

**REPORT ON THE STATUS OF OUTSTANDING AUDIT
RECOMMENDATIONS FOR NOVEMBER 2011**

NOVEMBER 2011



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

City of
Gainesville

Inter-Office Communication

November 14, 2011

TO: Audit, Finance and Legislative Committee
Mayor Craig Lowe, Chair
Mayor-Commissioner Pro Tem Thomas Hawkins, Member

FROM: Brent Godshalk, City Auditor

SUBJECT: Report on the Status of Outstanding Audit Recommendations for November 2011

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 29 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, Equal Opportunity Director, General Manager for Utilities and the various departments participating in this review process.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with our Fiscal Year 2011 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, Equal Opportunity Director and General Manager for Utilities 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 29 outstanding recommendations from 14 prior audits. The results of our review indicate management adequately implemented 9 of the prior period 29 recommendations, leaving 20 recommendations outstanding. An audit-by-audit summary of implementation progress follows.

Department/Agency	Report Date	Audit Title	Start Of Period	Implemented	Currently Outstanding
Economic Development	Nov 03	Review of Small Local Business Development Department	1	0	1
GRU Information Systems	Aug 05	Review of Internet Access	1	0	1
Human Resources	Nov 06	2006 Pay Study Review	4	0	4
Gainesville Fire Rescue (GFR)	Feb 07	Review of GFR Overtime	1	1	0
GRU Purchasing	Jun 07	Review of the GRU Small Business Enterprise (SBE) Program	1	0	1
Gainesville Police Department (GPD)	Nov 07	Review of GPD Overtime	1	0	1
Housing Department	Jun 08	Review of Housing Performance Measures	1	0	1
General Services	Nov 08	Review of Fleet Fuel Expenses and Charges to Departments	2	2	0
GRU Energy Supply	Jan 09	Review of GRU Fuel/Coal Contracts	1	0	1
Gainesville Fire Rescue	Jun 09	Review of GFR Inspection Fees	4	1	3
GG Finance	Nov 09	Review of Local Business Tax Revenues	3	3	0
Neighborhood Improvement	Nov 09	Review of Landlord Permit Revenues – Driveway Parking Plans	2	0	2
Equal Opportunity	Mar 10	Review of Affirmative Action Program	4	0	4
Planning & Development	Nov 10	Review of Building Code Enforcement Fund Revenues	3	2	1
TOTAL RECOMMENDATIONS			29	9	20

Review of Small Local Business Development Department

One recommendation remains open to provide additional time for the Equal Opportunity Office to finalize the reporting process. General Government staff efforts included manually obtaining local VISA spending with small and local businesses due to the existence of technical difficulties in implementing an automated process of collecting the data. Management will continue to manually accumulate VISA spending data, but will continue efforts to seek an automated process.

The Equal Opportunity Office has improved efforts to ensure that annual small business enterprise activity is adequately monitored and reported to the City Commission. However, we noted some data inaccuracies in the annual report provided to the Equal Opportunity Committee in 2011 and noted that peer city comparison data is planned for future reports. As a result, we will transfer responsibility for this recommendation to the Equal Opportunity Office and review the reporting process in the next reporting period.

Review of Internet Access

The final recommendation from this audit remains partially open. 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 is currently developing a GRU Internet Usage Policy that is scheduled to be completed at fiscal year end. This policy will provide an outline of 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 next pay study. At that time, management will have an opportunity to implement recommendations presented during this review regarding slotting benchmark positions and adjusting for internal equity considerations, right to audit clauses and cost of labor differentials used. For the fourth recommendation regarding long term cost and equity considerations, management previously developed and provided to the City Commission a report of transitional, general and merit increases paid to the City's various employee groups during fiscal years 2009 and 2010. Further efforts are needed to develop a mechanism for measuring the rate of change in actual payroll costs and reporting this information annually to the City Commission.

