

City of
Gainesville

Inter-Office Communication

March 24, 2004

TO: Audit and Finance Committee
Mayor Tom Bussing, Chair
Mayor-Commissioner Pro Tem Chuck Chestnut, Member

FROM: Alan D. Ash, City Auditor

SUBJECT: Semi-Annual Report on the Status of Outstanding Audit Recommendations for March 2004

Recommendation

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

Explanation

In accordance with our Fiscal Year 2003-2004 Annual Audit Plan, we have completed our Review on the Status of Outstanding Audit Recommendations. Our review was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures were designed to provide reasonable assurance that management has adequately implemented recommendations previously made by the City Auditor's Office and approved by the City Commission. Generally, our procedures consisted of preparing a detailed listing of recommendations outstanding, obtaining evidence of corrective actions and verifying the adequacy of corrective actions taken by management for each outstanding recommendation.

The attached Report on the Status of Outstanding Audit Recommendations for March 2004 summarizes the results of our review. We would like to express our thanks to the City Manager, General Manager for Utilities and the many departments participating in this review process.

Conclusion

Based on our review, 7 of the prior period 19 recommendations were implemented, leaving 12 recommendations outstanding. While progress was made in implementing audit recommendations, further efforts are needed to ensure that open recommendations are implemented within a reasonable period. Although recommendations were previously approved by the City Commission and agreed to by management, some recommendations have been outstanding for more than five years. We believe that implementation will result in direct improvements in efficiency, effectiveness and accountability.

**Semi-Annual Report on the Status of Outstanding Audit Recommendations for
March 2004**

Scope and Methodology

The primary focus of our review was to provide 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 and General Manager for Utilities with a detailed listing of recommendations outstanding within their departments and requested written updates on the status of each recommendation.
- Upon receipt of written updates and supporting documentation, we conducted procedures necessary to verify the adequacy of corrective actions taken by management for each outstanding recommendation.

Background

In accordance with City Commission approved Resolution 970187, *City Auditor Responsibilities and Administrative Procedures*, the City Auditor is required 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 of corrective actions for implementing the recommendations, the City Auditor verifies the adequacy of corrective actions and summarizes the results to the Audit and Finance Committee.

During the past several months, the City Auditor worked with the City Manager and General Manager for Utilities in preparing a status report on 19 outstanding audit recommendations. We have reviewed management's assertions on the implementation of outstanding recommendations and prepared our status report. The next semi-annual report on the status of outstanding audit recommendations is scheduled for September 2004.

Summary of Results

We began the current period with 19 outstanding recommendations from 6 prior audits. The results of our review indicate that management has adequately implemented 7 of the prior period 19 recommendations. A departmental breakdown of implementation progress is as follows:

Department/Agency	Audit Title	Beginning Of Period	Implemented	Currently Outstanding
Community Development	Neighborhood Housing and Development Corp. (NHDC)	1	0	1
Community Development	Review of Housing	4	1	3
GRU Finance	Review of Utility Revenues	2	0	2
Human Resources	Employee Compensation	3	0	3
NHDC	Neighborhood Housing and Development Corp. (NHDC)	5	4	1
Recreation and Parks	Review of Nature Operations Division	1	0	1
Risk Management	Worker's Compensation	3	2	1
TOTALS		19	7	12

We have included a detailed listing of the 7 recommendations implemented, by department and audit, as **Attachment A**. A detailed listing of the 12 recommendations still outstanding, either partially or completely, is included as **Attachment B**.

Highlighted Implemented Recommendations

Among recommendations confirmed as implemented during the six-month period and resulting in improvements in the City of Gainesville's efficiency, effectiveness and accountability are the following:

Review of Housing

The Housing Division has incorporated a punch list system for all new home construction. Previously, an informal system was used and “post it” notes were placed throughout the house indicating items to be completed or fixed. The punch list includes all items completed by the contractor prior to final payment and is included in the permanent files. This system was implemented at the beginning of FY 2004.

Review of Neighborhood Housing and Development Corporation (NHDC)

Management has completed all but two of the original recommendations from our review in this area. Recommendations NHDC has completed in the past six months include:

- Developing a log to record issues reported by homeowners after the contractor warranty has expired. This should help NHDC to identify and assess if continuing concerns are noted and additional education is needed for homeowners, whether design and construction flaws exist, or if there are quality of work concerns with certain subcontractors or contractors.
- Adopting a new fee schedule that clearly states all fees potential homeowners will be charged.
- Requiring all instructors to sign a formal written statement indicating they will adhere to the prescribed course content and prohibiting corporate promotion.
- Updating all brochures and policy guidelines to ensure consistent home buyer financial requirements. Updates were made to brochures provided to potential clients, as well as NHDC's Lending Policies and Guidelines.

