

Office of the City Auditor

City of
Gainesville,
Florida

Report to the City Commission

2022 Activities and Accomplishments

-Office of the City Auditor-

November 9, 2022

Ginger Bigbie, CPA, CFE, City Auditor
200 E University Avenue, Room 211
Gainesville, FL 32601

GAINESVILLE CITY COMMISSION

Lauren Poe, Mayor
David Arreola
Cynthia Chestnut
Desmon Duncan-Walker
Adrian Hayes-Santos
Reina Saco, Mayor-Commissioner Pro Tem
Harvey Ward

AUDIT COMMITTEE MEMBERS

Lauren Poe, Mayor
Reina Saco, Mayor-Commissioner Pro Tem
Harold Monk, CPA, CFE (Appointed)

Introduction

The City Auditor’s Office is an independent internal audit function, reporting directly to the City Commission, while the Audit Committee consisting of the Mayor, Mayor Pro-Tem and appointed external subject matter expert provides governance of internal audit activities and selection and oversight of the external financial statement auditors and other external auditors.

The Office of the City Auditor’s mission is to promote honest, efficient, effective, transparent and fully accountable government. To carry out this mission we perform risk-based audits, advisory services, special projects, and management requests. We also manage the City’s Fraud, Waste and Abuse Hotline and conduct investigations.

Completed Audit & Advisory Services

We successfully completed the following engagements in FY 2022 resulting in gained efficiencies, improved operations, and reduced risks as management remediation efforts are completed. Reports can be viewed on the City Auditor’s website:

<https://www.gainesvillefl.gov/Government-Pages/Government/City-Auditor/Audit-Reports>

- ❖ ***Body Worn Camera Compliance Audit*** (Identified three opportunities for improvement)
Objective - to assess Gainesville Police Department’s (GPD) compliance with Florida’s Body Camera statutes, GPD’s internal Body Worn Camera (BWC) policies and procedures, and the effectiveness of the GPD body worn camera supervisory review program.



- ❖ ***GRU Badge Access and Physical Keys Management Audit*** (Confidential Findings)
Objective - to assess the adequacy of badge access controls and management of physical keys to ensure the risk of unauthorized access to GRU buildings and warehouses is adequately managed. The audit period reviewed was January 1, 2020 to June 30, 2021. During this engagement, we interviewed GRU management and staff, observed operations, and performed tests of controls on a risk-based sample of locations, reports and other support documents

- ❖ ***General Government Internal Controls over Financial Reporting Audit*** (Identified high and moderate risk opportunities for improvement combined into one issue)
Objective - to assess the design and effectiveness of General Government internal controls over financial reporting processes and ensure the risk of error, financial reporting misstatement, and fraud are sufficiently mitigated. This audit was added to the City Auditor's Audit Plan in March of 2021 as a result of insufficient progress being made toward General Government Finance and Accounting high risk areas identified with external financial statement audit findings.

- ❖ ***Collier's Contract Compliance Audit*** (Identified two opportunities for improvement)
Objective - to evaluate compliance with the deliverables, terms and conditions of the City's contract with Colliers International Florida, LLC (Colliers). City departments and staff provide many services to its residents. Duties include managing a significant number of contracts. Effective contract administration is critical to the success of public contracting processes.

- ❖ ***Citywide Gift Card Audit*** (Identified one moderate risks opportunity for improvement)
Objective - to review the policies, procedures, controls and security around the handling of gift cards and determine if internal controls are adequately designed and operating effectively to sufficiently mitigate the risk of gift card fraud, waste and abuse.

❖ ***Florida Highway Safety and Motor Vehicles Data Exchange compliance Audit***
(Confidential Findings)

Objective - to assess the design and operating effectiveness of controls related to the Florida Highway Safety and Motor Vehicles data exchange processes from February 6, 2020 through April 30, 2022.

❖ ***GCRA Project and Fiscal Management Audit***

(Identified three moderate risk opportunities for improvement)

Objective - to review internal controls around project management activities to ensure effective and efficient operations and transparent management of GCRA funds and reporting. This audit was included in the City Auditor's 2022 Audit Plan.