Review of GFR Overtime

Prior to our original audit, GFR overtime was \$612,000 in fiscal year 2005 and \$532,000 in fiscal year 2006. Subsequent to our initial report, overtime fell to \$320,000 in fiscal year 2007, rebounding somewhat to \$443,000 in fiscal year 2008. GFR management indicated the fiscal year 2008 increase was primarily due to an increased number of paramedic training and having six vacancies the entire year. Beginning in fiscal year 2009, GFR initiated a new procedure, consistent with our previous audit recommendation, to better monitor sick leave and to more closely follow the guidelines of the collective bargaining agreement. When an employee reaches three sick leave incidences during a fiscal year, the departmental timekeeper generates a sick leave notice, which is provided to the employee upon returning to work. The notice informs the employee of the number of sick leave incidences taken to date and reminds the employee that the current bargaining unit agreement states "from the fourth incident of sickness a doctor's statement verifying the sickness may be required." The notice also includes what the employee will need to do upon returning to work from future sick leave events and the consequences if the employee fails to provide the physician's note.

For fiscal year 2009, overtime expenses incurred fell to \$344,000 and declined further in fiscal year 2010 to approximately \$170,000. GFR management indicated that the significant reduction in overtime in fiscal year 2010 is the result of hiring three additional firefighters, along with a temporary reduction in training, hiring and promotional processes. Based on GFR's successful reduction in overtime costs, in part through the implementation of improved monitoring of sick leave usage and reminding employees what is expected after sick leave incidents, we will close this final recommendation.

Review of the GRU Small Business Enterprise (SBE) Program

One recommendation remains open to provide additional time for the Equal Opportunity Office to finalize the reporting process. The GRU conversion to the SAP software is completed and GRU staff have successfully captured SBE spend data on the local level. Capturing this data is important to the City Commission in monitoring the City's economic development program.

As noted above in our Review of Small Local Business Development Department, the Equal Opportunity Office has improved efforts to ensure that annual small business enterprise activity is adequately monitored and reported to the City Commission. However, we noted some data inaccuracies in the annual report provided to the Equal Opportunity Committee in 2011 and noted that peer city comparison data is planned for future reports. As a result, we will transfer responsibility for this recommendation to the Equal Opportunity Office and review the reporting process in the next reporting period.

Review of GPD Overtime

One recommendation remains open related to timely and accurate billing and collecting of revenues for support services provided by the City to outside agencies. Agency billing requires coordination between several City departments such as GPD, Cultural Affairs, Traffic Engineering and Finance. In the past, we noted several outside agencies were either not billed or were billed incorrectly. While significant improvements in this process have been made, further improvements in the timeliness of billing outside agencies are needed. As a result, we will hold this recommendation open for further evaluation of the billing process.

Review of Housing Performance Measures

Management has made 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 recommendation will remain open in order to provide additional time necessary to improve data accuracy within performance reports, complete recommended trend analyses of annual performance measurements and implement additional reporting elements to facilitate more effective comparison of performance to peer municipalities.

Specific weaknesses in measurement and comparison processes implemented include the following:

- Management Plan data is utilized by management to evaluate key departmental performance measures and report on those measures that focus on management's strategic priorities. These measures are focused on assisting management in assessing program results, identifying areas needing improvement and providing the basis for comparing performance with peer cities. During our review, we noted data inaccuracies in the annual performance reports.

- Reports of performance measurements are prepared each quarter and include funding dollars and total units for all rehabilitation and roofing activities. The reports provide totals but do not provide analytical data to compare activities to other municipalities, such as the number of households provided public assistance per \$100,000, average number of days to complete projects, number of hours by personnel by project type, etc. Implementation of such measures would facilitate more effective comparisons with other municipalities and internal trend analyses. We also noted data inaccuracies within this report when compared to source documentation.
- Reporting of Customer Service Surveys only includes a randomly selected sample of respondents rather than the total population. Additionally, the scores and resulting graphs do not accurately represent percentage scores, as stated, but represent total scores for each attribute.

