

Report on the Status of Outstanding Audit Recommendations

Scope and Methodology

The primary focus of our review was to provide reasonable assurance that recommendations previously made by the City Auditor's Office and approved by the City Commission have been adequately implemented by management. 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:

- On September 25, 2000, the City Auditor provided the City Manager with a detailed listing of 57 recommendations outstanding (1 additional recommendation applied to the City Attorney's Office), requesting written updates on the status of each recommendation.
- Upon receipt of written updates, the City Auditor's Office conducted procedures necessary to verify the adequacy of corrective actions taken by management for each outstanding recommendation.

Background

On August 11, 1997, the City Commission approved Resolution 970187, City Auditor Responsibilities and Administrative Procedures, which included revised procedures for follow-up responsibilities and administration. In general, the resolution 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. Upon notification that corrective action was taken to implement the recommendations, the City Auditor takes the necessary steps to verify the adequacy of corrective actions. The City Auditor provides a summary report to the Audit and Finance Committee listing the status of outstanding recommendations.

During the past several months, the City Auditor worked with the City Manager and City Attorney in preparing a status report on 58 outstanding recommendations from prior audit reports. GRU currently has no outstanding audit recommendations. On December 7, 2000, the City Manager provided departmental responses to 50 of the 57 outstanding audit recommendations (1 additional recommendation applied to the City Attorney's Office). The remaining 7 responses were provided on January 26, 2001. We reviewed management's assertions on the implementation of outstanding recommendations and prepared a status report. Another review of this type will be completed in the next 6 months on remaining recommendations and those approved by the City Commission since the start of this follow-up process.

Summary of Results

We began with 58 outstanding recommendations from 16 prior audits. The results of our review indicate that management has adequately implemented 23 of the prior period 58 recommendations (40%). Of the remaining 35 recommendations (60%) still outstanding, 12 are partially implemented. A breakdown of the progress in implementing recommendations by department is as follows.

Department	Audit Title	Original	Implemented	Outstanding
City Attorney's Office	Court Fines	1	1	0
Community Development	Code Enforcement	3	0	3
Community Development	Neighborhood Housing Services	1	1	0
Finance	Cox Cable and City Administrative Procedures	1	0	1
Finance	Review of Payroll System	6	4	2
GPD	Court Fines	1	1	0
GPD	Law Enforcement Contraband Forfeiture Trust Fund	1	0	1
Human Resources	Employee Compensation	6	1	5
Human Resources	FY 93-94 Classification Reviews and New Positions	1	0	1
Public Works	Solid Waste Program	2	0	2
Public Works	Stormwater Management Utility Fund Revenues	5	1	4
Public Works	Landfill Tipping Fees	1	0	1
Recreation and Parks	Ironwood Golf Course Revenues	2	1	1
Recreation and Parks	Nature Operations Division	5	3	2
Regional Transit System	RTS Operations	4	4	0
Regional Transit System	Demand Responsive Transportation Issues	9	5	4
Risk Management	Worker's Compensation	9	1	8
TOTALS		58	23	35

A detailed listing of the 23 implemented recommendations, by department and audit, are included in this report as **Attachment A**. A detailed listing of the 35 recommendations still outstanding, either partially or completely, is included as **Attachment B**.

Highlighted Implemented Recommendations

Among recommendations confirmed as implemented resulting in direct, quantifiable and recurring financial benefit to the City of Gainesville are the following:

- Court Fines Audit – GPD developed the information technology required to avoid data entry duplication of citation data. This resulted in an annual cost savings of \$34,700.
- Payroll System Audit – Recommended automation improvements in the process of the payroll bank reconciliation resulted in an estimated annual cost savings of \$3,500.

