

CITY OF GAINESVILLE, FLORIDA  
AUDITORS' MANAGEMENT LETTER  
AND  
SINGLE AUDIT REPORTS  
SEPTEMBER 30, 2001

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## MANAGEMENT LETTER

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 fiscal year ended September 30, 2001, and have issued our report thereon dated December 14, 2001. Our report on the general purpose financial statements included a reference to the report of other auditors and included a paragraph explaining that the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33. The other auditors issued a separate management letter dated November 21, 2001. 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; Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Pursuant to the Rules of the Auditor General, which govern the conduct of governmental audits performed in the State of Florida, 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, 2001, was filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with the 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, we applied financial condition assessment procedures pursuant to Rule 10.556(8). The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.
- 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 noncompliance with the provisions of Section 218.415, Florida Statutes.
- The Rules of the Auditor General stipulate that auditors should review the status of prior-audit findings. There were two findings reported in the City's audit report for the year ended September 30, 2000, neither of which is repeated in the accompanying Schedule of Findings and Questioned Costs.

Following this letter are our reports on compliance and on internal control relative to financial reporting and financial assistance programs. Also, other auditors have issued a separate management letter relative to Gainesville Regional Utilities. The comments in those documents should be considered in conjunction with this management letter.

This management letter 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.



December 14, 2001  
Gainesville, Florida



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## 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, 2001, and have issued our report thereon dated December 14, 2001. Our report on the general purpose financial statements included a reference to the report of other auditors and included a paragraph explaining that the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33. 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.

### 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*.

### 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 01-1.

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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. Other auditors, who audited the financial statements of Gainesville Regional Utilities, noted other matters involving the internal control over financial reporting, which they reported to management in a separate letter dated November 21, 2001.

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.

A handwritten signature in black ink that reads "Davis, Mark 3 Company". The signature is written in a cursive, somewhat stylized font.

December 14, 2001  
Gainesville, Florida

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001  
CITY OF GAINESVILLE, FLORIDA**

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>	<u>Program Total</u>
<u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u>			
Housing Counseling	14.169	\$ 502	
Block Grant – Entitlement	14.218	1,763,494	
Supportive Housing	14.235	83,537	
Supportive Housing – VETSPACE	14.235	81,571	\$165,108
Home Investment Partnership Grant	14.239	913,541	
Depot Avenue Project	14.246	74,265	
Cedar Grove Housing Project	FL29SPG503	8,815	
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Federal Transit Administration -			
Operating and Capital Assistance	20.507	3,238,983	
Field Test of Automated Data MUCC	20.600	229	
Computerized Sign Program	20.600	26,802	
Regional Crash Data Center	20.600	42,978	
Gainesville Youth Alcohol	20.600	6,566	\$76,575
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Florida Department of Education:			
Summer Nutrition Program	10.559	56,701	
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Gainesville Regional Juvenile Assessment Center	16.541	51,367	
Comprehensive Juvenile Justice Crime Prevention	16.541	26,415	\$77,782
Byrne Anti-terrorism Grant	16.579	3,108	
Byrne Youth Alcohol/Party Patrol Program	16.579	37,451	\$40,559
Local Law Enforcement Block Grant 5	16.592	146,952	
Weed & Seed 3	16.595	919	
Weed & Seed 4	16.595	116,684	
Weed & Seed 5	16.595	10,932	
DEA Cost Reimbursement Year 3	16.595	5,137	
DEA Cost Reimbursement Year 4	16.595	26,964	
DEA Cost Reimbursement Year 5	16.595	10,196	\$170,832
Cops Universal Hiring Year 2	16.710	39,231	
Cops Technology	16.710	233,012	
Cops in School	16.710	108,268	\$380,511
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Wetlands Protection State Development	66.461	25,668	
Water Quality Program Special Project	66.606	243	
Brownfield Pilot Cooperative Agreements	66.811	51,409	
<u>U.S. DEPARTMENT OF COMMERCE</u>			
EDA/Incubator Project	11.303	<u>886,624</u>	
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$8,078,564</u>	

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001  
CITY OF GAINESVILLE, FLORIDA**

