

FISCAL YEAR 2012 ANNUAL REPORT



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

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INTRODUCTION

The City Auditor position was first established in 1979 as a Charter Officer of the City of Gainesville, reporting directly to the City Commission. The City Auditor is charged with assisting the City Commission in all its accountability functions and performing audits of City organizations, programs, functions and activities. The City Charter and a subsequent resolution regarding the City Auditor's responsibilities and administrative procedures establish the organizational status and independence of the City Auditor and provide for complete access to all City property, equipment, facilities, records and information. The City Auditor uses this access, independence and authority in performing his responsibility to carry on a continuous appraisal of the work of all City departments. The City Commission and the public need timely, objective, accurate information about what departments and programs are doing and how they could do them better. By providing this information, the City Auditor's Office helps to hold government accountable in its stewardship of the public trust and assists the City Commission and management in using resources to maximize effectiveness and productivity.

The mission of the City Auditor's Office is to promote honest, efficient, effective and fully accountable City government. Our goals include issuing audit reports in accordance with *Government Auditing Standards*, conducting objective studies to assist and improve decision making by the City Commission and management, and promoting efficiency, effectiveness and accountability for the City Commission, management, City employees and the public.

The major objective of the City Auditor's Office is to assist the City Commission and City management in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations, counsel and information concerning the activities reviewed. Resolution 970187, City Auditor Internal Responsibilities and Administrative Procedures, requires the City Auditor to submit an Annual Audit Plan to the City Commission for approval. The process of preparing the Annual Audit Plan includes obtaining input from City Commissioners and Charter Officers as well as evaluating information gained from previous audits and studies performed by the City Auditor. The scope of audit work carried out by the Office may be concerned with any phase of City activities where service may be rendered to the City Commission or to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review and includes the following activities:

- Conducting financial, compliance and operational audits and preparing audit reports of findings and recommendations.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.
- Reviewing systems established to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports, and determining whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Appraising the economy and efficiency in which City resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and carried out as planned.
- Performing other duties as may be assigned by the City Commission.

AUDITS COMPLETED DURING FISCAL YEAR 2012

Audits undertaken by the City Auditor's Office are typically identified in our Annual Audit Plan or result from direct referrals from the City Commission. Our audits are conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, which provide an overall framework for ensuring that auditors have the competence, integrity, objectivity and independence in planning, conducting and reporting on their work. After discussing our reports with management and incorporating their written response to our recommendations for improvement, audit reports are presented to the City's Audit, Finance and Legislative Committee. The Committee submits final audit reports to the City Commission for approval. The following section summarizes the audit reports issued during Fiscal Year 2012.

Review of General Fund Forecasted Revenues and Other Sources of Funds for the Fiscal Year Ending September 30, 2012

City Commission Resolution 970187, which governs the internal responsibilities and administrative practices of the Office of the City Auditor, requires an annual review of the City Manager's General Fund revenue estimates included in the budget. The City Auditor verifies the reasonableness of management's estimates and advises the City Commission of the results. We reviewed the forecasted General Fund Revenues and Other Sources of Funds set forth in the Fiscal Year 2011-2012 Final General Operating and Financial Plan Budget adopted by the City Commission on September 19, 2011. Our objective was to assess whether data, methods and assumptions used by the City Manager in preparing projected General Fund Revenues and Other Sources of Funds in the amount of \$103,074,320 provided a reliable and reasonable basis for the forecast.

Based on our review, we reported that management's assumptions provided a reliable and reasonable basis for presenting projected Fiscal Year 2011-2012 General Fund Revenues and Other Sources of Funds in the amount of \$103,074,320. However, we projected some revenue sources at a different level than the approved General Fund budget. The total estimated difference was approximately \$274,738 or 0.3% more than budgeted.

The specific differences were reflected in a detailed schedule of General Fund Forecasted Revenues and Other Sources of Funds for the Fiscal Year Ending September 30, 2012 and an accompanying Explanation of Differences. We noted that management continues to monitor the City's financial position throughout the fiscal year and makes adjustments, as necessary, and that monitoring reports are provided to the City Commission through the Audit, Finance and Legislative Committee on a quarterly basis, with any significant changes from budgeted figures discussed in committee.

Review of GRU Information Technology Disaster Recovery

The National Institute of Standards and Technology (NIST) is an agency within the U.S. Department of Commerce that makes measurements and sets standards as needed by industry or government programs. This includes disaster recovery plans. NIST states an effective disaster recovery plan should include a combination of preventive, detective and corrective measures to ensure a smooth continuity of business operations in the event of a disruption or disaster. The plan should address the basic stages of emergency reaction including emergency response, backup operations, and recovery operations.

In accordance with our Annual Audit Plan, the City Auditor's Office completed a Review of GRU Information Technology (IT) Disaster Recovery. The primary objective of this audit was to evaluate the adequacy of GRU policies, procedures and plans related to information technology disaster recovery and data backup. Our review procedures included interviewing key personnel, observing operations,

inspecting the data center, reviewing procedures manuals, reviewing benchmark data and recommendations developed by NIST, evaluating management controls and reviewing trends in disaster recovery. Based on the results of our review, we reported that the GRU IT Disaster Recovery process has strong internal controls in place and uses sound approaches to help ensure that GRU will be able to recover data and resume operations timely in the event of a disaster. We provided GRU management with recommendations for improvement in the following three areas:

1. Classroom or Functional Exercises Should be Performed on a Test Basis

NIST describes disaster recovery plan testing, training and exercises as a critical element of a viable contingency plan. By performing tests, plan deficiencies can be identified and addressed. Testing also helps evaluate the ability of the recovery staff to implement the plan quickly and effectively. We noted during our review that there was no classroom or functional testing performed by GRU to prepare staff for an emergency from start to conclusion, increasing the risk for a complete recovery in the event of a disruption or disaster. We recommended GRU IT should at a minimum perform classroom testing with specific goals and objectives determined prior to the test that would simulate a potential real-life incident. This should be done annually, prior to hurricane season, which potentially offers the greatest concern for disruption or recovery of data. This type of exercise will enhance the evaluation of the disaster recovery test as well as allow for a meaningful update to the disaster recovery plan.

2. Improved Documentation of Visitor Activity in Data Centers

We reviewed GRU's data center procedures and performed a walk-through of the area to ensure:

- the center is restricted to authorized individuals,
- sensitive information is protected from environmental hazards,
- system backup and recovery procedures adequately protect against critical data loss,
- business continuity and disaster recovery is supported,
- sensitive equipment is protected against loss of power, fluctuations and inadequate maintenance operations, and
- policies and procedures adequately support the protection and efficient operation of GRU systems and data.

