

**REPORT ON THE STATUS OF OUTSTANDING AUDIT
RECOMMENDATIONS FOR JUNE 2009**

JUNE 2009



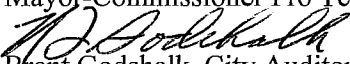
**CITY AUDITOR'S OFFICE
CITY OF GAINESVILLE, FLORIDA**

City of
Gainesville

Inter-Office Communication

June 22, 2009

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

FROM: 
Brent Godshalk, City Auditor

SUBJECT: Report on the Status of Outstanding Audit Recommendations for June 2009

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 27 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 2009 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 is 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.

As for all of our audits, we conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. 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 27 outstanding recommendations from 15 prior audits. The results of our review indicate management adequately implemented 8 of the prior period 27 recommendations, leaving 19 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	Review of Small Local Business Development Department	1	0	1
Equal Opportunity	Jun 04	Review of Equal Opportunity Program	1	1	0
GRU Purchasing	Jan 05	Review of GRU Purchasing Bid Process	1	0	1
Block Grant	Aug 05	Review of Block Grant Subrecipient Monitoring	1	0	1
GRU Information Systems	Aug 05	Review of Internet Access	1	0	1
Risk Management	Apr 06	Review of Insurance Brokerage Services	1	1	0
Parks, Recreation and Cultural Affairs	Nov 06	Review of Performance Measures for Parks and Recreation	1	1	0
Human Resources	Nov 06	2006 Pay Study Review	4	0	4
GFR	Feb 07	Review of GFR Overtime	2	1	1
GRU Purchasing	Jun 07	Review of GRU Small Business Enterprise (SBE) Program	2	0	2
Public Works	Aug 07	Review of Performance Measures for Highway and Road Maintenance	2	2	0
Gainesville Police Department	Nov 07	Review of GPD Overtime	4	0	4
Administrative Services	Nov 07	Payroll Verification Procedures	2	2	0
Housing Department	Jun 08	Review of Housing Performance Measures	1	0	1
TOTAL RECOMMENDATIONS			27	8	19

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.

The Human Resources Department continues to work with the Charter Officers to develop new Human Resources Policies and it is expected the City Commission will be receiving these updated policies by fiscal year end.

Review of Small Local Business Development Department

One recommendation remains partially open. General Government and GRU staff successfully worked together to develop a consistent report format for purchases from small and local businesses, but management needs additional time to implement a methodology for capturing SBE purchases made on VISA cards. In addition, improved efforts are needed by the Equal Opportunity Office to ensure that annual SBE program activity is adequately monitored and reported timely to the City Commission.

Review of Equal Opportunity Program

All recommendations from this review are now closed. The Equal Opportunity Office implemented a tracking system that has been effectively utilized in recent years to track investigations and ensure timely receipt of follow-up responses from departments and businesses.

Review of GRU Purchasing Bid Process

The final recommendation from this review remains partially open. GRU now includes right to audit clauses in all purchasing contracts, relative to its need for the specific contract. GRU has also modified its purchasing procedures to encourage departments to obtain more than two quotes for all competitive purchasing processes. GRU is currently in the process of implementing a more centralized approach to obtaining competitive quotes. This change is expected to occur prior to fiscal year end and we will hold open this portion of the recommendation until GRU has completed its implementation of this process and we are able to review it in our next follow-up.

Review of Block Grant Subrecipient Monitoring

The final recommendation from this review remains partially open. In previous audit reports related to Block Grant distributions to subrecipients, we recommended management strengthen oversight procedures for identifying at risk agencies. Finance and Housing and Community Development staff have implemented improved financial monitoring procedures in an effort to enhance the City's ability to detect financial instability of outside agencies earlier and reduce the risk of a loss in City funds. However, further efforts are needed to ensure that objective financial measures are consistently used in the oversight process. In reviewing the procedures implemented, we noted that recent annual financial reports for several outside agencies were not timely received and transmitted to Finance. In reviewing financial reports, we noted several areas of concern relative to two agencies' financial status. We have communicated these issues to appropriate staff and have advised them to discuss possible corrective and remedial measures with the agencies and increase monitoring efforts. As a result, we will hold this recommendation open and provide management further time to implement improved monitoring procedures.

