

**REPORT ON THE STATUS OF OUTSTANDING AUDIT
RECOMMENDATIONS FOR NOVEMBER 2013**

NOVEMBER 2013



**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

November 20, 2013

TO: Audit, Finance and Legislative Committee
Mayor Ed Braddy, Chair
Mayor-Commissioner Pro Tem Randy Wells, Member

FROM: Brent Godshalk, City Auditor

SUBJECT: Report on the Status of Outstanding Audit Recommendations for November 2013

Recommendation

The Audit, Finance and Legislative Committee recommend that the City Commission accept the City Auditor's report.

Explanation

City Commission Resolution 970187, *City Auditor Responsibilities and Administrative Procedures*, requires the City Auditor to notify the appropriate Charter Officer of recommendations projected for implementation in the following six months. The responsible department managers prepare a written status report to the appropriate Charter Officer who then provides this information to the City Auditor. The City Auditor's Office verifies that corrective action has been taken and summarizes the results to the Audit, Finance and Legislative Committee.

During the past several months, the City Auditor worked with the appropriate Charter Officers in preparing a status report on 34 outstanding audit recommendations. We have reviewed management's feedback on the implementation of outstanding recommendations and prepared the attached status report summarizing the results of our review.

We would like to express our thanks to the City Manager, Equal Opportunity Director, General Manager for Utilities and the various departments participating in this review process.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Annual Audit Plan, the City Auditor’s Office has completed a Review on the Status of Outstanding Audit Recommendations. The primary objective of this review is to provide the City Commission with reasonable assurance that management has adequately implemented recommendations previously made by the City Auditor’s Office and approved by the City Commission.

As for all of our audits, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Generally, our procedures consisted of the following:

- The City Auditor provided the City Manager, Equal Opportunity Director and General Manager for Utilities with a detailed listing of recommendations outstanding for six months or more within their departments and requested written updates on the status of each recommendation.
- Upon receipt of written updates and supporting documentation, the City Auditor’s Office conducted procedures necessary to verify that adequate corrective actions were taken by management for each outstanding recommendation.

SUMMARY OF RESULTS

We began the current period with 34 outstanding recommendations from 15 prior audits. The results of our review indicate management adequately implemented 9 of the prior period 34 recommendations, leaving 25 recommendations outstanding. An audit-by-audit summary of implementation progress follows.

Department/Agency	Report Date	Audit Title	Start Of Period	Implemented	Currently Outstanding
Human Resources	Nov 06	2006 Pay Study Review	4	2	2
Gainesville Police Department (GPD)	Nov 07	Review of GPD Overtime	1	0	1
Housing Department	Jun 08	Review of Housing Performance Measures	1	0	1
Gainesville Fire Rescue	Jun 09	Review of GFR Inspection Fees	3	0	3
Neighborhood Improvement	Nov 09	Review of Landlord Permit Revenues and Driveway Parking Plans	2	0	2
Equal Opportunity	Mar 10	Review of Affirmative Action Program	4	0	4
Planning & Development	Nov 10	Review of Building Code Enforcement Fund Revenues	1	0	1
GRU	Jan 11	Review of GRUCom Revenues	1	1	0
Solid Waste Division	Aug 11	Review of Solid Waste Collection Fees	2	1	1
GRU	Aug 11	Review of GRU Solar Feed In Tariff Application Process	2	1	1
Parks, Recreation, & Cultural Affairs	Nov 11	Review of Miscellaneous Cash Receipts and Expenses	1	1	0
GRU	Nov 11	Review of GRU Capital Project Contracts	1	0	1
GRU	Apr 12	Review of GRU Information Technology Disaster Recovery	3	3	0
Parks, Recreation & Cultural Affairs	Oct 12	Review of Ironwood Golf Course Revenues	6	0	6
GRU	Jan 13	Review of GRU Billing and Collection	2	0	2
TOTAL RECOMMENDATIONS			34	9	25

2006 Pay Study Review

The current pay study underway has allowed management the opportunity to implement recommendations made in our previous audit. This includes ensuring a “right to audit” clause was included in the contract executed with the City’s contractor, Millman Incorporated, to perform the pay study. In addition, the contract includes expectations for the consultant to define their sources and methods used to determine the appropriate cost of living and cost of labor. Millman used various sources to determine cost of labor in Gainesville as compared to the U.S. average. Millman then determined based on these sources that the cost of labor differential in Gainesville was approximately 95% of the U.S. average. Therefore, the national market data was adjusted down by 5%.

