

PROPOSED FY 2006 ANNUAL AUDIT PLAN

NOVEMBER 2005




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

City of
Gainesville

Inter-Office Communication

November 21, 2005

TO: Audit and Finance Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Chuck Chestnut, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Proposed FY 2006 Annual Audit Plan

Recommendation

The Audit and Finance Committee submit the City Auditor's Proposed FY 2006 Annual Audit Plan to the City Commission for approval by resolution.

Explanation

Resolution 970187, City Auditor Internal Responsibilities and Administrative Procedures, Section 4 (b) requires the City Auditor to submit an Annual Audit Plan to the City Commission for approval. The process of preparing the Annual Audit Plan includes obtaining input from City Commissioners and Charter Officers as well as evaluating information gained from previous audits and studies performed by the City Auditor.

Each of the requested projects is weighed against other planned or required projects resulting in Exhibit A, which represents a compilation of proposed audits for the City Auditor's work plan for FY 2006. Audits are classified into the following categories:

- Revenue/Cost Containment Audits
- Operational Audits
- Compliance Audits
- Follow-up Audits
- Other Projects

A description of all projects is also included for review.

RESOLUTION NO. 050651

PASSED November 28, 2005

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA RELATING TO APPROVING AND ADOPTING THE ANNUAL AUDIT PLAN FOR THE OFFICE OF THE CITY AUDITOR FOR THE PERIOD OCTOBER 1, 2005 THROUGH SEPTEMBER 30, 2006

WHEREAS, formal responsibilities and administrative procedures for the Office of the City Auditor were established by City Commission Resolution 970187 on August 11, 1997; and

WHEREAS, such procedures require the development of an annual audit plan in order to ensure adequate audit coverage during the period;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GAINESVILLE, FLORIDA:

Section 1. That the City Auditor is authorized to carry out the audits and other projects as described in the ANNUAL AUDIT PLAN attached hereto as EXHIBIT A.

Section 2. This Resolution shall take effect immediately from and after its adoption in accordance with the provisions of the Charter of the City of Gainesville, and it is accordingly so resolved.

PASSED AND ADOPTED this 28th day of November 2005

Pegeen Hanrahan, Mayor

Approved as to Form and Legality

Marion J. Radson, City Attorney

ATTEST:

Kurt M. Lannon, Clerk of the Commission

EXHIBIT A

CITY OF GAINESVILLE
OFFICE OF THE CITY AUDITOR
FY 2006 ANNUAL AUDIT PLAN

Revenue/Cost Containment Audits

Budgeted Revenue Estimates
Fleet Fuel Expenses
Gainesville Fire Rescue Department Overtime
Gainesville Police Department Overtime
GRU Procurement Card Program
Living Wage Review
Property Tax Exemptions
Recreation Department Miscellaneous Revenues

Operational Audits

General Government Purchasing Process
Human Relations and Equal Opportunity Programs (GRU SBE/MBE/WBE Program)
Insurance Broker Payment Process
Payroll System
Performance Measures Validation and Comparison to Peer Cities

Compliance Audits

General Government Cash Receipts
GRU Purchases
Payroll Payoffs
Petty Cash
Travel Expenditures

Follow-up Audits

ADA Paratransit Service Rates
Employee Compensation
Equal Opportunity Program
General Government Cellular Telephones
General Government Procurement Card Program
GRU Purchasing Bid Process
GRU Revenues
Housing
Internet Access
Neighborhood Housing and Development Corp. (NHDC)
Pay Study
Small Local Business Development Department
UGCDC Dissolution

Other Projects

City Commission and Management Referrals/Special Projects

FY 2006 ANNUAL AUDIT PLAN
DESCRIPTION OF PROJECTS

REVENUE/COST CONTAINMENT AUDITS

Budgeted Revenue Estimates

City Commission Resolution 970187, which governs the internal responsibilities and administrative practices of the Office of the City Auditor, requires an annual review of the City Manager's General Fund revenue estimates included in the budget. The City Auditor advises the City Commission on the reasonableness of management's estimates.

Fleet Fuel Expenses

The main objective of this review will be to evaluate the system of management control over the purchase and usage of fuel for City vehicles.

Gainesville Fire Rescue Department Overtime

This review focuses on evaluating the system of management control currently in effect over the assignment and utilization of overtime in the Gainesville Fire Rescue Department. This review was initiated in FY 2005.

Gainesville Police Department Overtime

This review will focus on evaluating the system of management control currently in effect over the assignment and utilization of overtime in the Gainesville Police Department. This review was requested by the City Manager during our annual audit planning process.

