

AUDIT COMMITTEE

March 6, 2023

GAINESVILLE CITY COMMISSION

Harvey Ward, Mayor
Ed Book
Cynthia Chestnut
Desmon Duncan-Walker, Mayor Pro Tem
Bryan Eastman
Reina Saco
Casey Willits

AUDIT COMMITTEE MEMBERS

Harvey Ward, Mayor
Desmon Duncan-Walker, Mayor Pro Tem
Harold Monk, CPA, CFE (Appointed)



City Auditor Quarterly Update



INTERNAL AUDIT TEAM

BRECKA ANDERSON, CIA, CFE, INTERIM CITY AUDITOR

LISA SIEDZIK, CISA, IT INTERNAL AUDIT MANAGER

DIANA FERGUSON-SATTERTHWAITE, FCCA, CIA, INTERNAL AUDIT MANAGER

PETER DEMARIS, INTERNAL AUDITOR

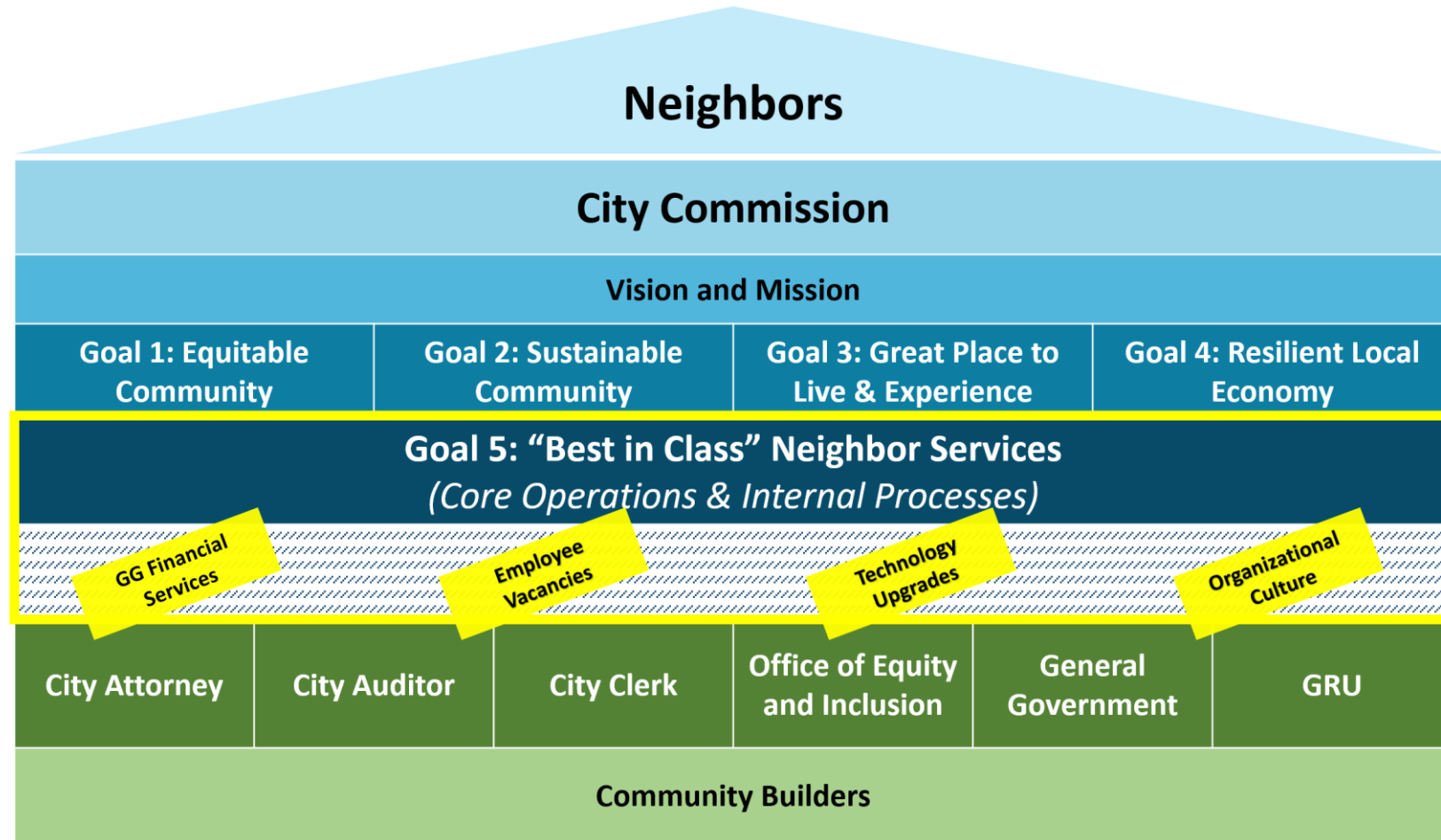
MEAYKI BATIE, SENIOR EXECUTIVE ASSISTANT TO THE CITY AUDITOR



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CITYWIDE STRATEGIC PLAN FOCUS





AUDIT PLAN UPDATE





Audit Plan Update

In light of management addressing priorities from the February 2023 Joint Legislative Audit Committee (JLAC) meeting, we propose not making any changes to the audit plan. The audit plan will be reevaluated as the City decides on direction. Our reviews will be to highlight risks and provide independent and objective reviews of approaches.



RECENTLY COMPLETED PROJECTS



Recently Completed Projects

Enterprise Risk Assessment and Annual Report

- **Objective:** The City Auditor's 2022 Annual Report highlights the department's activities and accomplishments over the past year. Sections include a description of who we are and what we do, and activities and accomplishments.

The Office of the City Auditor performs enterprise risk assessment activities to assess the city's risk exposure and ensure internal audit resources are allocated to audit engagements based on risk. Our professional standards require risk be assessed and the audit plan updated based on risk at least annually.

- **Status:** Complete

Recently Completed Projects

2023 Continuous Audit Program – Part I

- **Objective:** To establish a program for continuous auditing of Citywide purchasing card transactions, travel expense reimbursement policy and activity, and certain payroll transactions to reduce the City's risk of fraud, waste, and abuse.

The Continuous Monitoring Program is split into four parts. Part I of the audit covered citywide purchasing card transactions from January 1, 2021, through December 30, 2022, and included a review for fraud, waste, and abuse.

- **Status:** Part I Complete



WORK IN PROGRESS



Internal Audit Work in Progress

Ironwood Golf Course Financial Controls – Limited Scope Audit

- **Objective:** Review adequacy and effectiveness of select Ironwood Golf Course financial policies, procedures, operational processes, and internal controls.
- **Status:** Planning
Wrapping up audit planning. Audit fieldwork will commence March 2023.