GRU uses a multiple layer exterior security system with camera coverage at the front entrance, security guards, and sign in procedures at the front entrance of the Administrative Building. The Data Center only has access by authorized employees through a key card system. Although this prevents anyone from entering, it does not provide a record of all individuals entering the Data Center to ensure these were authorized visitors. We recommended GRU strengthen the visitor sign in sheet with a separate check off box indicating the visitor will be in the IT Data Center. This will allow management to determine when visitors have entered the data center and the purpose for that visit.

3. Timely Completion of Incomplete Data Recovery Plan Elements

During our review of GRU's Data Recovery Plan document, we noted that there were some broken or incomplete links within the document which made recovery of data more difficult if someone unfamiliar with the process had to step in to recover the data. We recommended GRU correct the broken or incomplete links within the document as soon as possible and allocate staff to correct and update future corrections needed on a timely basis.

The General Manager for Utilities agreed with each of the recommendations for improvement outlined above and provided the Audit, Finance and Legislative Committee with detailed responses identifying specific departmental actions that have already been taken or would be taken to address our recommendations.

Review of Ironwood Golf Course Revenues

Ironwood Golf Course was purchased in March 1992 by the City of Gainesville. Since that time, several course improvements have been completed with the most recent occurring in 2010. In accordance with our Annual Audit Plan, the City Auditor's Office completed a Review of Ironwood Golf Course Revenues. The primary objective of this audit was to evaluate the system of management control over revenues generated through operation of the Ironwood Golf Course. Our procedures included interviewing key staff from the Department of Parks and Recreation and the Finance Department, observing operations, reviewing management controls and testing selected samples of Daily Cash Reports and supporting documentation.

Based on the results of our review, we reported that opportunities exist for strengthening management controls at the Ironwood Golf Course and provided in our final report the following six areas of recommendations related to improving internal controls over cash receipting and recording:

1. Strengthening Internal Controls Over Ironwood Cash Receipting and Recording

Ironwood Golf Course purchased a new point-of-sale software system in December 2010, shortly after the course reopened. Sales transactions are recorded by cashiers through the EZ Links point-of-sale (POS) software system. We reported weaknesses in the completion of Daily Cash Reports and other issues at Ironwood and indicated that internal controls needed to be strengthened in order to provide reasonable assurance that revenues are properly received and recorded and the financial/operating system is accurate and reliable.

We recommended management:

- A. Review operating policies and procedures with cashiers and require cashiers to sign into the EZ Links System with their unique user name. Additionally, new cashiers hired should have their own user name prior to their start date. Cashiers should be retrained and current procedures requiring cashiers to complete and sign cashier's revenue reports should be complied with. All cashier's revenue reports should be maintained with the Daily Cash Reports. Management should also ensure POS Instance Reports are included with supporting documentation for each Daily Cash Report.
- B. Ensure sufficient documentation is maintained and provided by cashiers to explain cashier overages or shortages. Ensure that all adjustments made by the Golf Course Supervisor to the POS Instance Reports are adequately documented and explained. Documentation should include tips, key stroke errors, voids, etc. If the Golf Course Supervisor is required to make adjustments based on his cash count, then the Golf Course Manager should review and initial that adjustment on the Daily Cash Report. All overages and shortages, unless found through miscounted currency, should be reported on the Daily Cash Report as an overage/shortage and not manually adjusted.
- C. Ensure that prices set forth on beverage cart inventory forms are correct and updated as necessary to ensure consistent collection of revenue. A procedure should be developed and implemented to ensure future concession pricing changes made through the POS System are reflected on the beverage cart inventory forms. Beverage cart inventory forms should also be maintained with Ironwood's copy of the Daily Cash Report to ensure that it has been reconciled through the Daily Cash Report.
- D. Utilize starter sheets to ensure rounds recorded by golf course rangers agree to the number of greens fees collected by the cashiers through the EZ Links POS Report. Discrepancies should be

noted and followed up on in order to provide reasonable assurance that rangers account for all players in a uniform manner. Additionally, complimentary rounds of golf should be noted beside the player's name so golf course management can ensure the complimentary play was authorized.

2. Timeliness of Daily Cash Reports and Deposits

We noted during our review that Ironwood Daily Cash Reports and cash deposits were not always prepared timely. Timely reconciliation of daily receipts and deposits is essential since the longer monies remain undeposited, the greater the risk of loss or theft. We recommended management prioritize current duties of the Golf Course Supervisor with an increased emphasis on preparing Daily Cash Reports and deposits for armored car pickup on a more timely basis. We also recommended management develop a contingency for when the Golf Course Supervisor is unavailable to prepare Daily Cash Reports and deposits timely.

3. Surcharge Fee Collections

In Fiscal Year 2010, Ironwood Golf Course received approximately \$1.2 million dollars in course renovations. In order to pay the debt service on the bonds issued for the course upgrades, a \$5 surcharge was established in addition to established greens fees. We noted during our review that surcharges were not being included in all greens fees. Discrepancies noted appeared to be based on several factors including cash register programming errors, cashier errors recording tournament play and a lack of timely and thorough management oversight and analysis of the cashier system reports to ensure surcharge and greens fee rounds recorded daily are reasonable. We recommended management review and reconcile surcharges and greens fees reported by the EZ Links POS system as a part of preparing daily cash reconciliations. Any discrepancies noted should be documented and evaluated to help ensure that they do not reoccur. Additionally, cashiers should be retrained on how to accurately enter tournament greens fees so that data from the POS system is consistent and can be relied upon for utilization reporting.

4. Internal Controls Over Gift Cards

During 2011, Ironwood converted from a gift certificate program with a sequential numbering system and log requiring cashiers to manually record gift certificate purchases to a gift card program operated within the EZ Links system. Gift certificate controls were not effective during the months just prior to the shift to gift cards, resulting in multiple gift certificates having the same control number. In addition, the gift card process had limited internal controls. The potential for gift card theft or fraud was increased by not maintaining a sequential numbering system and providing a secure location for inactivated gift cards. We recommended management strengthen the internal control process over gift cards to, at a minimum, include the following:

- Maintaining inactivated gift cards in a secure location.
- Activating gift cards and developing a mechanism within the cashiers' revenue report to provide zeroed out gift card information so it may be reviewed and properly destroyed by management.
- Ensuring gift cards are sold in sequential order.
- Periodically running EZ Links gift card reports to ensure gift cards are not reactivated to new customers and ensure there is no sequential numbering break.
- Revising the Ironwood Policies and Procedures Manual to include a section for gift card processing and control.

5. Internal Controls Over Complimentary Rounds

Ironwood Golf Course provides several different types of complimentary rounds, including the following categories: Golf Rangers, Complimentary, Special Olympics, Complimentary Radio, PGA Professionals and Buy One Get One Free passes. Ironwood management has written policies and procedures regarding

complimentary greens fees, however the practice was broader than what was set forth. Additionally, adequate records were not maintained to allow an accurate breakdown of complimentary rounds provided.

