

**REPORT ON STATUS OF OUTSTANDING
AUDIT RECOMMENDATIONS**

JUNE 2007



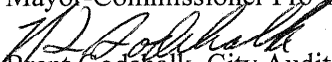
**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

June 4, 2007

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Rick Bryant, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Report on the Status of Outstanding Audit Recommendations for June 2007

Recommendation

The Audit, Finance and Legislative Committee recommend that the City Commission:

- 1) Accept the City Auditor's report; and
- 2) Refer the issue of lobbyist registration to the Charter Officers for further development and a recommendation back to the Audit, Finance and Legislative Committee.

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 33 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, General Manager for Utilities, Equal Opportunity Director and the various departments participating in this review process.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Fiscal Year 2007 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 was 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.

Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Generally, our procedures consisted of the following:

- The City Auditor provided the City Manager, General Manager for Utilities and Equal Opportunity Director 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 33 outstanding recommendations from 15 prior audits. The results of our review indicate management adequately implemented 18 of the prior period 33 recommendations, leaving 15 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	Jun 91	Review of Employee Compensation	3	0	3
GRU Finance	Nov 02	Review of Utility Revenues	1	1	0
Neighborhood Housing and Development Corp.	Jan 03	Review of NHDC	1	1	0
Community Development	Jun 03	Review of Housing Division	1	1	0
Economic Development	Nov 03	Small Local Business Development Department	2	1	1
Human Resources	Mar 04	2004 Pay Study Review	1	1	0
Equal Opportunity	Jun 04	Review of Equal Opportunity Program	1	0	1
Regional Transit System	Aug 04	Review of ADA Paratransit Service Rates	1	1	0
GRU Purchasing	Jan 05	Review of GRU Purchasing Bid Process	3	2	1
GG Purchasing	Jun 05	Review of General Government Cellular Telephones	4	2	2
Block Grant	Aug 05	Review of the Dissolution of UGCDC	2	1	1
GG Computer Services/GRU Information Systems	Aug 05	Review of Internet Access	1	0	1
GRU Purchasing	Feb 06	Review of the GRU Procurement Card Program	2	2	0
GG Purchasing	Mar 06	Review of the General Government Purchasing Process	5	2	3
Risk Management	Apr 06	Review of Arthur J. Gallagher & Company Insurance Brokerage Services	5	3	2
TOTAL RECOMMENDATIONS			33	18	15

Review of Employee Compensation

Three recommendations originating from a 1991 audit remain open and relevant to City operations. As reported in previous follow-up reports, City Commission-approved Personnel Policies regarding the different types of employee salary increases allowed remain in place even though actual practice has changed considerably. Without appropriate changes to Personnel Policies, there has become greater uncertainty and reduced accountability over the mechanisms for rewarding employees. We believe management should evaluate Personnel Policies related to employee salary increases and make recommendations to the City Commission to address these areas as soon as possible so that all departments are operating under consistent, fiscally responsible, documented parameters. Not implementing these recommendations promotes inconsistent pay increases for employees who are promoted, provided special merit increases or placed into acting positions.

In February 2003, these three recommendations were discussed extensively in the Audit and Finance Committee and were referred to the Personnel and Organizational Structure (P&O) Committee for further review. At the March 2003 P&O Committee meeting, management agreed to work with the City Attorney and return with the necessary Personnel Policy revisions. Management's current response indicates that these policies "will be reviewed in FY 2007 to support the compensation philosophy and pay plan adopted in 2006".

Review of Utility Revenues

Since the time of our original recommendation, GRU has utilized data from their geographic interface system (GIS) to improve the data accuracy of the customer billing system regarding the coding of GRU accounts inside and outside City limits. The GRU address database was updated extensively in August 2006 with Alachua County parcel numbers and efforts to match tax jurisdictions to addresses have been completed with resulting corrections made. In recent months, GRU has implemented a new billing system utilizing updated GIS information. This audit is now closed.