Internal Audit Work in Progress (Cont.)

Continuous Auditing Program – Pcards, Travel Expense and Reimbursement, Payroll Transactions

- **Objective:** To establish a program for continuous auditing of Citywide purchasing card transactions, travel expense reimbursement policy and activity, and certain payroll transactions to reduce the City's risk of fraud, waste, and abuse.
- **Status:** Part II - Planning
A continuous auditing project is under development to conduct ongoing review of pcard transactions, travel expense and reimbursement, and certain payroll transactions based on risk. The continuous auditing is split into four parts. Internal Audit will review purchasing card and travel reimbursement transactions in Part II of the Audit. Micro reports will be presented quarterly with a full summary report after one year. Duration of the continuous auditing program will be dependent upon effectiveness of management's internal controls.

Internal Audit Work in Progress (Cont.)

Case Management System User Access

- **Objective:** To assess the adequacy and effectiveness of user access management and related controls to ensure authorized access to the case management system.
- **Status:** Planning
Planning is near completion with fieldwork expected to begin on or before April 2023.



PERIODIC MONITORING



Periodic Monitoring

Enterprise IT Governance

Risk level: Moderate

- Enterprise IT Governance – In process of moving to an IT Steering Committee.
- Mobile Device Management Policy – Revised policy under review by Charter Officers.
- Cybersecurity – In Phase II of plan.

Periodic Monitoring

General Government Financial Reporting Internal Controls

Risk level: High

Objective: To monitor for timely implementation of General Government financial reporting internal control improvements by July 1, 2023.

Status: A new due date of April 7, 2023 was established for management to close the internal audit open issue resulting from the General Government Internal Control over Financial Reporting Audit Report published January 11, 2022. Controls include:

- Month/Quarter/Annual financial close processes
- Cash and key balance sheet account reconciliations and timely research of variances
- Grant management processes and controls
- Readiness for GASB updates, including GASB 87-Leases



CULTURE CORNER



Culture Assessment and Report May 18, 2021

A. We recommend topic #1 Policy Research Workflow be enhanced by the Charter Officers and Policy Oversight team, and reviewed with City Commissioners for final approval.

B. We recommend topics #2-5 be handled by Human Resources management to consider risks and rewards of various program options and identify those options that could add the most value to the City.



RECOMMENDATIONS P. 16

1. Policy Research Workflow

2. Leadership Training

3. Policy Management Framework

4. Internal Conflict Resolution

5. Employee Suggestions

Culture Assessment and Report -Published May 18, 2021

Management Status Update on Recommendations

- **#1 Enhanced Policy Research Workflow**

Completed.

- **#2 Leadership Training**

Some Training is Underway. Courses were launched in early 2023.

- **#3 Policy Management Framework**

Underway. A workgroup has been established to update the 115 identified policies and procedures which affect many of the employees at the City of Gainesville.

- **#4 Internal Conflict Resolution**

Implemented and On-going. Citywide classes launched in December 2022.

- **#5 Employee Suggestions**

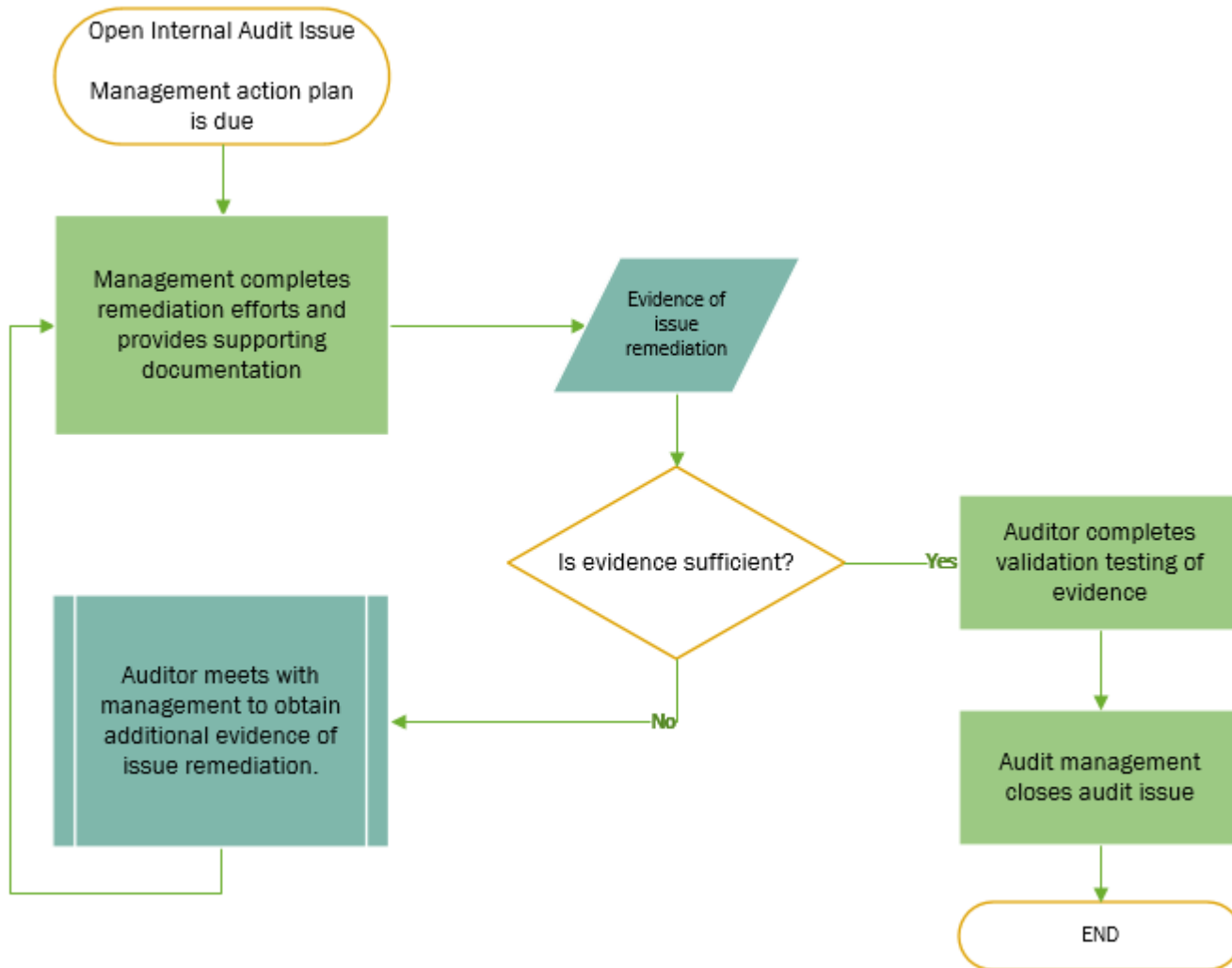
In Progress.