We recommended management utilize the Ironwood Policies and Procedures Manual with regard to complimentary rounds for PGA Professionals. Additionally, management should develop separate “Kit” keys that will differentiate between PGA Professionals, members of their party, radio prizes and other forms of complimentary greens fees. Management should also maintain a log that tracks those who have received complimentary rounds and review the number of complimentary type of offers provided to ensure it is reasonable. If a reduced fee is to be offered for certain customers, this should be stated in the policies and procedures manual and noted on the starter sheets and Guest Book. This will assist in determining if adjustments need to be made in how many complimentary rounds of golf are issued annually.

6. Golf Course Policies and Procedures Manual Should be Updated

Ironwood Golf Course has a comprehensive policies and procedures manual which includes the mission, objectives, goals, general operating procedures and rules to be followed. Also included in the policies and procedures are the duties for cashiers, beverage cart servers, rangers and other staff. A well written and current policies and procedures manual helps to ensure staff and volunteers are working from the same point of reference of what needs to be done in order to be successful. It also helps to ensure that the golf course is run efficiently and effectively and that employees are accountable for their activities. A well designed and utilized policies and procedures manual can save time and effort, provide detailed job descriptions, orient new members to their roles, job standards and expectations, provide continuity and consistency in decision making, provide a way to review existing programs and services to ensure needs are met, and help avoid conflict and potential for misunderstanding.

We noted during our review that documented Ironwood Golf Course Policies and Procedures needed to be updated to address operational changes since the course reopened with a new POS system and to more clearly address some key operating practices set forth in our report. We recommended management update the Ironwood Golf Course Policies and Procedures Manual to ensure it is in line with current management goals regarding the operation of the golf course and that it reflects the current practices of Ironwood Golf Course. The policies and procedures manual should be reviewed by management periodically to ensure it is consistent with current practices and updated when needed.

The City Manager agreed with each of the recommendations for improvement outlined above and provided the Audit, Finance and Legislative Committee with detailed responses identifying specific departmental actions that have already been taken or would be taken to address our recommendations.

Review of GRU Billing and Collection

The GRU Customer Operations Department bills and collects revenues for utility services provided to over 90,000 area residential and commercial customers. Utility services billed and collected include electric, gas, water, wastewater, and telecommunications services. GRU also bills and collects refuse and stormwater charges associated with services provided by the General Government.

In accordance with our Annual Audit Plan, the City Auditor’s Office completed a Review of GRU Billing and Collection. The primary objective of this audit was to evaluate the system of management control over billing and collection processes related to GRU revenues. Our procedures included interviewing key personnel, observing operations, reviewing management controls, and testing selected samples of transactions and supporting documentation.

Based on the results of our review, we reported to the City Commission that GRU has strong management controls in place to ensure that revenues are properly billed, collected and recorded. Our final audit report provided the following two recommendations, which we believe will strengthen the overall process of billing and collecting GRU revenues:

1. Billing Adjustments

GRU's Billing Department monitors billing activities in an effort to ensure that accounts are billed correctly prior to being released to customers. Billing staff facilitates special billing, makes rate changes and adjustments, and monitors the number of daily bills sent to customers. Staff also researches and reconciles account issues flagged by the SAP billing system based on parameters preset in the system. During our review, we noted that billing activities generally had efficient and effective processes to ensure proper monitoring of customer billing. However, we noted that processes related to resolving implausible meter readings and documenting customer account adjustments should be strengthened. We also noted that the SAP billing system does not provide information needed to adequately review and reconcile daily billings to determine the grand total of amounts billed and to verify that adjustments and other totals are billed correctly.

Adjustments and edits to customer accounts should be monitored to ensure that only appropriate changes are made. Detailed procedures should guide edit and adjustment activities. As a result, we recommended management:

- Explore the potential for the SAP billing system to generate reports of edits made to customer accounts, as well as financial summary reports, which would be used to monitor activities affecting billing.
- Enhance and streamline desktop procedures and training to better direct staff as to how implausibles should be edited. Billing Supervisors should also periodically monitor these activities for anomalies.
- Enhance monitoring procedures over adjustments, such as requiring management approval for adjustments exceeding certain dollar amounts.

2. Customer Invoice Processing

GRU contracts third-party vendor, Cash Cycle Solutions (CCS), to process, print, and mail the majority of customer invoices. GRU has worked diligently to develop a prescribed process to ensure that customer bills are sent to customers within 48 hours of meter reading. Nightly, the IT department creates a billing file of customers scheduled to be billed on that portion based on the meter reading dynamic scheduler. IT transmits the file to CCS, who processes and mails bills to customers on the next business day.

In December 2011, IT staff inadvertently placed an old billing file into the directory for invoice processing utilized by CCS, resulting in over 6,000 November 2011 invoices being re-processed and sent to customers. Since CCS does not conduct a quality assessment of the content of the files, they automatically created and mailed the redundant customer invoices.

We recommended additional management controls should be implemented to avoid a reoccurrence of this issue. Specifically, we recommended management implement procedures to label bill files appropriately and implement a supervisory review of the daily bill file prior to it being sent to Cash Cycle Solutions for invoice processing. Management should also consider implementing automated controls to prevent incorrect files from being processed by CCS.

The General Manager for Utilities agreed with each of the recommendations for improvement outlined above and provided the Audit, Finance and Legislative Committee with detailed responses identifying specific departmental actions that have already been taken or would be taken to address our recommendations.

Review of Combined Communication Center Expenses

In November 1999, the City of Gainesville, Alachua County and the Alachua County Sheriff entered into an interlocal agreement for a Combined Communication Center (CCC). The CCC was designed and sized to provide all participating emergency agencies with a single point for the receipt of emergency assistance requests and to eliminate duplicate facilities and systems while improving the delivery of emergency services. The CCC provides call servicing for Gainesville Fire Rescue, the Gainesville Police Department, the Alachua County Sheriff's Office, Alachua County Fire Rescue, the City of Waldo, the City of High Springs and the University of Florida Police Department.

In accordance with our Annual Audit Plan, the City Auditor's Office completed a Review of Combined Communications Center Expenses during Fiscal Year 2012. The primary objective of this review was to provide the City Commission with reasonable assurance the City's share of expenditures is calculated in accordance with the terms of the ongoing CCC interlocal agreement between the City of Gainesville, the Alachua County Sheriff Office and Alachua County. The procedures performed included reviewing the interlocal agreement for the CCC, reviewing relevant documents, interviewing General Government staff members and Alachua County and Alachua County Sheriff staff responsible for administering the process and drawing conclusions from the information reviewed. Although our review has been completed, our report has not yet been finalized and reviewed with the various stakeholders in the process. Once our report is finalized, it will be submitted to the City Commission through the Audit, Finance and Legislative Committee process used for all of our audit reports.

AUDITS IN PROGRESS AT END OF FISCAL YEAR 2012

Following is a summary of audit projects initiated, but not completed by the end of Fiscal Year 2012.