<u>State Grantor/ Program Title</u>	<u>State CSFA Number</u>	<u>Expenditures</u>	<u>Project Total</u>
<u>DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>			
Interlocal Recycling Grant	37.011	\$ 37,751	
FRDAP Sweetwater Park	37.017	67,138	
FRDAP T.B. McPherson Park	37.017	3,785	\$ 70,923
<u>DEPARTMENT OF STATE</u>			
Local Arts Agency Grant 2000	45.005	21,646	
Local Arts Agency Grant 2001	45.005	5,940	\$27,586
Historic Preservation Design Guidelines	F0002	7,750	
Historic Preservation Grant for Hippodrome	S0068	22,748	
<u>DEPARTMENT OF TRANSPORTATION</u>			
Highway Beautification	55.003	3,063	
Regional Transit System Improvement Program:			
Commuter Assistance Funding FY 00/01	55.007	70,000	
Service Development Agreement (Maintenance Safety)	55.007	3,045	
Service Development Funding for Campus Circulation	55.007	68,858	\$141,903
Bus Parts, Equipment and Vehicles	55.010	1,386	
Computer Scheduling Equipment	55.010	63	
Admin/Terminal Construction/Renovation	55.010	59	
Design Renovation/Expand Admin Offices/Shop Equipment	55.010	4,591	
Real Estate Acquisition	55.010	754	
Forty Foot Bus Acquisition	55.010	5,800	
Block Grant Operating Assistance FY 00/01	55.010	711,591	\$724,244
Service Development Agreement (Increase Ridership)	55.012	6,198	
Service Development Agreement (Impr. Customer Svc. Safety)	55.012	20,697	
Commuter Assistance Funds for Employee Pass	55.012	33,525	
SDG for Route 35	55.012	178,226	\$238,646
Corridor Development Assistance – Night Services	55.013	82,868	
Intermodal Development Program	55.014	3,848,217	
<u>DEPARTMENT OF HEALTH</u>			
EMS '00 Pass-Through From County	C9801	862	
EMS '01 Pass-Through From County	C9901	30,193	
SHIP 1998/1999	52.901	99,853	
SHIP 1999/2000	52.901	314,176	
SHIP 2000/2001	52.901	246,298	
SHIP 2001/2002	52.901	<u>13,245</u>	\$673,572
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE		<u>\$5,910,326</u>	

See Accompanying Notes.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2001  
CITY OF GAINESVILLE, FLORIDA**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards and State Financial Assistance includes the federal and state 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* and the Florida Single Audit Act. 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 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	\$500,405
Home Investment Partnership Grant	14.239	\$193,941

The City did not provide state awards to subrecipients.





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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT

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*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2001. The City's major federal programs and state projects 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 and state projects 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General 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 or state project 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.

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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 and state projects for the year ended September 30, 2001.

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 and state projects. 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 or state project 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 and Chapter 10.550, Rules of the Auditor General.

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 or state project 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 and State Financial Assistance

We have audited the general purpose financial statements of the City as of and for the year ended September 30, 2001, and have issued our report thereon dated December 14, 2001. Our report on the general purpose financial statements included a reference to the report of other auditors and included a paragraph explaining that the City adopted the provisions of Governmental Accounting Standards Board Statement No. 33. 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 and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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, Mark & Company*

December 14, 2001  
Gainesville, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001  
CITY OF GAINESVILLE, FLORIDA**

**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 programs and state projects were disclosed by the audit.
5. The auditors' report on compliance for the major federal programs and state projects was unqualified.
6. The audit disclosed no findings relative to the major federal programs and state projects.
7. The City's major programs/projects were:

<u>Federal Programs</u>	<u>CFDA No.</u>
Economic Development – Technical Assistance (Incubator)	11.303
Community Development Block Grant-Entitlement	14.218
Home Investment Partnership Grant	14.239
Public Safety Partnership and Community Policing Grants	16.710
Federal Transit Administration – Operating and Capital Assistance	20.507
<u>State Projects</u>	<u>CSFA No.</u>
SHIP	52.901
Public Transit Block Grant Program	55.010
Intermodal Development Program	55.014

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs for federal programs, and \$300,000 was used for state projects.
9. The City did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

(Continued)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001  
CITY OF GAINESVILLE, FLORIDA**

**Part II - Financial Statement Findings**

- 01-1 Because of employee turnover, General Government's accounting department was not fully staffed and some employees assumed new responsibilities during the audit period. Consequently, internal controls over financial reporting were weakened and financial data became more susceptible to errors. Some misstatements occurred, which were identified and corrected during the course of the audit process.

**Part III - Findings and Questioned Costs – Federal Programs**

No matters were reported.