GRU Procurement Card Program

The GRU Procurement Card Program is a credit card based method of purchasing goods and services designed to streamline the process for purchases falling within established limits. The objective of this audit is to evaluate the adequacy of management controls, program effectiveness and compliance with established rules and regulations. This review was initiated in FY 2005.

Living Wage Review

The objective of this review is to evaluate the policies, procedures and system of management control related to the implementation of the Living Wage Ordinance and reports submitted to the City Commission by the City Manager and General Manager for Utilities regarding the incremental costs of the Ordinance. This review was initiated in FY 2005.

Property Tax Exemptions

The FY 2006 budget projects collections of real estate property taxes of nearly \$21 million. The objective of this review is to evaluate property tax exemptions granted within the City of Gainesville to ensure the City's property tax revenues are optimized.

Recreation Department Miscellaneous Revenues

The main objective of this review will be to evaluate the system of management control over certain miscellaneous revenues related to recreation programs, such as the sports program concessions. This review was requested by the City Manager during our annual audit planning process.

OPERATIONAL AUDITS

General Government Purchasing Process

The main objective of this review is to evaluate the policies, procedures and management controls related to the purchasing processes used in General Government. This review was initiated in FY 2005.

Human Relations and Equal Opportunity Programs

The City of Gainesville's Charter requires the City Auditor to periodically complete audits of the City's various human relations and equal opportunity ordinances, policies and programs. For FY 2006, we will evaluate the operational efficiency and effectiveness of the GRU Small/Minority/Women Business Enterprise (SBE/MBE/WBE) Program.

Insurance Broker Payment Process

In August 2005, the City Commission referred to the City Auditor a review of the City's insurance broker contract. The primary objective of this audit is to assess the reliability, validity and relevance of the financial information provided by Gallagher related to a refund of \$1.3 million in excess commissions. The secondary objective of our audit is to evaluate the system of management control within the City related to the placement and monitoring of insurance coverage. This review was initiated in FY 2005.

Payroll System

The purpose of this review will be to evaluate the system of management control over the City's payroll system. We will review payroll and personnel policies and procedures and determine that payroll transactions are properly authorized, calculated and documented in accordance with management direction and applicable laws, rules and regulations.

Performance Measures Validation and Comparison to Peer Cities

During FY 2003, the City of Gainesville began participating in the ICMA Center for Performance Measurement (CPM) program that provides comparative data on selected aspects of service performance for cities and counties. The CPM helps cities and counties assess the quality and efficiency of service delivery to citizens through the collection, analysis and application of standardized performance data. The data must be accurate, fair and reliable for the program to be meaningful.

The objectives of this review will be to evaluate the reliability and validity of performance measure data submitted by management for publication in the Annual ICMA Comparative Performance Measurement Report and to assess the comparability of these measures to peer cities. This project will focus on several departments each year. For FY 2006, key performance measures for Highway and Road Maintenance and Parks and Recreation will be reviewed.

COMPLIANCE AUDITS

General Government Cash Receipts

The objective of this review will be to evaluate the system of management control in effect over cash receipting processes throughout General Government.

GRU Purchases

During FY 2004, we completed a review of the adequacy of the system of management control in effect over the GRU Purchasing Bid Process. During FY 2006, we will begin selecting a sample of purchases periodically during the year to assess compliance with City policies and procedures.

Payroll Payoffs

The City Auditor's Office occasionally takes possession of selected departments' payroll checks and distributes them directly to listed employees. This procedure is performed on a surprise basis and is designed to determine that payroll checks are prepared only for valid employees of the City of Gainesville. This procedure is also designed to detect irregularities regarding employee pay rates, number of hours worked, special payments and other payroll related items. During FY 2006, we plan to enhance this recurring process to provide greater coverage within City departments.

Petty Cash

Various City departments maintain petty cash and change funds ranging in amounts from \$25 to \$2,200. The City Auditor's Office performs surprise test counts of selected funds to ensure that adequate policies and control procedures over petty cash funds are in place and observed.

Travel Expenditures

This review will evaluate compliance with City travel policies and procedures. We will conduct testing to determine that travel payments were processed in compliance with City policies and procedures and whether adequate controls exist to prevent unauthorized travel reimbursements.

FOLLOW-UP AUDITS

Follow-up audits are required by City Commission Resolution 970187 and conducted to determine the status of management's actions on specific City Auditor recommendations previously approved by the City Commission. During FY 2006, managers from departments with outstanding audit recommendations will provide information to the City Auditor's Office, which will be reviewed to evaluate whether recommendations have been adequately implemented. The listing of completed audits with open recommendations is shown on page one of this Exhibit.

OTHER PROJECTS

City Commission and Management Referrals/Special Projects

The City Auditor performs special projects, reviews or audits referred by the City Commission or management from time to time. The exact nature of these assignments cannot be determined in advance.