Review of Internet Access

The final recommendation from this audit remains partially open. GRU has developed an enhanced internet reporting model with a guide to assist managers in understanding the reports. The reporting model has been rolled out to executive level management and it is anticipated the complete rollout to GRU will occur by fiscal year end. In addition, the Human Resources Department is currently developing a GRU Internet Usage Policy, which is also anticipated to be completed by fiscal year end. This policy, combined with the monitoring reports available to management, will provide the necessary tools to help ensure that internet usage is appropriate.

Review of Insurance Brokerage Services

All recommendations from this review are now closed. We had previously recommended that management ensure adequate time is provided for competitive proposal processes in order to effectively encourage competition and allow for proposals to be thoroughly evaluated and presented to the City Commission prior to contract expiration. The City's most recent insurance brokerage services agreement expired September 30, 2008. Prior to its expiration, the Risk Management Department contracted with Waters Risk Management, which specializes in independent risk management consulting for public entities, to prepare a Request for Proposals (RFP) and help the City manage the evaluation process. The evaluation process was completed timely and the resulting recommendation was forwarded to the City Commission on August 21, 2008, approximately six weeks before the expiration of the contract. The process provided adequate time for a thoughtful decision to be made prior to the expiration of the agreement. The second portion of this recommendation regarding management considering professional designations in risk management to increase knowledge and skills has generally been addressed by Risk Management supplementing their operational activities with external expertise.

Review of Performance Measures for Parks and Recreation

Management has now fully implemented our recommendation on improving performance measure data collection, documentation and reporting. The Parks, Recreation and Cultural Affairs (PRCA) Department reports key performance data through the Florida Benchmarking Consortium. As part of its strategic planning process, the City has adopted annual Management Plans for internal reporting of performance measures and quarterly departmental performance reports are provided to the City Commission. Additionally, the PRCA Department is pursuing accreditation from the Commission for Accreditation of Park and Recreation Agencies, which provides a national set of operating standards and requires a self assessment and a site visit by a "peer review" team.

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 remained outstanding from the last follow-up process. The first recommendation remains partially open. Issues regarding requiring physician's notes and restructuring of the DROP plan to provide an incentive to retain sick leave will be included in upcoming IAFF negotiations. Sick leave usage for DROP employees was a primary factor in overtime rates during our review. Prior to our original audit, GFR

overtime was \$612,000 in FY 2005 and \$532,000 in FY 2006. Subsequent to our initial report, overtime fell to \$320,000 in FY 2007, but increased to \$443,000 in FY 2008. GFR management indicated the FY 2008 increase was primarily due to an increased number of paramedic students and having six vacancies the entire year. After the new contract is finalized, we will be able to better evaluate whether this recommendation has been successful in reducing overtime expenses.

The second recommendation is now closed. As a result of our initial audit report and a review of services, the City Commission approved in September 2007 canceling the contract for fire protection services with the Gainesville Alachua County Regional Airport Authority (GACRAA) effective October 1, 2008. As part of the cancellation, 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, effective October 1, 2008.

The new contract provides for direct wages and support functions incurred by GFR related to staffing the airport. Also included in the new contract is an escalator clause that accurately reflects annual increases at a not to exceed amount of 6% per year rather than the previous 3% maximum, as well as direct payment by GACRAA for electric, telephone and materials. In FY 2008, revenues received for airport services were \$418,566. The new contract allows the City to be reimbursed \$456,500 in FY 2009. In addition, direct expenses paid by GACRAA will be approximately \$20,000. Although this new contract does not cover all costs associated with airport fire services, it does provide approximately \$60,000 more annually than the previous contract. It is anticipated that the City's annual subsidy for Airport Services will be approximately \$12,000 in comparison to previous annual operating deficits that had exceeded \$100,000.

Review of GRU Small Business Enterprise (SBE) Program

Two recommendations from this audit remain partially 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 has made significant progress on both of these issues in the vendor certification process, capturing vendor data and developing an accurate SBE database. However, GRU recently transitioned to the new SAP (Systems, Applications, Processes) Production System and staff needs more time to fully customize the reporting process and conduct training. The new system allows GRU to capture SBE spending with local SBE vendors, whereas prior system constraints did not allow GRU to capture SBE data by geographic location. GRU Purchasing expects implementation of these recommendations within 60 days. Additionally, as noted above in our review of General Government's Small Local Business Development Department, improved efforts are needed by the Equal Opportunity Office to ensure that SBE program activity is adequately monitored and periodically reported to the City Commission.