Review of Fleet Fuel Expenses and Charges to Departments

The final two recommendations from this report have been adequately implemented by management. The first issue was related to weaknesses in controls over GPD fuel card usage. Since the time of our audit, GPD has implemented the following recommended procedures to better account for fuel card activities:

- Updated the fuel card log to maintain a record of fuel cards issued.
- Reconciled on a quarterly basis the fuel card log to payroll records and fuel usage records to ensure fuel cards are assigned only to City employees.
- Established a process for periodically evaluating the reasonableness of fuel transactions and reviewing transactions for unusually high usage on a recurring basis.

The second recommendation implemented related to improvements in completion of forms required to report benefits received as income, as required by IRS Publication 15-B. This recommendation is directly related to reporting personal use mileage incurred while operating a City vehicle as a fringe benefit. We reviewed Payroll files and noted a significant increase in the timely completion of forms required since our last follow-up review. The Human Resources Department should continue to educate timekeepers about this requirement to ensure continued compliance and should ensure that forms display accurate mileage calculations.

Review of GRU Fuel/Coals Contract

One recommendation remained open since our last review. The recommendation regarding extensions for short-term contracts has been attempted since the conclusion of our audit. However, the current market conditions for coal have driven coal prices to levels that approach the cost of production, making it impossible for GRU to engage in the types of contracts previously recommended.

Short-term contracts are used to position both the buyer and seller in terms of ensuring GRU will be able to take advantage of more favorable pricing when the market prices stabilizes and the seller is able to make a reasonable profit. Suppliers have been reluctant to enter into longer term contracts under current market conditions. GRU was successful in obtaining two coal supply agreements with two-year contract terms, with the base price fixed for both contracts without an escalation in the second year. These contracts were in effect at the time of our previous follow up review and expire at the end of this calendar year. Both contracts allow GRU to extend the contract for one or two years at expiration, but the extensions are open to negotiation, which is essentially negotiating a new contract. We will hold this final recommendation open until we complete our next follow up process, so that we can better evaluate market conditions at that time and assess whether recommended short-term contracts will be an effective option for future operations.

Review of GFR Inspection Fees

Management has implemented one of the four recommendations from our original audit. The City's website for public information regarding the GFR inspection process now includes a section describing the fire inspection process, which enables businesses to better understand the process, the fees involved and to allow them to be better prepared for the inspection.

There are three recommendations from our original audit that remain outstanding. The first recommendation has been partially addressed through the implementation of a new fee structure for fire inspection fees beginning in fiscal year 2010. This action eliminated the previous flat fee of \$50 and restructured fire inspection fees charged based on building square footage. Fire inspection fee revenues for fiscal year 2010 totaled approximately \$84,000, a 22% increase over fiscal year 2009 revenues. However, for the first seven months of fiscal year 2011, inspection fee revenues totaled only \$37,000, suggesting an unanticipated reduction from 2010 levels. Contributing factors include the number of re-inspections, which have no fee, performed early in the year. These were performed because affidavits required from initial inspections were not returned. Additionally, there are continuing concerns regarding the collection of delinquent invoices. As a result, management anticipates having a collection agency in place before the end of the fiscal year to handle delinquent accounts. As a result of these issues, we will hold this recommendation open to provide additional time and information for better evaluating the effectiveness of the rate change.

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 and will remain open pending completion of a recommended procedures manual regarding fees charged. Investigative report copies are now charged the City copying fee and GFR no longer provides extinguisher training. Management indicated that insurance verification letters for fire hydrant location are no longer an issue, but will be addressed in the procedures manual, when completed. Management also indicated that the City Attorney's Office has advised the Building Official that Building Code Enforcement funds cannot be utilized to offset costs of GFR inspectors who participate in new building reviews associated with the City's First Step Center.

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 Local Business Tax Revenues

Management has adequately implemented all three of our original recommendations. The first recommendation focused on management implementing an action plan to increase revenue collection activity, revising procedures to ensure that businesses are identified and notified appropriately and timely, and resolving an ongoing issue of non-payment by a small segment of businesses. Local business tax revenues increased by 9% and 3% during fiscal years 2009 and 2010, respectively, as a direct result of the hiring of a Field Collector and enhancing procedures to streamline the on-line and mailing notification process. Management also resolved the issue of non-payment with the businesses identified during our review.