AUDIT ISSUE FOLLOW UP



Internal Audit Issue Follow up Program



- ❖ New audit issues are assigned a risk rating. Moderate and high risk issues require remediation typically within one year. A management responsible party is assigned and is accountable for providing evidence of issue remediation.
- ❖ All issues are assigned due dates. When management provides sufficient evidence of issue remediation, internal audit performs validation testing then closes the issue.
- ❖ Past due issues are reported to the Audit Committee.

INTERNAL AUDIT ISSUE FOLLOW UP

<i>City Auditor Quarterly Update Status of Audit Issues</i>				
Audit Issue Status	3/6/2023	12/1/2022	9/6/2022	6/15/2022
Audit issues closed since last City Auditor Quarterly Update	0	0	1	8
Total open audit issues ^A	14	11	7	4
Total audit issues on hold	0	0	4	4
Total audit issues reopened	0	2	2	2
Total audit issues validation in progress ^B	1	0	0	0
Total audit issues past due ^C	1	0	0	0

^A See **open** audit issue detail on p. 24

^B See **validation in progress** audit issue detail on p. 27

^C See **past due** audit issue detail on p. 28

INTERNAL AUDIT ISSUE FOLLOW UP (CONT.)

A CLOSED AUDIT ISSUES

Due to several audit issues being placed on hold at management's request, and requests for extended due dates, there were no audit issues closed since the last Audit Committee meeting.

INTERNAL AUDIT ISSUE FOLLOW UP (CONT.)

B OPEN AUDIT ISSUES

Audit Issue Status	Audit Report Date	Audit Report Title	Audit Issue Title	Audit Issue Number	Audit Issue Risk Rating [H, M, L]	Impacted Department(s)	Audit Issue Due Date
Open	4/3/2019	Audit of the City of Gainesville's Reichert House Youth Academy – Governance, Financial Processes, and Performance Metrics - Part A	Obtaining and Managing Grants Outside of the City's Oversight	3	M	GPD	See Note*
On Hold Open*	5/18/2021	Citywide Succession Planning Audit	Lack of a formal and centralized citywide succession planning program	1	H	Human Resources	12/31/2021 5/5/2023
On Hold Open*	7/13/2021	GPD Property and Evidence Cash Audit	Inconsistent and Incomplete Policies and Procedures	1	H	GPD, Budget and Finance	12/31/2021 3/31/2023 6/1/2023
Open	11/17/2021	GRU Badge Access and Physical Key Management Audit	Confidential	Confidential		GRU	3/31/2023
On Hold Open*	1/11/2022	Compliance Audit Report - Colliers International Contract	Inadequate Oversight of Financial Activity	1	M	CAPER and Budget & Finance	5/31/2022 4/30/2023
On Hold Open*	1/11/2022	General Government Internal Control over Financial Reporting Audit	Inadequate Internal Control Over Financial Reporting	1	H	GG Finance	9/30/2022 4/7/2023
Open	3/7/2022	Citywide Gift Card Audit	Inadequate Policy and Procedures	1	M	GG Finance, GRU Finance	12/15/2022 6/30/2023

*Note: As of December 13, 2022, the previous holds placed on these four audit issues are lifted. The audit issues are now open and revised due dates have been established. The City Auditor's Office will resume reviewing the status of these open audit issues.

**Note: The City Auditor's Office will keep the RH audit issue #3 open until RH participates in a grant program at which time a new due date will be established and grant management processes will be tested to close the issue.

INTERNAL AUDIT ISSUE FOLLOW UP (CONT.)

B OPEN AUDIT ISSUES (cont'd)

Audit Issue Status	Audit Report Date	Audit Report Title	Audit Issue Title	Audit Issue Number	Audit Issue Risk Rating [H, M, L]	Impacted Department(s)	Audit Issue Due Date
Open	6/15/2022	GCRA Project and Fiscal Management Audit	Project and Fiscal Management	1	M	GCRA	3/31/2023 9/30/2023
Open	6/15/2022	GCRA Project and Fiscal Management Audit	Policies and Procedures	2	M	GCRA	12/10/2022 9/30/2023
Open	6/15/2022	GCRA Project and Fiscal Management Audit	Management and Monitoring of Conflicts of Interest	3	M	GCRA	10/31/2022 9/30/2023
Open	9/6/2022	Cybersecurity Audit Phase II	Confidential	Confidential		GRU IT	9/30/2023
Open	12/13/2022	Public Records Policy Compliance Audit	Policy and Oversight Need Improvement	1	M	GG	12/11/2023
Open	12/13/2022	Public Records Policy Compliance Audit	Internal Controls Around Responding to Public Records Requests Need Enhancing	2	M	GG, GRU	12/11/2023
Open	12/13/2022	RTS Limited Scope Review	Incomplete and Inconsistent Documentation of RTS Collisions	1	M	RTS	12/31/2023

***Note:** As of December 13, 2022, the previous holds placed on these four audit issues are lifted. The audit issues are now open and revised due dates have been established. The City Auditor's Office will resume reviewing the status of these open audit issues.

****Note:** The City Auditor's Office will keep the RH audit issue #3 open until RH participates in a grant program at which time a new due date will be established and grant management processes will be tested to close the issue.

INTERNAL AUDIT ISSUE FOLLOW UP (CONT.)

B OPEN AUDIT ISSUES (cont'd)

As of December 13, 2022, the previous holds placed on the four audit issues listed below are lifted. The audit issues are now open and revised due dates have been established. The City Auditor's Office will resume conducting follow-up activities of the open audit issues below.

Audit: 2021-05 Citywide Succession Planning Audit – Issue I
(Revised Due Date 5/5/2023)

Audit: 2021-07 GPD Property and Evidence Cash Audit – Issue I
(Revised Due Date 6/1/2023)

Audit: 2022-01 Compliance Audit Report – Colliers International Contract – Issue I
(Revised Due Date 4/30/2023)

Audit: 2022-01 General Government Internal Control over Financial Reporting Audit – Issue I
(Revised Due Date 4/7/2023)

INTERNAL AUDIT ISSUE FOLLOW UP (CONT.)

Audit Issue with Validation in Progress

Audit: 2020-02 Affirmative Action Plan Audit 2019

Audit Issue Validation in Progress ^B

Issue #3 – Management's new action plan: As part of the annual Affirmative Action Planning process, management will create a variety of hiring and human resources transaction reports and provide access to this information to the Office of Diversity, Equity and Inclusion on a quarterly basis. To ensure data integrity, the Human Resources Department will establish procedures for data validation prior to releasing this information.

