

**REPORT ON THE STATUS OF OUTSTANDING AUDIT
RECOMMENDATIONS FOR NOVEMBER 2012**

NOVEMBER 2012




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

City of
Gainesville

Inter-Office Communication

November 26, 2012

TO: Audit, Finance and Legislative Committee
Mayor Craig Lowe, Chair
Mayor-Commissioner Pro Tem Lauren Poe, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Report on the Status of Outstanding Audit Recommendations for November 2012

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 38 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 38 outstanding recommendations from 15 prior audits. The results of our review indicate management adequately implemented 15 of the prior period 38 recommendations, leaving 23 recommendations outstanding. An audit-by-audit summary of implementation progress follows.

Department/Agency	Report Date	Audit Title	Start Of Period	Implemented	Currently Outstanding
Equal Opportunity	Nov 03 & Jun 07	Review of GG and GRU Small Business Enterprise Programs	2	2	0
GRU Information Systems	Aug 05	Review of Internet Access	1	1	0
Human Resources	Nov 06	2006 Pay Study Review	4	0	4
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
GRU Energy Supply	Jan 09	Review of GRU Fuel/Coal Contracts	1	1	0
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	5	3	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
GRUCom	Jan 11	Review of GRUCom Revenues	3	2	1
Solid Waste Division	Aug 11	Review of Solid Waste Collection Fees	5	3	2
GRU	Aug 11	Review of GRU Solar Feed In Tariff Application Process	4	2	2
Parks, Recreation, & Cultural Affairs	Nov 11	Review of Miscellaneous Cash Receipts and Expenses	1	0	1
GRU	Nov 11	Review of GRU Capital Project Contracts	2	1	1
TOTAL RECOMMENDATIONS			38	15	23

Review of GG and GRU Small Business Enterprise Programs

Two recommendations related to the City's Small Business Enterprise (SBE) programs have been adequately implemented. Our original recommendations focused on improving the monitoring and reporting of the activities and progress of SBE programs to the City Commission on a regular basis. The Office of Equal Opportunity (OEO) has in recent years significantly improved their coordination and presentation of General Government and GRU SBE data analysis to the City Commission. The most recent reporting process provided annualized information over a three year period, allowing the City Commission to more effectively evaluate activities and resulting progress in these areas.

Effective for fiscal year 2013, the OEO has added a part-time Small Business Development Coordinator position. The purpose of this position is for the OEO to provide greater services to City departments as they endeavor to afford small, minority, and women-owned firms greater opportunities in providing goods and services to the City. Additionally, the OEO intends to improve upon their efforts to analyze and provide important data to the City Commission in order to help improve the City's overall efforts, including analyses of sub-contractor expenditures.

Review of Internet Access

The final recommendation from this audit has been closed. GRU has developed an enhanced internet usage reporting system and a how-to guide to assist managers in understanding the reports. The reporting system was made available to GRU managers during 2009 and to GRU employees in 2010. In addition, the Human Resources Department developed a GRU Internet Usage Policy that was adopted November 17, 2011. This policy outlines in detail appropriate internet usage and, combined with the monitoring reports available, should provide the necessary tools to help ensure that internet usage is appropriate.

2006 Pay Study Review

Implementation of the four previously issued audit recommendations will be evaluated during the initiation and completion of the pay study currently under way. At that time, management will have an opportunity to implement recommendations presented during our original review regarding slotting benchmark positions and adjusting for internal equity considerations, including a right to audit clause in the pay study contract and adequately evaluating cost of labor differentials to be utilized.

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, we noted during this follow-up process that the Billable Overtime Special Revenue Fund has experienced significant losses during fiscal years 2011 and 2012. As a result, we will continue to monitor progress in correcting these deficiencies during fiscal year 2013 and will 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 has 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 GRU Fuel/Coal Contracts

One final recommendation related to contract extensions for short-term contracts has been adequately implemented by management. Under current market conditions, coal suppliers have been reluctant to enter into longer term contracts. GRU was successful in obtaining three coal supply agreements with one year contract terms set to expire in early 2013. Each of these contracts contains a clause allowing GRU to extend the terms of the contracts for an additional year or two, subject to agreement by the seller, should GRU determine that extension of the contracts is advantageous. GRU is also in the process of testing the Deerhaven Air Quality Control System (AQCS) to determine if it is appropriate to purchase lower priced coal from the Illinois basin, which could be mixed with higher quality, higher priced coal from the Central Appalachian region, providing greater flexibility in future contract placement.

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. However, since that time revenues declined \$13,000 for fiscal year 2011 and another \$12,000 for fiscal year 2012, resulting in revenues being lower than they were prior to the fee restructuring. Management indicated that the elimination of a staff assistant position required inspectors to perform duties related to reviewing affidavits submitted by businesses documenting that inspection violations had been corrected. Management has since changed the process for reviewing the affidavits and is working to increase the number of completed inspections and revenues are expected to increase for fiscal year 2013. Additionally, there are continuing concerns regarding the collection of delinquent invoices and management anticipates having a collection agency in place before the end of the fiscal year. 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.

