



# CITY OF GAINESVILLE

*Office of the City Auditor*

Fiscal  
**YEAR**

2018

# CITY AUDITOR'S MISSION

To promote honest, efficient, effective, transparent, and fully accountable government by providing value-added, informationally rich products to the citizenry, City Commission, and City Management.

## CITY AUDITOR'S RESPONSIBILITY

Government Auditing Standards December 2011  
Revision, Chapter 1 – Government Auditing:  
Foundation and Ethical Principles:

1.16 A distinguishing mark of an auditor is acceptance of responsibility to serve the public interest. This responsibility is critical when auditing in the government environment. Generally Accepted Government Auditing Standards (GAGAS) embodies the concept of accountability for public resources, which is fundamental to serving the public interest.

### ACCOMPLISHMENT HIGHLIGHTS FOR FY18

#### AUDIT PERSONNEL

- 2 employees retired with a combined 39 years of service
- 1 employee received the 2018 Leadership Award
- We hired our new Assistant City Auditor



#### FRAUD, WASTE, AND ABUSE HOTLINE

- Received 52 hotline contacts of 19 unique issues
- Stemmed overtime complaint issues, implemented cash controls, identified inadequate contractor performance, resolved GRU customer issues, and identified bullying





## AUDITS AND NON-AUDIT SERVICES

- Completed 6 audits, 1 attestation, successfully completed our triennial peer review and revamped our policies, procedures and workpaper templates



## INVESTIGATIONS

- Completed 3 investigations including: HR Director, cash funds missing at Building Inspection and allegations made against the City Manager



## VOLUNTEERING

- City Auditor tutored UF students in an Audit Competition and assisted UF students with research on 2 occasions
- City Auditor gave a presentation at a professional ACL conference



## COMMUNITY INVOLVEMENT

- City Auditor: Substitute Teacher at Cornerstone Academy, participated in UF student government meeting, and Veterans Day Celebration at Veterans Park
- IT Auditor participated in "Bikers on Parade"
- Both Senior Auditors participated in "Stop the Violence/ Back to School" Rally
- The Audit Team participated in the "Lighten Up Challenge"







## ANNUAL HIGHLIGHTS

Despite some turnover and vacancies in staff, we:

- Completed a total of 9 engagements with 3 engagements in progress
- Successfully passed our External Peer Review with a clean opinion of full compliance
- Completely revamped our policies, procedures and workpaper templates with industry standards

On February 23, 2018, the City Auditor's Office was certified by outside auditors of the Association of Local Government Auditors (ALGA) as being in full compliance with US GAO Government Auditing Standards.

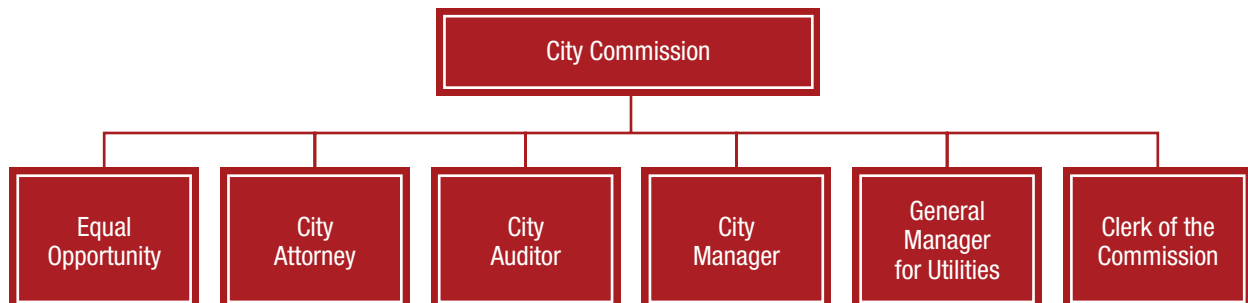
Based on the results of our review, it is our opinion that the City of Gainesville, Florida City Auditor's Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audits and attestation engagements during the period of October 1, 2014 to September 30, 2017.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sonal Patel, CPA, CIA  
City of Durham, North Carolina

