

RESOLUTION NO. 070701

PASSED December 10, 2007

**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, 2007 THROUGH SEPTEMBER 30, 2008**

**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:**

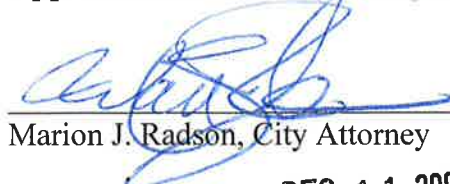
Section 1. That the City Auditor is authorized to carry out the audits and other projects as described in the ANNUAL AUDIT PLAN attached hereto as EXHIBIT A.

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 10<sup>th</sup> day of December 2007**

  
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Pegeen Hanrahan, Mayor

**Approved as to Form and Legality**

  
\_\_\_\_\_  
Marion J. Radson, City Attorney

DEC 11 2007

ATTEST:

  
\_\_\_\_\_  
Kurt M. Lannon, Clerk of the Commission

**EXHIBIT A**

CITY OF GAINESVILLE  
OFFICE OF THE CITY AUDITOR  
FISCAL YEAR 2008 ANNUAL AUDIT PLAN

**Revenue/Cost Containment Audits**

Budgeted Revenue Estimates  
Fleet Fuel Expenses and Charges to Departments (in progress)  
Florida Building Code Enforcement Enterprise Fund Revenues  
Gainesville Fire Rescue Inspection Revenues  
GRU Fuel/Coal Contracts (in progress)  
Health Insurance Costs (in progress)  
Local Business Tax Revenues  
Property Tax Exemptions (in progress)

**Operational Audits**

GRU Customer Care Center – Cash Collection Process  
GRU Investments  
Housing Department Performance Measures (in progress)  
Human Relations and Equal Opportunity Programs (Affirmative Action Plan)  
Payroll System

**Compliance Audits**

General Government Cash Receipts  
Payroll Verification Procedures

**Follow-up Audits**

Employee Compensation  
Equal Opportunity Program  
GFR Overtime  
GRU Purchasing Bid Process  
GRU Small Business Enterprise Program  
General Government Cellular Telephones  
General Government Purchasing Process  
General Government Small Local Business Development Department  
Insurance Brokerage Services  
Internet Access  
Living Wage  
Parks and Recreation Performance Measures  
Travel Expenses  
UGCDC Dissolution  
Youth Sports League Concession Operations  
2006 Pay Study

**Other Projects**

City Commission and Management Referrals/Special Projects  
GRU Wholesale Sales  
Outside Agency/Non-Profit Organization Review

FISCAL YEAR 2008 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 and Charges to Departments

The General Services Fleet Management Division is responsible for procuring and maintaining all General Government and GRU vehicles and equipment, excluding RTS which has its own facility. Fleet Management provides services for approximately 1,450 City vehicles and charges the cost of fuel and maintenance to other City divisions. The main objective of this review will be to evaluate the system of management control over fuel expenses and the allocation of charges to user departments. This review was initiated in fiscal year 2007.

Florida Building Code Enforcement Enterprise Fund Revenues

The Florida Building Code Enforcement Enterprise Fund was established by the City of Gainesville in fiscal year 2007 to account for revenues and expenses related to enforcing the Florida Building Code, as defined in Florida Statute §553.80. Revenues collected during fiscal year 2007 exceeded \$5 million. This review will focus on evaluating the system of management control currently in effect over revenues collected through this fund.

Gainesville Fire Rescue (GFR) Inspection Revenues

This review will focus on GFR inspection fee revenues, which are budgeted at approximately \$220,000 for fiscal year 2008. The objectives of this audit will be to evaluate the current fee structure for inspection and re-inspection fees, as well as how other municipalities assess these fees. This review was previously requested by the City Manager.

GRU Fuel/Coal Contracts

In fiscal year 2007, GRU was billed approximately \$44 million for coal and other fuels under current vendor contracts. The objectives of this audit will be to evaluate the adequacy of management controls over these expenditures and test vendor billings for compliance with contract provisions, rules and regulations. This review was initiated in fiscal year 2007.

