

Report to the City Commission

**2020 Activities and
Accomplishments
-Office of the City Auditor-**

November 2020

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200 E University Avenue, Room 211
Gainesville, FL 32601



GAINESVILLE CITY COMMISSION

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***Audit & Finance Committee Member**

To: Honorable Mayor and City Commissioners
Fr: Ginger Bigbie, City Auditor
Subject: 2020 Activities and Accomplishments of the Office of the City Auditor

INTRODUCTION

The City Auditor's Office is an independent internal audit function, reporting directly to the City Commission, while the Audit and Finance Committee consisting of the Mayor and Mayor Pro-Tem provides oversight of activities.

Our mission is to become an increasingly agile internal audit team while promoting honest, efficient, effective, transparent and fully accountable government. To carry out this mission we perform risk-based audits, advisory services, special projects, and management requests. In addition, we manage the City's Fraud, Waste and Abuse Hotline and conduct investigations.

ACTIVITIES AND ACCOMPLISHMENTS

The four goals below for the City Auditor's Office were reviewed with City Commissioners. Activities and accomplishments are provided below each goal.

Goal 1:

*Rebuild and develop a collaborative and skilled **Internal Audit Team** in Year One (by February 24, 2021) that provides City-wide internal audit coverage of the highest risks impacting the City of Gainesville. Develop, implement and monitor departmental goals and objectives that are aligned with the strategic direction and business plan of the City Commission and professional standards for the professional practice of internal auditing in the public sector.*

Activities and Accomplishments

- Staffing: Our office is now fully staffed with the exception of an Executive Assistant position that we expect to fill in the coming weeks. Our team consist of the City Auditor, four full-time professional auditors, and one temporary part-time professional auditor who will retire in December 2020. This position is expected to be posted and filled by the end of February 2021. We have established stronger **IT internal auditing capabilities** and have created “**integrated auditing**” processes and procedures so every audit and project can benefit from the various skills and strengths of staff across the department and provide better coverage of risk exposures in performing our engagements.
- Policy/Procedures/Guidelines: **Internal policy, procedures and guidelines** have been updated this year to reflect revised professional standards (Generally Accepted Government Auditing Standards; Institute of Internal Auditor’s Professional Practices Framework), IT auditing standards, and investigation professional standards. We established an internal **data management policy and best practices** to ensure internal audit staff understand data privacy and security risks and take appropriate steps to protect the City’s high-risk data that we handle.
- Internal Audit staff complete a minimum of 40 **continuing professional education** hours annually to comply with professional standards and to maintain various professional certifications including Certified Public Accountant, Certified Internal Auditor, Certified Government Auditing Professional, Certified Information Systems Auditor, and Certified Fraud Examiner. Staff have completed training in ethics, government auditing, audit project management, grants management, information technology, cybersecurity, and fraud prevention and detection, among other topics.

Goal 2:

*Develop an **agile and risk-based internal audit plan** that supports City Commission strategic objectives; provide annual training to the City Commission on internal audit and risk assessment processes; provide ongoing training for City Auditor staff.*

Activities and Accomplishments

We introduced the City’s first Internal Audit **enterprise risk assessment** that is designed to inform a risk-based audit plan and revised periodically based on top priorities and emerging risks. Results will be reported this year in the City Auditor’s Office annual report and risk assessment on December 8, 2020.

We completed the following **engagements** this year, resulting in gained efficiencies and reduced risks once management remediation efforts are complete:

- Affirmative Action Plan (5 opportunities for improvement)
- Audit Phase II of the General Government Enterprise Resource Planning System Implementation
- Cybersecurity Audit (issues are confidential (4 opportunities for improvement)

- Audit of Internal Controls and Data Security for the use of Driver's License and Motor Vehicle Record Data Exchange (7 improvements related to data security controls were recommended)
- 2020 Follow-Up Status Report_FY2019 (listing of all open audit issues, one dating back to 2014)
- Reichert House Inc-AUP report (agreed upon procedures – no recommendations)
- Palm Breeze Youth Services Inc-AUP report (agreed upon procedures – no recommendations)
- Advisory Phase III -General Government Enterprise Resource Planning System (3 opportunities for improvement related to systems testing and information security)
- Advisory - Cybersecurity Readiness Review (security related issues are confidential)
- Management request – Temporary Employee Services Invoicing-Targeted Review (4 considerations)
- Audit Report_General Government Non-pension Investments (3 opportunities for improvement)

We provided the first **annual training for City Commissioners** to assist with better understanding of the City's key risks and the City's ability to manage them. The result of annual and ongoing citywide risk assessment conversations is to identify and prioritize audits, consultations, and special projects that offer the most value to the City and adding them to the audit plan. The City Auditor may re-prioritize engagements on the audit plan due to emerging risks. As engagements are completed during the year, new engagements from the prioritized list are added. The prioritized list is refreshed from time to time through enterprise risk assessment conversations with City leaders and managers.