Our second recommendation regarding management establishing reasonable fees for fire extinguisher training, new construction plan review services, insurance verification letters and investigative report copies has been partially implemented, but will remain open pending completion of a recommended procedures manual regarding fees charged. City copying fees are now collected for investigative report copies, GFR no longer provides extinguisher training and verification letters for fire hydrant location are no longer an issue of concern. We will also 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.

GFR has 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. 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

Management has implemented three of our original five recommendations from this audit. First, management worked with the City Attorney's Office to obtain City Commission adoption of an ordinance allowing the City to seek judicial resolution of delinquent landlord permit fees, greatly improving the collection process. Second, management developed and implemented a comprehensive Standard Operating Procedure to greatly improve documentation regarding the landlord permit billing and collection process, improving staff effectiveness and ensuring continuity in the event of staff turnover. Third, management worked with Information Technology to improve the functionality of the "Landlord Delinquent Report" which allows staff to better monitor collection activity by date and fiscal year.

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 2012.

Review of Affirmative Action Program

The Office of Equal Opportunity (OEO) continues to make progress in implementing the four recommendations from our original report; however, we believe that further improvements are needed before the recommendations can be closed. For our first recommendation regarding necessary improvements in quality controls over Affirmative Action Plans and supporting data, OEO staff utilized data extracted from the Human Resources employee database and corrected missing data as a quality control. However, the corrections uploading into the Affirmative Action Plan software were not documented or adequately communicated so that the underlying Human Resources database could be corrected. This recommendation also included the OEO developing and documenting written procedures for conducting quality control analyses of Affirmative Action Plan data and documenting the Affirmative Action Plan compilation process. This has not yet been completed.

Our second recommendation focused on improvements in management controls over monitoring hiring processes. The process of completing Post Hiring Analysis Reports (PHAR's) for each position assigned with an AA goal was not completed consistently during our review period. The Equal Opportunity Director is considering implementing alternative monitoring tools rather than the completion of PHAR's. This recommendation will remain open for review after management has determined which monitoring method will be utilized.

For our third recommendation, related to necessary improvements in reporting efforts and progress relative to affirmative action goals, we recommended the OEO enhance the effectiveness of annual reporting, including reporting on representation trends over time by job groups and major departmental units. While enhancements have occurred, analysis and reporting of trend data from year-to-year was not created or included in annual reporting. Since the format of the Affirmative Action Plan changed and data from prior years was not retained, the OEO was unable to effectively compare data from year to year. This recommendation will remain open for further review after management has enough comparative data to complete the recommended trend analyses.

Our final recommendation, focused on enhancements in affirmative action training, management evaluation, and the exit interview process, has been partially implemented. Management has enhanced training and revamped the Operational Diversity Workplan to include an affirmative action component for management evaluations. However, no procedures have been implemented to proactively encourage employees to participate in exit interviews. As a result, this portion of the recommendation will remain open.

Review of Building Code Enforcement Fund Revenues

Management has adequately implemented our recommendation concerning the accuracy and timeliness of State Surcharge fees payable. The surcharge amount due from customers is now calculated and collected by the City at the time of application. Required payments are then compiled and remitted to the appropriate State departments at the end of each quarter.

During our review of this process, we observed that a subcontractor's personal information was erroneously disclosed via the "public access" portion of the City's permitting portal. The public disclosure of personal information violates Payment Card Industry Data Security Standards and non-compliance can result in fines to the City, as well as potential financial liability for credit/debit card holders. While management took immediate action to remove the noted personal information from public view and indicated that they took steps to ensure that no other personal information is available in the City's public portal, we will hold this recommendation open in order to follow-up on their efforts to improve payment card information security.

Review of GRUCom Revenues

Two of the three recommendations from our original audit have been adequately implemented. For the first recommendation, management has improved controls over GRUCom billing and collection activities by establishing written operational procedures related to maintaining, reconciling and adjusting account balances, as well as developing a system of management approval for significant account balance adjustments. Management has also worked to correct account balances and billing amounts, allowing GRUCom to eliminate previously relied upon manual shadow systems and processes. Management also eliminated conflicting billing and collections duties by moving the collection activities to GRU's cashiering group.

Regarding our second recommendation, management is still working to finalize written administrative policies and procedures documenting key GRUCom revenue processes and cross training employees in key administrative functions. As a result, we will hold this recommendation open.

Our final recommendation focusing on circuit database controls was implemented. Management no longer relies on the Circuit Database for billing purposes. Alternatively, as changes in a customer's service or premise occurs, Field Services conducts a comparison of circuits used by the customer to the number of circuits identified on their original customer contract. Confirmations of and changes to circuitry are communicated to GRUCom sales staff, who then request billing adjustments through GRUCom management and staff.