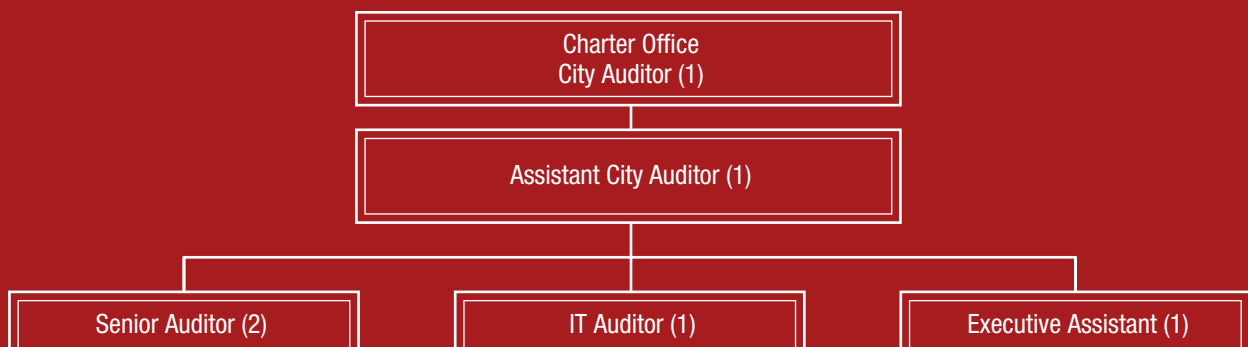
Chedly Broche, CPA  
City of Jacksonville-Florida

## CITIZENS OF GAINESVILLE



The City Auditor is one of six Charter Officers that report directly to the seven-member elected City Commission.

## CITY AUDITOR FY 19 ADOPTED ORGANIZATION CHART





## KAREN HASKELL

Retirement Celebration,  
MARCH 2018

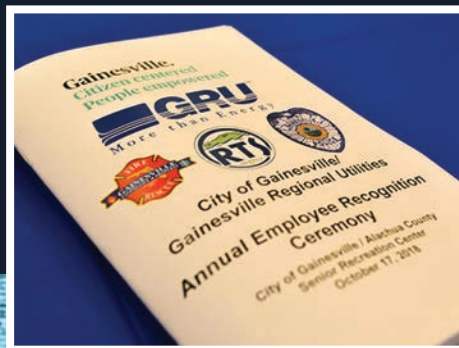


## EILEEN MARZAK

Retirement Celebration,  
JULY 2018



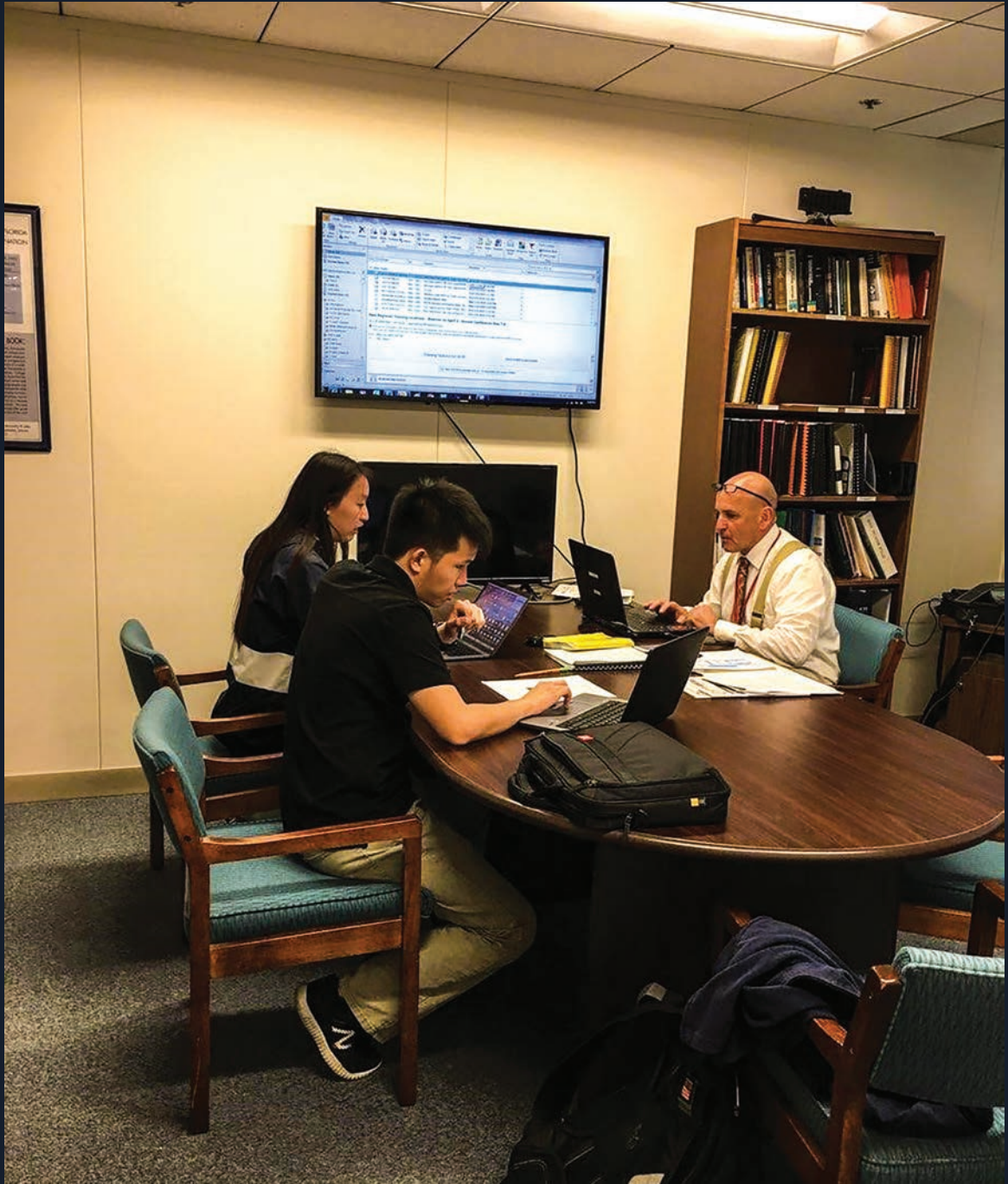
**CARLOS HOLT**, City Auditor and **EILEEN MARZAK**, Former Assistant City Auditor presenting **EMILY BOWIE**, Senior Auditor with the 2018 Leadership Award.