Review of Payroll System

Payroll expenses for the City of Gainesville exceed \$115 million per year and are a significant component of the City's annual operating budget. The City's payroll administration process is designed to ensure that pay operations are conducted in a timely and orderly manner and ensure the accuracy of payroll expenditures and that employee compensation payments are for services rendered in accordance with relevant terms and conditions of employment and applicable rates of pay determined by the City Commission through collective agreements or approved pay plans.

The objective of this audit is to evaluate the system of management control over the City's payroll system to determine if payroll transactions are properly authorized, calculated and documented in accordance with applicable City policies, laws, rules and regulations. The audit was substantially completed during Fiscal Year 2012 and will be presented at an upcoming Audit, Finance and Legislative Committee meeting.

Review of Stormwater Management Utility Revenues

The City of Gainesville first established the Stormwater Management Utility (SMU) Fund as an enterprise fund in Fiscal Year 1989. The City's Public Works Department administers the City's Stormwater Management Program, with monthly revenues collected from business and residential customers through the Gainesville Regional Utilities Billing and Collection system. Stormwater operating revenues are budgeted at approximately \$8.5 million for Fiscal Year 2013.

The primary objective of this audit is to evaluate the system of management control currently in effect over billing and collecting for stormwater services. As part of our review, we will conduct interviews with key personnel involved with the administration of this program, test operating and financial data for accuracy and document the results of our work.

Review of CDBG/HOME Funds

The City of Gainesville's Fiscal Year 2013 Financial and Operating Plan anticipates the receipt and expenditure of approximately \$1.3 million and \$0.6 million, respectively, within the City's Community Development Block Grant (CDBG) Fund and the Home Investment Partnership Grant (HOME) Fund. The CDBG Fund is used to account for unique requirements of an annual federal grant program used primarily to refurbish and rehabilitate deteriorated housing in target neighborhoods. The HOME Fund is used to account for grant funds received from a federal program created under Title II of the Cranston-Gonzales National Affordable Housing Act of 1990.

The primary objective of this audit is to evaluate the system of management control currently in effect with regard to administering CDBG and HOME funds. As part of our review, we will conduct interviews with key personnel involved with the administration of this program, test operating and financial data for accuracy and document the results of our work.

FOLLOW-UP AUDITS

Follow-up audits are required by City Commission Resolution 970187 and by *Government Auditing Standards* and are conducted to determine the status of management's actions on specific City Auditor recommendations previously approved by the City Commission. In accordance with our Annual Audit Plan, we completed a Review on the Status of Outstanding Audit Recommendations. Our procedures were designed to provide reasonable assurance that management had 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 and obtaining and verifying evidence of corrective actions taken by management for each outstanding recommendation.

Summary of Results

We began the current period with 38 outstanding recommendations from 15 prior audits. The results of our review indicate management adequately implemented 15 of the prior period 38 recommendations, leaving 23 recommendations outstanding. An audit-by-audit summary of implementation progress follows.

Review of GG and GRU Small Business Enterprise Programs

Two recommendations related to the City's Small Business Enterprise (SBE) programs have been adequately implemented. Our original recommendations focused on improving the monitoring and reporting of the activities and progress of SBE programs to the City Commission on a regular basis. The Office of Equal Opportunity (OEO) has in recent years significantly improved their coordination and presentation of General Government and GRU SBE data analysis to the City Commission. The most recent reporting process provided annualized information over a three year period, allowing the City Commission to more effectively evaluate activities and resulting progress in these areas.

Effective for Fiscal Year 2013, the OEO has added a part-time Small Business Development Coordinator position. The purpose of this position is for the OEO to provide greater services to City departments as they endeavor to afford small, minority, and women-owned firms greater opportunities in providing goods and services to the City. Additionally, the OEO intends to improve upon their efforts to analyze and provide important data to the City Commission in order to help improve the City's overall efforts, including analyses of sub-contractor expenditures.

Review of Internet Access

The final recommendation from this audit has been closed. GRU has developed an enhanced internet usage reporting system and a how-to guide to assist managers in understanding the reports. The reporting system was made available to GRU managers during 2009 and to GRU employees in 2010. In addition, the Human Resources Department developed a GRU Internet Usage Policy that was adopted November 17, 2011. This policy outlines in detail appropriate internet usage and, combined with the monitoring reports available, should provide the necessary tools to help ensure that internet usage is appropriate.

2006 Pay Study Review

Implementation of the four previously issued audit recommendations will be evaluated during the initiation and completion of the pay study currently under way. At that time, management will have an opportunity to implement recommendations presented during our original review regarding slotting

benchmark positions and adjusting for internal equity considerations, including a right to audit clause in the pay study contract and adequately evaluating cost of labor differentials to be utilized.

Review of GPD Overtime

One recommendation remains open related to financial management controls over billable overtime processing. Since our original audit, management has significantly reduced staff costs related to administering the billable overtime process, increased billable overtime rates to cover associated costs, established a special revenue fund to better account for billable overtime revenues and expenditures, automated the overtime administration system, established an overtime committee and improved the process of revenue collection.

These activities initially resulted in the elimination of annual financial losses from billable overtime activities. However, we noted during this follow-up process that the Billable Overtime Special Revenue Fund has experienced significant losses during Fiscal Years 2011 and 2012. As a result, we will continue to monitor progress in correcting these deficiencies during Fiscal Year 2013 and will hold this recommendation open for further evaluation of the accuracy and effectiveness of the billing and collection process associated with GPD billable overtime.

Review of Housing Performance Measures

Management has undertaken significant efforts to address our recommendation from this audit related to improvements in performance measurement data collection, documentation and reporting. Improvements include establishing written procedures detailing the job functions responsible for collecting, reviewing and reporting performance measurement data and preparing a Customer Service Survey to be used as a baseline for establishing on-going measurements of customer satisfaction levels. However, our remaining recommendation will remain open in order to provide additional time necessary to implement reporting elements that will facilitate more effective performance comparison with peer municipalities.

Review of GRU Fuel/Coal Contracts

One final recommendation related to contract extensions for short-term contracts has been adequately implemented by management. Under current market conditions, coal suppliers have been reluctant to enter into longer term contracts. GRU was successful in obtaining three coal supply agreements with one year contract terms set to expire in early 2013. Each of these contracts contains a clause allowing GRU to extend the terms of the contracts for an additional year or two, subject to agreement by the seller, should GRU determine that extension of the contracts is advantageous. GRU is also in the process of testing the Deerhaven Air Quality Control System (AQCS) to determine if it is appropriate to purchase lower priced coal from the Illinois basin, which could be mixed with higher quality, higher priced coal from the Central Appalachian region, providing greater flexibility in future contract placement.