Review of Neighborhood Housing and Development Corporation (NHDC)

The final remaining recommendation from this audit has been implemented. The NHDC Director now has a written employment contract with the NHDC board of directors which formalizes the Director's compensation, benefits and performance expectations and provides a basis for future evaluations and terms of employment.

Review of Housing Division

Management has developed and implemented an annual maintenance inspection policy and system to ensure SHIP recipients continue to reside in the home through the life of the loan and that the home continues to comply with City codes. A formalized system is in place to ensure recipient homes are visually inspected and those that appear to be in disrepair are referred to Code Enforcement for a full inspection. This audit is now closed.

Review of Small Local Business Development Department

Management has worked with Sun Trust to ensure that purchases with General Government procurement cards identify qualified local small business activity. This enables General Government to identify all purchases made to qualified local small businesses rather than those only made through purchase orders and contracts.

One recommendation remains open. Management participates in the ICMA performance management program and measures the overall volume of small business expenditures, which is then reported as a percentage of central purchasing volume. We will continue to work with management regarding utilization of the data to evaluate and communicate the overall success of the Small Local Business Procurement Program.

2004 Pay Study Review

The final recommendation from our 2004 Pay Study Review was implemented in March 2006 when the City Commission adopted a City of Gainesville Compensation Philosophy submitted by the Charter Officers. The Compensation Philosophy, which provides guiding principles for the establishment and implementation of all aspects of compensation, was utilized during the 2006 Pay Study. As a result, this audit is now closed. Issues generated during our 2006 Pay Study Review will be included in our next follow-up process.

Review of Equal Opportunity Program

One recommendation remains open. The Office of Equal Opportunity is working with Computer Services to develop an automated Case Management System in order to better track the progress of investigations. Until that is completed, Equal Opportunity is utilizing a less formal interim measure to assist in tracking the status of investigations and ensure timely follow-up on information requests.

Review of ADA Paratransit Service Rates

Management has completed a comprehensive assessment regarding the feasibility of implementing ADA trip-by-trip eligibility and determined that operational constraints and concerns prohibit implementation in the near future. Although we believe potential long term cost savings and improved efficiencies exist, we recognize that many factors are prohibiting full implementation and recommend this audit be closed.

Review of GRU Purchasing Bid Process

Management has improved efforts to review source justified purchases submitted by operating departments and has provided periodic training and communications to operating departments to ensure an adequate understanding of and compliance with purchasing policies and procedures. Additionally, Purchasing has begun reviewing invoices to help ensure all contracts are signed and dated prior to services being initiated. Management is continuing efforts to implement miscellaneous issues related to travel arrangements for contractors, recommended minimum numbers of quotes to obtain, right to audit clauses as a standard feature in contracts and conflict of interest communications.

Review of General Government Cellular Telephones

Management has taken action to optimize shared minutes and to minimize or eliminate overage charges. A comparative analysis of cell phone costs indicates an annual savings of approximately \$12,000 from adjustments implemented. Internal controls over cell phones have also been strengthened to improve the timeliness and accuracy of the billing review process. Safety guidelines restricting cell phone use while driving have also been implemented. Two recommendations remain open regarding recommended improvements in the process utilized for supervisory review of cell phone billings and reimbursements for personal use.

Review of the Dissolution of United Gainesville Community Development Corporation

Management implemented one of two remaining recommendations by requiring all CDBG subrecipient agreements to include language prohibiting them from mortgaging or encumbering CDBG assisted real property without prior written consent from the City and by establishing a process of recording liens in favor of the City when the amount of CDBG assistance exceeds \$10,000.

Implementation of the final open recommendation has been delayed due to turnover and re-organization in the Finance Department. Based on our limited review of the sub-recipient monitoring process, we noted a few agencies with current financial concerns. We met with management and obtained agreement that better coordination and communication will take place between Finance and Block Grant staff. Procedures and checklists will be modified and Finance will conduct a more thorough financial analysis of subrecipients.