Examples of other recommendations where implementation has resulted in less quantifiable but equally important improvements in the City's efficiency, effectiveness and accountability are as follows:

Demand Responsive Transportation Issues for RTS

The City Auditor's original audit report contained 38 "finding points" for improvements in RTS operations. RTS continues to make significant progress in implementing improvements to the paratransit system, and we observed sufficient progress to close 29 items. In addition, the ADA Task Force, created by the MTPO, continues to monitor implementation with the assistance of the City Auditor and RTS management. Notable RTS improvements include:

- Hiring a Transit Services/ADA Coordinator to administer ADA paratransit services.
- Retrofitting 14 main buses with wheelchair lifts.
- Purchasing 25 new buses. All new buses are ADA compliant and scheduled for delivery within the next few months.
- Contracting with ATC-Intelitran (ATC) to provide ADA complementary paratransit services. ATC is a national broker of paratransit services and replaced CTS as the community coordinator on October 1, 2000.
- Providing ATC with four ADA compliant vans. RTS plans to purchase five additional paratransit vehicles through the FDOT Work Program.
- Providing enhanced door-to-door ADA service.
- Extending ADA service to all city residents, regardless of the ¾ mile ADA fixed route corridor.
- Increasing the number of daily ADA rides.
- Providing free fixed route fares to all ADA certified riders.
- Working with the ADA Task Force to assess bus stops for ADA accessibility.
- Working with the NCFRPC to geo-code ADA eligible individuals.

The nine remaining finding points will be monitored by the City Auditor and the Task Force.

Nature Operations Division

Management notified all property owners who had major encroachments to remove these encroachments within a specified time period. As surveys continue on all parks and additional encroachments are found, management promptly notifies property owners of corrections needed.

Payroll System

All areas within the City are now successfully using a remote time entry system for payroll. This system has helped to improve the efficiency and accuracy of payroll processing and to reduce paper record retention requirements.

RTS Operations Audit

Management's implementation of FLEETNET software has resulted in improved internal controls over the RTS Garage inventory. The implementation of minimum/maximum parts quantities has reduced the potential exposure to obsolete parts.

Stormwater Management Utility (SMU) Fund Revenues

In Fiscal Year 2000, the SMU Fund experienced a net gain for the first time ever. While the magnitude of the gain is small, \$53,340, it is a significant improvement from the FY99 net loss of \$764,565. The net gain for FY00 is due to steadily increasing revenues over the past few years and a decrease in operating expenses in FY00. The decrease in operating expenses is partly due to increased focus on SMU capital improvements in FY99 and FY00. These actions, along with a significant decrease in depreciation expenses for Fiscal Year 2001, should allow this fund to continue to experience net gains and improve upon the existing negative retained earnings, if management continues to budget and operate this fund consistent with previous years.

Highlighted Outstanding Recommendations

Some unimplemented recommendations which we believe management and the City Commission should focus on are as follows:

Employee Compensation Audit

Recommendations 13, 14 and 15 of this report, accepted by the City Commission on June 17, 1991, focus on the different types and rates of employee compensation increases allowable, a key to the level of personnel costs the City incurs on an annual basis. As we reported in our last follow-up report, City Commission approved Personnel Policies remain in place even though actual practice has changed considerably, resulting in deviations from policies established by previous City Commissions to control salary increases. The City Auditor's Office has recommended since 1991 that management propose changes in these policies to the City Commission. Without such changes, there has become greater uncertainty and reduced accountability over the mechanisms for rewarding employees with salary increases. Several salary increases not provided for by City policy have been granted in recent years.

In July 1999, the General Manager for GRU issued a memo to the Mayor and members of the City Commission explaining that he has approved some recent salary adjustments "not expressly authorized in existing policy". The memo also indicated that management is looking to the "comprehensive pay study now under way to reassess our salary and benefit structure" and indicates the consultant's recommendations will be presented for the City Commission's approval within a year. It is now April 2001, and no recommendations for these changes have been provided to the City Commission. If pay study conclusions and recommendations are not forthcoming in the near future, 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. It is not appropriate for the City to continue to operate without adequate controls over employee increases.

