



**A Report to the
City Commission**

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City of Gainesville
Office of the
City Auditor

Carlos L. Holt – City Auditor

Fiscal Year 2018
Follow-up on Status of
Previous Audit Recommendations

February 7, 2019

EXECUTIVE SUMMARY

February 7, 2019



Why We Did This Audit

Implementation of action items to remediate issues identified by audits helps management to improve business processes. This annual follow-up engagement was included in the City Auditor's approved 2018 Fiscal Year Annual Audit Plan.

BACKGROUND

City management is responsible for implementing action plans proposed in its responses to audit recommendations. The City Commission Resolution 150127 requires the City Auditor to follow up on implementations. The City Auditor issues an annual report on the status of the action plans that city management stated they would complete prior to the end of fiscal year.

Each audit may result in a number of identified issues. Auditors make one or more recommendations for each issue. City management can have one or more action plans for each recommendation. In fiscal year 2018, there were 86 recommendations for 34 issues that were expected to be implemented based on management's responses to original audit reports. These recommendations were from twelve audits performed between year 2014 and 2017.

OBJECTIVE

The objective of this report was to present the status of implementation of open audit recommendations within fiscal year 2018.

SUMMARY OF RESULTS

A recommendation can be closed based on full implementation, management acceptance of risks, or obsolescence due to a change of circumstances. An issue is closed when all associated recommendations are closed. An audit is closed when all issues are closed.

Summary of Implementation Status

	Closed	Open	Total
Audits	6	6	12
Issues	25	9	34
Recommendations	59	27	86

A summary of recommendations that are not implemented is included in the report.

SCOPE AND METHODOLOGY

The scope of this follow-up is all open issues with recommendations expected to be implemented during fiscal year 2018. Expected implementation dates were provided by city management in its responses to original audit reports issued by the City Auditor's Office.

During the engagement, we spoke with management and key personnel, obtained and reviewed documentation submitted by management to verify implementation status.

OBJECTIVES AND CONCLUSIONS

1. *Were open audit recommendations implemented?*

Generally yes. We tracked 34 issues with 86 outstanding recommendations contained in twelve prior audit projects from January 2014 to June 2018. We reviewed status information provided by management and closed 25 issues. We also closed 52 fully implemented recommendations. Eight other recommendations are closed based on management's acceptance of risks or application of alternatives. More information is provided below in summary.

Summary of Recommendations Not Yet Implemented

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control –Training effectiveness* should be evaluated through completion, employee feedback, and meaningful analytics that measure the effectiveness of the training.

Payroll System Audit

The report was released in January 2014. Eleven recommendations for three issues are expected to be implemented in fiscal year 2018. Nine recommendations are implemented and closed. One recommendation on the payroll reporting process is closed since it is no longer feasible due to the fund to improve the accounting system being reallocated to the new ERP system. The other recommendations on automated payroll processes were not implemented pending installation of the new ERP system.

GPD Property and Evidence Section

This report was released in September 2015. Two recommendations for two separate issues were expected to be implemented in fiscal year 2018. The Gainesville Police Department declined to perform background checks every two years on employees of the Property and Evidence Section based on a compensating control that if any officer was arrested GPD would be alerted immediately. However, the risk of larceny still exists if employees are under financial pressure or undue influence during employment. This recommendation is closed as GPD accepts the risk. GPD is in the process of updating their general orders including 84.1 for periodic cash reporting procedures.

Fleet Operations

This audit report was released in January 2017. Four issues with 17 recommendations were expected to be implemented. Three issues were closed with twelve recommendations implemented. One issue with

five recommendations related to the information system remains open pending installation of the new system. Fleet management is replacing the *FASTER* application with *AssetWorks* in fiscal year 2019.

Vehicle Fuel Process

This audit report was released in November 2016. Two issues with four recommendations were expected to be completed. Three recommendations were implemented. One issue remains open. Fleet management has not yet updated the Customer Service Guide to add departmental responsibilities of monitoring gas consumption.

Gainesville Regional Transportation System (RTS) Farebox and Bus Pass Revenues

The audit report was released in September 2017. Eighteen recommendations from nine issues were expected to be completed by fiscal year end 2018. Fifteen recommendations were implemented. Three recommendations for two issues remain open. RTS has worked with the Internal Control manager to establish procedures for cash and deposit handling. A technical analyst was hired to ensure security equipment is working properly. Finance Department has advertised a revenue accountant position to perform monthly collection review and verification. RTS is working with Human Resources to determine the viability of establishing procedures for background check for cashiers during employment and removing cash handling duties from employees with history of cash handling problems.

Small Business Purchasing Program

The audit report was released in 2017. Two out of three recommendations were completed and closed. The other recommendation was closed based on the fact that neither the recommendation of removing user access rights; nor, the proposed solution of utilizing approval workflow would appropriately address the issue. Resources might be needed for researching a potential solution in the current ERP system. This recommendation is closed based on the low likelihood to implement a new solution in the current system.

GRU Non-Pension Investments

The audit report was released in November 2017. Twenty recommendations were expected to be implemented to address four issues. Only one recommendation was implemented before the original report was issued. GRU declined to shift security selection to a third party investment firm based on cost-benefit consideration and control over investment decision making. GRU declined, based on cost-benefit consideration, to build a maximum return model allowable under the terms of the Investment Policy to justify management's selection decision. GRU declined, based on cost-benefit concerns, to estimate the likelihood of bonds being called when calculating Average Maturity Days. All three recommendations were closed assuming GRU accepts the associated risks. GRU expects that the remainder of the 16 recommendations will be implemented with the SAP Debt Module. New estimated completion dates were extended between 3/31/2019 and 6/30/2019.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

Engagements to follow up on implementations of recommendations are classified as non-audit services by the City Auditor's Office. Independence of the auditors assigned to this engagement was assessed by the audit management during the planning phase. Independence of the auditors will be assessed in every new audit assignment hereafter.

ENGAGEMENT TEAM

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