**Part IV - Findings and Questioned Costs – State Projects**

No matters were reported.

## Management Letter

City Commission, City of Gainesville, Florida  
and Gainesville Regional Utilities

In planning and performing our audit of the financial statements of Gainesville Regional Utilities (GRU) for the year ended September 30, 2001, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. The following suggestions, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls.

### Control Activities

#### Bank Reconciliations

It was noted in the prior year management letter that reconciliations between the general ledger and the cash book were not completed in a timely manner throughout the prior fiscal year, and that at September 30, 2000, the general ledger cash balance was understated by approximately \$360,000. This difference actually represented an unidentified reconciling item that was discovered after GRU's conversion to a new financial management system. For at least the first several months of the 2001 fiscal year, this condition remained unchanged; however, beginning in January 2001 management was able to reinstate its standard procedure for reconciling cash accounts on a monthly basis, and as of year-end, cash reconciliations were being prepared and reviewed on a timely basis. With regard to the aforementioned unidentified reconciling item, management made efforts to and did identify a portion of that amount; however, ultimately the entire balance could not be identified, and the remaining difference was corrected through a general ledger adjustment that increased the general ledger cash balance. We recommend that management continue to prepare and review cash reconciliations on a monthly basis, as this is one of the most effective detect control practices available and is a basic procedure in ensuring the adequate safeguarding of GRU's cash assets. We also recommend that any future unidentified reconciling items be immediately brought to the attention of appropriate management personnel for further investigation.

#### *Management's Response*

Management agrees with the recommendation. We are now reconciling cash on a current monthly basis. These reconciliations will be reviewed at the appropriate supervisory level.

#### General Ledger Reconciliations

During the interim period, we noted that there was an unidentified difference of approximately \$290,000 between the accounts receivable detail and the general ledger. Upon further research, the error was determined to have been caused by the incorrect posting of a prior month's journal entry. We also confirmed that management was not reviewing the reconciliations, as this

difference remained unidentified for several months. It is our recommendation that management perform a review of the reconciliation to ensure that significant errors and unidentified differences are detected and corrected in a timely manner.

We noted that management did not prepare reconciliations between the accounts payable detail and general ledger during most of the year. This was due to the current limitation of the computer system to generate an accurate payables listing. We recommend that management resolve this problem as soon as possible and begin to reconcile the balance on a monthly basis. The reconciliation process is an effective detect control that will help to ensure the completeness and accuracy of the account balance.

#### *Management's Response*

Management agrees with the recommendation and will review all general ledger control account reconciliations for any significant, unexplained differences and their timely correction.

As for the comment's specific recognition concerning accounts payable, a reconciliation process has been developed that will enable us to reconcile this account on a monthly basis.

It must be emphasized that these reconciliation processes were delayed due to the installation of the new financial software and significant staffing changes that had taken place over the course of the past two fiscal years.

### **Financial Reporting**

#### Plant Asset Depreciation Rates

During our review of the depreciation process, we noted that the plant assets' useful lives used in computing depreciation are based on studies performed in 1966 and 1976. We also noted that the overall composite depreciation rate is somewhat lower than industry average based on comparisons to other utility providers. The Federal Energy Regulatory Commission recommends that the useful lives be studied and updated every five years. However, while we agree that such studies should be performed periodically to ensure the reasonableness of the depreciation rates, we believe that a review and update to the composite rates at least every 10 years would be sufficient for GRU. Accordingly, we recommend that a formal depreciation study be performed and that asset useful lives be adjusted as necessary based on the results of that study.

#### *Management's Response*

Management agrees with the recommendation. As time permits, we will perform a study of depreciation rates and use the results to update our rates to their appropriate levels.

#### New Accounting Pronouncements

Certain recently issued accounting pronouncements will have an impact on GRU's financial reporting in the year ending September 30, 2002. Most notable is GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local*

*Governments*, which will require changes in the presentation of GRU's financial position and activities. Other changes will include the presentation of Management's Discussion and Analysis as required supplementary information and disclosure of certain net asset categories. In addition, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, will necessitate other reporting changes as well. GRU management is aware of these pronouncements and has begun to review the pertinent provisions. We recommend that as management continues to review these pronouncements they begin evaluating and documenting their impacts in the near term, with the objective of proactively addressing the reporting changes well in advance of the year-end closing process. As part of this process, we also recommend that pro forma financial statements and note disclosures be developed as soon as practicable. We are available to assist in this process and will be pleased to provide feedback as requested.

