

***2023 Continuous Audit Program
Part I
Micro-Report***

March 6, 2023



Brecka Anderson, CIA, CFE, Interim City Auditor
200 E University Avenue, Room 211 Gainesville, FL 32601
352.334.5020

GAINESVILLE CITY COMMISSION

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

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INTRODUCTION

The City of Gainesville administers two Purchasing Card Programs to allow City staff to purchase and pay for goods and services directly from vendors using City-issued purchasing cards (p-cards).

General Government (GG) and Gainesville Regional Utilities (GRU) developed processes and controls in their respective purchasing card programs to authorize cardholders, establish transaction and monthly spending limits, communicate tax-exempt status, establish receipt and documentation requirements, and establish transaction approval requirements. GG uses a centralized method to process purchasing card transactions where department approvers and Department of Financial Services staff are responsible for reviewing and approving p-card transactions. GRU uses a decentralized method to process purchasing card transactions where department approvers or managers are responsible for approving p-card transaction activity within their respective departments.

The objective of the 2023 Continuous Audit Program is 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 audit scope and methodology, results and conclusion are summarized below.

We would like to thank General Government and GRU Charter Officers, management, and personnel for their cooperation, accessibility, and professionalism throughout this review.

SCOPE AND METHODOLOGY

The scope of this audit covers City purchasing card transactions from January 1, 2021, through December 30, 2022, and includes a review for fraud, waste, and abuse. We performed audit fieldwork through inquiry, observation, and substantive testing for processes in scope. The Continuous Monitoring Program is split into four parts. See the parts of our phased continuous monitoring program below.

Part 1 – Review of Purchasing Card Transactions

Internal Audit obtained and analyzed purchasing card data from Bank of America and support documentation maintained by management, and reviewed a risk-based sample of purchasing card transactions to monitor for instances of fraud, waste, or abuse. This micro-report includes the details and results of our Part I review of purchasing card transactions.

Part II – Review of Purchasing Card and Travel Reimbursement Transactions

Internal Audit will review purchasing card and travel reimbursement transactions during our next quarterly review. A micro-report will be issued at the end of Part II.

Part III & IV – Review of Purchasing Card, Travel Reimbursement, and Payroll Transactions

Internal Audit will review purchasing card, travel reimbursement, and payroll transactions in Parts III and IV. A micro-report will be issued at the end of Part III. A detailed audit report encompassing results for parts I – IV will be presented after the completion of Part IV.

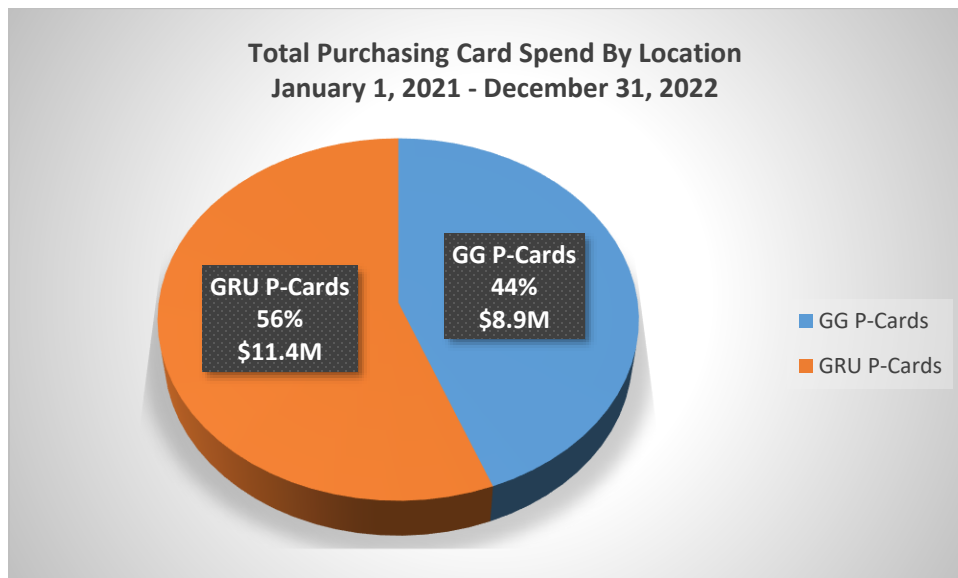
RESULTS AND CONCLUSION

During the period of January 1, 2021, to December 31, 2022, the 612 employees with assigned City purchasing cards (p-cards) made purchases totaling \$20,341,563 using their p-card as outlined in Figure 1 below. Figure 2 depicts the total purchasing card spend by location. We selected a risk-based sample of 170 p-card purchase transactions and reviewed for the following processes and controls: (1) transactions contained the proper approval, (2) purchases were for business-related activities, (3) single transaction limits were not circumvented, (4) limits were reasonable and approved, (5) sales tax was not assessed or was refunded, (6) and purchase receipts and documentation was provided. The results of our review are summarized below.

Figure 1

Location	Total Number of P-cards	Total Number of Transactions	Total Number of Transactions Tested	Total Spend Amount	Total Spend Tested	% of Spend Tested
GG	227	26,090	90	\$8,980,054	\$118,646	1%
GRU	385	21,256	80	\$11,361,509	\$117,771	1%
Total	612	47,346	170	\$20,341,563	\$236,417	1%

Figure 2



What Was Done Well

As a result of our review, we did not identify any fraudulent p-card purchases. Most receipts and other supporting documentation were produced upon request, or identified by the purchaser.

In addition, the City established purchasing card programs to help facilitate the purchase of low-dollar items, which can lower the expense and delay of going through payables processes.

What We Found

Internal Audit identified opportunities for improvement around spending limits, oversight and monitoring, documentation, sales tax, and approval of p-card purchases.

