



# City of Gainesville

Office of the City Auditor

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## Memorandum

To: The Honorable Mayor and City Commissioners  
From: Ginger Bigbie, CPA, CFE, City Auditor  
Date: December 9, 2020  
Re: *Internal Audit Financial Reporting Process Review*, a collaborative project with General Government Budget and Finance to support financial reporting process improvements

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### Purpose:

To provide a status update to the City Commission regarding General Government (GG) financial reporting process control improvements to ensure timely completion of the external financial statement audit processes and to improve the financial reporting process control environment.

### Financial Reporting Process:

The Finance Director and City Auditor agreed on the scope of a collaborative review of the financial reporting process as reported in the Project Plan on August 18, 2020. The in-scope processes and controls appear in Table 1, below.

The City Auditor's Office performed two walkthroughs of management's progress to implement financial reporting process control improvements. The first GG financial reporting process walkthrough was conducted September 20, 2020 and a verbal update was provided to the Audit and Finance Committee on September 23, 2020. The topic of focus were:

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|--|-----------------|
| 1) CAFR checklist / Calendar / Timeline;           | status-on track |
| 2) Bank account reconciliations                    | status-at risk  |
| 3) Staffing resources for month and year end close | status-at risk  |
| 4) Progress on remaining controls                  | status-on track |

The second GG financial reporting process walkthrough was conducted November 30, 2020. The focus areas and status are listed below.

**Table 1**

Process	Control	Frequency	12/1/2020 Status	Internal Audit Comments
Bank Accounts	Reconcile all bank accounts monthly, ensuring all variances are researched timely.	Monthly	On Track	The Master Treasury account is in progress, including resolving some variances.
Key Balance Sheet Accounts	Reconcile key balance sheet accounts, ensuring all variances are researched timely. Ensure appropriate handling of allowance accounts.	Quarterly	At Risk	Payroll reconciliation is in progress. Accounts Receivable aging is still not possible due to current system limitations. Research of historic aging balances continues as Finance prepares for the new ERP system implementation in 2021. The new system allows for accounts receivable aging and reporting.
Monthly financial statement close	Ensure the books are closed out monthly	Monthly	Started	Finance began monthly financial close processes with the exception of reconciliations of key balance sheet accounts which are planned for January (following end of first quarter in FY21).
CAFR Checklist and Calendar	Establish checklist for all key financial reporting processes, due dates, and responsible parties.	Annually	On Track	Excellent tracking with weekly external auditor meetings has been established. A few detailed tasks are overdue and some tasks due in December are not assigned but high level milestones are on track.
Pension and Deferred Compensation Funds (606 and 609)	Continue researching treatment of these funds and application of GASB 84	Annually	On Track	External Auditors plan to review with management.
Staffing Resources	Ensure sufficient staffing is available with requisite knowledge and experience to support successful financial reporting processes and best practices.	Ongoing	On Track	Accounting is not fully staffed but hiring is underway and the two vacancies are expected to be filled this month.
Revenue and Expense account management	Strengthen oversight of revenue and expense accounts to ensure appropriate use	Monthly	On Track	There are no process changes at this time. Finance, Accounting, and Budget staff meet with departments quarterly to review budget to actuals. More robust financial reporting requires the ERP system implementation expected mid-2021.



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Capital Projects	Strengthen oversight of treatment of expenses for capital projects	Monthly	On Track	Finance Staff has communicated with all departments on capitalization dollar limits and useful life and reminders will be provided during quarterly budget meetings with departments. Accounting staff has reviewed and adjusted existing expenses for proper categorization and will continue to monitor.
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### Conclusion:

Based on the walkthroughs performed above, and given the Covid-19 pandemic, management financial reporting process control improvements are on track overall to meet their financial reporting deadlines for the FY20 external financial statement audit. Controls at risk are noted above.

While management intends to implement financial reporting controls on a monthly or quarterly basis for FY21 and beyond, this initiative is not fully established at this time. Management plans to continue implementation of the monthly and quarterly financial reporting controls once the current year external audit requirements have been fulfilled.