❖ ***American Rescue Plan Act (ARPA) Grant Compliance Audit Phase I***

(Identified one low risk opportunity for improvement)

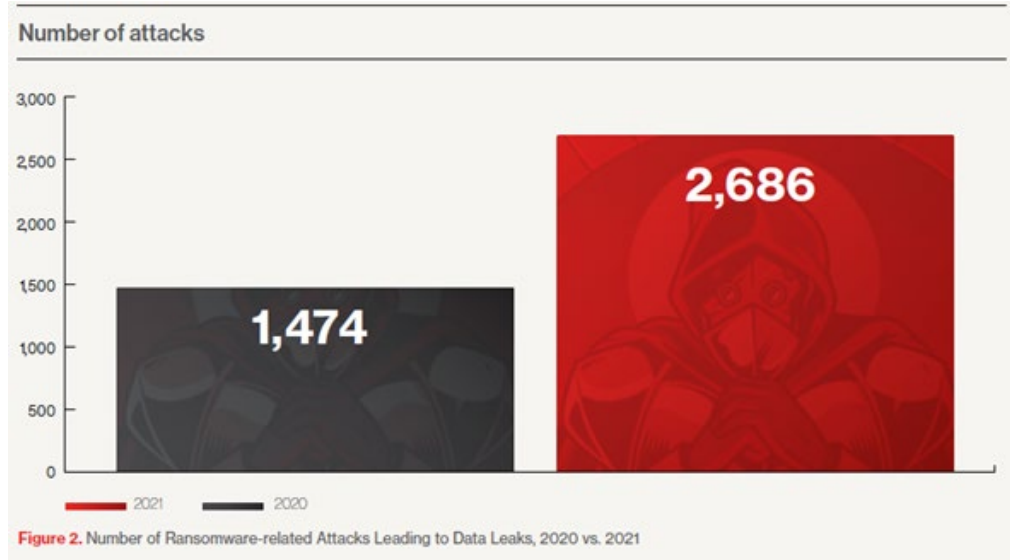
Objective - to review the design of the internal controls for the ARPA grant administration program and select program elements. The City was awarded \$32,408,804 in ARPA funds, which must be used for purposes in compliance with the Final Rule.



❖ ***Citywide Cybersecurity Phase II Audit***

(Confidential Findings)

Objective - to provide an independent assessment of the City's cybersecurity governance structure, adequacy of current policies and procedures, and effectiveness of internal controls.



❖ ***RTS Limited Scope Review***

(Identified one moderate risk opportunity for improvement)

Objective - to analyze preventable driver incidents and collisions data to identify potentially inequitable management practices. In April 2022, the City Auditor's Office conducted an investigation of the Gainesville Regional Transit System (RTS); based on the investigation results, the RTS Limited Scope Review was added to the audit plan in June 2022.



❖ ***Public Records Policy Compliance***

(This audit is currently in progress)

Objective - to review citywide staff compliance with the G-5 Public Records Policy to

ensure efficient use of City resources, timely response to requests, and effective monitoring for compliance.

Completed Special Projects

We completed the following special projects in FY 2022:

- ❖ ***Review of Management Due Diligence Results Unsolicited Proposal-*** In July 2021 City Commission requested the City Auditor provide an independent review of management's due diligence efforts and results for the unsolicited proposal received in June 2021 from a private entity (Developer) to establish and operate a supermarket in the City of Gainesville before the City Commission decides on moving forward with or committing funds for the unsolicited proposal. The City Auditor attended management due diligence discussions, reviewed documentation, and reviewed management's recommendation to the City Commission to ensure it fairly represents facts and aligns with management's due diligence results. Our results are summarized in the Memo to the Mayor, City Commission, and Audit Interim City Manager.

- ❖ ***Internal Control Follow Up – Gainesville Regional Utilities (GRU) Deerhaven Generating Station***–The City Auditor's Office conducted an internal control follow-up on the management of non-inventoried equipment at the Deerhaven Generating Station following a 2021 theft event. The objective was to determine if the risks relating to storage and physical security controls of non-inventoried electronic equipment were addressed. Our results are summarized in the Memo to the Mayor, City Commission, and Audit Committee Members.

