capital Assistance	20.507

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The City did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

(Continued)

**CITY OF GAINESVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000**

**Part II - Financial Statement Findings**

00-1 Cash Reconciliations

During our audit we noted that reconciliations between GRU's cash book and the bank statements were currently maintained; however, reconciliations between the general ledger and the cash book were not completed on a timely basis throughout fiscal year 2000 causing management to dedicate significant resources at the end of the year to resolve the differences. As of year end, the general ledger cash balance was understated by approximately \$360,000. With additional research, it is our understanding management fully intends to correct the appropriate accounts for this noted difference.

To improve the internal control structure by allowing for more timely identification and resolution of reconciliation differences, we recommend that GRU perform reconciliations on a monthly basis.

00-2 MIMS Integration

In September 1999, GRU implemented the Materials Management and Financial Management modules of an integrated software package. The Materials Management software provides a tool to manage the purchasing, inventory and warehousing functions. The Financial Management software provides a tool to manage the accounts receivable, general ledger, accounts payable, capital asset and labor costing accounting processes. Based on audit observations and discussions with management, several of the accounting applications have not fully met management expectations and, in some areas, accounting needs.

As of our fieldwork, the majority of completed capital projects could not be closed and retired capital assets could not be removed from the asset sub-ledger. As a result, management developed manual procedures to properly record amounts such as depreciation expense on capital asset additions. We also noted that the accounts payable and general ledger packages do not allow for proper allocation of balances between the various utility funds and does not have automated processes to create journal entries to record inter-fund transactions. As an alternative management has developed manual processes to query fund account balances, generate reports and journalize the allocation of inter-fund amounts to the appropriate utility fund.

GRU also continues to identify, develop, and configure reports from the MIMS system to assist with the reconciliation of data. The continued need for accounting staff to develop such reports and to familiarize themselves with the reporting processes, combined with the accounts payable and capital issues addressed above, have created

**CITY OF GAINESVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2000**

**Part II - Financial Statement Findings (concluded)**

00-2 MIMS Integration (concluded)

delays in the general ledger account reconciliation process and has led to an increase in the number of post closing adjustments recorded to the financial statements. —

We understand that GRU is presently working with the vendor, Mincom, to address capital and fund allocation issues. We recommend that management continue such efforts and ensure sufficient resources are dedicated to implementing solutions. We further recommend that GRU continue its existing efforts to ensure that accounting procedures are adequately documented and provide for timely reconciliation of all account balances.

**Part III - Federal Award Findings and Questioned Costs**

No matters were reported.



# CITY OF GAINESVILLE

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## *Finance Department*

In connection with the September 30, 1999, financial statement audit and single audit, our external listed no findings or reportable conditions for the year.

**PRIOR AUDIT FINDING – N/A**

**CURRENT STATUS – N/A:**

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*Accounting Division*

Station 14 • P.O. Box 490 • Gainesville, FL 32602-0490  
352.334.5034 • FAX 352.334.3163



# CITY OF GAINESVILLE

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## *Finance Department*

In connection with our September 30, 2000 financial statement audit and single audit, our external auditors listed findings as set forth below. We have developed plans for corrective action on each of the findings as follows. These plans will be implemented by the applicable departments within the City and overseen by the City Manager and the General Manager for Utilities. They can be reached at (352)334-5010 and (352)334-3400 respectively.

### **CURRENT AUDIT FINDING No. 1:**

We noted that reconciliations between GRU's cash book and the bank statements were currently maintained; however, reconciliations between general ledger and the cash book were not completed on a timely basis throughout the fiscal year causing management to dedicate significant resources at the end of the year to resolve the differences. As of year end, the general ledger cash balance was understated by approximately \$360,000. With additional research, it is our understanding management fully intends to correct the appropriate accounts for this noted difference.

### **CORRECTIVE ACTION PLAN:**

Management will perform reconciliations on a monthly basis as recommended by the auditors. Prior to the implementation of our current financial software package in September 1999, it was our standard procedure to reconcile key accounts on a monthly basis. However, the implementation process, timed with unanticipated personnel changes, forced us to significantly delay our reconciliation of cash and other standard control accounts.

Staff is now positioned to resume monthly account reconciliations in order to reestablish sound internal control of the accounting function.

### **CURRENT AUDIT FINDING No. 2:**

In September 1999, GRU implemented the Materials Management and Financial Management modules of an integrated software package. The Materials Management software provides a tool to manage the accounts receivable, general ledger, accounts payable, capital asset and labor costing accounting processes. Based on audit observations and discussions with management, several of the accounting applications have not fully met management expectations and, in some areas, accounting needs.

As of our fieldwork, the majority of completed capital projects could not be closed and retired capital assets could not be removed from the asset sub-ledger. As a result, management developed manual procedures to properly record amounts such as depreciation expense on capital asset additions. We also noted that the accounts payable and general ledger packages do not allow for proper allocation of balances between the various utility funds and does not have automated processes to create journal entries to record interfund

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*Accounting Division*

Station 14 • P.O. Box 490 • Gainesville, FL 32602-0490  
352.334.5034 • FAX 352.334.3163

transactions. As an alternative, management has developed manual processes to query fund account balances, generate reports and journalize the allocation of interfund amounts to the appropriate utility fund.

GRU also continues to identify, develop and configure reports from the MIMS system to assist with the reconciliation of data. The continued need for accounting staff to develop such reports and to familiarize themselves with the reporting processes, combined with the accounts payable and capital issues addressed above, have created delays in the general ledger reconciliation process and led to an increase in the number of post closing adjustments recorded to the financial statements.

**CORRECTIVE ACTION PLAN:**

GRU management is currently working with the vendor, Mincom, concerning the need to continue adaptation to the financial software (MIMS) installed in September 1999. GRU financial and MIMS project team support staff have been in continuous communication with Mincom's Support Services group to enhance MIMS functionally or modify business processes to stabilize financial performance.

Subsequent to the audit's completion, some key issues have been resolved, such as the ability to close capital construction projects into plant asset classifications.

With the continued effort of the MIMS team and financial staff, GRU will continue its efforts to resolve all outstanding issues resulting from this fiscal year's audit.