The second recommendation was related to management improving procedures regarding collection of business taxes and late payment penalties. Our review of the current collection process indicates that management adequately alerts customers when taxes are due and provides adequate information of remittance options and fees associated with late payments. Finally, collection notices are issued urging payment prior to legal action.

The final recommendation, addressing controls over City assets and receivables, has also been adequately implemented. Management has taken actions to adequately ensure that checks are restrictively endorsed upon receipt and deposited in a timely manner and that access to the City vault is adequately restricted to personnel who require access as part of their current responsibilities.

Review of Landlord Permit Revenues – Driveway Parking Plans

Management is still in the process of implementing our two recommendations. The Code Enforcement Division has implemented a written operating policy for “Off Street Parking and Driveway Plans” which details responsibilities of landlords and code enforcement officers in the process of approving and maintaining parking areas. During the 2011/2012 landlord permit renewal process, Code Enforcement is including a statement on renewal notices that will enable permit holders to affirm they understand the City’s driveway plan requirements and will adequately maintain their driveway. Code Enforcement officers will continue to actively monitor driveways that fall under the City’s regulation on their regular patrols. As in our original audit, we observed instances of non-compliance such as severe erosion, missing timbers or railroad ties or parking coverage exceeding the maximum allowed area and will hold this recommendation open for further follow up.

For the second recommendation, the Code Enforcement Division implemented new record keeping software during the past year and now uses the reports available from the system to generate data for management plan updates. One report regularly reviewed is the number of cases handled by code enforcement officers, type of violations and date ranges. Staff is working with the software provider to add additional reports and research tools. One report being developed will show how many cases are referred to the Code Enforcement Board by date range and violation type. A new tool will allow a keyword search that staff could use to look for trends in complaints received to determine if there is an issue that needs to be addressed. Code Enforcement anticipates these reports will be available later in fiscal year 2011. Additionally, performance measurement data was submitted to the Florida Benchmark Consortium (FBC) by previous Code Enforcement management for fiscal year 2009. However, there were some data elements missing or not answered. The next follow up cycle will allow sufficient time for the next FBC report to be issued and ensure that accurate and complete performance measurement data was submitted. As a result, we will hold this recommendation open for further follow up.

Review of Affirmative Action Program

The Equal Opportunity Office (EO) has made significant progress in implementing each of the four recommendations from our original report. EO has in the past year installed and provided staff training on new Affirmative Action Planning software in an effort to implement recommended improvements in quality controls over Affirmative Action Plans and supporting data. EO has taken steps to implement recommended improvements in management controls related to City hiring processes and has worked to enhance Affirmative Action training, management evaluations and exit interview processes.

Another audit recommendation focused on improvements in reporting efforts and progress relative to the City’s Affirmative Action goals. EO made substantial changes regarding the methodology utilized to complete the City’s 2011 Affirmative Action Plan. For the first time, separate plans were completed for each City location rather than having one plan for the entire organization. This method was adopted based on guidance from the Office of Federal Contract Compliance Programs. In subsequent years, EO will have an opportunity to report on the City’s progress toward achieving Affirmative Action goals based on this new methodology.

Although significant efforts have been expended by EO regarding the implementation of our audit recommendations, additional time is needed for us to be able to evaluate the full impact of these enhancements. As a result, these recommendations will remain open until the next follow up process.

Review of Building Code Enforcement Fund Revenues

Management has implemented two of the three recommendations from our original audit. The economic downturn continues to affect this fund in that net assets have decreased from their peak in fiscal year 2008 of \$4.7 million to \$3.7 at the end of fiscal year 2010. Management has taken adequate steps to address our recommendation regarding the establishment of a management policy regarding the appropriate level of Building Code Enforcement Fund balance. Management has also adequately addressed our recommendations related to clarifying when re-inspection fees are charged, enhancing physical security over customers' confidential information and implementing data standardization methods. One recommendation regarding the accuracy and timeliness of State surcharge payments will remain open to allow for further review during our next follow up process.

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.