Review of Solid Waste Collection Fees

Management has successfully implemented three of the five original audit recommendations. For the first recommendation regarding franchise fee revenues, management developed and implemented a documented process of ensuring that franchise fee monthly payments are properly calculated based on reported gross revenues, that they appear reasonable based on historical patterns and that they reconcile with monthly activity reports received. Management also ensures that annual audited reports of gross revenues and franchise fees paid include necessary information and are received timely from franchisees as required by City ordinance. Annual audit reports are now reconciled with monthly franchise fee payments received and any differences noted are to be brought to the attention of Finance Department and Solid Waste Division management for proper adjustment. Commercial solid waste and construction/demolition debris franchise applications are now renewed annually, as required by City ordinance and application forms now clearly state that commercial franchisees are required to submit annual certifications of gross revenues.

Our second and third recommendations have not yet been fully implemented and will remain open. Regarding recommendation two, Solid Waste Division management is in the process of implementing a system of charging other City funds for municipal waste services. To date, GRU has refined the level of services received and agreed to pay approximately \$93,000 per year to the Solid Waste Enterprise Fund for services received beginning in fiscal year 2013. Arrangements for other City Funds to pay for services received are still being evaluated. For recommendation three, management has updated the methodology, cost factors and inventory of residential streets used to calculate road maintenance costs associated with providing residential solid waste collection services and provided a memorandum to the City Commission. Consideration of this issue remains in the Audit, Finance and Legislative Committee and is schedule for discussion at the November 2012 meeting.

Our last two recommendations have been implemented. Related to the fourth recommendation, management has reassigned staff and implemented supervisory reviews to ensure that incompatible duties related to billing and collecting solid waste fees are adequately segregated, improving accountability and oversight of City assets. Management has also improved documented policies and procedures to better guide operations related to residential invoice processing. For recommendation five, Solid Waste Division management has successfully worked with GRU to ensure that residential refuse services are properly prorated during months in which cart swaps occur, improved procedures to ensure that customer credits are properly documented, reviewed and approved by management, and implemented a field verification process related to evaluating the appropriateness of vacant home credits.

Review of GRU Solar Feed in Tariff (FIT) Application Process

Management has implemented two of our four original audit recommendations. For our first recommendation, related to solar FIT application requirements and exceptions, management has transferred the administration of future 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. We will hold this recommendation open in order to provide management the opportunity to evaluate what documentation will be required for submittal during future application processes and to further evaluate management's implementation of this recommendation for future open solar FIT application processes.

For our second and third recommendations, management clarified the GRU Administrative Guideline governing the solar feed in tariff application process to include a specific definition of what constitutes a government or nonprofit project, specifically as "projects that are either owned by or being installed on government or nonprofit owner parcels." Management also provided further clarification in the Administrative Guideline regarding submission of multiple applications for individual properties, specifying that "For roof top projects,

no more than 300 kW may be installed per parcel per year. The 300 kW total can be made up of multiple systems; however, at no time will more than 10 kW total of Class 1 systems be allowed on any one parcel.”

Our final recommendation, regarding City employee and official eligibility to participate in the GRU solar FIT program, has not yet been implemented. Although management has determined that it is not desirable for City of Gainesville/GRU employees to be eligible for the program, staff did not yet change the Administrative Guideline because the supplemental lottery was limited to those who had previously applied during the January 2011 application process. GRU will update the policy prior to the next solar FIT application process.

Review of Miscellaneous Cash Receipts and Expenses

The Parks, Recreation, and Cultural Affairs Department has made progress regarding our recommendation for improvements in financial controls related to the City’s Downtown Festival and Art Show (DFAS). Management has 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 has also improved the process of reconciling DFAS revenues received to total funds deposited and anticipated revenues. Staff now enters revenue data into the ActiveNet accounting system and compares revenues received to anticipated revenues entered into the DFAS software system. However, procedures have not been implemented to adequately compare periodic or total revenues to the City’s accounting system. As a result, we will hold this recommendation open for further review.

Review of GRU Capital Projects

Our first 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, are adequately documented and are accurately calculated on invoices submitted. GRU management continues to evaluate implementation of recommended improvements and hopes to have this recommendation implemented during fiscal year 2013.

Our second recommendation was for GRU to consider providing capital project updates on the GRU website. We believe that reporting summary information regarding the purpose, cost and status of major GRU capital projects would help to promote accountability, provide staff and ratepayers an opportunity to readily access summary information in one location and provide consistency with General Government public information access. GRU has considered this recommendation and decided not to implement it at this time, given their current IT project backlog and perceived marginal benefit from its implementation. We will close this recommendation since the recommendation was only for management to consider this concept, as it is more focused on providing easier access to contract information and is not a compliance or internal control issue.

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.