Health Insurance Costs

The Employees Health and Accident Benefits Fund accounts for costs associated with administering a self-insurance plan for employees' health and accident claims. The plan is externally administered for a contracted amount based on the volume of claims. Medical claims and benefits paid during fiscal year 2006 exceeded \$11 million. The objective of this review will include evaluating the system of management control over fund administration and assessing third party administrator claims processing and payment systems to determine if claims are paid accurately, timely and in accordance with plan provisions. This review was initiated in fiscal year 2007.

### Local Business Tax Revenues

In fiscal year 2007, total revenue for Local Business Tax Revenues, formerly Occupational Licenses, exceeded \$800,000. The main objective of this review will be to evaluate the system of management control over the collection of local business tax revenue.

### Property Tax Exemptions

The fiscal year 2007 budget projects collections of real estate property taxes of over \$23 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. This review was substantially completed during fiscal year 2007; final reporting is pending discussions with the Alachua County Property Appraiser of audit results.

## **OPERATIONAL AUDITS**

### GRU Customer Care Center – Cash Collection Process

The purpose of this review will be to provide reasonable assurance that the GRU cash collection process is adequately safeguarded and accurately processed in a timely manner. Audit procedures will include interviewing staff, observing operations and reviewing the effectiveness of and compliance with established policies and procedures. This review was previously requested by the General Manager.

### GRU Investments

The GRU Finance Department oversees the investment process for cash balances of GRU's Capital Projects Funds, Debt Service Funds, Proprietary Funds and some Fiduciary Funds. This project will include reviewing laws, policies, procedures and records necessary to determine that GRU is properly administering investment programs. Additionally, we will review the security over banking transactions associated with these funds.

### Housing Department Performance Measures

This project involves reviewing the overall process of selecting and preparing performance measures. The primary objectives of this review are to evaluate the methodologies used by General Government departments for identifying, calculating, utilizing and reporting performance measures, comparing the City's methodologies to other cities and exploring "best practices". This review was substantially completed during fiscal year 2007; final reporting is pending discussions with management of audit results.

### Human Relations and Equal Opportunity Programs (Affirmative Action Plan)

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. Previous reviews have included the City's MBE/SBE Programs and Equal Opportunity Department internal investigations process. For fiscal year 2008, the Affirmative Action program and reporting process will be reviewed.

### 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.

## **COMPLIANCE AUDITS**

### **General Government Cash Receipts**

The objective of this review is to provide reasonable assurance to the City Commission and management that cash receipts reviewed are adequately safeguarded and accurately processed in a timely manner. Procedures include conducting spot checks of cash collections at various sites, counting cash on hand, reconciling amounts counted to cash register tapes or other documentation recording actual transactions, and verifying that revenues are properly deposited and recorded. We also interview staff, observe operations and review the effectiveness of and compliance with established policies and procedures.

### **Payroll Verification Procedures**

The objective of this review is to provide reasonable assurance to the City Commission that the processes established to calculate retirees' and DROP participants' pension annuity payments are operating effectively.

## **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 fiscal year 2008, 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.

### **GRU Wholesale Sales**

In April 2006, the City Commission referred the issue of wholesale sales of electricity to the Regional Utilities Committee (RUC) for analysis and report back to the City Commission. In October 2007, the RUC agreed to move forward with hiring a consultant to evaluate the methodology utilized by GRU for pricing wholesale sales of electricity and requested that the City Auditor work with the RUC to oversee the resulting contract. An item discussing this approach will be discussed by the City Commission in late November.

### **Outside Agency/Non-Profit Organization Review**

The City Auditor's Office periodically reviews selected City funded outside agencies and/or non-profit organizations for operational effectiveness and efficiency, compliance with appropriate contracts, laws, rules and regulations. Organizations reviewed during the year are selected based on City Commission and/or management input as well as the City Auditor's assessment of potential risk and exposure.