Review of GFR Inspection Fees

There are three recommendations from our original audit that remain outstanding. The first recommendation was partially addressed through the implementation of a more equitable fee structure for fire inspection fees, based on building sizes, which was expected to recoup more of the City's expenses related to providing this service. This action resulted in approximately \$15,000 of increased fee revenues during Fiscal Year 2010, the first year of implementation. However, since that time revenues declined \$13,000 for Fiscal Year 2011 and another \$12,000 for Fiscal Year 2012, resulting in revenues being lower

than they were prior to the fee restructuring. Management indicated that the elimination of a staff assistant position required inspectors to perform duties related to reviewing affidavits submitted by businesses documenting that inspection violations had been corrected. Management has since changed the process for reviewing the affidavits and is working to increase the number of completed inspections and revenues are expected to increase for Fiscal Year 2013. Additionally, there are continuing concerns regarding the collection of delinquent invoices and management anticipates having a collection agency in place before the end of the fiscal year. As a result of these issues, we will hold this recommendation open to provide additional time and information for better evaluating the effectiveness of this program.

Our second recommendation regarding management establishing reasonable fees for fire extinguisher training, new construction plan review services, insurance verification letters and investigative report copies has been partially implemented, but will remain open pending completion of a recommended procedures manual regarding fees charged. City copying fees are now collected for investigative report copies, GFR no longer provides extinguisher training and verification letters for fire hydrant location are no longer an issue of concern. We will also hold open the portion of this recommendation related to the possibility of charging the costs of GFR inspectors working on First Step Center development reviews from the City's Florida Building Code Enforcement Fund, thus relieving the General Fund of the cost of providing this service.

GFR has partially implemented our third recommendation through utilization of the Alachua County Property Appraiser's building data for square footage data utilized in calculating fire inspection fees. However, further work is needed in documenting a policies and procedures manual detailing the fire inspection fee process, including the process of invoicing and collecting fire inspection fees, as well as consideration of assessing late payment fees for unpaid fire inspections.

Review of Landlord Permit Revenues and Driveway Parking Plans

Management has implemented three of our original five recommendations from this audit. First, management worked with the City Attorney's Office to obtain City Commission adoption of an ordinance allowing the City to seek judicial resolution of delinquent landlord permit fees, greatly improving the collection process. Second, management developed and implemented a comprehensive Standard Operating Procedure to greatly improve documentation regarding the landlord permit billing and collection process, improving staff effectiveness and ensuring continuity in the event of staff turnover. Third, management worked with Information Technology to improve the functionality of the "Landlord Delinquent Report" which allows staff to better monitor collection activity by date and fiscal year.

Two of our original recommendations remain open. First, the Code Enforcement Division implemented a written operating policy for "Off Street Parking and Driveway Plans" which details the responsibilities of landlords and code enforcement officers related to the process of approving and maintaining parking areas. Additionally, during the landlord permit renewal process, Code Enforcement requires property owners to affirm that they understand the City's driveway plan requirements and will adequately maintain their driveway. Code Enforcement officers continue to actively monitor driveways that fall under the City's regulation on their regular patrols. However, our limited review of the current condition of driveway plans submitted indicated that additional efforts are needed to fully implement this recommendation and provide more reasonable assurance that property owners are in compliance. The other recommendation, related to recommended improvements in performance measurement data collection, documentation and reporting will remain open to allow us to review the latest Code Enforcement data submitted to the Florida Benchmark Consortium, expected to be released in the fall of 2012.

Review of Affirmative Action Program

The Office of Equal Opportunity (OEO) continues to make progress in implementing the four recommendations from our original report; however, we believe that further improvements are needed before the recommendations can be closed. For our first recommendation regarding necessary improvements in quality controls over Affirmative Action Plans and supporting data, OEO staff utilized data extracted from the Human Resources employee database and corrected missing data as a quality control. However, the corrections uploading into the Affirmative Action Plan software were not documented or adequately communicated so that the underlying Human Resources database could be corrected. This recommendation also included the OEO developing and documenting written procedures for conducting quality control analyses of Affirmative Action Plan data and documenting the Affirmative Action Plan compilation process. This has not yet been completed.

Our second recommendation focused on improvements in management controls over monitoring hiring processes. The process of completing Post Hiring Analysis Reports (PHAR's) for each position assigned with an AA goal was not completed consistently during our review period. The Equal Opportunity Director is considering implementing alternative monitoring tools rather than the completion of PHAR's. This recommendation will remain open for review after management has determined which monitoring method will be utilized.

For our third recommendation, related to necessary improvements in reporting efforts and progress relative to affirmative action goals, we recommended the OEO enhance the effectiveness of annual reporting, including reporting on representation trends over time by job groups and major departmental units. While enhancements have occurred, analysis and reporting of trend data from year-to-year was not created or included in annual reporting. Since the format of the Affirmative Action Plan changed and data from prior years was not retained, the OEO was unable to effectively compare data from year to year. This recommendation will remain open for further review after management has enough comparative data to complete the recommended trend analyses.

Our final recommendation, focused on enhancements in affirmative action training, management evaluation, and the exit interview process, has been partially implemented. Management has enhanced training and revamped the Operational Diversity Workplan to include an affirmative action component for management evaluations. However, no procedures have been implemented to proactively encourage employees to participate in exit interviews. As a result, this portion of the recommendation will remain open.

Review of Building Code Enforcement Fund Revenues

Management has adequately implemented our recommendation concerning the accuracy and timeliness of State Surcharge fees payable. The surcharge amount due from customers is now calculated and collected by the City at the time of application. Required payments are then compiled and remitted to the appropriate State departments at the end of each quarter.

During our review of this process, we observed that a subcontractor's personal information was erroneously disclosed via the "public access" portion of the City's permitting portal. The public disclosure of personal information violates Payment Card Industry Data Security Standards and non-compliance can result in fines to the City, as well as potential financial liability for credit/debit card holders. While management took immediate action to remove the noted personal information from public view and indicated that they took steps to ensure that no other personal information is available in the City's public portal, we will hold this recommendation open in order to follow-up on their efforts to improve payment card information security.

Review of GRUCom Revenues

Two of the three recommendations from our original audit have been adequately implemented. For the first recommendation, management has improved controls over GRUCom billing and collection activities by establishing written operational procedures related to maintaining, reconciling and adjusting account balances, as well as developing a system of management approval for significant account balance adjustments. Management has also worked to correct account balances and billing amounts, allowing GRUCom to eliminate previously relied upon manual shadow systems and processes. Management also eliminated conflicting billing and collections duties by moving the collection activities to GRU's cashiering group.

Regarding our second recommendation, management is still working to finalize written administrative policies and procedures documenting key GRUCom revenue processes and cross training employees in key administrative functions. As a result, we will hold this recommendation open.

Our final recommendation focusing on circuit database controls was implemented. Management no longer relies on the Circuit Database for billing purposes. Alternatively, as changes in a customer's service or premise occurs, Field Services conducts a comparison of circuits used by the customer to the number of circuits identified on their original customer contract. Confirmations of and changes to circuitry are communicated to GRUCom sales staff, who then request billing adjustments through GRUCom management and staff.

