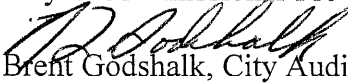


June 6, 2005

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

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Semi-Annual Report on the Status of Outstanding Audit Recommendations for June 2005

Recommendation

The Audit and Finance Committee recommend the City Commission accept the City Auditor's report.

Explanation

In accordance with our Fiscal Year 2004-2005 Annual Audit Plan, we have completed a Review on the Status of Outstanding Audit Recommendations. The review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures were designed to provide reasonable assurance that management has adequately implemented recommendations previously made by the City Auditor's Office and approved by the City Commission. Generally, our procedures consisted of preparing a detailed listing of recommendations outstanding and obtaining and verifying evidence of corrective actions taken by management for each outstanding recommendation.

The attached Report on the Status of Outstanding Audit Recommendations for June 2005 summarizes the results of our review. We would like to express our thanks to the Interim City Manager, General Manager for Utilities and the various departments participating in this review process.

Conclusion

Based on our review, nine of the prior period 23 recommendations were implemented, leaving 14 recommendations outstanding. While progress was made in implementing audit recommendations, further efforts are needed to ensure that open recommendations are implemented within a reasonable period. Although recommendations were previously approved by the City Commission and agreed to by management, some recommendations have been outstanding for more than five years. We believe that timely implementation results in direct improvements in efficiency, effectiveness and accountability.

130009 2005 Annual Report on the Status of Outstanding Audit Recommendations
For June 2005

Scope and Methodology

The primary focus of our review was to provide 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 and General Manager for Utilities with a detailed listing of recommendations outstanding within their departments and requested written updates on the status of each recommendation.
- Upon receipt of written updates and supporting documentation, we conducted procedures necessary to verify the adequacy of corrective actions taken by management for each outstanding recommendation.

Background

In accordance with City Commission approved Resolution 970187, *City Auditor Responsibilities and Administrative Procedures*, the City Auditor is required 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. Upon notification of corrective actions for implementing the recommendations, the City Auditor verifies the adequacy of corrective actions and summarizes the results to the Audit and Finance Committee.

During the past several months, the City Auditor worked with the Interim City Manager and General Manager for Utilities in preparing a status report on 23 outstanding audit recommendations. We have reviewed management's assertions on the implementation of outstanding recommendations and prepared our status report. The next semi-annual report on the status of outstanding audit recommendations is scheduled for November 2005.

Summary of Results

We began the current period with 23 outstanding recommendations from nine prior audits. The results of our review indicate management adequately implemented nine of the prior period 23 recommendations. A departmental analysis of implementation progress is as follows:

Department/Agency	Audit Title	Beginning Of Period	Implemented	Currently Outstanding
Community Development	Neighborhood Housing and Development Corp. (NHDC)	1	1	0
Community Development	Review of Housing	3	1	2
GG Finance	General Government Procurement Card Program	3	1	2
GG Purchasing	Small Local Business Development Department	5	2	3
GRU Finance	Review of Utility Revenues	2	0	2
Human Resources	Employee Compensation	3	0	3
Human Resources	Pay Study Review	3	2	1
NHDC	Neighborhood Housing and Development Corp. (NHDC)	1	0	1
Recreation and Parks	Review of Nature Operations Division	1	1	0
Risk Management	Worker's Compensation	1	1	0
TOTALS		23	9	14

See **Attachment A** for a complete listing of the nine recommendations implemented by department and audit. See **Attachment B** for a complete listing of the 14 recommendations still outstanding, either partially or completely.

Highlighted Implemented Recommendations

The following section highlights several recommendations confirmed as implemented during this follow-up process that resulted in improvements in efficiency, effectiveness and accountability.

