



OFFICE OF THE CITY AUDITOR
ANNUAL REPORT
September 17, 2024

GAINESVILLE CITY COMMISSION

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

AUDIT COMMITTEE

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



City of Gainesville

Office of the City Auditor

To: Audit Committee
From: Stephen Mhere, City Auditor
Date: September 17, 2024
Subject: Transmittal of the FY 2024 Annual Report

Dear Audit Committee Members,

I am pleased to submit the FY 2024 Annual Report in accordance with City of Gainesville ordinance section 2-176 that requires the City Auditor to report internal audit activities to the audit committee and city commission.

FY 2024 Overview

Throughout the fiscal year, we conducted audits that focused on enhancing transparency, accountability, and operational efficiency across City departments. Specifically, we conducted compliance, performance, and information technology (IT) audits, each designed to evaluate the effectiveness of internal controls. In addition, we coordinated and facilitated ethics training for elected officials and City employees to reinforce ethical standards and promote a culture of integrity within City government.

Risk Assessments and FY 2025 Audit Agenda

In FY 2024, our office conducted both an IT and an enterprise-wide risk assessment. These assessments allowed us to identify potential risks to the City's operations and develop a targeted audit agenda for FY 2025. With this risk-based approach, we will prioritize our audits to align with the City's highest-risk areas.

Operational Challenges

During the year, we faced an operational challenge related to the organizational restructuring following the establishment of the Gainesville Regional Utility Authority (GRUA) in FY 2023. The formation of the GRUA required adjustments to our audit approach. However, our office adapted to these changes and continued to deliver high-quality audits and services to the City.

Looking Ahead

As we move into FY 2025, we remain committed to providing value-added audit services and strengthening the City's governance framework. The audit agenda developed from this year's risk assessments will guide our work in identifying opportunities for improvement across City operations.

We extend our appreciation to City management and city builders for their continued cooperation and support throughout the year. We also thank you, as members of the Audit Committee, for your guidance and oversight, which ensures the ongoing effectiveness of our audit function.

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Introduction

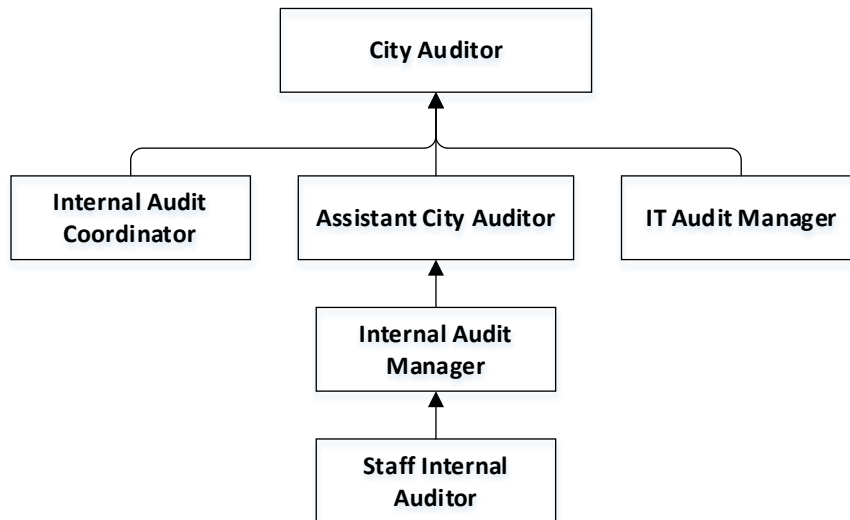
The Office of the City Auditor was established as a charter office in 1979 with the mission to promote honest, efficient, effective, transparent, and fully accountable government. The office’s internal audit and consulting work is guided by the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing and the Government Accountability Office’s Generally Accepted Government Auditing Standards (GAGAS). In IT auditing, the office adheres to COBIT, ISACA’s IT Audit Framework, ensuring rigorous and comprehensive assessments of our city’s information systems. Investigations are conducted in alignment with the standards of the Association of Certified Fraud Examiners, maintaining the office’s commitment to integrity and professionalism. Our core values of objectivity, independence, and the highest ethical standards underpin every aspect of our work.

The Office of the City Auditor reports directly to the City Commission through the Audit Committee. This gives it functional independence from the various operations of the various city departments. Through an ordinance, City personnel and city contractors performing work on behalf of the city are required to cooperate with audit staff in relation to performance of audit engagements. The City Auditor is also protected from any interference from the City Commission by an ordinance that makes it illegal to do so. This independence is critical to the objective performance of the City’s audit work.