Review of Worker's Compensation

Management has developed and included performance indicators for Workers' Compensation in the Risk Management Program Plan for FY 2004. The Risk Management Department is also participating in the City's ICMA Performance Measurement initiative, providing an opportunity to compare the City's trends in workers' compensation claims, expenses and accidents with other municipalities.

Management has also included a permanent and mandatory safety component for FY 2004 management performance reviews, as opposed to an optional element utilized in previous years.

Highlighted Outstanding Recommendations

The following provides information related to several unimplemented recommendations that will require additional attention.

Review of Utility Revenues

Management has taken steps to reduce the number of scheduled but uncompleted work orders and has recently established a work order standards group to begin adopting documentation procedures which will better clarify the status of uncompleted work orders and their impact on utility operations. We will continue to monitor progress towards more fully implementing this recommendation.

Management is also continuing to update their Geographic Interface System (GIS), which can then feed the customer billing system to ensure the accuracy of the coding of GRU accounts inside and outside the City limits. We are working with management to obtain data files that will allow us to match records within the GIS database, the utility billing system and the Alachua County Property Appraiser's files.

Employee Compensation

On February 10, 2003, the City Commission referred five outstanding recommendations from the City Auditor's Employee Compensation review to the Personnel and Organizational Structure (P&O) Committee. On March 25, 2003, the P&O Committee discussed this referral recommending the City Commission instruct the City Auditor to close two of the five recommendations based on information provided by management.

For the remaining three recommendations (pay increases related to promotions, special merit increases for

management employees and acting out of classification policy), management agreed to draft necessary personnel policy revisions with the assistance of the City Attorney and return the draft revisions to the P&O Committee for review. Management has indicated that these three recommendations will be addressed in the near future as part of the new pay plan implementation. As a result, we are maintaining them on the list of outstanding recommendations.

Review of Nature Operations Division

Recommendation 1, “Park Boundaries Should be Completed and Encroachment Issues Resolved”, has not been fully implemented. Management has indicated that the Public Works Department survey crews should be fully staffed at the end of February, allowing survey work to begin to establish park boundaries. The first park to be surveyed will be Boulware Springs, which is the fifth project on the survey crews’ list of field assignments. However, the Nature Operations Division has provided survey crews with a list of over 50 properties to survey. These surveys will be performed as time allows, with other assignments such as streets and stormwater activities, taking precedence over park boundary surveys.

Future Follow-up Reviews

The 12 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 in order to determine the current status of remaining recommendations. We plan to report the results of that process to the City Commission through the Audit and Finance Committee in September 2004.

ATTACHMENT A

Implemented Audit Recommendations

March 2004

<u>Department</u>	<u>Audit</u>	<u>Audit Title</u>	<u>Finding</u>	<u>Recommendation</u>
Community Development	260	Review of Housing	2	The Punch List System Should Be Used During The Final Inspection Phase Of New Construction
NHDC	256	Neighborhood Housing and Development Corp. (NHDC)	1	Monitoring of Home Construction Quality Should be Improved
			2	Fee Schedules Should be Updated Periodically
			4	Education Programs Should be Consistently Monitored to Ensure Quality
Risk Management	224	Worker's Compensation	6	Home Buyer Financial Requirements Should be Consistently Represented
			6	Management Performance Indicators Should Be Established
			9	A Safety Component Should Be Included in the Management Performance Review

ATTACHMENT B

Outstanding Audit Recommendations

March 2004

<u>Department</u>	<u>Audit</u>	<u>Audit Title</u>	<u>Finding</u>	<u>Recommendation</u>
Community Development	256	Neighborhood Housing and Development Corp. (NHDC)	5	NHDC Could be More Flexible and Open to Client Needs and Requests
			1	Action Required To Address Five Year Rehabilitation Backlog
			3	Annual Maintenance Inspections Not Performed
			4	Internal Control System Over Foreclosure Notifications Should Be Developed And Implemented
GRU Finance	254	Review of Utility Revenues	1	Billing Cycle Edit Checks and Work Order Processing
			2	Coding of GRU Accounts Inside and Outside the City of Gainesville
Human Resources	149	Employee Compensation	13	Pay Increases Related to Promotions
			14	Special Merit Increases for Management Employees
			15	Acting Out of Classification Policy
NHDC	256	Neighborhood Housing and Development Corp. (NHDC)	7	NHDC Executive Director and NHDC Should Have A Formal Written Employment
Recreation and Parks	227	Review of Nature Operations Division	1	Park Boundaries Should Be Completed and Encroachment Issues
Risk Management	224	Worker's Compensation	4	Safety and Disability Management Team Should Be Established