Review of Neighborhood Housing and Development Corporation (NHDC)

Prior to and during our audit, we received several critical comments from current and former NHDC clients regarding NHDC services. We recommended that the City's Block Grant Department initiate an annual customer satisfaction survey of NHDC clients in order to allow customers to express concerns or provide feedback through a third party, which would allow the City to more effectively monitor progress and ensure that NHDC is meeting client needs.

The survey results for the past year indicated that most clients were satisfied with the services received with one client reporting dissatisfaction. Block Grant compiled and presented the responses to NHDC management with a recommendation to focus on the concerns of the dissatisfied respondent.

Review of Housing

In 2003, the Housing Division's homeowner rehabilitation waiting list had a wait period of approximately five years for residents requesting assistance. The Housing Division has reduced

the current waiting list from five years to approximately three years by obtaining City Commission approval to transfer \$150,000 from the rental rehabilitation account to the homeowner rehabilitation account. In addition, the Housing Division followed up with individuals on the waiting list to determine if rehabilitation funding was still needed and removed residents no longer requiring assistance.

Review of General Government Procurement Card Program

Management took several initiatives to improve communication with both cardholders and approving supervisors to reaffirm policies and procedures including memos and newsletters. Management also initiated a monitoring program of cardholder expenditures using newly implemented software. These efforts should result in improvements in cardholder compliance, supervisory review and better detection of items not in accordance with policy.

Review of Nature Operations Division

During our audit of Nature Operations, we noted that adjacent property owners had encroached upon City parks, but no recent surveys existed to properly identify the boundary lines. In October 2003, Public Works began using additional staffing for survey crews to address boundary surveying requirements for Nature Operation properties as well as other City properties. Several park properties have now been surveyed to identify areas of encroachment and to inform adjacent property owners, when necessary. It is anticipated that boundary surveys of all park properties will be completed within the next two years.

Review of Worker's Compensation

Management has completed the final recommendation for our review of Worker's Compensation. The City Safety Team will function as an advisory body to the City Manager to develop and recommend policies and procedures affecting administration of the City Safety Program. Risk Management went a step further by developing safety teams for specific work areas to address safety concerns unique to individual departments/divisions. The Public Works Department was the first team established, and other departmental safety teams will be established during this fiscal year.

Highlighted Outstanding Recommendations

The following section provides information related to several unimplemented recommendations that will require additional attention:

Review of General Government Procurement Card Program

Recommendation #2 and #3 remain open. The Finance Department continues working with the Office of Management and Budget in developing performance goals and objectives for the ProCard Program. Benchmark measures are needed to better manage and monitor program performance. Recommendation #3 has been partially implemented in that internet based software was installed ahead of schedule resulting in improved card control and administration. The final phase of installation, which includes the ability to interface the VISA data with the general ledger, has been delayed. Improvements in efficiency and cost saving can be obtained

when operating departments have the ability to reconcile statements on-line and Finance has the ability to post to the general ledger.

Review of Utility Revenues

Management has taken steps to reduce the number of scheduled but uncompleted work orders. A work order standards group was established to review the impact of outstanding work orders on utility operations and document procedures. A pilot program was developed using work orders as a means for improving communications between departments and customer billing regarding adjustments. We will continue to monitor progress towards more fully implementing this recommendation.

Management has also mapped a high percentage of electric customer facilities using their Geographic Interface System (GIS). During our next follow-up process, we will perform limited testing of data within the GIS system to provide reasonable assurance related to customer billing accuracy regarding the coding of GRU accounts inside and outside City limits.

Employee Compensation

Recommendations #13, #14 and #15 remain open. Our review of Employee Compensation goes back many years with recommendations outstanding since 1991. Management needs to prepare revisions to personnel policies for City Commission approval on the following three issues:

- pay increases related to promotions
- special merit increases for management employees, and
- acting out of classification policy

These three recommendations were specifically referred to the Personnel and Organizational Structure (P&O) Committee for further review on February 10, 2003. At the P&O Committee meeting of March 25, 2003, management agreed to work with the City Attorney and return with the necessary personnel policy revisions. During this follow-up period, management indicated these issues would be addressed after job audits and appeals related to the pay study have been completed.