The remaining two recommendations were not yet completed at the time of the follow up process as the pay study was ongoing. After the pay study is finalized, management will have an opportunity to implement recommendations from our original review regarding slotting benchmark positions and adequately evaluating the long term cost and equity considerations.

Review of GPD Overtime

One recommendation remains open related to financial management controls over billable overtime processing. Since our original audit, management has significantly reduced staff costs related to administering the billable overtime process, increased billable overtime rates to cover associated costs, established a special revenue fund to better account for billable overtime revenues and expenditures, automated the overtime administration system, established an overtime committee and improved the process of revenue collection.

These activities initially resulted in the elimination of annual financial losses from billable overtime activities. However, the Billable Overtime Special Revenue Fund experienced losses during fiscal years 2011, 2012 and 2013. As a result, we will continue to monitor progress in correcting these deficiencies and hold this recommendation open for further evaluation of the accuracy and effectiveness of the billing and collection process associated with GPD billable overtime.

Review of Housing Performance Measures

Management previously had undertaken significant efforts to address our recommendation from this audit related to improvements in performance measurement data collection, documentation and reporting. Improvements include establishing written procedures detailing the job functions responsible for collecting, reviewing and reporting performance measurement data and preparing a Customer Service Survey to be used as a baseline for establishing on-going measurements of customer satisfaction levels. However, our remaining recommendation will remain open in order to provide additional time necessary to implement reporting elements that will facilitate more effective performance comparison with peer municipalities.

Review of GFR Inspection Fees

There are three recommendations from our original audit that remain outstanding. The first recommendation was partially addressed through the implementation of a more equitable fee structure for fire inspection fees, based on building sizes, which was expected to recoup more of the City’s expenses related to providing this service. This action resulted in approximately \$15,000 of increased fee revenues during fiscal year 2010, the first year of implementation. Since that time, revenue collected has declined from a high of approximately \$84,000 in FY 2010 to \$60,000 for FY 2013. Management indicated that the elimination of a staff assistant position and extended leave for another staff member contributed to the revenue decline. Additionally, there are continuing concerns regarding the collection of delinquent invoices and management anticipates having a collection agency in place before the end of FY 2013, which may reduce delinquencies and increase revenue collections. As a result of these issues, we will hold this recommendation open to provide additional time and information for better evaluating the effectiveness of this program.

The second recommendation was partially completed in previous years, however we will continue to hold open the portion of this recommendation related to the possibility of charging the costs of GFR inspectors working on First Step Center development reviews from the City's Florida Building Code Enforcement Fund, thus relieving the General Fund of the cost of providing this service. In the past few months a new Building Official was appointed and GFR will again pursue this with the City Manager.

GFR partially implemented our third recommendation through utilization of the Alachua County Property Appraiser's building data for square footage data utilized in calculating fire inspection fees. GFR has developed a flowchart of the fire inspection process that may be viewed online. However, further work is needed in documenting a policies and procedures manual detailing the fire inspection fee process, including the process of invoicing and collecting fire inspection fees, as well as consideration of assessing late payment fees for unpaid fire inspections.

Review of Landlord Permit Revenues and Driveway Parking Plans

Two of our original recommendations remain open. First, the Code Enforcement Division implemented a written operating policy for "Off Street Parking and Driveway Plans" which details the responsibilities of landlords and code enforcement officers related to the process of approving and maintaining parking areas. Additionally, during the landlord permit renewal process, Code Enforcement requires property owners to affirm that they understand the City's driveway plan requirements and will adequately maintain their driveway. Code Enforcement officers continue to actively monitor driveways that fall under the City's regulation on their regular patrols. However, our limited review of the current condition of driveway plans submitted indicated that additional efforts are needed to fully implement this recommendation and provide more reasonable assurance that property owners are in compliance. The other recommendation, related to recommended improvements in performance measurement data collection, documentation and reporting will remain open to allow us to review the latest Code Enforcement data submitted to the Florida Benchmark Consortium, expected to be released in the fall of 2013. Management will retain copies of the reports used to support the data so we may be able to verify the accuracy.