Responsible Party: Laura Graetz

INTERNAL AUDIT ISSUE FOLLOW UP (CONT.)

Audit Issue Past Due

Audit: 2020-02 Affirmative Action Plan Audit 2019

Audit Issue Past Due C

Issue #2 – Management's new action plan: Management will extract Workday hiring data and assess Post Hiring Analysis Report (PHAR) results to create the Affirmative Action Plan (AAP) in September 2022, which determines hiring goals. Management will monitor, assess, and revise goals as needed. Quarterly assessments will begin in September 2022.

Responsible Party: Zeria Folston, Laura Graetz

Management requested a 12/31/2023 revised implementation date.



FRAUD HOTLINE AND INVESTIGATIONS



Fraud Hotline and Investigations

<i>City Auditor Quarterly Update Fraud Hotline and Investigations * As of 2/27/2023</i>				
Audit Committee Meeting	3/6/2023*	12/13/2022	9/6/2022	6/15/2022
New Cases Since Last Audit Committee	9	10	5	7
Open Investigations	4	3	3	2
Closed Investigations	8	10	4	8



EXTERNAL AUDITS





FLORIDA AUDITOR GENERAL OPERATIONAL AUDIT

REPORT PUBLISHED JANUARY 10, 2021

FL AUDITOR GENERAL OPERATIONAL AUDIT

(REPORT PUBLISHED JANUARY 10, 2022)



STATE OF FLORIDA Operational Audit	Finding
Gainesville Regional Utilities (GRU) Financial Condition and Payments for General Government Services	1. GRU debt levels are significantly higher than comparable municipal utilities.
	2. The City had not established a reasonable and consistent methodology for determining the amount of the annual transfer from the GRU to the City's General Fund considering the GRU's long-term ability to pay.
	3. City indirect cost allocation procedures did not provide for an independent review of the indirect cost worksheet or a reconciliation of recovered indirect costs to actual indirect costs after the completion of each fiscal year. As a result, the City overcharged indirect costs to the GRU.
Reichert House Youth Academy (RHYA) Program and Related Organizations	4. The City did not effectively oversee or control RHYA Program operations.
	5. The City did not, of record, assess that it was economically or otherwise advantageous for the City to use the nonprofit entity, Reichert House, Inc., to support RHYA Program operations, and the use of this entity resulted in less accountability and transparency of RHYA Program operations.
	6. The City did not effectively oversee Reichert House, Inc. operations.
	7. Reichert House, Inc. and RHYA Program operations lacked appropriate transparency.
Administration and Management	8. City records did not demonstrate authorization for, or the necessity of, using the services of certain nonprofit organizations in lieu of the services of City personnel for soliciting, receiving, and disbursing grantor and donor funds for the RHYA Program, resulting in diminished transparency and accountability for those resources. In addition, for a \$20,000 National Police Athletic/Activities Leagues (NPAL) grant administered by one of the nonprofit organizations, City records did not demonstrate that the grant application was made for an eligible entity or that grant proceeds were expended for RHYA Program purposes in accordance with NPAL guidelines.
	9. The lack of City personnel's knowledge and capability for compiling financial statements that comply with GAAP for the 2017-18 and 2018-19 fiscal years resulted in additional costs for assistance in preparing the City's financial statements and audit findings considered by the auditor to be significant deficiencies and material weaknesses in the City's internal controls over financial reporting.

FL AUDITOR GENERAL OPERATIONAL AUDIT (CONT.)

(REPORT PUBLISHED JANUARY 10, 2022)



STATE OF FLORIDA Operational Audit	Finding
Administration and Management	10. City records, including City-approved resolutions adopting budgets did not specify the legal level of budgetary control; budgeted amounts were not presented at a level that enabled users to readily determine if resources were expended within budget, consistent Commission intent; and budget-to-actual expenditure comparisons were not timely presented to the City Commission.
	11. Monitoring and transparency of the City's golf course operations could be improved.
	12. The City could improve accountability and transparency over redevelopment activities carried out pursuant to an interlocal agreement with Alachua County.
	13. City policies and procedures for obtaining and documenting background checks of applicants seeking employment need enhancement.
Expenditures – Use of Public Resources, Purchasing Cards, and Travel	14. Contrary to City policy, the City did not always conduct annual employee performance evaluations, and when evaluations were conducted, did not always promptly communicate the results of the evaluations to the employees.
	15. The GRU did not periodically use a competitive process to select certain professionals who assisted in the bond issuance process.
	16. Controls over City-assigned purchasing cards (P-cards) need improvement to ensure that P-card assignments and credit limits are periodically evaluated and appropriately adjusted.
	17. The City needs to enhance efforts to ensure that P-cards are promptly canceled upon a cardholder's separation
	18. The GRU needs to enhance travel policies and procedures to require employees to sign their travel vouchers, reduce meal allowances paid to the traveler for meals included in conference registration fees, document the necessity of multiple individuals attending the same conference, and require that travel arrangements be made sufficiently far in advance to minimize travel costs.

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
1	GRU Debt Levels	GRU		GRU		<p>Prior to Finding #1 from the Auditor General's report, GRU had completed the following significant actions to address debt levels with the full support of the City Commission:</p> <ul style="list-style-type: none"> • 2017 – City Commission approved GRU's recommendation to buy out the biomass power purchase agreement which reduced GRU's outstanding debt by \$250 million. • 2019 – City Commission approved GRU's recommended cash balance policy establishing minimum cash reserve levels. • 2020 – City Commission approved GRU's recommended debt transactions that took advantage of market conditions. This provides significant savings on outstanding debt through the amortization periods and formed the initial debt defeasance program. • 2020 – GRU began working with their financial advisor on the parameters of a formal debt defeasance policy. <p>After Finding #1 from the Auditor General's report, GRU completed the following significant actions:</p> <ul style="list-style-type: none"> • 2022 – City Commission approved GRU's request for a 7% base rate increase and also approved a \$2 million reduction in the GFT. • September 2022 for fiscal years 2023-2027 – City Commission approved GRU's request for multi-year base rate increases (Electric 3% & Water 5%) which will provide additional reserves to be utilized for debt defeasance per policy. • September 2022 for fiscal years 2023-2027 – City Commission approved an additional GFT reduction of \$2 million per year. • October 2022 – City Commission approved GRU's recommendation of formal debt defeasance policy and financial credit metrics. • Budget year 2023 – The base rate increases and the GFT reductions combined are resulting in future projections of excess reserves. These excess reserves will be utilized per the debt defeasance policy to defease debt and/or reduce the amount of debt necessary for capital infrastructure needs. <p>NOTE: To mitigate increasing future debt levels, it is required that current and future commissions support the financial health of GRU while maintaining safe, reliable, and environmentally friendly services.</p>