We again recommend that management propose revised personnel policies regarding salary adjustments, special assignment increases and special meritorious increases to the City Commission for review, discussion and approval so that all departments are operating under consistent, fiscally responsible, documented parameters which have been approved by the City Commission. As requested at our August 15, 2000 Audit and Finance Committee meeting, a management update on the status of the pay study is scheduled for the April 16, 2001 Audit and Finance Committee meeting.

Stormwater Management Utility (SMU) Fund Revenues

Recommendation 3 of this review, SMU fees for Apartments and Mobile Homes, has not been implemented. When this recommendation was originally presented to the Audit and Finance Committee, it was agreed that management would reevaluate the calculation of the 0.6 ERU's used for apartments and mobile homes. This has not occurred, and management has indicated that that this analysis is not planned. The SMU Fund has improved financially without the implementation of this recommendation, and appears to be headed for a second year of net gains in Fiscal Year 2001. Provided the City Commission is comfortable with management's position, this recommendation will be closed.

Recommendation 6 of this review, Data Supporting Public Works Calculation of Impervious Area for Non-Residential Accounts, has not been implemented. Although management previously agreed to consider establishing a program of field measuring SMU sites during the FY98 budget year, no progress has been made toward implementing this recommendation. The most recent written response indicates that management believes the department has achieved the optimum balance between data accuracy and cost and, due to funding constraints, no progress in this area is planned. While we still believe this recommendation should be implemented, provided the City Commission is comfortable with management's position, this recommendation will be closed.

Recommendation 10 of this report, Late Fees not Allocated to General Government, has not been implemented. Management's original response to this issue indicated that this issue would be studied to determine financial implications. The most recent written response indicates that after discussions with GRU, management decided not to pursue this issue at this time even though no analysis of this issue has occurred. While we still believe this recommendation should be implemented, provided the City Commission is comfortable with management's position, this recommendation will be closed.

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 City Manager in the coming months in order to determine the current status of remaining recommendations. A report on the results of that process will be submitted to the City Commission through the Audit and Finance Committee during Fiscal Year 2002.

ATTACHMENT A

Implemented Audit Recommendations

April 2001

<u>Department</u>	<u>Audit Number</u>	<u>Audit Title</u>	<u>Finding Number</u>	<u>Recommendation</u>
City Attorney	233	Court Fines	2	Civil Citation Judgment and Reporting Process Should Be Consistent and Strengthened
Community Development	151	Neighborhood Housing Services	2	Effective Remedial Action Not Taken
Finance	226	Review of Payroll System	1	System Development Review of Remote Time Entry Process
			3	Survey of Payroll Timekeepers
			4	Significant Change in Accounting Distribution of Payroll Transactions
			6	Retention of Payroll Records
GPD	233	Court Fines	1	Data Entry Process for Traffic Citations Should Be Strengthened
Human Resources	149	Employee Compensation	10	Personnel Policies Should Be Revised to Better Address Hiring of Temporary Employees As Well As Terminating and Rehiring of Existing Employees
Public Works	199	Stormwater Management Utility Fund Revenues	1	Stormwater Management Utility Fund Net Losses
Recreation and Parks	196	Ironwood Golf Course Revenues	4	Internal Control over Golf Lesson Revenue Should Be Strengthened and the Current Compensation Package of the Golf Course Manager Should Be Evaluated
			227	Review of Nature Operations Division
			2	Maintenance Crew Hours Should Be Analyzed for Equitable Distribution
			3	Revenue Controls Should Be Strengthened
			4	Program Contracts Should Be Written
Regional Transit System	212	RTS Operations	1	RTS Fleet Maintenance Issues

Department	Audit Number	Audit Title	Finding Number	Recommendation
Regional Transit System	212	RTS Operations	2	Inventory Controls Should Be Strengthened
			3	Daily and Monthly Passes Should Be Timely Reconciled
			5	Measuring the Cost and Effectiveness of the Finance Program
	225	Demand Responsive Transportation Issues	2	Procedures for ADA Certification Eligibility Should Be Developed
			3	RTS Used Bus Purchases Should Comply with ADA Regulations
			8	RTS Operational Efficiencies and Communications Need Improvement
			12	Improved Outreach Efforts Needed by CTS and RTS
			13	RTS Feasibility Study and County-Wide Transportation Disadvantaged Action Plan Needed
Risk Management	224	Worker's Compensation	1	Risk Management Goals and Objectives Should Be Defined in a Long Term Strategic Plan