Review of Affirmative Action Program

The Office of Equal Opportunity continues to make changes within their processes related to all four of our recommendations. While no formal response was provided by management, evidence of progress toward implementing some of the recommendations was noted. The Equal Opportunity Director held meetings with other Charter Officers to suggest input on monitoring employee movements for compliance with equal opportunity governance, and developing instruments to monitor adherence to equal opportunity laws, policies and procedures and other activities. All four of the recommendations will remain open.

Review of Building Code Enforcement Fund Revenues

Management has not adequately implemented our final recommendation concerning the security of credit card information and we remain concerned that past security breaches remain undetected. We observed that personal information remains readable in the "public access" portion of the City's permitting portal. Personal information is required to be encrypted or blocked. The public disclosure of personal information violates Payment Card Industry Data Security Standards (PCI DSS) and non-compliance can result in fines and penalties for the City, as well as potential financial liability for banks and credit/debit cardholders.

Efforts are needed to remove personal information from all credit card transactions. A new management team took immediate action to begin identifying and thoroughly reviewing all prior credit card transactions to ensure

that no personal information will be available in the City's public portal. Current procedures have been modified to block out credit card data, re-scan forms into the portal and shred the original credit card data. We will allow management time to complete the review and follow-up on their efforts during the next audit cycle to determine the level of PCI DSS compliance and verify that the public posting of personal information no longer occurs.

Review of GRUCom Revenues

Management has now implemented the final remaining recommendation from this review through the completion of written administrative policies and procedures documenting key GRUCOM revenue processes and cross training employees.

Review of Solid Waste Collection Fees

Management successfully implemented one of the two remaining audit recommendations from our original report. Based on a recommendation from our original audit report, the City Commission approved a process to begin funding the total road maintenance costs associated with providing residential solid waste collection services from the Solid Waste Program. This action will result in the provision of an additional \$1.1 million annually for the City's roadway pavement management program and will be phased in over a three year period beginning with Fiscal Year 2014.

Regarding our other remaining recommendation, the Solid Waste Division began billing the Gainesville Regional Airport in 2011 and GRU in 2012 for solid waste services received. These actions resulted in approximately \$100,000 in additional annual revenues for the Solid Waste Fund. Management is still developing the methodology for implementation and associated billing for General Government funds, which is expected to occur by 2015. We will hold open this final recommendation until the General Government billing methodology is complete.

Review of GRU Solar Feed in Tariff Application Process

Management has successfully implemented one of the two remaining recommendations from our original report. Our first recommendation related to Solar Feed in Tariff (FIT) application requirements and exceptions. Management has transferred the administration of Solar FIT application processes to the GRU Purchasing Department, beginning with the supplemental lottery held in September 2011. For the supplemental lottery, the GRU Purchasing Department implemented an applicant notification process similar to what is used in competitive bidding processes. During the most recent Solar FIT lottery process, management evaluated the documentation requirements for applicants who were awarded the FIT Solar Energy Purchase Agreement (SEPA). This included providing the GRU Vendor Form and W9 within 10 days of the award. Previously this was required with the application. Additionally insurance documents are now required prior to executing the SEPA. This lessens the initial financial costs for applicants in the event they are not awarded a SEPA.

Our final recommendation, regarding City employee and official eligibility to participate in the GRU Solar FIT program, has not yet been implemented. Management determined that it is not desirable for City of Gainesville/GRU employees to be eligible for the program. Administrative Guidelines 8.29 - Solar Electric Photovoltaic Feed-in-Tariff is currently being revised for the next Solar FIT application process. When completed, the draft will be submitted to the GRU General Manager and GRU Attorney for review and approval. We will hold this recommendation open until the final Administrative Guideline is approved.

Review of Miscellaneous Cash Receipts and Expenses

The Parks, Recreation, and Cultural Affairs Department successfully implemented our original recommendation for improvements in financial controls related to the City's Downtown Festival and Art Show (DFAS). Management previously ceased the internal creation of vendor invoices, instead providing vendors with a template invoice when requested, and has implemented a control requiring vendor signatures prior to processing invoices for payment. Management previously improved the process of reconciling DFAS revenues received to total funds deposited and anticipated revenues. Staff enters revenue data into the ActiveNet accounting system and compares revenues received to anticipated revenues entered into the DFAS software system. A clerk now compares periodic or total revenues in ActiveNet to the City's accounting system. This recommendation has been implemented and will be closed.

