

**REPORT ON THE STATUS OF OUTSTANDING
AUDIT RECOMMENDATIONS**

JUNE 2008



**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

June 10, 2008

TO: Audit, Finance and Legislative Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Jack Donovan, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Report on the Status of Outstanding Audit Recommendations for June 2008

Recommendation

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

Explanation

City Commission Resolution 970187, *City Auditor Responsibilities and Administrative Procedures*, 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. The City Auditor's Office verifies that corrective action has been taken and summarizes the results to the Audit, Finance and Legislative Committee.

During the past several months, the City Auditor worked with the appropriate Charter Officers in preparing a status report on 36 outstanding audit recommendations. We have reviewed management's feedback on the implementation of outstanding recommendations and prepared the attached status report summarizing the results of our review.

We would like to express our thanks to the City Manager, General Manager for Utilities, Equal Opportunity Director and the various departments participating in this review process.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Fiscal Year 2008 Annual Audit Plan, the City Auditor's Office has completed a Review on the Status of Outstanding Audit Recommendations. The primary objective of this review was to provide the City Commission with 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, General Manager for Utilities and Equal Opportunity Director with a detailed listing of recommendations outstanding for six months or more within their departments and requested written updates on the status of each recommendation.
- Upon receipt of written updates and supporting documentation, the City Auditor's Office conducted procedures necessary to verify that adequate corrective actions were taken by management for each outstanding recommendation.

SUMMARY OF RESULTS

We began the current period with 36 outstanding recommendations from 16 prior audits. The results of our review indicate management adequately implemented 18 of the prior period 36 recommendations, leaving 18 recommendations outstanding. An audit by audit summary of implementation progress follows.

Department/Agency	Report Date	Audit Title	Start Of Period	Implemented	Currently Outstanding
Human Resources	Jun 91	Review of Employee Compensation	3	0	3
Economic Development	Nov 03	Small Local Business Development Department	1	0	1
Equal Opportunity	Jun 04	Review of Equal Opportunity Program	1	0	1
GRU Purchasing	Jan 05	Review of GRU Purchasing Bid Process	1	0	1
GG Purchasing	Jun 05	Review of General Government Cellular Telephones	2	2	0
Block Grant	Aug 05	Review of the Dissolution of UGDCD	1	0	1
GG Computer Services/ GRU Information Systems	Aug 05	Review of Internet Access	2	1	1
GG Purchasing	Mar 06	Review of the General Government Purchasing Process	3	3	0
Risk Management	Apr 06	Review of Insurance Brokerage Services	2	1	1
GG Finance/GRU Finance	Aug 06	Living Wage Review	4	4	0
GG Finance/GRU Finance	Sep 06	Review of Travel Expenses	2	2	0
Parks, Recreation and Cultural Affairs	Nov 06	Review of Performance Measures for Parks and Recreation	2	1	1
Human Resources	Nov 06	2006 Pay Study Review	4	0	4
GFR	Feb 07	Review of GFR Overtime	2	0	2
GRU Purchasing	Jun 07	Review of GRU Small Business Enterprise (SBE) Program	4	2	2
Parks, Recreation and Cultural Affairs	Jun 07	Review of Youth Sports League Concession Operations	2	2	0
TOTAL RECOMMENDATIONS			36	18	18

Review of Employee Compensation

Three recommendations originating from a 1991 audit remain open and relevant to City operations. As reported in previous follow-up reports, City Commission-approved Personnel Policies regarding the different types of employee salary increases allowed remain in place even though actual practice has changed considerably. Without appropriate changes to Personnel Policies, there is reduced accountability over the mechanisms for rewarding employees. 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 so that all departments are operating under consistent, fiscally responsible, documented parameters.

Human Resources is currently working with the Charter Officers to develop new Human Resources Policies and Administrative Guidelines.

Review of Small Local Business Development Department

One recommendation remains open. The Small & Minority Business Coordinator was transferred from the Purchasing Department to the Economic Development Department and needs additional time to fully implement the recommendation. In addition, General Government and GRU staff are working together to develop a consistent report format for reporting SBE program activity to the City Commission.

Review of Equal Opportunity Program

One recommendation remains open. The Office of Equal Opportunity is working with Computer Services to develop an automated Case Management System in order to better track the progress of investigations. Until that is completed, Equal Opportunity is utilizing a less formal interim measure to assist in tracking the status of investigations and ensure timely follow-up on information requests.

Review of GRU Purchasing Bid Process

GRU implemented a portion of the final outstanding recommendation. Significant efforts have been made to reduce lodging and meal expenses incurred by contractors providing services to GRU. Previously, contractors traveling to Gainesville would typically make their own lodging arrangements and receive reimbursements for lodging and the costs of meals. Contracts usually allowed a 10% to 15% mark-up on these expenses. Contracts now generally provide a flat per-diem rate for meals and allow GRU to directly pay local lodging arrangements. As a result, GRU is able to generate savings through reduced lodging rates, reduced reimbursements to contractors for sales and resort taxes paid, and by avoiding contractual mark-ups. We estimate cost savings of approximately \$50,000 with this approach on the current contract for consulting services related to the implementation of the GRU financial system.

Further efforts are needed by GRU management regarding revising purchasing procedures to direct operating departments to attempt to obtain three or more quotes from prospective vendors and implementing right to audit clauses in purchasing contracts.

Review of General Government Cellular Telephones

Management completed the implementation of online access to Alltel's billing system. This has resulted in increased efficiencies of administration of the contract, as well as improved monitoring and processing of departmental cell phone bills. We estimate the recurring cost savings associated with reductions in staff time to be approximately \$55,000 annually.