**QIAN YUAN**, Assistant City Auditor,  
**EILEEN MARZAK**, Former Assistant City Auditor,  
**EMILY BOWIE**, Senior Auditor, and  
**CARLOS HOLT**, City Auditor  
at the 2018 Annual Employee Recognition Ceremony.



## UNIVERSITY OF FLORIDA

Students complete school assignment working with the City Auditor and staff.





**CARLOS HOLT**, City Auditor mentored accounting majors to compete in the UF Fisher School of Accounting's 3rd Annual Audit Case Competition taking fourth place with over 20 teams.

**CARLOS HOLT**, City Auditor  
attended the UF Student Government meeting.



**CARLOS HOLT**, City Auditor  
represented the local Marine League at the  
Veterans Day Celebration at Veterans Park.





**RON ISON**, IT Auditor  
participated in “Bikers on Parade” which  
benefits local veterans through the 10 CAN charity.  
NOVEMBER 2017



**EMILY BOWIE & BRECKA ANDERSON**,  
Senior Auditors, participated in “Stop the Violence/  
Back to School” Rally.  
JULY 2018

The Audit Office participated in the “Lighten up Challenge” and placed 10/11th place based on pounds and percentage lost out of 41 teams.

## OVERALL STANDINGS

SN	TEAM NAME	TOTAL POUNDS LOST
1	Where's The Beef?	107.2
2	Dwindling Divas	81.4
3	Energized to Downsize	74.1
4	Weapons of Mass Reduction	62.3
5	Barn Stormers	54.4
6	Drop It Like It's Hot	52.9
7	Trial Balance	50.4
8	WWaisting Away	44.2
9	Mission Slimpossible	42.8
<b>10</b>	<b>AudiGators</b>	<b>40.6</b>
11	Tic Tac Toe	38.0

SN	TEAM NAME	TOTAL % LOST
1	Young Fit	10.9489
2	The Lone Ranger	8.7856
3	Gut Busters	8.3089
4	Where's The Beef?	7.8032
5	Dwindling Divas	7.6032
6	Energized to Downsize	7.2173
7	Numbers Don't Lie	6.7609
8	Drop It Like Its Hot	6.2901
9	Trial Balance	5.6187
10	Weapons of Mass Reduction	5.3712
<b>11</b>	<b>AudiGators</b>	<b>5.3086</b>





**RON ISON**, IT Auditor,  
**EILEEN MARZAK**, Former Assistant City Auditor,  
**BRECKA ANDERSON**, Senior Auditor,  
**EMILY BOWIE**, Senior Auditor, and  
**CARLOS HOLT**, City Auditor  
at Eileen Marzak's Retirement Luncheon.