ATTACHMENT B

Outstanding Audit Recommendations

April 2001

<u>Department</u>	<u>Audit Number</u>	<u>Audit Title</u>	<u>Finding Number</u>	<u>Recommendation</u>
Community Development	128	Code Enforcement	5	Landlord License Notices of Payment Due Have Not Been Sent to Landlords and Fees for Landlord License Permits Are Not Being Collected
			8	Management Practices and Procedures that Provide Information to Management Regarding the Number of Inspections and Reinspections Performed During a Given Period of Time Should Be Strengthened in Some Areas
			11	Special Assessments Levied by the City Commission for Demolition and Lot Clearing Are Not Collected in a Timely Manner
Finance	190	Cox Cable and City Administrative Procedures	6	Service Address Boundaries Should Be Reviewed
	226	Review of Payroll System	2	Payroll Accuracy
			5	Improvements in Payroll Bank Reconciliation Process
GPD	067	Law Enforcement Contraband Forfeiture Trust Fund	3	Monies Seized Pursuant to the LECFTF Act Should Be Immediately Deposited into an Interest-Bearing Bank Account
Human Resources	149	Employee Compensation	11	Personnel Policies Should Be Revised to Address Severance or Other Similar Pay for Terminated Employees
			13	Pay Increases Related to Promotions
			14	Special Merit Increases for Management Employees
			15	Acting Out of Classification Policy
			18	Supplemental Forms of Compensation

Department	Audit Number	Audit Title	Finding Number	Recommendation
Human Resources	173	FY 93-94 Classification Reviews and New Positions	4	Classification Reviews of Human Resources Department Employees
Public Works	188	Solid Waste Program	5	Municipal Waste Disposal Payments to WMI
			6	Franchise Fee Revenues
	199	Stormwater Management Utility Fund Revenues	3	SMU Fees for Apartments and Mobile Homes
			4	Analysis of Areas Exempted from Paying SMU Fees
			6	Data Supporting Public Works Calculation of Impervious Area for Non-Residential Accounts
			10	Late Fees Not Allocated to General Government
	205	Landfill Tipping Fees	3	Allocation of Costs to Tipping Fees and Special Assessments
Recreation and Parks	196	Ironwood Golf Course Revenues	6	Golf Course Rates Should Be Reviewed and Approved
	227	Review of Nature Operations Division	1	Park Boundaries Should Be Completed and Encroachment Issues Resolved
			5	Staff Should Become Certified for Prescribed Burns
Regional Transit System	225	Demand Responsive Transportation Issues	1	RTS Service Vehicles Should Comply with ADA Accessibility Requirements
			4	Complaint Process and Independent Oversight and Monitoring Should Be Strengthened for ADA Transportation Issues
			5	RTS Compliance with ADA - Service Plan and Paratransit Service
			9	Rider Survey Results Should Be Reviewed by CTS and RTS Management
Risk Management	224	Worker's Compensation	2	Policies and Procedures Should Be Completed and Implemented

<u>Department</u>	<u>Audit Number</u>	<u>Audit Title</u>	<u>Finding Number</u>	<u>Recommendation</u>
Risk Management	224	Worker's Compensation	3	General Government Should Develop a Rehabilitative Duty Policy
			4	Safety and Disability Management Team Should Be Established
			5	Reporting Provided by Third Party Administrator Should Be Imposed
			6	Management Performance Indicators Should Be Established
			7	Timeliness of Reporting Accidents Should Be Improved
			8	Workers' Compensation Costs Should Be Allocated and Charged to Departments
			9	A Safety Component Should Be Included in the Management Performance Review