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
2	GRU Transfers to the General Fund	GG, GRU		GG, GRU		<p>GG: The CCOM approved a \$2 million reduction in the GFT per year up to FY 2027. Prior to FY 2027, GRU and GG staff will work to develop formula to inform the FY 2028 GFT amount.</p> <p>GRU: The GFT was addressed for fiscal years 2022 through 2027 as the City Commission approved reductions of \$2 million per year. Prior to the end of fiscal year 2027, GRU and GG staff will work to develop a formula to inform the FY 2028 and future year GFT amounts, if not earlier.</p>
3	Indirect Cost Recovery	GG		GG		The GG Financial Services has contracted with an outside consultant (Maximus US Services, Inc.) to provide an Indirect Cost Allocation Plan. The expected completion date is the end of May 2023.
4	RHYA Program Oversight and Control	GG			GG	<p>The City ensures that the RHYA Program complies with all City Financial and Budgetary policies and procedures. City Financial and Budget policies provide adequate oversight, control, and transparency for all City programs.</p> <ul style="list-style-type: none"> The RHYA Program is assigned a unique Cost Center in the City's ERP. RHYA's GG allocation and all other revenues received on behalf of the RHYA Program are separately accounted for in City accounting records. Within those records, each unique funding source is identified, and all expenditures by RHYA are associated with a specific fund. <p>Additionally, RHYA expenditures are approved using a Payment Request Form (PRF) on which the Cost Center, Fund, and Spend Category are identified. A copy of each approved PRF and associated invoice/bill is uploaded into the City's ERP.</p> <ul style="list-style-type: none"> At the close of each quarter, the City's Budget Office will prepare and review their Budget vs. Actual expenditure reports with City personnel overseeing RHYA operations. This quarterly review will provide the opportunity to verify the completeness and accuracy of financial data and timely updates to RHYA's budget. The City's Budget Office will generate and present the Commission with accurate and timely updates to the RHYA Program budget and actual expenditure information. The City's Budget Office has an established protocol for quarterly budget presentations to the Commission. However, due to the implementation of the City's new ERP and staff shortages in the Budget Office, the quarterly budget meeting cycle fell off the schedule. That has since been corrected, and the quarterly presentations restarted.

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
5	Use of Reichert House, Inc. to Support RHYA Program Operations	GG			GG	Reichert House, Inc. no longer exists; the entity filed Articles of Dissolution with the State of Florida on August 29, 2021. As the City of Gainesville continues to operate RHYA, should opportunity(ies) arise to coordinate or function in partnership with a nonprofit entity, the City will evaluate such opportunity to determine what benefit(s) the relationship presents to the City, whether the proposed relationship is both cost-effective and advantageous to the City in its promotion and operation of RHYA, and whether and how Florida's Sunshine Law may apply to the relationship. Any such relationship will be memorialized through an Agreement between the City and the nonprofit entity to define authority, purpose, roles, and responsibilities for each entity and provision of or access to reports to ensure full transparency and accountability.

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
6	Oversight of Reichert House, Inc.	GG		GG		<p>Effective 10/1/2022, the City established the Juvenile Justice & Community Support Programs Dept., whose responsibilities include managing and overseeing the RHYA program.</p> <p>The department is led by the Special Advisor for Juvenile Justice and Community Support Programs, who reports directly to the City Manager. Reichert House, Inc. no longer exists; their Articles of Dissolution were filed with the State of Florida on August 29, 2021.</p> <p>Following the dissolution of Reichert House, Inc., the City determined that for effectiveness and efficiency and to comply with the City's Code of Ethics for Employees, all solicited donations for RHYA be directed to CFNCF for receiving and accounting before being transferred to the City. The City, while developing the agreement with CFNCF concerning this process, is also working with CFNCF to identify all Reichert House, Inc. assets held on behalf of RHYA at the time of Reichert House, Inc.'s dissolution. Once identified, it is intended that those assets will be made available for transfer to the City for exclusive use by RHYA in the same manner as those donations for RHYA received by CFNCF after Reichert House, Inc.'s dissolution. Following the transfer, all City Budget, Finance, and Accounting policies will apply to the accounting and reporting on donor funds' use(s). Further, in any future instance(s) where the City decides to use a nonprofit entity to support RHYA Program operations, the City will:</p> <ul style="list-style-type: none"> • Execute a contract with the nonprofit entity that includes sufficient provisions to ensure that operations are conducted in an effective, efficient, and appropriate manner consistent with City intent; • Ensure that the nonprofit entity has appropriate business practices, policies, and procedures governing their functions on behalf of RYHA Program operations; • Ensure that financial transaction and activity reports, financial statements, and budgets are made available to the City; • Ensure that the entity's required Federal financial disclosures are completed timely and made available to the City; and • Ensure that applicable residual assets revert to the City upon dissolution of the nonprofit entity. <p>Management estimates that this action will be completed before June 2023.</p>

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
7	Transparency of Reichert House, Inc. and RHYA Program Operations	GG			GG	<p>Reichert House Incorporated is no longer in existence as of 08/29/2021 (N06000001875, Sun Biz report of the Florida Department of State).</p> <p>In the interim, the City of Gainesville has transitioned the management of the Reichert House from the Gainesville Police Department to the newly created Juvenile Justice & Community Services Department to oversight for the Reichert House Program while implementing a Youth Services Office in the Parks, Recreation, and Cultural Affairs Department. It expects to carry out this management change in phases, with the initial stage on May 31, 2023. Subsequent steps will occur contingent on the future use of the facility and will be decided by the end of the fiscal year 2023.</p> <p>The Reichert House website is being assimilated into the City of Gainesville web page; this process should be completed by June 01, 2023.</p> <p>In any future instance(s) where the City decides to use a nonprofit entity to support RHYA Program operations, the City will ensure that RHYA Program-related board meeting minutes and other records are subject to the same level of transparency as City Commission meeting minutes and other City records.</p>
8	Use of Other Nonprofit Organizations for the RHYA Program	GG		GG		<p>The City takes full responsibility for implementing and operating the RHYA Program. Therefore, all grants to support RHYA are now written and received by the City, adhering to its policies and procedures that require City personnel to notify the Commission of the intent to apply and receipt of the Commission's authorization to pursue the grant opportunity. However, to comply with the City's Code of Ethics, which prohibits City employees from soliciting and receiving gifts/donations, the City proposes to retain the services of CFNCF solely to receive donations for RHYA.</p> <p>An agreement is being developed to delineate the relationship between the two entities and establish reporting requirements for CFNCF to the City. Management estimates that this action will be completed before June 2023.</p>