Review of Solid Waste Collection Fees

Management has successfully implemented three of the five original audit recommendations. For the first recommendation regarding franchise fee revenues, management developed and implemented a documented process of ensuring that franchise fee monthly payments are properly calculated based on reported gross revenues, that they appear reasonable based on historical patterns and that they reconcile with monthly activity reports received. Management also ensures that annual audited reports of gross revenues and franchise fees paid include necessary information and are received timely from franchisees as required by City ordinance. Annual audit reports are now reconciled with monthly franchise fee payments received and any differences noted are to be brought to the attention of Finance Department and Solid Waste Division management for proper adjustment. Commercial solid waste and construction/demolition debris franchise applications are now renewed annually, as required by City ordinance and application forms now clearly state that commercial franchisees are required to submit annual certifications of gross revenues.

Our second and third recommendations have not yet been fully implemented and will remain open. Regarding recommendation two, Solid Waste Division management is in the process of implementing a system of charging other City funds for municipal waste services. To date, GRU has refined the level of services received and agreed to pay approximately \$93,000 per year to the Solid Waste Enterprise Fund for services received beginning in Fiscal Year 2013. Arrangements for other City Funds to pay for services received are still being evaluated. For recommendation three, management has updated the methodology, cost factors and inventory of residential streets used to calculate road maintenance costs associated with providing residential solid waste collection services and provided a memorandum to the City Commission. Consideration of this issue remains in the Audit, Finance and Legislative Committee and is schedule for discussion at the November 2012 meeting.

Our last two recommendations have been implemented. Related to the fourth recommendation, management has reassigned staff and implemented supervisory reviews to ensure that incompatible duties related to billing and collecting solid waste fees are adequately segregated, improving accountability and

oversight of City assets. Management has also improved documented policies and procedures to better guide operations related to residential invoice processing. For recommendation five, Solid Waste Division management has successfully worked with GRU to ensure that residential refuse services are properly prorated during months in which cart swaps occur, improved procedures to ensure that customer credits are properly documented, reviewed and approved by management, and implemented a field verification process related to evaluating the appropriateness of vacant home credits.

Review of GRU Solar Feed in Tariff (FIT) Application Process

Management has implemented two of our four original audit recommendations. For our first recommendation, related to solar FIT application requirements and exceptions, management has transferred the administration of future solar FIT application processes to the GRU Purchasing Department, beginning with the supplemental lottery, held in September 2011. For the supplemental lottery, the GRU Purchasing Department implemented an applicant notification process similar to what is used in competitive bidding processes. We will hold this recommendation open in order to provide management the opportunity to evaluate what documentation will be required for submittal during future application processes and to further evaluate management's implementation of this recommendation for future open solar FIT application processes.

For our second and third recommendations, management clarified the GRU Administrative Guideline governing the solar feed in tariff application process to include a specific definition of what constitutes a government or nonprofit project, specifically as "projects that are either owned by or being installed on government or non-profit owner parcels." Management also provided further clarification in the Administrative Guideline regarding submission of multiple applications for individual properties, specifying that "For roof top projects, no more than 300 kW may be installed per parcel per year. The 300 kW total can be made up of multiple systems; however, at no time will more than 10 kW total of Class 1 systems be allowed on any one parcel."

Our final recommendation, regarding City employee and official eligibility to participate in the GRU solar FIT program, has not yet been implemented. Although management has determined that it is not desirable for City of Gainesville/GRU employees to be eligible for the program, staff did not yet change the Administrative Guideline because the supplemental lottery was limited to those who had previously applied during the January 2011 application process. GRU will update the policy prior to the next solar FIT application process.

Review of Miscellaneous Cash Receipts and Expenses

The Parks, Recreation, and Cultural Affairs Department has made progress regarding our recommendation for improvements in financial controls related to the City's Downtown Festival and Art Show (DFAS). Management has ceased the internal creation of vendor invoices, instead providing vendors with a template invoice when requested, and has implemented a control requiring vendor signatures prior to processing invoices for payment. Management has also improved the process of reconciling DFAS revenues received to total funds deposited and anticipated revenues. Staff now enters revenue data into the ActiveNet accounting system and compares revenues received to anticipated revenues entered into the DFAS software system. However, procedures have not been implemented to adequately compare periodic or total revenues to the City's accounting system. As a result, we will hold this recommendation open for further review.

Review of GRU Capital Projects

Our first recommendation focuses on strengthening the contract review processes for GRU capital project contracts. The enhanced process would provide contract managers with tools or checklists to ensure all elements set forth in a contract are in compliance, are adequately documented and are accurately calculated on invoices submitted. GRU management continues to evaluate implementation of recommended improvements and hopes to have this recommendation implemented during Fiscal Year 2013.

Our second recommendation was for GRU to consider providing capital project updates on the GRU website. We believe that reporting summary information regarding the purpose, cost and status of major GRU capital projects would help to promote accountability, provide staff and ratepayers an opportunity to readily access summary information in one location and provide consistency with General Government public information access. GRU has considered this recommendation and decided not to implement it at this time, given their current IT project backlog and perceived marginal benefit from its implementation. We will close this recommendation since the recommendation was only for management to consider this concept, as it is more focused on providing easier access to contract information and is not a compliance or internal control issue.

Future Follow-up Reviews

The recommendations still outstanding, along with new audit recommendations approved by the City Commission since the start of the Fiscal Year 2012 follow-up process, will be submitted to the appropriate Charter Officers in Fiscal Year 2013 in order to determine the current status of remaining recommendations.

SPECIAL PROJECTS AND OTHER ACTIVITIES

The City Auditor's Office performs services other than audits throughout the year, such as coordinating external audits, performing investigative work, reviewing agenda items submitted to the City Commission and consulting with management or the City Commission on specific financial or operational questions. The Office also completes administrative activities necessary to maintain and improve the quality of our services and our professional standing in the practice of government auditing. The following section provides a summary of these activities during Fiscal Year 2012.

External Audit Contracts

In accordance with Section 6(b) of Resolution 970187, City Auditor Responsibilities and Administrative Procedures, the City Auditor is responsible for coordinating all financial audits of the City conducted by Federal auditors, State auditors or certified public accounting (CPA) firms. Florida Statutes section 218.39 and Gainesville Code of Ordinances section 2-433 require the City Commission to employ independent certified public accountants, not connected with the government of the City, to audit the accounts maintained and the financial statements prepared by the City for each fiscal year.

During Fiscal Year 2009, the City Auditor's Office coordinated a competitive process which included an evaluation of proposals submitted by qualified external CPA firms to conduct the annual financial audits for the City of Gainesville. Based on this process, the City Commission approved the ranking of the proposals received for external auditing services and authorized professional services contracts with the top-ranked firms for the General Government and GRU segments for a period of five years beginning with the Fiscal Year 2009 audit. Contracts with the top ranked firms were later negotiated and executed by the City Auditor and are in place through Fiscal Year 2013.