In addition, the City has separate p-card procedures, resulting in inconsistencies in internal controls relating to cardholders' limits, allowable purchases, and oversight and monitoring of p-card purchases.

The areas reviewed, audit observations, and related recommendations are outlined in Figures 3 and 4.

Figure 3

General Government Risk Rating: [Moderate]					
Process	Key Areas Reviewed	Observation	Total Samples Tested	Total Exceptions	Other Opportunities
Transaction and Credit Limits	Credit Limits	No assigned monthly limits for three p-card holders. Employees are assigned declining balance cards. The given spending limits on these cards range from \$250K to \$700K, and the cardholder utilizes the card until the balance is \$0.	3		3
	Single Limit Adherence	Payment was split to circumvent the cardholders' p-card single transaction limit.	18	7*	
Tax	Sales Tax On Florida Purchases	Sales tax was paid on Florida p-card purchases and was not refunded.	14	2	
Pcard Spend	Policy Compliance	Items purchased were not allowed to be purchased on p-card per administrative policy.	3	3	
	Other	Payment of employee home internet service.	N/A		1

*Represents four invoices

Figure 4

Gainesville Regional Utilities					
Risk Rating: [Moderate]					
Process	Key Areas Reviewed	Observation	Total Samples Tested	Total Exceptions	Other Opportunities
Transaction and Credit Limits	Credit Limits	Monthly credit limits above \$35K not are supported by spending patterns.	9		9
	Single Limit Adherence	Single transaction limits were above the threshold for obtaining competitive bids without evidence of approval.	3	1	
		Inconclusive: additional information required.	5	2	
Pcard Spend	Authorization	P-card approver did not approve p-card purchases.	80	22	
	Documentation	Purchases not supported by invoice or receipt.	80	3	
	Policy Compliance	Meal receipts for events did not include the names of attendees, as required by policy.	12	2	

Recommendations:

We recommend management enhance internal controls around purchasing card transactions and activities by adopting the following process improvements:

- Enhance oversight and monitoring of p-card transactions for compliance with procedures.
- Institute mandatory annual retraining for employees assigned as purchasing cardholders and approvers.
- Review monthly credit limits and spending patterns, and adjust limits to align with needs where necessary (GRU).
- Review the use of declining balance p-cards (General Government).
- Review the need for payment of home internet service for employees.
- To provide consistency, consider aligning General Government and GRU p-card procedures where it is operationally feasible.

Management Action Plan:

General Government (GG)

General Government Management agrees with the recommendations, which perfectly align with the recent improvements that GG Department of Financial Services (DFS) has implemented or are currently in progress. The referred actions are as follows:

1. Monitor P-Card usage, conducts reviews of purchases for Compliance, and recommend improvements as needed based on trends analysis and reports
2. Evaluate the cards with declining balances and recommend improvements as needed
3. Evaluate mandatory annual refresher training for all cardholders with HR (Learning & Organizational Development)
4. Revise P-Card Procedures to ensure alignment with Workday and current practices. DFS plans to share the updated draft with GRU Finance for comments and evaluate consistency with their Procedures where it is operationally feasible. DFS expects to approve and implement the updated Procedures by the end of May 2023.

Due date:	June 30, 2023
Responsible Party:	Cesar Leal, Internal Control Manager
Accountable Party:	Sue Wang, Director of Finance
Consulted Party:	Melanie Sowers, Procurement Manager
Informed Party:	Cynthia W. Curry, City Manager

Gainesville Regional Utilities (GRU)

GRU's P-Cards are managed using a decentralized process in which each Officer is responsible for their respective area's compliance with established procedures. Training has been developed for P-Card holders and their approving supervisors. The training will also be made available to each Officer as needed and GRU will evaluate the necessity of required annual refreshment training for all P-Card holders.

A review of current credit limits for GRU cardholders was initiated prior to this engagement at the close of FY22. As this is a decentralized process managed and monitored by GRU departments, recommended adjustments (based on monthly spending) were provided to each area for consideration. Any adjustments GRU officers or departments request to the credit limits will be processed in March 2023.

The GRU Procurement Division reviews GRU's P-Card procedures on a periodic basis and provides any changes to GRU officers and their staff for execution. Going forward, they will also review the procedures utilized by General Government and, where operationally feasible and prudent to do so, will advise and recommend changes to GRU procedures for review and approval of the General Manager.

Due date:	June 30, 2023
Responsible Party:	Anthony Cunningham, General Manager of Utilities
Accountable Party:	GRU Leadership Team Anthony Cunningham, General Manager of Utilities

Dino DeLeo, Energy Supply Officer
Tony Carroll, Energy Delivery Officer
Eric Walters, Chief Sustainability Officer
Cheryl McBride, Chief People Officer
J Lewis Walton, Chief Business Services Officer
David Warm, GRU Communications Director
Walter Banks, Chief Information Officer
Claudia Rasnick, GRU Chief Financial Officer
Kinnzon Hutchinson, Chief Customer Officer
Debbie Daugherty, Water/Wastewater Engineering Director
Brett Goodman, Water/Wastewater Treatment Operations Director
Doug Beck, Utility Safety and Training Officer
Jamison DeLapena, IT Enterprise Services Director
Yvette Carter, Government Affairs and Community Relations Director

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement 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 observations and conclusions based on our audit objectives.

INTERNAL AUDIT TEAM

Brecka Anderson, CIA, CFE, CGAP, Interim City Auditor
Diana Ferguson-Satterthwaite, FCCA, CIA, IA Manager and Lead Auditor for this Engagement
Lisa, Siedzik, CISA, IT Audit Manager
Peter DeMaris, Internal Auditor
Meayki Batie, Senior Executive Assistant