Review of GRU Capital Project Contracts

Our remaining recommendation focuses on strengthening the contract review processes for GRU capital project contracts. The enhanced process would provide contract managers with tools or checklists to ensure all elements set forth in a contract are in compliance, adequately documented and accurately calculated on invoices submitted. GRU management continues to evaluate implementation of recommended improvements and hopes to have this recommendation implemented during fiscal year 2014.

Review of GRU Information Technology Disaster Recovery

Management has successfully completed all three recommendations from our original audit. For the first recommendation, management developed a written training program with guidelines for staff to perform a simulated disaster recovery. The plan details an event, defines roles to be played by staff and establishes a command center. Two training sessions were conducted with staff in February and May prior to the start of hurricane season. Management has also amended visitor sign-in logs to ensure data center visitors can be easily documented.

The final recommendation was related to ensuring the correction of all broken or incomplete links within the "Data Recovery Plan" document. GRU Information Technology staff took steps to correct all broken or incomplete links prior to our issuance of the original report.

Review of Ironwood Golf Course Revenues

Our original report had six recommendations. Although some progress has been made, none of the recommendations have been fully implemented. The first recommendation was related to strengthening internal controls over Ironwood cash receipting and recording. We found in our limited sample one employee signed into the cash register system with another employee's sign on password. Starter sheets were not reconciled to the point of sale daily report to ensure green fees and complimentary rounds were properly recorded. Additionally, we found an undocumented \$90 overage.

Management has made some progress related to our second recommendation regarding the timeliness of daily cash reports and deposits. Approximately 60% of cash reports were completed 4 to 8 days after the close of business. This compares to 70% in our initial report that ranged from 4 to 16 days. Courier pick up frequencies were reduced to within 4 days of the cash report preparation. Several daily deposits were included courier pickup but could not be matched to the deposit slips since these were not individually recorded on the courier ticket. Further improvement is needed before we close this recommendation.

For our third recommendation, regarding surcharge fee collection, we continued to find discrepancies between green fee rounds, surcharges recorded and revenue collected. We found the surcharge fees did not appear to record \$5 for each round. Additionally, we found potential surcharges may not have been applied to all green fees recorded. No reconciliation was performed to determine if these were related to complimentary rounds.

Our fourth recommendation regarding gift cards was partially completed. Management took steps to ensure these are recorded in sequential order and maintained in a secure location. However, the policies and procedures manual for the golf course needs to be updated to include a section regarding the control of gift cards. Management also needs to periodically run the EZ Links gift card report to ensure that cards are not reactivated or purchased out of sequence.

The fifth recommendation regarding internal controls over complimentary rounds also remains open to allow more time to compare the number of complimentary rounds to paid green fees and develop long term trends. However, complimentary rounds remain a significant portion of total rounds played and are not reconciled or tracked to the daily cash report or starter sheets. Also, coupons/passes used are not maintained for tracking purposes with the daily cash reports.

The final recommendation was partially completed. Management updated the policies and procedures manual, however some items were not updated or were eliminated entirely. This includes management running gift card reports to review for sequence breaks or reissuance. Also, parameters or guidelines for cashiers' overages/shortages are no longer included in the procedures manual. The previous entry included specific steps if cashiers exceeded a specific dollar amount. We believe that some type of guidelines should continue to be included for handling cash overages/shortages.

Review of GRU Billing and Collection

Management has made steps towards implementing the two recommendations. Our first recommendation was related to controls over billing adjustments. Management implemented training and written procedures to direct processes related to editing implausibles. However, steps toward generating edit reports and financial summary reports, as well as enhancing monitoring over adjustments, have not yet been completed. We will review this recommendation further during our next follow-up period.

Our second recommendation related to labeling bill files appropriately and supervisory reviews have not been completely implemented. Management has implemented an automated process so that only files that have nominal time indicators within the past hour are sent. However, management is still evaluating two possible automated processes to label bill files appropriately. We will hold this recommendation open until our next follow-up period.

Future Follow-up Reviews

The recommendations still outstanding, along with new audit recommendations approved by the City Commission since the start of this follow-up process, will be submitted to the appropriate Charter Officers to determine the current status of remaining recommendations. We will report the results of that process to the City Commission through the Audit, Finance and Legislative Committee.