- ❖ ***Internal Audit Corner*** - The City Auditor's Office launched an Internal Audit monthly feature in the City's Daily newsletter to promote risk and control awareness to city personnel. The October 2022 feature included an overview of Operational Risk.

- ❖ ***Fraud Risk Management Policy*** - The Office of the City Auditor drafted the City's first Fraud Risk Management Policy approved by the City Commission on October 21, 2021. An organizational fraud risk management policy defines fraudulent behavior, establishes that fraudulent behavior is unacceptable, helps safeguard City resources through improved management of fraud risk, and provides guidelines for the development, implementation, and monitoring of internal controls that aid in the detection and prevention of fraud in accordance with F.S § 218.33. Specifically, (3) Each local governmental entity shall establish and maintain internal controls designed to:
 - Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
 - Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
 - Support economical and efficient operations.
 - Ensure reliability of financial records and reports.

- Safeguard assets.

The Office of the City Auditor provides training and tips to staff during International Fraud Awareness week, this year schedule November 13- 19, 2022.



November 13-19, 2022

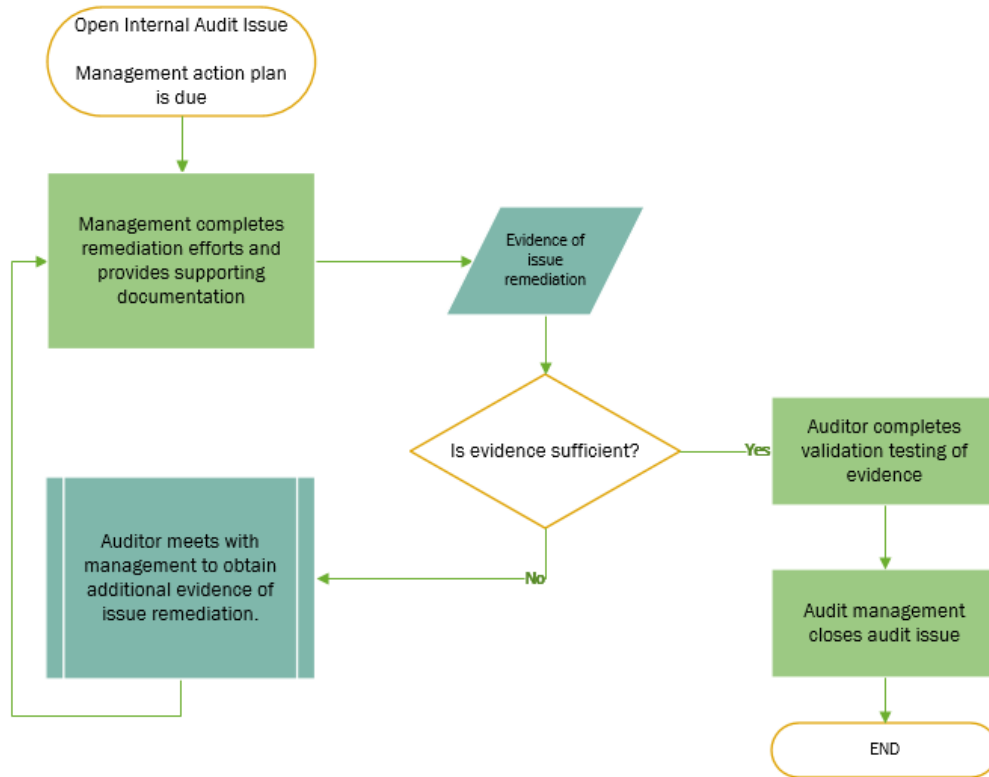
The Office of the City Auditor's Office, in collaboration with the Learning and Development, developed an Ethics and Anti-fraud e-learning module for citywide staff training. The on- demand training module is launching November 2022.

Audit Issue Follow up Program

Throughout the year the City Auditor's Office worked with management on Audit Issue Follow up activities to ensure management continues progress toward their management action plans to address open audit issues.