Goal 3:

*Develop and enhance internal audit and investigative **processes** through risk-based, value-add internal audit, advisory and investigative services and capabilities. Enhance real-time, agile advisory services capabilities to address emerging risks and support management requests for audits and special projects that support risk mitigation efforts and help verify the sufficiency, accuracy, and reliability of information provided to the City Commission by City management.*

Activities and Accomplishments

Our office introduced the first **Quarterly City Auditor Update** for the City Commission that provides more current and transparent updates on Internal Audit activities. In addition, we introduced **Periodic Monitoring** that is a process for internal auditors to monitor elevated risk exposures while management develops and implements new programs around higher risk processes. Examples include following up with management to understand how key risks are being addressed, and to provide credible challenge where appropriate for topics such as ERP system implementation and Enterprise IT Governance. Periodic Monitoring risk levels are reported in the City Auditor Quarterly Updates.

Our completed special projects this year include:

- City Commission request – Credible Challenge of Management’s Proposed October 1, 2020 Pension Obligation Bond Financing Plan as presented in, “City of Gainesville Retirement Plans-Pension Obligation Bond Analysis –PFM”.
- GG Financial Reporting Process –Special project validating management’s implementation of stronger controls around monthly, quarterly and year-end financial reporting. Memo to be issued at the Dec. 8, 2020 Audit & Finance Committee meeting.
- GNV Cares – discussions with management for independent selection of awards (not needed due to low number of applicants)
- Affordable Housing Randomization Tool for Heartwood Subdivision – Internal Audit process for independent and automated random selection of applicants to receive housing awards.

The City Auditor’s Office recently adapted an **Internal Audit Equity Toolkit** from the Seattle City Auditor’s Office. This toolkit facilitates equity considerations during each audit engagement planning phase. When opportunities for improvement in equitable outcomes for staff or neighbors are present, additional test steps are written into the audit program for the engagement to ensure coverage of the risk.

External Audits: The City Auditor’s Office facilitates selection of the external auditor and pricing terms. In addition, our office serves as the City’s liaison for the **Auditor General operational audit** of the City of Gainesville that kicked off in March 2020. We provide regular updates to management and ensure communications are running smoothly. The audit is expected to wrap in the coming weeks.

The City Auditor’s Office now participates in the **New Employee Orientation** program and is working with HR to develop a brief ethics, compliance and fraud awareness training for all City staff.

Goal 4:

*Develop and implement an effective **audit issue follow up program** that identifies responsible parties, reasonable due dates, and management accountability for remediation plans, as well as Internal Audit escalation of past due issues to the City Commission. The first year program includes two parts: 1) evaluation and management of aged open audit issues; 2) improved development of future audit issues by focusing on audit issue root causes, prioritization based on assessed level of risk, and realistic management action plans to improve effectiveness and efficiency of operations and mitigate identified risk.*

Activities and Accomplishments

This year we re-designed and implemented an **audit issue follow up program** that requires most audit issues to be remediated by management within one year or less of the audit report publication. The program required re-evaluation of all aged open audit issues and required the addition of new due dates and responsible parties. The program also focuses on aggregating findings during an audit based on root causes and risk ratings, resulting in fewer but more impactful recommendations.

16 audit issues have been **fully remediated** and closed in 2020, resulting in **improved controls** around accounts payable processes, GRU non-pension investments, EO mandatory diversity training, Internal Controls and Data Security for the Use of Driver's License and Motor Vehicle Record Data Exchange, and payroll system.

Fraud Hotline:

The City Auditor is responsible for managing the anonymous Fraud Hotline reports. A fraud hotline encourages strong internal cultures. According the Association of Fraud Examiners *2020 Report to the Nations*, the most common detection method is tips. City policy does not allow retaliation which is critical to keep tips coming.

Activities and Accomplishments

This year I introduced an investigation tracking process to ensure any control deficiencies that are identified in complaint management processes are remediated. In addition, third party system improvements were made, including responses to reporters, case tracking, and case management.

CONCLUSION

I would like to thank the Mayor, City Commissioners and staff for their support of the City Auditor's Office and continued efforts to improve City operations and services. I would also like to thank the City Auditor's Office staff for their hard work and dedication that make the City Auditor's Office accomplishments possible.