Review of Performance Measures for Highway and Road Maintenance

All recommendations from this review are now closed. Management has taken sufficient action regarding the first recommendation by developing written procedures, selecting key measures and improving data collection and reporting. The Public Works Department reports key performance data through the Florida Benchmarking Consortium. Also, as part of its strategic planning process, the City adopted annual Management Plans for internal reporting of performance measures and quarterly departmental performance reports are provided to the City Commission. In addition, the Department recently received accreditation status by the American Public Works Association indicating the Department's compliance with recommended practices set forth in the *Public Works Management Practices Manual*.

Regarding the second recommendation, management has also taken sufficient action related to citizen surveys. The City implemented the National Citizen Survey™, which is a collaborative effort between the National Research Center, Inc. and the International City/County Management Association. The process includes collecting survey results from over 500 jurisdictions in the United States, including 30 other cities in Florida for comparative purposes. The City’s survey was conducted in 2008 and distributed to 1,200 households selected at random. The survey included several categories of road repairs, road conditions and other public works related items and was presented to the City Commission in April 2008. In addition, the Public Works Department relies on direct input from citizens and has implemented a 48 hour return call and follow-up system for better responsiveness to direct citizen requests.

Review of GPD Overtime

Substantial improvements have been made by GPD in the process of scheduling billable overtime, most significantly, the implementation of a computerized process for scheduling most billable overtime assignments. In addition, other efforts included forming an overtime review committee, investigating allegations of misconduct, revising procedures and creating a special revenue fund to facilitate the accounting of billable overtime revenue and expenses. However, further efforts are needed to fully implement our four recommendations regarding improvements to financial management controls, billable overtime scheduling and reporting and assessing equity.

For example, in the financial controls issue, we determined that \$25,818 related to costs of support services provided by the City for the following events were not billed timely. Invoices for these services were subsequently issued to these agencies in May 2009 by the Finance Department.

Event Date	Event	Organizing Agency	Amount Due
April 2008	5th Avenue Arts Festival	Cultural Arts Coalition	\$16,139
Oct 2008	Pride Festival & Parade	Pride Community Center	4,557
April 2008	Spring Arts Festival	Santa Fe College	4,445
March 2008	March for Babies	March of Dimes	582
Sept 2008	Lady Gator Basketball Event	University Athletic Association	<u>95</u>
			<u>\$25,818</u>

In order to streamline this process and prevent reoccurrence of this situation, changes are needed in the method of accounting for Support Services Grants. The City currently advances funds to the sponsoring agency prior to the event. The funds are intended to help defray the costs of support services incurred by the City during the event. Subsequent to the event, the City compiles the actual cost of services provided and invoices the agency. We have recommended that management discontinue issuing advance checks and account for the grant by directly applying the grant to the invoice when the event is completed and the final costs compiled. The agency would then be invoiced for any difference between the costs incurred and the grant funds designated.

Other items requiring additional time for full implementation include assessing the current status of equity issues for billable overtime. Management plans to repeat the survey of GPD personnel that was initially conducted by the City Auditor’s Office in 2007. Plans are to conduct the survey in September 2009 with the City Auditor’s Office providing technical assistance, if needed. We will review the status of these issues during our next follow-up process.

Payroll Verification Procedures

Management has implemented both recommendations from our previous audit by taking several steps to improve the accuracy of retiree data and centralize retiree files. Procedures include periodically matching social security numbers of retirees using the Social Security Administration's (SSA) Employee Verification Service in order to prevent checks being issued to deceased retirees. In prior years, several retirees received post mortem checks exceeding \$26,000. In addition, retiree records have been transferred to an electronic medium and are now centrally maintained in the City's electronic filing system.

Review of Housing Performance Measures

One recommendation from this audit related to performance measurement data collection, documentation and reporting remains partially open. The Housing & Community Development Department has evaluated key departmental performance measures and begun reporting on those measures that focus on management's strategic priorities. Management feels that these measures will assist them in assessing program results, identifying areas needing improvement and providing the basis for comparing performance with peer cities. Management has also developed written procedures detailing the job functions responsible for collecting, reviewing and reporting performance measurement data and prepared a Customer Service Survey to be used as a baseline for establishing on-going measurement of customer satisfaction levels. The Housing & Community Development Department is planning to prepare an annual report of performance measurements for fiscal year 2009, which will focus on the attainment of departmental and City priorities and provide an opportunity to compare performance with peer cities. We will hold this recommendation open in order to review the annual report and assess its effectiveness.

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.