The Audit Issue Follow up Program, depicted in Figure 1 below, begins with Internal Audit identifying risk during an audit that results in an audit issue. Internal Audit and management agree on an action plan to remediate the risk to an acceptable level, management responsible parties for ensuring the action plan stay on track, and a due date for the completion of the management action plan. Internal Auditors periodically check in with management on their action plan progress. When management has completed their action plan, Internal Audit requests evidence and performs validation testing. When the implemented action plan passes validation testing, the audit issue is closed. Any past due audit issue is reported to the Audit Committee and requires management explanation until the issue is closed.

Figure 1 - Audit Issue Follow Up Program Process Flow



Summary of FY 2022 Audit Issue Follow up Activity

Internal Audit tracks all audit issues and reports status in the City Auditor Quarterly Update. As of December 31, 2022, 16 audit issues remained open. 16 audit issues were **fully remediated** and closed in 2022, resulting in **improved controls** around Affirmative Action Plan, Succession Planning, GPD Property and Evidence Cash management, Administration and Management of Evergreen Cemetery Operations, Body Worn Camera Compliance. There were no past due audit issues at the end of the year. See Table 1 below for FY 2022 audit issue statistics.

Table 1 – FY 2022 Audit Issue Statistics

City Auditor Status of Audit Issues	Number of Audit Issues *
Number of Audit Issues Open as of January 1, 2022	19
Number of Audit Issues Opened In 2022	13
Number of Audit Issued Closed in 2022	16
Number of Audit Issues Remaining Open as of December 31, 2022.	16

**Note: Counts do not include confidential security issues*

We validated and closed the audit issues outlined in Table 2 below in FY 2022:

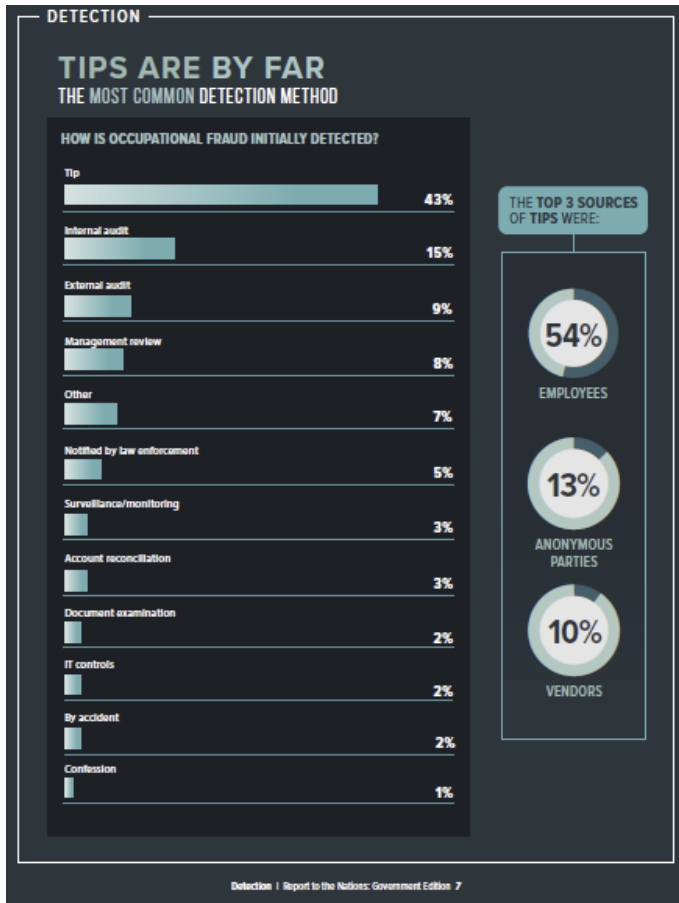
Table 2–Audit Issue Closed FY 2022

Audit Report Title	Audit Issue Title	Impacted Department(s)	Audit Issue Close Date
Affirmative Action Plan Audit 2019	Implement regular reporting/audit practices to eliminate the need to pull these physical paper records for periodic audit review.	Equal Opportunity	2/20/2022
Affirmative Action Plan Audit 2019	Review how to better align the new ERP with universal EEO field and tabular nomenclature to help eliminate standardization and human interpretation challenges.	Equal Opportunity	2/25/2022
Citywide Succession Planning Audit	Lack of a formal and centralized policy, procedures and guidelines	Human Resources	6/2/2022
GPD Property and Evidence Cash Audit	Insufficient Separation of Key Duties	GPD	2/22/2022
GPD Property and Evidence Cash Audit	Inadequate Oversight and Monitoring	GPD	2/21/2022
GPD Property and Evidence Cash Audit	Inadequate Information Technology Controls	GPD IT, Enterprise IT	2/21/2022
Administration and Management of Evergreen Cemetery Operations Audit	Incomplete Cemetery Lot Inventory	Evergreen Cemetery, PRCA	4/18/2022
Administration and Management of Evergreen Cemetery Operations Audit	Insufficient Policies and Procedures	Evergreen Cemetery, PRCA	4/18/2022
Administration and Management of Evergreen Cemetery Operations Audit	Insufficient Oversight and Monitoring	Evergreen Cemetery, PRCA	4/18/2022
Administration and Management of Evergreen Cemetery Operations Audit	Inadequate User Access Management Process	Evergreen Cemetery, PRCA, Enterprise IT	4/18/2022
Body Worn Camera Compliance Audit	Body Worn Camera Supervisor Review Compliance Not Being Monitored	GPD	5/31/2022
Body Worn Camera Compliance Audit	Incomplete Documentation for Required BWC Training	GPD	5/3/2022
Body Worn Camera Compliance Audit	Insufficient Axon User Access Management Process	GPD	4/8/2022
GRU Badge Access and Physical Key Management Audit	Confidential	GRU	6/13/2022
GRU Badge Access and Physical Key Management Audit	Confidential	GRU, Enterprise IT Governance	6/7/2022
Compliance Audit Report - Colliers International Contract	Insufficient Contract Administration Procedures	CAPER	8/3/2022

Fraud, Waste and Abuse Hotline

The Office of the City Auditor manages the contract with Lighthouse to provide anonymous hotline services to the City. Lighthouse is committed to protecting the identity of all persons who use the service. The Office of the City Auditor investigates fraud reports where there is predication and works with Human Resources investigators as appropriate for matters that fall under their responsibility.

According the Association of Certified Fraud Examiners 2020 Report to the Nations, Government Edition, tips are by far the most common method for identifying fraud.



Furthermore, the report indicates fraud detection by tip was substantially higher in organizations with hotlines (48% vs 32% with no hotline).

City of Gainesville Fraud, Waste, and Abuse Hotline

- To report an incident, call 1-844-818-2492 or Visit <https://www.lighthouse-services.com/cityofgainesville> (copy and paste URL into internet browser address bar)

To report other issues:

- Harassment or Discrimination Issues, call the Equal Opportunity Office at 352-334-5051
- Employee Relations Issues, call Human Resources at 352-334-5077

FY 2022 Hotline and Investigations – Office of the City Auditor	
New Cases FY22:	27
Cases Closed in FY22:	28
Cases Open at 10/31/2022:	4

Approximately half of the matters were referred to Human Resources or Management. Most matters were categorized as ethics/code of conduct, or policy violation concerns. Four matters were specifically related to employee relations. Two matters were related to conflicts of interest. One matter involved employee theft and was investigated by GPD. One matter involved external attempt to receive a payment from GRU through illicit means and was referred to GPD.

Annual Training for City Commissioners, Boards and Committees, and City Leadership



On August 18, 2021 the City Auditor’s Office hosted the Florida Ethics Commission Senior Attorney for a live ethics presentation and training to the Commissioners, Charter Officers, Directors, and Board Members on the Florida Code of Ethics two hour training requirement. The 2022 training is scheduled to take place on December 7, 2022. Topics include conflicts of interest, solicitation or acceptance of gifts, doing business with the City, conflicting employment and contractual relationships, voting conflicts, nepotism, misuse of public position, and other ethical matters.

City of Gainesville External Audits

External Financial Statement Audits

The City Auditor’s Office facilitates the selection of the General Government and Gainesville Regional Utilities external financial statement auditors and oversees administration of those contracts; however, Internal Auditors do not manage or direct activities of finance and accounting staff. The results of the external financial statement audits are presented to the Audit Committee annually. Results and any findings are communicated by the external auditor to those charged with governance and to management. Internal audit provides a summary slide in the City Auditor Quarterly Update.