# CITY AUDITOR'S STAFF

## **CARLOS LEE HOLT** (CPA, CFF, CFE, CGAP, CIA) CITY AUDITOR

Mr. Holt joined the City of Gainesville in April 2015. He previously served as the Internal Audit Manager for Metropolitan Nashville, TN; as the Lead Investigator in the Inspector General's Office at Space and Naval Warfare Center (SPAWAR); as well as a 21-year career in the US Marine Corps. He has an MS in Accounting and Finance from the University of Maryland, an MS in Administration from Central Michigan University and a BS in Accounting from Columbia College. Mr. Holt is a Certified Public Accountant (CPA), Certified in Financial Forensics (CFF), Certified Fraud Examiner (CFE), Certified Government Audit Professional (CGAP), and Certified Internal Auditor (CIA). He coauthored an ACFE book on Fraud, *Fraud Casebook*, published by Wiley & Sons. Mr. Holt enjoys participating in professional speaking engagements and presentations to professional groups.



## **EILEEN MARZAK** (CPA, CFE) (Retired July 2018) ASSISTANT CITY AUDITOR

Eileen Marzak has been with the City of Gainesville since 1986. Prior to joining the City, Eileen spent eight years with small and regional public accounting firms providing tax, auditing and consulting services. Eileen holds a Bachelor of Science Degree in Accounting from the University of Florida and is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE). Professional memberships include the American Institute of Certified Public Accountants (AICPA), Florida Institute of Certified Public Accountants (FICPA), and the Association of Certified Fraud Examiners (ACFE). Eileen is an active member of the Institute of Internal Auditors (IIA) and Association of Local Government Auditors (ALGA). She currently serves as Secretary for the North Central Florida Chapter of the IIA and recently served as Team Leader for a peer review for ALGA.

## **QIAN YUAN** (CIA, CISA) ASSISTANT CITY AUDITOR

Assistant City Auditor Qian Yuan joined the City of Gainesville in August 2018. He has ten years of experience in performance and information technology audits at Nashville and Davidson County where he was a Principal Auditor. Qian also previously worked as a supervisor in logistics for a global automobile company, a sales manager for a Chinese international petroleum company, and an instructor of computer literacy, architecture and programming languages for an accredited university in the United States. Qian holds a Bachelor of Arts Degree in French Language and Literature, a Bachelor's Degree in Accounting, and a Master of Science Degree in Computer Science. His professional certifications include, among others, Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), and ACL Certified Data Analyst (ACDA). He is an active member of the Institute of Internal Auditors (IIA), and currently serves on the Education Committee of the Association of Local Government Auditors (ALGA).







**BRECKA ANDERSON** (CIA, CFE, CGAP)  
SENIOR AUDITOR

Brecka Anderson joined the City of Gainesville in 2008. She received a Bachelor of Business Administration Degree in Marketing from Mississippi State University in Starkville, MS. Brecka began her career in Internal Auditing at the University of Florida. Prior to that, she worked as a Field Auditor for General Electric and Deutsche Financial Services. Brecka is a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), and a Certified Government Auditing Professional (CGAP). She is an active member of the Institute of Internal Auditors (IIA), the Association of Local Government Auditors (ALGA), and the Florida Government Finance Officers Association (FGFOA).

**RON ISON** (PMP)  
INFORMATION TECHNOLOGY AUDITOR

Ron Ison received a Master of Science in Management Information Systems from the University of Illinois, Springfield and a Bachelor of Science Degree in Computer Information Systems from DeVry University, Long Beach. Mr. Ison has decades of experience in various computer information environments that include the University of California, Northrop Grumman and General Dynamics. He is certified as a Project Management Professional (PMP).

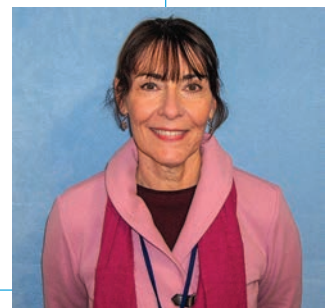


**EMILY BOWIE** (CPA)  
SENIOR AUDITOR

Emily Bowie joined the City of Gainesville in September 2017. Prior to joining the City, Emily spent five and half years with a Big 4 public accounting firm in the Federal Audit practice. Emily holds a Bachelor of Science Degree in Accounting with a Minor in International Business from Pennsylvania State University and is a Certified Public Accountant (CPA). Professional memberships include the Institute of Internal Auditors (IIA) and the Association of Local Government Auditors (ALGA).