Review of Internet Access

General Government has implemented a new tool that allows inappropriate websites to be blocked and has recently developed a revised monthly activity report with which departmental managers can more efficiently monitor staff usage. GRU continues to provide managers access to a cumbersome reporting tool that includes only the most recent seven days of activity. GRU indicates that they are evaluating the benefits and limitations of General Government's monitoring tools to determine if the tools would benefit their organization. A limited review of several days of GRU internet activity identified a few employees accessing inappropriate websites and extensive internet activity during work hours by some employees on social networking and video sharing sites, such as MySpace and YouTube. We have communicated these issues in more detail to GRU management and will conduct further testing during our next follow-up review.

Review of the GRU Procurement Card Program

Management participated in a national benchmark study in 2006 indicating that GRU is at the top of the range for utilization of procurement cards. Management also improved controls over procurement card transactions by implementing a new on-line software program that facilitates transaction monitoring and supervisory approval. In addition, periodic training has been provided to cardholders and approving officials re-emphasizing procurement card policies and procedures, purchase limits, supporting documentation and requirements for performing adequate and timely supervisory reviews. This audit is now closed.

Review of Arthur J. Gallagher & Company Insurance Brokerage Services

Management has implemented three recommendations from this audit. Risk Management is now obtaining and reviewing supporting documentation necessary to ensure that the City is not overpaying for contractual services received and that contract terms are properly followed. Documentation reviewed includes broker disclosure forms and correspondence from the insurance carrier regarding the policy terms, premiums and any commissions involved in placement of the policy. This improved process provides reasonable assurance that the over-retention of commissions occurring with the City's previous broker will not happen again. Additionally, the impact of changing the City's contract from commission based to a flat fee resulted in an estimated annual savings of approximately \$295,000 beginning in Fiscal Year 2006.

The City's Purchasing Policies were revised effective January 2007 to require City Commission approval of contract extensions to original contracts previously approved by the City Commission. Management has taken action to address the receipt of gifts identified during this review and has conducted training to remind contract administrators of the City's Code of Ethical Standards and its importance in maintaining and enhancing the public's trust of government.

Two recommendations remain open. The first was to ensure competition is encouraged among insurance brokers and adequate time is provided for proposals to be evaluated and presented to the City Commission for review and approval prior to contract expiration. The current contract expires in October 2008 and we will review the competitive process leading up to that date. A second portion of this recommendation was for management to consider pursuing professional designation in risk management to increase knowledge and ensure skills are developed to better administer the City's insurance programs. Although professional conferences have been attended, certification has not been pursued.

The second open recommendation focused on improving communication between Risk Management, the City's insurance broker and the operating departments. Risk Management is developing written procedures focused on ensuring that all communications and invoices are routed through Risk Management so that information provided to our insurance broker and carriers is accurate and invoices conform to the time period and coverage amount required.

Review of the General Government Purchasing Process

Management has implemented two of the five remaining recommendations from this audit. In March 2006, the City Commission approved management's recommendation to remove sunset provisions from the City's Local Preference Ordinance. Effective January 2007, the City Commission amended the City's Purchasing Policies to better address communications between vendors and elected officials during the bidding and award process. The revisions also provide a constructive and controlled appeal process for vendors that desire to protest a bid process, including an opportunity to present the protest to the City Commission after all other avenues of appeal are exhausted. Additional efforts are underway regarding improved compliance with Purchasing Policies and procedures regarding competitive bidding requirements and supplier evaluation reports, improved performance measurement data and other operational and procedural improvements.

During discussions at the Audit, Finance and Legislative Committee related to vendor bid protests and communications between vendors and City officials, members requested additional information on the topic of lobbyist registration. We discussed the issue with the Clerk of the Commission and City Attorney and conducted research regarding lobbyist registration practices in other governments. Our research indicates that the concept of lobbyist registration is common in many state and local governments. Implementation options may range from a simple registration card to a formal ordinance that would require a more sophisticated system of registering and tracking. The City Auditor suggests that the Audit, Finance and Legislative Committee receive a brief presentation on this issue (see Attachment 1) and consider recommending the City Commission formally refer this issue to the Charter Officers for further development.