Fiscal Year 2011 Financial Statements, Independent Auditors' Reports and Management Letters

During Fiscal Year 2012, in accordance with the City's contracts for external auditing services with Carr, Riggs & Ingram, LLC and Ernst and Young, Certified Public Accountants, the following reports were presented by the City Auditor to the Audit, Finance and Legislative Committee for review:

1. The Basic Financial Statements, Supplemental Information and Independent Auditors' Report, Management Letters and Single audit Reports of the City of Gainesville, Florida for the Fiscal Year Ended September 30, 2011; which were presented in the City's Comprehensive Annual Financial Report;
2. The Financial Statements, Supplemental Information and Independent Auditors' Report of Gainesville Regional Utilities for the Fiscal Year Ended September 30, 2011;
3. The Financial Statements and Independent Auditors' Report on the Wild Spaces and Public Places (WSPP) Funds of the City of Gainesville, Florida for the Fiscal Year Ended September 30, 2011;
4. The Financial Statements and Independent Auditors' Report on the Employees' Pension Fund of the City of Gainesville, Florida for the Fiscal Year Ended September 30, 2011;
5. The Financial Statements and Independent Auditors' Report on the Consolidated Police Officers and Firefighters Retirement Plan of the City of Gainesville, Florida for the Fiscal Year Ended September 30, 2011;
6. The Financial Statements and Independent Auditors' Report on the Disability Pension Fund of the City of Gainesville, Florida for the Fiscal Year Ended September 30, 2011; and
7. The Financial Statements and Independent Auditors' Report on the Other Postemployment Benefits Fund of the City of Gainesville, Florida for the Fiscal Year Ended September 30, 2011.

In the opinion of the independent auditors, the financial statements referred to in items 1, 2 and 3 above presented fairly, in all material respects, the financial position and changes in financial position of the City, GRU and the City's Wild Spaces and Public Places Funds for the year ended September 30, 2011, in conformity with generally accepted accounting principles.

In the independent auditors' opinion, the financial statements referred to in items 4, 5, 6 and 7 above presented fairly, in all material respects, the net assets and changes in net assets held in trust for benefits for the year ended September 30, 2011, in conformity with generally accepted accounting principles.

As part of the audit process the independent auditors issued "management letter comments" along with several other reports related to internal control structure; compliance with certain provisions of laws, regulations, contracts and grants, and internal control structure and certain requirements applicable to federal and state financial assistance programs. These reports were presented within item 1 above under the heading of "Single Audit Section."

The auditors' management letter related to General Government and the auditors' management letter and internal control report over financial reporting related to Gainesville Regional Utilities both indicated that there were no recommendations in the current year. The auditors' reported two findings and associated recommendations related to their review of the City's federal grant programs, specifically related to RTS grants and the City's Community Development Block Grant and HOME investment Partnerships Programs. Management responded that they have already or will promptly implement the auditors' recommendations.

In accordance with Section 6(b) of Resolution 970187, City Auditor Responsibilities and Administrative Procedures, the City Auditor reviewed the attached statements and reports to ensure that contractual terms had been fulfilled and transmitted these reports to the City Commission for acceptance.

City Commission and Management Requests for Assistance

Through the completion of a wide variety of audits over time, the City Auditor's Office develops a broad understanding of the activities and interactions of City operations. This unique perspective allows the Office to assist the City Commission and management by providing consultation on certain key issues which arise during the year. During Fiscal Year 2012, assistance and counsel was provided to the City Commission and management in a variety of areas, including the following:

- 2012 Canvassing Board – Chapter 9 of the City Code of Ordinances establishes a 3 member Canvassing Board for all City elections, to be chaired by the Mayor, Mayor Pro Temp or a member of the City Commission. If the Mayor, Mayor Pro Temp or a member of the City Commission is unable to serve, then the City Auditor or his designee serves in that capacity. During the Spring 2012 City election, the City Auditor served in this role, attending multiple meetings to canvass the election and runoff election returns and to declare the results of the election.
- Election Issues – The City Auditor helped facilitate discussions regarding a City Commission referral to the Audit, Finance and Legislative Committee regarding an examination of all facets of the City of Gainesville elections systems and process including dates, terms, term limits and other issues. Ultimately, this referral resulted in the placement of a City Charter ballot initiative for Spring 2013 that would, if approved by the voters, move City Commission elections to the Fall of odd years and extend the term of office to four years.
- Reestablishment of an Economic Development Officer Position – During Fiscal Year 2012, the City Auditor participated in discussions with the Audit, Finance and Legislative Committee and the Economic Development University/Community Committee which ultimately resulted in the

City Commission directing the City Manager to add the reestablishment of an Economic Development Officer as an increment to the Fiscal Year 2013/2014 budget.

- Road Maintenance Costs Associated With Providing Residential Solid Waste Collection Services – In August 2011, the City Commission accepted the City Auditor's report related to a Review of Solid Waste Collection Fees and authorized the Audit, Finance and Legislative Committee to retain Issue #3 from the report, regarding Road Maintenance Costs, in committee for further discussion. Issue #3 includes a recommendation for management to evaluate the methodology established in 1993 to calculate road maintenance costs associated with providing residential solid waste collection services and to determine if annual allocations should be increased to reflect current cost factors and inventory of residential streets. During Fiscal Year 2012, the City Auditor continued to facilitate discussions of this issue. The item remains in committee.
- GRU Brownfield Tax Credit Assistance – During 2011, the City Auditor, based on his previous involvement in the process of the City selling Florida Tax Credit Certificates received through incurred Brownfield cleanup expenses, advised GRU staff involved with the GRU portion of the remediation project at Depot Park of the State of Florida Brownfield Tax Credit program. As a result, GRU submitted a Voluntary Cleanup Tax Credit (VCTC) application to the Florida Department of Environmental Protection (FDEP) for over \$1 million in expenses incurred related to the MGP Remediation project completed at Depot Park. FDEP approved GRU's Depot Remediation VCTC application for \$500,000, which will be issued in first-come, first-served order based on their annual funding approvals.
- Advisory Board Attendance Appeals – In February 2012, the City Commission considered the appeals of several advisory board members who did not meet minimum attendance requirements and referred this item to the Audit, Finance and Legislative Committee. Staff of the City Auditor's Office worked with the Clerk's Office, City management, as well as various advisory board and staff liaisons to review the current attendance requirements, including the appeals process, and to provide recommendations for enhancing this process. Resulting from this process was approval by the City Commission of recommended revisions to City Ordinance section 2-247, "Removal from office," for quasi-judicial, administrative and advisory boards. The primary focus of the recommended revisions is to provide for a modest number of excused absences per year that would not count against the board members' overall attendance record for the purposes of removal from office, to clarify what constitutes "attendance" and to eliminate the current appeal process for advisory board members.
- Habitat for Humanity – The City Auditor facilitated discussions between City management and Habitat for Humanity executive leadership regarding the agency's request and resulting Audit, Finance and Legislative Committee referral, regarding possible establishment of tax increment financing for Habitat for Humanity projects. Ultimately, Habitat for Humanity's Executive Director thanked the City for its' ongoing partnership and withdrew their request, indicating they may revisit the request in the next 5 years or so after developing additional homes within City limits.
- Proposed Constitutional Amendment "Move to Amend" – Based on a City Commission referral and citizen interest, the City Auditor facilitated several meetings of the Audit, Finance and Legislative Committee regarding establishment of a resolution of the City Commission supporting an amendment to the U. S. Constitution to establish that only human beings, not corporations, are endowed with constitutional rights and that money is not speech, and therefore regulating political contributions and spending is not equivalent to limiting political speech, which was ultimately passed by the City Commission.
- Outside Agencies Using the City Commission Auditorium – The City Auditor helped facilitate discussions which resulted in the City Commission amending the City Commission Meeting Facilities Policy to allow the auditorium and City Hall meeting rooms to be used for "Open