Organization of the Office of the City Auditor

The Office of the City Auditor is structured to ensure effective oversight and auditing within the city. The City Auditor, appointed by the Gainesville City Commission and working under the guidance of the Audit Committee, leads the office and is responsible for appointing all staff members. The team currently consists of six full-time equivalent positions: an Audit Coordinator, a Staff Auditor, an Audit Manager, an IT Audit Manager, and an Assistant City Auditor. However, due to ongoing budget constraints, the office has recently faced a reduction in staffing, with the IT Senior Auditor position being eliminated in FY 2024. This position will remain eliminated as the City continues to navigate its financial challenges. The organizational chart for the Office of the City Auditor is shown below.

Figure 1: City Auditor Organizational Chart



Source: Office of the City Auditor

Audit staff in the Office of the City Auditor hold different professional qualifications. Professional certifications include Certified Internal Auditor, Association of Chartered Certified Accountants,

Certified Information Systems Auditor, Certified Government Auditing Professional, and Certified Fraud Examiner. By virtue of holding these certifications, the Office held professional affiliations with the respective professional bodies, including the Institute of Internal Auditors, ISACA (formerly Information Systems Audit and Control Association), and Association of Certified Fraud Examiners. We also hold membership in other professional organizations, including the Association of Local Government Auditors.

Audit Projects Completed

In FY 2024, the Office of the City Auditor conducted a series of comprehensive audits aimed at enhancing transparency and operational efficiency within various city departments.

- a) Our audit of the **Fleet Management Processes for General Government** and **Fleet Management Processes for GRU** scrutinized the effectiveness and efficiency of fleet management practices across general government operations and Gainesville Regional Utilities, respectively. These audits aimed to ensure that fleet resources are managed optimally, and costs are controlled effectively. Following the reorganization of the City pursuant to HB 1645, the Fleet audit for GRU was not published. Rather, it was provided to GRU for publication to the public at GRU management's discretion.
- b) The **Continuous Auditing Program Part III** extended our commitment to real-time monitoring and ongoing evaluation of city operations, building on the previous phases of our continuous auditing efforts to better identify and address potential issues as they arise.
- c) We also evaluated the **Business Tax Processes** to assess compliance and efficiency in the administration of business taxes, ensuring that processes are streamlined and effective in supporting revenue collection.
- d) In examining **Gainesville Fire Rescue Fire Inspections**, our audit focused on the procedures and effectiveness of fire inspections, aiming to enhance safety and compliance within the community.
- e) Lastly, the audit of the **City Commission Office Fund** reviewed financial management practices related to the City Commission's funds, providing insights into the appropriateness and transparency of fund usage.

Ongoing Audit Projects

The Office of the City Auditor is actively engaged in two significant audit projects that are expected to be completed in the coming fiscal year.

- a) The **Data Management** audit is currently underway and aims to evaluate data management practices. This audit assesses how effectively data is collected, transmitted, and stored in accordance with relevant data integrity and security standards and regulations.
- b) The **Billing and Collections** audit is also in progress, targeting the processes related to billing and collection of payments in the Parks, Recreation, and Cultural Affairs. This project will examine the efficiency and accuracy of billing procedures, as well as the effectiveness of collection efforts. By identifying potential weaknesses and opportunities for improvement, we seek to enhance the reliability and effectiveness of the city's revenue management practices.

These audits reflect our ongoing commitment to our mission to promote transparent, accountable, and efficient operations within city government. The audits have been published, or will be published once completed, on the City Auditor website, unless prohibited by state statute.