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
9	Financial Statement Preparation	GG		GG		<p>The City has taken the following actions to enhance the financial statements preparation:</p> <ul style="list-style-type: none"> - The City has a new Finance Director (former Controller) and a new Internal Control Manager to help strengthen the City's financial control systems. The City also hired a senior accountant with significant experience. Management continues working on filling the Controller's position, an Accounting Manager, and others finance positions approved by the City Commission to strengthen the accounting processes. - Some Financial Services employees are expected to attend the Florida Government Finance Officers Association (FGFOA) annual conference for professional development as part of their annual training program. - The Financial Services department has made significant improvements with bank reconciliations and is working on enhancing the process; and expects to issue FY22 financial statements by 6/30/2023. - Currently, the City is working with an external consultant to improve the internal procedures within the ERP system (Workday), which will enhance the control and processing of the financial transaction and reporting.
10	Budget Management	GG		GG		<p>The City updated its budget policy in September 2021 to clearly define the legal level approval. Further, the department budget-to-actual activity is reported at the fund, department, and unit levels.</p> <p>Financial Services will be able to provide quarterly budget-to-actual comparison reports to the Finance Commission and the City Commission by the end of the 3rd. quarter FY23.</p>
11	Transparency of Golf Course Operations	GG		GG		<p>GG Budget Division will review the Golf Course Budget vs. Actuals report for revenue and expenses quarterly with the Parks, Recreation, and Cultural Affairs Department. The first meeting is scheduled for February 22, and then the report will then be presented to the Finance Committee on May 23 and the City Commission on June 01.</p>

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
12	Gainesville Community Reinvestment Area	GG			GG	The GCRA reviewed the recommendation and has increased its accountability and transparency provisions with the City Commission and its citizens by implementing the following plan: 1. Presenting scheduled quarterly updates to the City Commission 2. Monthly meetings with Alachua County leadership 3. Annually to present the updated work plan and a report of the previous year's activities at a joint City-County Meeting per Ordinance No. 181001, sec. 2-407. The Annual Report will be formatted as a mailer for easy distribution to the taxing authorities, district residents, and businesses. Tax increment funds remain in the trust funds for the former Community Redevelopment Areas, and the GCRA will continue to report on those funds until they are spent to meet the requirements of F.S. Chapter 163. In addition, on January 19, 2023, the City Commission approved and adopted the GCRA proposed spending plan through Fiscal Year 2029. In that adopted spending plan, the GCRA only expended trust fund money (Tax Increment Funding TIF) under the City Commission-adopted 10-Year Reinvestment Plan. The four remaining TIF fund money balances were allocated to projects on the Commission-adopted 10-Year Reinvestment Plan within the original Community Redevelopment Agency CRA four distinct districts: College Park University Heights, Downtown, Eastside, Fifth Avenue/Pleasant Street.
13	Employee Background Screenings	GG		GG		Per the recommendations from the audit findings, HR staff is researching best practices at other Florida State municipalities to draft an updated procedure related to background screenings and have it reviewed/approved by the City Attorney's Office. This procedure will then be presented to the Charter Officers for final approval and implementation, which is expected by June 1, 2023.
14	Employee Evaluations	GG			GG	Since the audit was conducted, the City of Gainesville has implemented a new ERP system, Workday, to manage our financial and HR systems. As part of that implementation, Workday has been configured to require managers/supervisors to conduct probationary evaluations, mid-year check-ins, and annual performance evaluations for each employee. A performance evaluation discussion is part of these required steps. During FY23, HR staff will develop reports to assess how well managers/supervisors are complying with these requirements. If needed, additional accountability steps will be implemented to ensure that these evaluations are occurring on time.

See details in Auditor General report at legislative item #210792

FLORIDA AUDITOR GENERAL - OPERATIONAL AUDIT

MANAGEMENT STATUS UPDATE 3/6/2023

AG Finding #	Short Title	Responsible	Not Started	In Progress	Completed	3/6/2023 Management Comments
15	Selection of Debt Professionals	GRU		GRU		RFP is scheduled to be initiated in April 2023. This was delayed from the original expected timeframe of spring 2022 as several key members of GRU Finance were assisting General Government for the bulk of 2022 with stabilizing General Government's Department of Financial Services.
16	Purchasing Cards – Periodic Reviews	GG, GRU		GG	GRU	<p>GG: P-Card Program Administrator monitors P-Card usage, conducts reviews of purchases for Compliance, and recommends improvements as needed based on trends and reports. (i.e., frequency of 1-time limit increase requested/processed)</p> <p>City's Financial Services is revising the City of Gainesville's P-Card Procedures Manual to ensure its alignment with the ERP System and current practices. As recommended, the revision will include a provision regarding periodic reviews and evaluations of P-Card use and the reasonableness of cardholder purchasing limits. This procedure is expected to be approved and implemented by the end of May 2023.</p> <p>GRU: An annual review of credit limits has been initiated. Credit limits were reviewed in January 2023, and adjustments to the limits will be addressed in March 2023.</p>
17	Purchasing Cards – Separations	GG, GRU		GG	GRU	<p>GG: Procurement runs a monthly cardholder report to compare to the active employees' list; once reconciled, management will cancel any card assigned to inactive employees.</p> <p>The City of Gainesville P-Card Policy and Procedures is currently under revision to ensure alignment with the ERP System and current practices. This procedure is expected to be approved and implemented by the end of May 2023.</p> <p>Additionally, GG Financial Services will complete a risk self-assessment to identify potential gaps to ensure appropriate internal controls are in place and lined up with business processes.</p> <p>GRU: There is a decentralized process that is predicated on the cardholder's supervisors ensuring the employee is terminated in the Workday system and then notifying the P-Card Program Administrator (via email) in a timely manner. Procedures have been implemented in which the P-Card Program Administrator oversees a quarterly review of active cardholders against an active employee roster and communicates any discrepancies to the supervisors in the decentralized areas.</p>
18	Travel	GRU			GRU	Recommendations have been incorporated into Travel Procedure documents (i.e., procedure and expense report forms). Accounts Payable reviews each expense report for compliance.

See details in Auditor General report at legislative item #210792



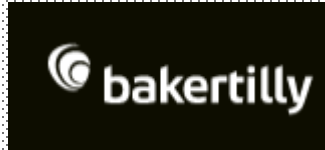
EXTERNAL FINANCIAL STATEMENT AUDIT

GAINESVILLE REGIONAL UTILITY

EXTERNAL FINANCIAL STATEMENT AUDIT

GAINESVILLE REGIONAL UTILITIES

EXTERNAL AUDITOR – BAKERTILLY



FY21 External Audit Report as of September 30, 2021	Deficiency in internal control	Audit Status
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT	NONE	Completed

FY22 External Audit Report as of September 30, 2022		Audit Status
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT		In Progress Expected completion March 2023.