The FY21 GRU external financial statement audit reports were presented to the Audit Committee on April 20, 2022. As part of the financial statement audit process the independent auditors issue a report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements. This report is presented within the item above. The external auditors' communication to those charged with governance and management, and internal control report over financial reporting related to Gainesville Regional Utilities indicate that there were no recommendations in the current year.

The FY21 General Government external audit is in progress.

Florida Auditor General Operational Audit of the City of Gainesville

The City Auditor served as the City's liaison for the Florida Auditor General operational audit of the City of Gainesville that kicked off in March 2020. The Auditor General wrapped up their work near the end of 2021 and issued their audit report on January 10, 2022. FL Auditor General staff presented their report to the Audit Committee on January 11, 2022 and expects to follow up on findings within 18 months. Beginning in June 2022 Internal Audit will communicate management progress updates in the City Auditor Quarterly Update.

City Auditor's Office Quality Assurance and Improvement Program (QAIP)



Internal Audit recently updated internal policy, procedures, and guidelines to reflect revised professional standards (Generally Accepted Government Auditing Standards; Institute of Internal Auditor's Professional Practices Framework), IT auditing standards, and investigation professional standards. Our procedures include engagement level workpaper and report review requirements.

Internal Audit distributes a post-engagement customer satisfaction survey to management following each engagement requesting feedback on what we did well and what we can improve. While individual responses remain confidential, the City Auditor incorporates suggestions for improvement into the monthly team training. Suggestions for improvement may result in updated procedures or other process improvements. Kudos are shared with the audit team to ensure we continue to develop and leverage core strengths.

Internal Audit undergoes an external Peer Review process. Government auditing standards issued by Comptroller General of the United States (the "yellow book") requires reviews be performed at least once every three years, while the Institute of Internal Auditors' standards (the "red book") requires reviews every five years.

The City Auditor's Office has received Certificates of Compliance for Peer Reviews for more than 25 years. Our next peer review team is expected to begin their review early 2023. For the first time we strive to be certified under red and yellow book professional standards.

Team Building



Once per year the City Auditor's Office sets aside a few hours for team building activities. In December 2021 we learned about wetlands ecology on a tour of Sweetwater Wetlands Park, hosted by the very knowledgeable City of Gainesville Park Rangers, Darby and Nathan. We were fortunate to close our team-building event with a docent-led tour of the historic Thomas Center. The next team building event is scheduled for December 2022 and includes a tour of the City's historic Cotton Club.



Team Professional Development, Certifications, and Associations

Our office conducts engagements in conformance with International Standards for the Professional Practice of Internal Auditing, Generally Accepted Government Auditing Standards (GAGAS), and ISACA Information Systems Audit and Assurance Standards. These standards establish minimum requirements for competence and continuing professional education (CPE) to ensure that auditors are knowledgeable and proficient.

Internal Audit Staff complete a minimum of 40 continuing professional education hours annually to comply with professional standards and additional hours as needed to maintain various professional certifications including Certified Public Accountant, Certified Internal Auditor, Certified Government Auditing Professional, Certified Information Systems Auditor, Certified Risk and Information Systems Control, and Certified Fraud Examiner. Staff have completed training in ethics, government auditing, audit project management, grants management, information technology, cybersecurity, and fraud prevention and detection, among other topics.

Internal Audit Staff maintain memberships in the following professional associations: Association of Certified Fraud Examiners (ACFE), American Institute of Certified Public Accountants (AICPA), Florida Institute of Certified Public Accountants (FICPA), Association of Local Government Auditors (ALGA), Government Finance Officers Association (GFOA), Institute of Internal Auditors (IIA), Association of Chartered Certified Accountants (ACCA), and ISACA.

In 2021 the City Auditor was invited to participate in a national local government Chief Audit Executive work group convened to support a Board in improving standards and training for government performance auditing.

In 2022 staff from the City Auditor's Office serve on the Association of Local Government Auditor's Constitution and Bylaws Committee, and on committees of the North Central Florida Institute of Internal Auditors.