**KAREN HASKELL** (Retired July 2018)  
EXECUTIVE ASSISTANT

Karen Haskell has been with the City of Gainesville since 2000. She holds an Associate of Science degree in Computer Science and a Bachelor of Arts degree in Business Administration. Over her employment with the City, she has also held positions in Human Resources, the Office of Budget and Management, and GRU's Energy Supply department.



# SUMMARY OF PERFORMANCE AUDITS ISSUED

## AUDIT OF GAINESVILLE REGIONAL UTILITIES NON-PENSION INVESTMENTS

### WHY WE DID THIS ENGAGEMENT

Gainesville Regional Utilities requires operating and other restricted funds in order to carry out its operations, pay for capital projects, hold customer deposit funds and other needs. There is an inherent risk that funds will not be managed in an optimum manner.

### WHAT WE FOUND

- During the period under review (calendar year 2016) segregation of duties was an issue due to the assignment of only one staff member to perform one-hundred percent of all activities as well as other activities related to debt and derivative instruments.
- The portfolio management process could be strengthened by enhancing the reporting process to make it more frequent and to include key metrics.
- A substantial reliance for the restricted funds was provided by manual spreadsheets, which are inherently prone to spreadsheet error.

**NOTE:** During the planning and fieldwork stage of the audit, management at GRU was already addressing the most important of the key issues noted by adding additional manpower and oversight to the process as well as implementing the SAP financial module (FMIS) to replace the overreliance on spreadsheets for restricted fund activity.





## SMALL BUSINESS AND SERVICE-DISABLED VETERAN BUSINESS PURCHASING COMPLIANCE

### WHY WE DID THIS ENGAGEMENT

The audit was included in the City Auditor's 2017 Fiscal Year Audit Plan as a follow-up to the 2016 audit of the Small and Service-Disabled Veteran Business process audit and to meet the requirement of including at least one program of the Office of Equal Opportunity in each year's audit plan. This audit was subsequently carried over to the 2018 plan since it was not yet finished.

### WHAT WE FOUND

General Government and GRU purchasing departments effectively provide support to their respective operating departments in the acquisition of goods and services for the City. Although General Government uses a decentralized system while GRU uses a centralized system, we believe sufficient efforts are made to include small or service-disabled veteran businesses into the purchasing process. We found that each process works except for several minor exceptions in our sample of purchases between \$2,000 and \$50,000.

- In General Government, we noted three exceptions where vendor quotes were not obtained.
- In GRU, we found five exceptions where vendor quotes were either not obtained or lacked adequate documentation.

## GENERAL GOVERNMENT AND GAINESVILLE REGIONAL UTILITIES VENDOR MASTER FILE AUDIT

### WHY WE DID THIS ENGAGEMENT

The audit was included in the City Auditor's 2018 Fiscal Year Audit Plan due to the inherent risk of duplicate or fraudulent payments from the Vendor Master File since it holds vital information needed in the Procurement and Accounts Payable processes.

### WHAT WE FOUND

- Policies, procedures, and oversight related to General Government's and Gainesville Regional Utilities' Vendor Master Files are not adequately designed or implemented. Duplicate active vendors with the same name, bank account and/or Tax ID existed within the Vendor Master File. There was inadequate segregation of duties.
- Vendor Master File system controls cannot be relied upon as implemented.
- Conflict of Interest controls and monitoring are not working as intended. Several instances of employees providing compensated services to the City while employed were found but did not violate additional Human Resources policies. One employee that was compensated via payables also received their regular full-time employment salary for the same day.





## OFFICE OF EQUAL OPPORTUNITY MANDATORY ANNUAL DIVERSITY TRAINING AUDIT

### WHY WE DID THIS ENGAGEMENT

The audit was included in the City Auditor's 2018 Fiscal Year Audit Plan at the request of the former Office of Equal Opportunity Director.

### WHAT WE FOUND

- Policies, procedures, and performance indicators related to Office of Equal Opportunity's mandatory diversity training are not adequately designed or implemented.



## ANNEXED PROPERTY FEE COLLECTIONS AUDIT

### WHY WE DID THIS ENGAGEMENT

The audit was included in the City Auditor's 2018 Fiscal Year Audit Plan due to the anticipated increase in annexation activity.