EXTERNAL FINANCIAL STATEMENT AUDIT

GENERAL GOVERNMENT

FY 21 EXTERNAL FINANCIAL STATEMENT AUDIT

GENERAL GOVERNMENT (CONT.)

EXTERNAL AUDITOR – PURVIS GRAY & COMPANY

FY21 External Audit Report For the fiscal year ended September 30, 2021	Finding	External Audit Status
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT	2018-01/2021-01 Bank Reconciliations Bank reconciliations were not completed on a timely basis during FY21. Additionally, during the audit and upon reconciliation of cash by the City, a significant number of adjustments were necessary to correct cash balances as of 9/30/21.	Open (Material Weakness)
	2018-02/2021-02 Financial Close and Reporting The City once again experienced a significant turnover within its finance department. Additionally, a new ERP system was implemented nine months into the fiscal year under audit. As a result, commencement of the audit was delayed for several months , with most audit areas still requiring significant adjustments. Approximately 90 journal entries, either identified by the City or as a result of audit procedures, were posted after the trial balance was provided in July 2022.	Open (Material Weakness)
	2020-03/2021-03 Schedule of Expenditures of Federal Awards and State Financial Assistance \$11 million of federal grant expenditures were excluded from the Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA).	Open (Significant Deficiency)
	2020-06/2021-04 Building Permit Revenue Reconciliation The City's building permit collections are processed through a point-of-sale system that does not interface with the accounting ERP system. We were unable to obtain a report of building permits issued during the year that agreed to the revenues recorded in the general ledger.	Open

FY 21 EXTERNAL FINANCIAL STATEMENT AUDIT

GENERAL GOVERNMENT

EXTERNAL AUDITOR – PURVIS GRAY & COMPANY



FY21 External Audit Report For the fiscal year ended September 30, 2021	Finding	Audit Status
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT	RETIREE HEALTH INSURANCE PROGRAM: 2021-01 Investment and Retiree health Insurance Program Activity Reconciliation.	Open
	EMPLOYEES' PENSION PLAN: 2021-01 Investment and Pension Activity Reconciliation.	
	CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN: 2021-01 Investment and Pension Activity Reconciliations.	
	WILD SPACES AND PUBLIC PLACES FUNDS: 2021-01 Bank Reconciliations 2021-02 Financial Close and Reporting	

FY 22 EXTERNAL FINANCIAL STATEMENT AUDIT

GENERAL GOVERNMENT

EXTERNAL AUDITOR – PURVIS GRAY & COMPANY



FY22 External Audit Report For the fiscal year ended September 30, 2022	Audit Status
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT	The FY22 GG external audit began in January 2023 with final fieldwork tentatively scheduled for March 6, 2023.



WRAP UP



Upcoming Committee Meetings

- June 21, 2023 -Audit Committee Meeting
- Sept. 18, 2023 -Audit Committee Meeting
- Dec. 6, 2023 -Audit Committee Meeting

Fraud, Waste, and Abuse Hotline

- To report an incident, call 1-844-818-2492 or
- Visit <https://www.lighthouse-services.com/cityofgainesville>
- 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

Thank You

Office of the City Auditor

Brecka Anderson, CIA, CFE | Interim City Auditor | City of Gainesville

200 E University Avenue, Gainesville, FL 32601

Office: 352-334-5020

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



APPENDIX A - INTERNAL AUDIT PLAN



APPENDIX A – INTERNAL AUDIT PLAN

AUDIT PLAN (12 months)					
Audit, Advisory, Attestation, Other Non-audit Services					
Audit Engagement Title	Primary Department	Audit Service Type	Audit Objective	Audit Status	Budgeted Hours
Ironwood Golf Course Financial Controls – Limited Scope Review	Parks, Recreation and Cultural Affairs	Audit	Review adequacy and effectiveness of select Ironwood Golf Course financial policies, procedures, operational processes, and internal controls.	Planning	300
Enterprise Risk Assessment and Annual Report	Citywide	Risk Assessment	Enterprise risk assessment conversations with Commissioners and management to identify and prioritize risks throughout the City, and inform the audit plan.	Completed	300
Continuous Auditing – Pcards, Travel Expense and Reimbursement, Payroll Transactions	Citywide	Audit	Establish a program for continuous auditing of Citywide purchasing card transactions, travel expense reimbursement policy and activity, and certain payroll transactions to reduce the City's risk of fraud, waste, and abuse.	Reporting	800 1,000 (250 hrs per quarter)
GRU and GG Budgeting Processes and Reporting, including Indirect Cost Allocation	GG and GRU Financial Services	Audit	Assess the effectiveness and accuracy of GRU and GG budget preparation, reporting and City Commission approval processes.	Not started	800
City Commission Discretionary Fund Policy Compliance Annual Audit	City Clerk	Audit	Evaluate expenses and review adequacy of internal controls designed to assure compliance with the discretionary fund policy.	Not started	200
Citywide Fleet Management Processes	Public Works, GRU, RTS, GPD	Audit	Review the policies, procedures and internal controls around the City's fleet management programs to ensure efficiency of operations and appropriate risk management.	Not started	800
Parking Charge Capture	GG Transportation and Mobility	Audit	Review charge capture processes and fee collection around City parking spaces and garages.	Not started	400
Traffic-Related Surveillance Data Security and Privacy Controls Audit	GG Transportation and Mobility	IT Audit	Review security and privacy controls around capturing, storing, handling, and accessing traffic-related surveillance data.	Not started	600
SHIP and Local Housing Assistance Plan Audit	Affordable Housing	Audit	Audit use of SHIP funds and adequacy of Local Housing Assistance Plan intended to produce and preserve affordable homeownership and multifamily housing.	Not started	800
Customer Complaint Management process Review	GRU	Audit	Review effectiveness of utility customer complaint management processes.	Not started	500
GRUcom Asset Management and Capitalization Processes Review	GRUcom	Audit	Review internal controls around asset management and capitalization processes, including recovery for operating radio systems (police, fire).	Not started	500
Utility Billing System Post-implementation Audit	GRU	IT Audit	Review accuracy and completeness of customer billing and financial reporting, including customer billing for Public Works services (refuse and recycle).	Not started	500
Case Management System User Access Review	City Attorney	IT Audit	Assess adequacy and effectiveness of user access management and related controls to ensure authorized access to the case management system.	Not started	300
Subtotal - audits and advisory projects (approximately 12 months):					7,000

APPENDIX A – INTERNAL AUDIT PLAN (Cont.)