Pay Study Review

Recommendation #2 remains open. The Charter Officers have not drafted written policies for future pay studies for City Commission review and approval. In addition, a report on salary increases averages has not been prepared. Management indicated these issues would be addressed after job audits and appeals related to the pay study have been completed.

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 in order to determine the current status of remaining recommendations. We plan to report the results of that process to the City Commission through the Audit and Finance Committee in November 2005.

ATTACHMENT A

Implemented Audit Recommendations

JUNE 2005

<u>Department</u>	<u>Audit Number</u>	<u>Audit Title</u>	<u>Finding Number</u>	<u>Recommendation</u>
Community Development	256	Neighborhood Housing and Development Corp. (NHDC)	5	NHDC Could be More Flexible and Open to Client Needs and Requests
	260	Review of Housing	1	Action Required to Address Five Year Rehabilitation Backlog
Finance	265	General Government Procurement Card Program	1	Internal Controls for Supervisory Review Need Strengthening to Ensure Purchase Limits are not Exceeded and Supporting Documentation is Adequate
General Government Purchasing	266	Small Local Business Development Department	2	MBE/SBE Vendor List may not Accurately Reflect Provider Goods and Services
			5	Budgeting for MBE/SBE Controllable Funds Should be Strengthened
Human Resources	267	Pay Study Review	1	Management Should Reevaluate the Relevant "Market" for MAP Positions and Make Necessary Adjustments to the MAP Pay Plan Taking into Account Geographic Indexing, Industry Type and Organization Size
			3	Management Should Submit CWA and MAP Classifications not Existing in the 2003 City Pay Plans and Reclassifications Requiring City Commission Approval Through the Personnel and Organizational Structure Committee Process
Recreation and Parks	227	Review of Nature Operations Division	1	Park Boundaries Should be Completed and Encroachment Issues Resolved
Risk Management	224	Worker's Compensation	4	Safety and Disability Management Team Should be Established

ATTACHMENT B

Outstanding Audit Recommendations

JUNE 2005

<u>Department</u>	<u>Audit Number</u>	<u>Audit Title</u>	<u>Finding Number</u>	<u>Recommendation</u>
Community Development	260	Review of Housing	3	Annual Maintenance Inspections not Performed
			4	Internal Control System Over Foreclosure Notifications Should be Developed and Implemented
Finance	265	General Government Procurement Card Program	2	Performance Benchmarks are Needed to Effectively Manage and Monitor Program Activity, Identify Areas of Improvement and Ensure Continued Success
			3	Technological Advances in Card Data Transmission and Integration Will Improve Controls and Efficiency and Reduce Costs
General Government Purchasing	266	Small Local Business Development Department	1	MBE/SBE Procurement Card Purchases Should be Included in Total MBE/SBE Funds Reported
			3	MBE/SBE Re-Qualification Process Reporting Should be Strengthened
			4	Performance Measurement Reporting Should be Strengthened
GRU Finance	254	Review of Utility Revenues	1	Billing Cycle Edit Checks and Work Order Processing Issues
			2	Coding of GRU Accounts Inside and Outside the City of Gainesville
Human Resources	149	Employee Compensation	13	Pay Increases Related to Promotions
			14	Special Merit Increases for Management Employees
			15	Acting Out of Classification Policy

<u>Department</u>	<u>Audit Number</u>	<u>Audit Title</u>	<u>Finding Number</u>	<u>Recommendation</u>
Human Resources	267	Pay Study Review	2	The Charter Officers Should Draft Written Policies Providing Guidance for Future MAP Pay Studies and Submit them to the City Commission for Review and Approval
NHDC	256	Neighborhood Housing and Development Corp. (NHDC)	7	NHDC Executive Director and NHDC Should Have a Formal Written Employment Agreement