



**City Auditor's Office**  
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**Date:** October 26, 2017  
**To:** City Manager, Anthony Lyons  
**From:** City Auditor, Carlos L. Holt  
**Subject:** Internal Investigation, CASE 2017-005

Source of Allegation

The City Auditor's Office was notified by the Building Inspection Division of concerns over \$102.75 in missing safe funds utilized at the customer service counter.

Investigators Assigned

Brecka Anderson, CIA, CFE, CGAP – (Lead Investigator)  
 Eileen Marzak, CPA, CFE – (Quality Assurance)

Purpose of Investigation

The purpose of this or any investigation is to determine the facts concerning allegations made by a complainant or from matters surfacing in other ways. For findings indicating possible fraud or other crimes, the matter would then be referred to the Gainesville Police Department (through the City Manager and in consultation with the City Attorney) or the State Attorney's Office. Findings of employee misconduct warranting possible corrective or disciplinary action would be forwarded to management, who is responsible for administering such actions. Findings of waste or lack of efficient or effective operations would also be referred to management.

Standards

We conducted the investigation and created the report using the standards of the Association of Certified Fraud Examiners (ACFE) as a guide. City Auditor Holt and Investigator Anderson and Quality Assurance reviewer Marzak are Certified Fraud Examiners (CFE). Employee misconduct allegations are substantiated or not substantiated using a preponderance of the evidence standard; or, more likely than not, a 51% threshold (less than that used for a criminal case).

Summary and Outcome of the Investigation

After reviewing the processes surrounding the missing safe funds, interviewing department staff (Exhibit A), reviewing cash receipting policies and procedures, and reviewing revenue records, it was substantiated that the funds were missing; however, it was not determined how the missing safe funds were lost. Effective internal controls were not established to ensure that revenues were adequately safeguarded.

Background

The Department of Doing supports business and community development, planning and zoning; the Director reports directly to the City Manager. The Building Inspection Division interacts daily with customers that pay fees for building permits and other City planning and building services. City staff receives payments at the Division's front counter and regularly maintains money in a safe. On July 11, 2017, department staff notified the City Auditor's Office that safe funds were missing and subsequently filed a police report.

**Allegations, Facts, Analysis, and Conclusions****Allegation #1 – Safe Funds Were Misappropriated**

That Building Inspection Division safe funds totaling \$102.75 were missing.

***Facts***

- 1) Seven City employees were assigned access to the Building Division front counter safe.
- 2) Funds were not counted on a daily basis.
- 3) Background information from Department of Doing staff indicated that staff returning from vacation learned that a June deposit included \$30 of the funds that should have remained as the safe funds (drawer).
- 4) On July 10, 2017, staff counted the safe funds and discovered that \$102.75 was missing from Building Division safe. Daily safe funds should be maintained at \$500.
- 5) On July 11, 2017, staff reported the missing safe funds and \$30 over deposit to Department of Doing management. On the same day, management notified the City Auditor and later filed a police report.

***Discussion and Analysis***

Existing front counter policies and procedures did not effectively assign accountability and protective measures over funds received. Policies that established internal controls were not followed on a day to day basis. Since staff did not count funds remaining in the safe on a daily basis, it is unknown how long the safe funds were missing.

***Conclusion***

The allegation that \$102.75 was misappropriated from the Building Inspection Division front counter safe was **substantiated**.

**Allegation #2 – Control Environment**

That the control environment did not establish internal controls to ensure that revenues were safeguarded, authorized, reconciled, and reviewed.

***Facts***

- 1) Policies and procedures for cash handling lacked proper accounting controls.
- 2) There was no supervisory sign-off of daily cash reports.
- 3) There was no supervisory review of cashiering process.
- 4) All large bills were placed in the same currency slot in the safe drawer, due to limited space.
- 5) Although management indicated they monitored revenues and expenses at the department level, little to no documentary support was provided. Budgetary comparisons were limited due to the lack of documentation.

***Discussion and Analysis***

Revenues were not safeguarded. The established control environment lacked oversight controls including processes promulgating daily cash report authorizations, reconciliations, and supervisory reviews.

### ***Conclusion***

The allegation that the control environment did not establish effective internal controls to ensure that revenues were safeguarded was **substantiated**. The control environment was not sufficient to ensure that revenues are safeguarded as evidenced by:

- Safe funds were not counted and documented at the end of each day.
- Safe funds were accessible to the Permit Expeditor and supervisors and often mixed with drawer funds.
- Undocumented, random safe funds counts were conducted monthly by a Permit Specialist.
- Budget to actual revenues were not tracked by the department, and budget to actual revenues were difficult to determine. The Auditor relied on the Innoprise Software System to estimate actual revenues.
- The credit card manual refund process allowed refunds on unassociated credit cards; therefore, controls were not adequate to ensure that refunds were appropriate. One duplicate manual refund was found during the review.
- There was little evidence that management authorized, monitored, and reviewed the cash receipting process, even though policies promulgated such reviews.
- Daily cash reports were often incorrect, causing re-works and confusion. Daily closing activities occurred at the Building Division front counter during business hours. Department policy states that daily receipts and batch reports be reconciled in a separate room.
- All front desk staff has administrative rights for Innoprise Permit Software System, a serious control issue.

### ***Recommendations***

We recommend that the Department of Doing's Building Division assess policies and procedures to:

- 1) Ensure that safe funds are counted and documented daily (as long as cash continues to be accepted).
- 2) Monitor budget to actual revenues at the division level.
- 3) Ensure that refunds are issued appropriately and reflected accurately in the Innoprise Software System.
- 4) Authorize, reconcile, and review daily cash receipting processes (including checks) to ensure that daily cash reports are completed accurately and in a secure environment.
- 5) Limit Innoprise System administrative rights to limited appropriate personnel.

End of Report

Exhibit A

**Building Inspection Division Investigation  
Interview List**

**Department of Doing's Building Inspection Division**

Lila Stewart, Strategic Planning Manager

John Lake, Fire Protection Specialist

Merri Ellis, Customer Support Specialist (Permit Expeditor)

Alexis Washington, Customer Support Specialist (Permit Expeditor)

Kara Paulson, Customer Support Specialist (Permit Expeditor)

**City Budget and Finance Department**

Tina Januszewski, Account Clerk II

Sandra Frankenberger, Accountant II

Phyllis Plummer, Billing and Collections Supervisor

Brenda Thomas, Account Clerk II