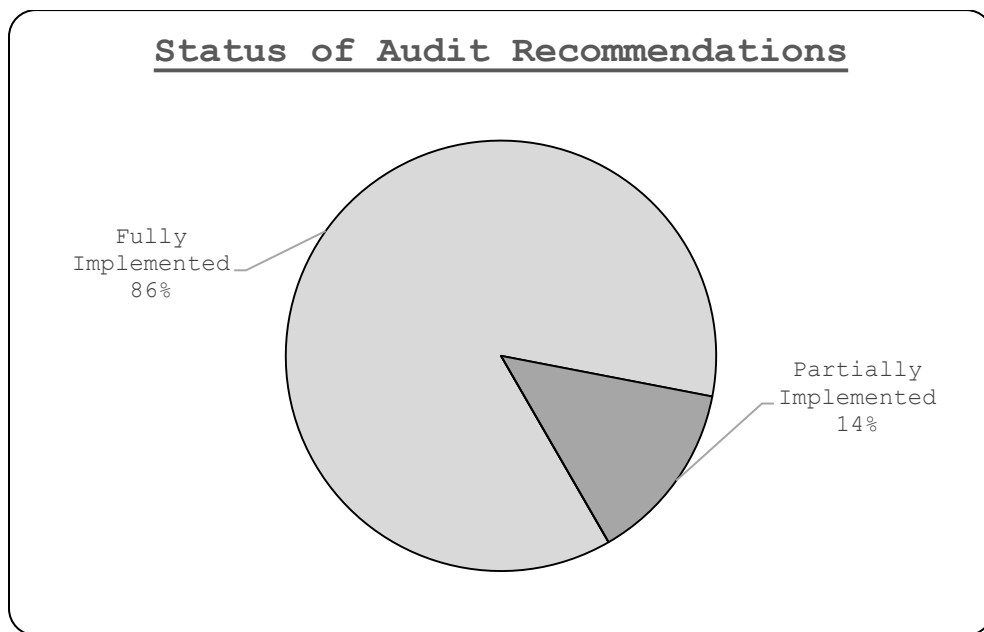
Post-Audit Reviews

A core responsibility of the Office of the City Auditor is to conduct post-audit reviews, which involve assessing the resolution of issues identified in previous audits. In FY 2024, our follow-up activities addressed both open audit issues carried over from FY 2023 and new issues identified within the year. Below is the information relating to the number of audit recommendations we made and their status:

- Number of recommendations fully implemented: 19
- Number of recommendations partially implemented: 3
- Number of recommendations not implemented: 0

These findings underscore our ongoing commitment to ensuring that audit recommendations are effectively addressed. The following diagram provides a visual representation of the implementation status of these audit recommendations:

Figure 2: Status of Audit Recommendations



Source: Office of the City Auditor

Fraud, Waste, and Abuse Hotline

In FY 2024, the Office of the City Auditor continued its crucial role in safeguarding the integrity of city operations through the management of the Fraud, Waste, and Abuse Hotline. The hotline is a key component of the City’s commitment to detecting and addressing fraudulent activities, waste, and abuse. During the fiscal year, the Office received nine anonymous tips through the hotline. Each tip was carefully reviewed and investigated in accordance with our established policy on investigations. All concerns were successfully resolved and appropriately closed.

Table 1: Fraud Hotline Investigations

FY 2024 Fraud, Waste, and Abuse Investigations	Case Count
Open cases brought forward from FY 2023	2
Cases opened in FY 2024	13
Cases completed in FY 2024	13

Source: Office of the City Auditor

Risk Assessment and Audit Agenda

In FY 2024, the Office of the City Auditor undertook comprehensive enterprise-wide and IT risk assessments to enhance our strategic approach to auditing. These assessments involved evaluating various risk factors and conducting interviews with management across all departments, divisions, and offices within our audit universe. By systematically analyzing these risk factors and gathering insights from management, we were able to assess and rate the risk associated with each audit area. This evaluation allowed us to identify and prioritize areas of higher risk.

Based on our findings, we have developed a targeted audit agenda for FY 2025. This agenda is designed to address the areas of greatest risk, ensuring that our audit efforts are aligned with the most pressing needs and potential challenges faced by the city. We look forward to implementing this agenda in the upcoming fiscal year to continue driving improvements and safeguarding the integrity of city operations.

Table 2: FY 2025 Audit Agenda

Audit Engagement	Auditable Entity
Asset Management	Citywide - General Government
Capital Improvement Planning	City Manager
Procurement	Financial Services
HR Recruiting and Hiring	Human Resources
WSPP Project and Fiscal Management	Wild Spaces Public Places
PRCA Billing and Collections	Parks, Recreation, and Cultural Affairs
ARPA Phase II Reporting	City Manager
Workday Privileged Access	Financial Services, HR, Technology
PCI Process	Financial Services
Data Management	Confidential
SHIP and Local Housing Assistance Plan	Housing
Various Audit Activities	Ongoing Audit Activities

Source: Office of the City Auditor

Ethics Training

In FY 2024, the Office of the City Auditor coordinated ethics training for both elected City officials and city builders. For elected officials, we facilitated a comprehensive four-hour ethics training program that included two hours focused on ethics, one hour on public records, and one hour on public meetings. To deliver this specialized content effectively, we outsourced the training to an external source with expertise in ethics.

For Gainesville city builders, we provided online training on ethics and fraud risk management. The online format is designed to accommodate city builders' schedules and ensure flexible access to the ethical guidelines. We endeavor to carry on with this responsibility in FY 2025 and beyond.

Quality Assurance and Improvement Program

The Office of the City Auditor is committed to continuous improvement and accountability. To this end, the Office distributes post-audit surveys to auditees to gather valuable feedback on their audit experiences. This feedback is then used to enhance the quality and effectiveness of future audits. Additionally, the City Auditor's Office also undergoes a rigorous peer review every three years, conducted by external audit professionals. This review ensures compliance with authoritative standards and provides an objective assessment of the office's performance and adherence to internal audit best practices. The last such peer review was conducted in 2023 and the next one is anticipated in 2026.