ONGOING INTERNAL AUDIT ACTIVITIES				Budgeted Hours
Audit Issue Follow up	Monitoring	Monitor management's establishment of enterprise information technology governance supporting the City's strategies and objectives.	Ongoing	200
City Commissioner and Management Requests	Special Projects	Allocate limited hours annually to support City Commissioner and Management special projects, advisory services, or limited-scope audits.	Ongoing	200
Periodic Monitoring	Advisory	Provide advisory services to champion management's build out of risk management capabilities around Enterprise IT Governance, Records Management, and Data Governance capabilities.	Ongoing	100
Investigations (Fraud, Waste and Abuse Hotline)	Hotline	Between final ERP pre-implementation audit report and start of a post-implementation assurance engagement, monitor management's ERP implementation progress and management of project-related risks.	Ongoing	200
Enterprise Risk Assessment Activities	Assessment	Ongoing and annual risk assessment conversations with Commissioners and management to identify and prioritize risks, and inform the audit plan.	Ongoing	200
Internal Audit Quality Assurance and Improvement Program, including professional training (40 Professional CPE hours per internal auditor required annually)	Quality Assurance	Ongoing efforts to assess and improve program effectiveness and project quality, including external Peer Review conducted every 3 years.	Ongoing	300
Audit Committee Management	Board Reporting	Ongoing resources needed to prepare for and present to the City's Audit Committee at least quarterly.	Ongoing	200
Subtotal - Annual administrative and ongoing internal audit activities:				1,400

APPENDIX A – INTERNAL AUDIT PLAN (Cont.)

AUDIT PLAN (13-18 months)					
Audit, Advisory, Attestation, Other Non-audit Services					
Audit Engagement Title	Primary Department	Audit Service Type	Audit Objective	Audit Status	Budgeted Hours
Police Overtime Billing & Collections	GPD	Audit	Review processes and controls for third party billing and collections related to police overtime.	Not started	500
HR Data Quality Review	Human Resources Data Quality	Audit	Review controls around HR data intake, processing and output with use of disparate systems and manual processes.	Not started	500
Review GG and GRU Capital Improvement Plans	GG and GRU Infrastructure	Audit	Review plans to ensure resources are adequately allocated to improve infrastructure at greatest risk to impact neighbor and community builder health and safety and to ensure reliable delivery of services over time.	Not started	800
PRCA Billing and Collections Audit	Parks, Recreation and Cultural Affairs	Audit	Perform a risk-based evaluation of GPRC internal controls for billing and collections processes and merchant account handling.	Not started	800
GRU and GG Grants Administration Audit - Phase II	GRU Grants	Audit	Assess adequacy and effectiveness of governance and internal controls over grant administration.	Not started	400
Operational Risk Management Advisory project	Parks, Recreation and Cultural Affairs	Advisory	Demonstrate example framework for identifying key risks and assessing controls for key PRCA services and activities to enhance resource allocation and risk management.	Not started	500
Review of Governance, Compliance and Internal Controls around Business Tax Processes	GG Finance Billing and Collections	Audit	Assess governance, compliance and internal controls around General Government business tax processes.	Not started	200
Total Budget additional audits, 13-18 Month Audit Plan:					3,700



APPENDIX B - COMPLETED AUDITS



APPENDIX B – 2022 COMPLETED AUDITS

COMPLETED AUDITS					
Audit Committee Report Date	Audits, Consultations and Projects	Primary Department	Types	Objective	Status
1/6/22	Independent Review of Management's Due Diligence Results for the Community Grocery Store Project.	GG	CCOM Request	Perform an independent review of management's due diligence for the unsolicited proposal for the Gainesville eastside supermarket to ensure key risks were researched by management and material facts were fairly presented to the City Commission prior to the Commission making a decision on the proposal.	Completed
1/11/22	Review the Design and Effectiveness of Internal Controls Over Financial Reporting (GG)	GG Finance and Accounting	Audit	Assess the design and effectiveness of internal controls over financial reporting processes to ensure the risks of error, financial reporting misstatement, and fraud are sufficiently mitigated.	Completed
1/11/22	Contract Compliance Audit - Colliers International Contract	CAPER	Audit	Evaluate compliance with the deliverables, terms and conditions of the City's contract with Colliers International Florida.	Completed
3/7/22	Gift Card Audit	GG and GRU Finance	Audit	Review the policies, procedures, controls and security around the handling of gift card and determine if internal controls are adequately designed and operating effectively to sufficiently mitigate the risk of gift card fraud, waste and abuse	Completed
3/7/22	2021 Annual Report, Risk Assessment and Audit Plan	Citywide	Annual Report	The City Auditor's 2021 Annual Report highlights the department's activities and accomplishments over the past year, and enterprise risk assessment results with internal audit plan.	Completed
6/15/22	GCRA Project and Fiscal Management Audit	GCRA	Audit	Review internal controls around movement of GCRA funds and project management to ensure transparency in financial reporting processes and compliance with policy and regulations. Construction contract audit will be included if resources permit, or may be separately added to the audit plan.	Completed
6/15/22	FL Highway Safety and Motor Vehicles Internal Control and Data Security Compliance Audit	Risk Management; Information Technology	Compliance Audit	Assess compliance with the Memorandum of Understanding between the City of Gainesville and FL Department of Highway Safety and Motor Vehicles which requires appropriate data exchange internal controls.	Completed
6/15/22	Internal Control Follow up - Deerhaven	GRU	Investigation Follow up	Communicate Internal Audit's internal control follow up on the management of non-inventoried equipment at the Deerhaven Generating Station following a 2021 theft event.	Completed
9/6/22	Citywide Cybersecurity Audit -Phase II	Information Technology	Audit	Provide an independent assessment of the City's cybersecurity governance structure, adequacy of current policies and procedures, and effectiveness of internal controls.	Completed
9/6/22	ARPA Reporting Compliance Audit -Phase I	Financial Services	Audit	Phase I - Review the design of the internal controls for the American Rescue Plan Act (ARPA) grant administration program and select program elements.	Completed
12/13/22	G-5 Public Records Policy Compliance Audit	Citywide	Audit	Review citywide staff compliance with G-5 Public Records Policy to ensure efficient use of city resources, timely response to requests, and effective monitoring for compliance.	Completed
12/13/22	Gainesville Regional Transit System (RTS) – Limited Scope Review	Transportation and Mobility	Audit	Review of internal controls around management of incident reporting and corrective action.	Completed
12/13/22	Review of GG ERP User Access Management (Purvis Gray)	Information Technology	Audit	As part of the external financial statement audit, IT testing, review the design and effectiveness of controls around the General Government ERP user identity, authorization and authentication. Work performed during the external financial statement audit by Purvis Gray.	Completed