candidate forums conducted by 501(c)(3) or 501(c)(4) organizations not endorsing or opposing a candidate or political party.”

- Personnel Policies – The City Auditor continues to serve on an ad-hoc committee of the Charter Officers providing technical advice to the Human Resources Department regarding development of updated personnel policies and procedures.
- Purchasing Policies – Based on our previous audits of General Government and GRU purchasing processes, the City Auditor’s Office continues to provide requested technical advice to management regarding implementation of the City’s Purchasing Policies and Procedures and controls related to utilization of procurement cards.
- City Attorney Selection Process – The City Auditor participated in the interview process for the City Attorney position, along with the other Charter Officers, providing input and general observations to the Mayor and members of the City Commission.

Hotline Processing

One of the goals of the City Auditor’s Office is to prevent and detect fraud, waste and abuse in government activities. Among the programs maintained by the Office in these efforts is our “Hotline”. Hotline inquiries may be initiated by phone, e-mail, regular mail or personal visit from City officials, employees, employee groups or citizens. Depending on the nature of the inquiry or allegation received, an investigation may be initiated, generally after consultation with the appropriate Charter Officer. During Fiscal Year 2012, we received and processed several hotline inquiries or allegations.

City Commission Agenda Review

The City Auditor’s Office performs cursory reviews of agenda items submitted to the City Commission during the fiscal year, periodically recalculating financial impacts and monitoring compliance with purchasing policies and procedures, to the extent possible. Any questions or concerns are communicated informally to appropriate management staff for further clarification or correction, when necessary, resulting in improved accuracy of information presented to the City Commission.

Quality Control/Peer Review

The City Auditor’s Office conducts all audits in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. These standards are broad statements of auditors’ responsibilities and provide an overall framework for ensuring that auditors have the competence, integrity, objectivity and independence in planning, conducting and reporting on their work. In order to maintain compliance with *Government Auditing Standards*, the City Auditor’s Office is required to undergo an external quality assurance review every three years.

The Association of Local Government Auditors (ALGA) has an established peer review program intended to assist member organizations in their efforts to comply with *Government Auditing Standards*. ALGA assigned audit professionals from the City of Jacksonville, Florida Office of the Council Auditor and the Miami-Dade County, Florida Public Schools Office of Management and Compliance Audit to conduct an external quality control review of the City Auditor’s Office. The review team began their work in late 2011, reviewing the operating policies and procedures of the City Auditor’s Office and relevant background information. During January 2012, the team conducted a site visit in Gainesville, examining the internal quality control system and a sample of audit reports issued, including the audit workpapers supporting the reports.

The primary objective of the examination was to determine whether audit work performed by the City Auditor's Office during the three year period from October 2008 through September 2011 complied with *Government Auditing Standards* issued by the Comptroller General of the United States. We are pleased to report the review team found that the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards*. The City Commission accepted the External Quality Control Review report prepared by the Association of Local Government Auditors Review Team and the City Auditor's response.

The City Auditor's Office complies with all applicable auditing standards, has established appropriate policies and procedures to ensure internal quality control and has completed required external quality control reviews every three years since 1996. Each peer review team has reported that audits conducted by the City Auditor's Office complied with *Government Auditing Standards*. The most recent Quality Control Review report, issued in January 2012, can be found on our website (www.audigators.org) along with our policies and procedures, audit reports issued, staff profiles and other information.

Audit Survey Results

Upon completion of each audit, the City Auditor's Office provides an Audit Services Survey to appropriate representatives of the department audited. The survey provides management an opportunity to voice any concerns regarding the manner in which the audit was conducted, the courtesy and professionalism demonstrated during the audit and whether or not conclusions and recommendations resulting from the audit were constructive and practical. The questionnaire also requests information on the "value added" to the operation through the audit process. The City Auditor reviews these completed questionnaires and makes administrative adjustments to audit practices as necessary.

Professional Development

During Fiscal Year 2012, the City Auditor's staff consisted of three professional auditors and one half-time Executive Assistant. Staff of the City Auditor's Office possess an array of educational backgrounds including a Masters degree in Public Administration, two Bachelor of Science degrees in Accounting, one Bachelor of Business Administration degree in Marketing and one Bachelor of Arts degree in Economics and Management.

Professional certifications include two Certified Public Accountants, two Certified Internal Auditors, two Certified Government Audit Professionals, two Certified Fraud Examiners, one Certified Internal Control Auditor and a Certification in Risk Management Assurance. Generally accepted governmental auditing standards require professional staff to obtain 80 hours of continuing professional education during a two-year period. All professional staff are in compliance with continuing professional educational requirements.

Staff of the City Auditor's Office maintain memberships in several professional associations. Current affiliations include the Association of Local Government Auditors, American and Florida Institutes of Certified Public Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners, Florida Government Finance Officers Association and the Florida Audit Forum.

The City Auditor maintains a consistent commitment to local government auditing and the professional development of staff. Aside from association committee meetings, workshops and conferences, staff members make it a point to periodically participate in peer reviews of other local government audit agencies. The benefits of involvement in this process are many as participants gain a fresh perspective on the best practices of auditors from across the nation.

The City Auditor currently serves as the Treasurer and as a board member of the Florida Audit Forum, an organization of federal, state and local governmental auditors within the State of Florida. The mission of the Forum is to provide government audit professionals and other interested parties a unique opportunity to identify and address issues of mutual and common concern and to improve the communication links to share experiences, audit approaches and possible solutions to issues addressed. Staff members within the City Auditor's Office currently serve as Past President and Secretary of the North Central Florida Chapter of the Institute of Internal Auditors and as a member of the Survey Committee of the Association of Local Government Auditors.