### WHAT WE FOUND

- No formal process existed to verify that revenues due were collected, as required for newly annexed properties.
- Three annexed City parcels categorized for government use were coded as county properties on the property appraiser website.
- Some City properties were not billed for storm water services.

## FISCAL YEAR 2019 GENERAL FUND REVENUE ESTIMATE ATTESTATION

### WHY WE DID THIS ENGAGEMENT

The engagement is required annually by City Commission Resolution 150127. It is important for the City to have reasonable assurance that projected revenues were forecast using proven methodologies.

### WHAT WE FOUND

- We found the projected Fiscal Year 2019 General Fund Revenues and Other Sources of Funds in the total amount of \$126,218,273 to be adopted by final resolution by the City Commission on September 20, 2018, were prepared using data and methods to provide reasonable assurance the revenues will be realized.
- Concerned parties can place reasonable reliance on revenues contained in the General Government Financial and Operating Plan. Minor differences noted in our analysis were considered to not be significant.
- Management actively monitors the City's financial position throughout the year and provides monitoring reports to the Audit and Finance Committee.





## DID YOU KNOW?

According to the Whistleblower Information for the Department of Justice (DOJ), the National Defense Authorization Act of 2013 (NDAA) protects disclosures regarding a DOJ contract, subcontract, or grant made to:

A management official or other employee of the contractor, subcontractor, or grantee who has the responsibility to investigate, discover, or address misconduct. Our hotline satisfies this requirement.

24/7



Fraud, Waste,  
**ABUSE**

# INTOUCH<sup>®</sup>

## 1-844-818-2492

[www.intouchwebsite.com/CityOfGainesville](http://www.intouchwebsite.com/CityOfGainesville)



## SUMMARY OF INVESTIGATIONS PERFORMED

### INVESTIGATION OF HUMAN RESOURCES DIRECTOR

An investigation of noncompliance with employment contract was performed and allegations substantiated.

## INVESTIGATION OF THE PRACTICES OF THE DEPARTMENT OF DOING

A citizen claimed that the Department of Doing relied on obviously flawed surveys, allowed a developer to misstate the size of a large tree so that they could pay less mitigation fees, and failed to follow-up on a developer who did not notify residents of required neighborhood workshop meetings. None of the allegations were substantiated and the Department of Doing was found to have taken reasonable actions throughout the process.

# ENGAGEMENTS COMPLETED AFTER SEPTEMBER 30, 2018

## INDEPENDENT COMBINED COMMUNICATION CENTER INTERLOCAL AGREEMENT AGREED UPON PROCEDURES (COMPLETED NOVEMBER 2018)

### WHY WE DID THIS ENGAGEMENT

This engagement was requested by the Gainesville City Commission and was added to the annual audit plan and approved by the City Commission on May 3, 2018.

Two previous attempts to audit the process (in 2003 and 2013), were either not completed or completed without full internal access to records.

### WHAT WE FOUND

Simply stated, a majority of the noncompliance issues relate to the fact that the overall process is not documented. Further, no single department, key role, or process owner is responsible for understanding the Combined Communication Center operational and financial processes from end to end; then, to ensure the process continually complies with the interlocal agreement.

Each entity has been operating independently. However, the process should ideally be a collaborative effort that would reduce the risk of noncompliance and errors. Notwithstanding, much by chance and various individual efforts, the disconnected processes have resulted in an overall fair appropriation of costs.

## OTHER AUDITS UNDERWAY AS OF DECEMBER 2018

- Audit of Recommendation Follow-ups
- Audit of GPD and GFR Response Times
- Audit of Citywide Overtime
- Audit of GG ERP Implementation
- Audit of Reichert House

## FUTURE GOALS TO PURSUE

- Continue to build the organizational risk model, updating continuously
- Continue implementing the COSO internal control plan across the organization
- Continue performing risk based audits
- Build a library of City Auditor procedures for internal use
- Continue to expand auditor's capabilities and certifications

**NOTE:** We will continue to serve the citizenry of the City of Gainesville as our first and foremost responsibility; as well as provide useful products (audits, investigations, attestations, analysis, and other non-audit services) to the City Commission and management.

# Fraud, Waste & Abuse Hotline **1-844-818-2492**

**CITY OF GAINESVILLE**  
**OFFICE OF THE CITY AUDITOR**

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