### *Management's Response*

Although we believe that these pronouncements will not have a significant impact on GRU's business processes, management understands the importance of reviewing them and is in the process of preparing for their implementation in advance of the year-end closing process for fiscal 2002.

## **Information Systems**

### Disaster Recovery/Business Continuity Planning

GRU has procedures in place to address disaster recovery, however, the organization does not have a formal, documented plan in place. Management must understand the importance of maintaining a living document designed to address all aspects of disaster recovery planning. We recommend that GRU dedicate the resources necessary to create a comprehensive business continuity/disaster recovery plan.

Planning for business continuity and disaster recovery is a critical aspect of conducting business in the age of information technology. Precautions need to be taken to ensure that processing can continue should any unforeseen event occur. A business continuity plan is the main precaution that can be taken. Once the plan has been developed, it is used to guide the recovery process and/or to control the transfer of processing to an alternate location. The business continuity plan helps to ensure that all critical tasks are performed. An effective business continuity plan should address the following items:

- Business Impact Analysis
- Assumptions used when developing the plan; including all potential disasters to be covered by the plan
- Roles and responsibilities of data processing staff and users (include contact information such as home phone numbers, cellular phone numbers, beeper or pager numbers, etc.)
- Priorities for critical processing
- Procedures for testing, reviewing results, and updating the plan

- Back-up or alternate location for hardware; backup of systems software, application programs, data files, data base, and documentation
- Instructions for contacting the alternate processing site
- Instructions for restoring the system at the alternate processing site
- List of hardware and software vendors, phone numbers and contact personnel
- Off-site storage of all back-up, including a copy of the plan
- Power and air conditioning requirements
- Telecommunications requirements
- Emergency supplies of computer media
- Phones and Fax machines
- List of critical documents required to run the business
- Customer management procedures

The goals of business continuity planning are to preserve and protect the essential elements of an organization and maintain an acceptable level of operations throughout a crisis and during recovery. Comprehensive, living disaster recovery/business continuity plans may increase the GRU's ability to recover critical information services and business processes. The risk of data loss and time delays during recovery can be significantly reduced. In addition, GRU may be able to obtain insurance premium discounts by demonstrating that a well-designed continuity plan and documented risk mitigation procedures exist.

#### *Management's Response*

The lack of a backup site and plan for disaster recovery is a recognized deficiency. It is anticipated that a task force will be formed with a specific charter approved by management to solve the problem. The task force will be charged with developing the plan to recover mission and business-critical technology and applications at an alternate site. This includes GRU's major systems: CBIS, EMS, GIS (AM/FM), MIMS, OMS, and others that may be identified. The plan will include a detailed implementation schedule with a recommended strategy, locations, space requirements, equipment requirements, and ongoing support requirements. The scope of the task force will be limited to solving the problem of system availability for disaster recovery, i.e., to recover mission-critical technology and applications at an alternate site.

This letter is intended solely for the information and use of management, the City Commission of the City of Gainesville, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

November 21, 2001





## **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 no findings or reportable conditions for the year.

In connection with our September 30, 2001 financial statement audit and single audit, our external auditors listed findings as set forth below. We have developed plans for corrective action on these findings as follows. These plans will be implemented by the applicable departments within the City and overseen by the City Manager, Wayne Bowers. He can be contacted at (352) 334-5010.

#### **CURRENT AUDIT FINDING NO. 1**

Because of employee turnover, General Government's accounting department was not fully staffed and some employees assumed new responsibilities during the audit period. Consequently, internal controls over financial reporting were weakened and financial data became more susceptible to errors. Some misstatements occurred, which were identified and corrected during the course of the audit.

#### **CORRECTIVE ACTION PLAN:**

During the course of the past fiscal year, a combination of promotions and separations from service within the Accounting Division resulted in unprecedented vacancy rates in this area. For a significant part of the year, the Accounting Manager, Accountant II and RTS Accountant positions were unfilled. These positions constitute one-half of the division's six managerial and professional positions. The Accountant II position was filled in late fiscal 2001, and the Accounting Manager position was filled from within in October of 2001. This leaves the Grants Fiscal Coordinator and RTS Accountant positions as the remaining vacant slots in the division. Management is working diligently to recruit qualified individuals for these positions. Filling these posts will allow management to address the issues cited in the external auditor's finding.

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#### *Administration*

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