Review of the Dissolution of United Gainesville Community Development Corporation

Management developed procedures that should result in better coordination and communication between Finance and Block Grant staff and provide for improvements in financial analysis of subrecipients. Implementation of the final recommendation is pending the receipt of financial documents from several subrecipients. We will assess the results of the changes after the financial data is received and the staff analysis completed. We believe the improved monitoring efforts will enhance the City's ability to detect financial instability of outside agencies earlier and reduce the risk of a loss in City funds.

Review of Internet Access

General Government implemented a new tool that allows inappropriate websites to be blocked and revised monthly activity reports with which departmental managers can more efficiently monitor staff usage. This has been useful for management to track employee usage and determine the appropriateness of website activity. GRU is currently developing an enhanced internet reporting model and internet usage policy that is anticipated to be completed at the end of the fiscal year.

Review of the General Government Purchasing Process

Management implemented the final three recommendations regarding improved compliance with purchasing policies and procedures, performance measurement data and other operational and procedural improvements such as competitive bidding requirements, supplier evaluation reports and vendor debarment. Management continues to provide training to operating departments and has developed a process for periodically reviewing decentralized purchasing transactions.

Review of Insurance Brokerage Services

Management implemented one recommendation by establishing a process in which all communications and invoices related to insurance policies are routed through the Risk Management Department. This information is reviewed to ensure all invoices for renewals are for the proper period and based on quotes received.

One recommendation remains open regarding the City's current contract for insurance brokerage services, which expires at the end of fiscal year 2008. We will hold open this recommendation in order to evaluate the timing and implementation of the competitive process for selecting the next insurance broker and to evaluate management's consideration of pursuing professional designations and continuing professional education in risk management.

Living Wage Review

GRU and General Government clarified standard bid forms to include a list of exempt categories in which a vendor may be exempt from the Living Wage Ordinance. The vendors must now indicate the category of exemption for which they qualify. GRU and General Government also now report annually the total fiscal impact of the Living Wage Ordinance to the City Commission.

Review of Travel Expenses

The General Government and GRU Finance Departments have sufficiently strengthened internal controls over the processing of travel, including appropriate communication, training and monitoring methods, to improve compliance with travel policies and procedures.

Review of Performance Measures for Parks and Recreation

Management fully implemented our recommendation related to citizen surveys. The Parks, Recreation and Cultural Affairs Department conducted two web-based citizen surveys designed to gather information on parks, programs and facilities. In addition, the Strategic Planning Department issued the "National Citizen Survey" that included Parks and Recreation information, which can also be used to measure the effectiveness of City Parks and Recreational programs and facilitate decision making. The City Commission reviewed the citizen survey results in April 2008. Management indicates that program level surveys will be conducted periodically and the National Citizen Survey will be conducted again in approximately 18 months. Continued use of these surveys should provide management and the City Commission with useful information regarding the effectiveness of City services.

Our recommendation on performance measure data collection, documentation and reporting is partially implemented. The City recently opted out of the ICMA Performance Measurement Program and will begin reporting performance measures with the Florida Benchmarking Consortium (FBC). Parks, Recreation and Cultural Affairs is working with Strategic Planning in finalizing key measures and data collection methodologies. We will hold this recommendation open until we can assess finalized FBC performance data along with supporting documentation.

2006 Pay Study Review

Implementation of the four previously issued audit recommendations will be evaluated during the initiation and completion of the next pay study. At that time, management will have an opportunity to implement recommendations regarding slotting benchmark positions and adjusting for internal equity considerations, right to audit clauses and review of salary survey data, cost of labor differentials used and the long term cost and equity considerations presented during this review.

Review of GFR Overtime

Two recommendations remain partially open. Management continues to monitor elevated sick leave usage by DROP Plan participants and resulting financial implications to the City. Management will discuss options for improvements with applicable bargaining unit representatives.

As a result of our initial audit report and a review of services, the City Commission approved canceling the contract for fire protection services with the Gainesville Alachua County Regional Airport Authority (GACRAA) effective October 1, 2008. As part of this cancellation deadline, staff was instructed to begin renegotiations with GACRAA in order to identify a more appropriate reimbursement rate. Negotiations between City and GACRAA management were successful and a proposal was approved by the City Commission in January 2008. The proposal more clearly delineates expense allocations between the City and GACRAA, including staffing costs and support functions related to the operation of the airport fire station. The proposal also includes an annual escalation rate for salary increases not to exceed 5.5%. When the contract is completed and final approval is received from the GACRAA board, the new agreement should result in approximately \$60,000 in additional cost reimbursement to the City annually.

Review of GRU Small Business Enterprise (SBE) Program

Two recommendations were adequately implemented. GRU Purchasing clarified the local preference definition in the procedures manual and implemented a system for capturing SBE purchases on VISA cards.

Two recommendations remain open. One recommendation relates to controls over SBE database maintenance regarding the qualification process. The second recommendation relates to improving program monitoring and reporting. GRU Purchasing continues to review the issues of maintaining an accurate SBE list and developing a process for certifying/updating SBE status. GRU is also pursuing methods to capture SBE spending with local SBE vendors, as prior system constraints could not capture SBE data by geographic location. GRU expects implementation of these recommendations once the transition to the new SAP (Systems, Applications, Processes) Production System is complete. General Government and GRU staff are also working together to develop a consistent format for reporting SBE program activity to the City Commission.

Review of Youth Sports League Concession Operations

Management adequately implemented our two recommendations related to internal controls over concession operations and concession revenue alternatives. City staff will advise parent groups involved with concession operations regarding proper cash procedures and reporting responsibilities, such as sales tax collection, but will not be involved in concession operations. Management also explored the idea of using private vendors, however it was determined that it would not provide a reasonable rate of return to the City at this time.

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 to determine the current status of remaining recommendations. We will report the results of that process to the City Commission through the Audit, Finance and Legislative Committee.