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.

Attachment 1

Lobbyist Registration and Disclosure

Audit, Finance & Legislative Committee

City Auditor's Office

June 4, 2007

Purpose of Legislation

Lobbyist registration and disclosure is about providing greater transparency in government by making visible the influences on government decision making

- Registration and disclosure are not intended to control or prohibit lobbying

Lobbyist Registration Laws

Lobbyist registration and disclosure is a well established concept:

- Federal level
- All 50 states
- Many local governments

Implementation ranges from a simple registration card to formal statutes and ordinances requiring a sophisticated system of registering and tracking

Florida Examples

Tallahassee:

- Informal process requires “disclosure of representation” card during meetings
- No other annual filing process

Formal Process: Ordinance, Annual Registration & Expense Reports

1. Ft. Lauderdale
2. Hollywood
3. Miami-Dade
4. Miramar
5. Orlando
6. Tampa

Registration Elements

Lobbyist required to:

- File annual forms
- Pay an annual fee
- File quarterly compensation reports
- Prohibited from accepting contingency fees related to lobbying

Florida Statute Definitions

- ***Lobbying*** before the Legislature defined as:
“influencing or attempting to influence legislative action or nonaction through oral or written communication or an attempt to obtain the goodwill of a member or employee of the Legislature”
FS § 11.045(1)(f)
- ***Lobbying*** before the Executive Branch defined as
“seeking, on behalf of another person, to influence an agency with respect to a decision of the agency in the area of policy or procurement or an attempt to obtain the goodwill of an agency official or employee...”

FS § 112.3215(1)(f)

Who Must Register?

Registration process applies to:

“any person who is employed and receives payment, or who contracts for economic consideration, for the purpose of lobbying, or a person who is principally employed for governmental affairs by another person or governmental entity to lobby on behalf of that other person or governmental entity”

FS §11.045(1)(h) & FS §112.3215(1)(h)

Compensation Factor

“Compensation” is the key factor to being considered a lobbyist and is defined as:

“ payment, distribution, loan, advance, reimbursement, deposit, salary, fee, retainer or anything of value provided or owed to a lobbying firm, directly or indirectly, by a principal for any lobbying activity”

FS §11.045(1)(b) & FS §112.3215(1)(c)

Who is exempt?

- Registration is **NOT** intended to prohibit anyone appearing in an individual capacity for self-representation or representing others without compensation
- Registration does not apply to various entities, officials and employees of other government agencies

Registration Requirements

What is filed?

- Name and business address of lobbyist
- Name and address of principals or clients
- Categories of lobbying subject matters
- Name of public office holders and public entities which will be or have been lobbied
- Lobby compensation and spending

Registrar for Lobbying Matters

- Maintain registry
- Verify compliance
- Enforce compliance
- Assess fines
- Provide public access to registry

Failure to Comply

Reports:

- Late filing fines and penalties

Lobbying Violations:

- Fines
- Reprimands
- Censure
- Probation
- Prohibition from future lobbying

Framework Elements

1. Define "lobbying", "lobbyist" "lobbying activity" "principal", etc.
2. Specify filing requirements, including information needed, filing times, fees, etc.
3. Provide appropriate exemptions for persons not required to file and specify activities not covered
4. Prohibit lobbying public office holders unless registered
5. Impose conditions for initial registration and subsequent renewals
6. Prohibit lobbyists from receiving fees that are contingent on the successful outcome of lobbying activities
7. Compel compliance
8. Establish guides for fines and penalties such as suspension, revocation, etc.

City Auditor Recommendation

1. Audit, Finance and Legislative Committee discuss issues related to the possibility of enacting lobbyist registration and disclosure legislation; and
2. If deemed appropriate, recommend the City Commission refer the issue of lobbyist registration to the Charter Officers for review and report back to the Audit, Finance and Legislative Committee.