

*Office of the  
City Auditor*

City of  
Gainesville,  
Florida

***2023 Continuous Auditing Program  
Part III  
Final Report***

**March 18, 2024**



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## Continuous Auditing Program Part III

# *Executive Summary*

### **What We Did**

The objective of this engagement 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. This audit was included in the Annual Audit Plan.

This final review focused on payroll transactions. Through inquiry, observation, and substantive testing for processes in scope, we reviewed transactions to monitor for instances of fraud, waste, abuse, or non-compliance. Specifically:

- We reviewed employee and retiree data and transactions for fraud, waste, or abuse.
- We reviewed employee rate changes for fraud, waste, or abuse and appropriate authorization.
- We reviewed employee leave records for fraud or abuse and the appropriateness of leave balances.
- We reviewed one-time payment transactions for compliance with internal control procedures and appropriate authorization.

### **What We Found**

As a result of our review, we did not identify any fraudulent payroll data or transactions. In addition, we identified internal controls designed to reduce the risk of inappropriate payroll transactions. We also identified opportunities for improvements relating to one-time payments, retiree recertification methods, and seasonal employee leave entitlement.

#### **One Time Payments**

- Fifty-seven percent of longevity payments reviewed were misclassified.
- Seventeen percent of the tuition reimbursement payments reviewed did not have all documents required by the procedure. Additionally, the procedure does not include the ERP procedure and was last revised in 2014.

#### **Retiree Recertification**

- Opportunities for improvement were identified to mitigate the risk associated with recertifications submitted via email.

#### **Seasonal Employee Leave Entitlements**

- Five out of 31 seasonal employees were inaccurately classified as CWA Union employees and incorrectly accrued PTO.

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



## INTRODUCTION

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. Part III of the Continuous Audit Program focused solely on certain payroll transactions. According to the Association of Certified Fraud Examiners' *Occupational Fraud 2022: A Report to the Nations*<sup>1</sup>, payroll is the fifth most common occupational fraud scheme in the United States and Canada and the third most common occupational fraud scheme for governments and public administrations.

### General Government Employees

At the time of the audit, the General Government (GG)'s Enterprise Resource Planning (ERP) system had 1,457 active employees. These employees include regular, temporary, and seasonal personnel. See Figure 1 for a breakdown. GG employees are added to the ERP system based on the established recruitment process, which includes Human Resources and the hiring department. GG compensates employees within the approved range for the job profile. Rate changes are subject to approval, and union agreements are reviewed periodically. Employees earn regular leave based on job category.

Employees update the ERP with personal information such as addresses and banking information, which is required to process salaries.

Figure 1  
Active GG Employees as of January 10, 2024

Employee Type	COUNT
Intern	3
Professional Temp-Time Limited	3
Regular	1,289
Seasonal	31
Temporary	131
	1,457

Data Source: City ERP System

### City of Gainesville Retirees

At the time of the audit, the City of Gainesville (City) ERP System had 2,240 retirees. The list includes retirees, survivors currently receiving pension payments, and future vested retirees.

City retirees must recertify annually to retain eligibility to receive a pension benefit from the City if they are a member of one of the Defined Benefit Pension Plans. Retirees update the ERP with personal information such as addresses and banking information, which is required to process salaries.

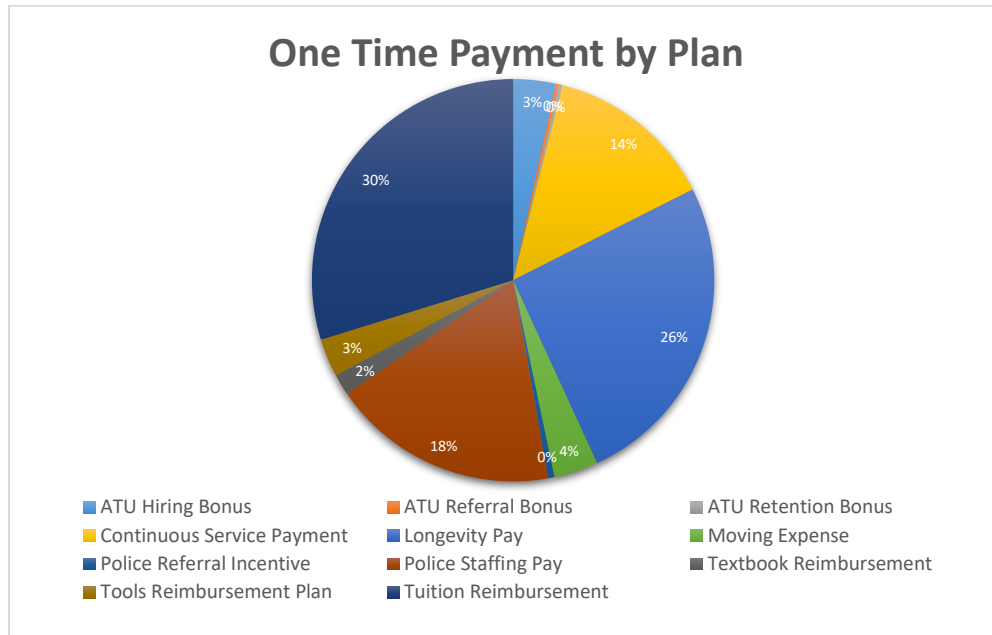
<sup>1</sup> [ACFE A Report to the Nations](#)



## One Time Payments

A one-time payment is a single payment to an employee outside their regular salary. One-time payments by the City to employees include payments for long or continuous service, moving expenses, hiring and retention bonuses, and referral incentives. In 2023, General Government made one-time payments totaling \$446,400 to 297 employees. The breakdown is depicted in Figure 2.

Figure 2



Data Source: City ERP System

The audit scope and methodology, results and conclusion are summarized below.

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

## **SCOPE AND METHODOLOGY**

The scope of this audit covers City payroll transactions from January 1, 2023, through December 31, 2023, 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 Auditing Program is split into three parts. See the parts of our phased continuous auditing program below.

### **Part 1 – Review of Purchasing Card Transactions**

Internal Audit reviewed a risk-based sample of purchasing card transactions from Bank of America and support documentation maintained by management for fraud, waste, abuse, and procedure compliance. A micro-report was issued at the end of Part I.

### **Part II – Review of Purchasing Card and Travel Reimbursement Transactions**



Internal Audit reviewed purchasing card and travel expense 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 fraud, waste, and abuse.

Internal Audit also obtained and analyzed travel expense data and support documentation from the ERP systems and management reports and reviewed a risk-based sample of transactions to monitor for instances of fraud, waste, abuse, and procedure compliance. A micro-report was issued at the end of Part II.

**Part III – Review of Payroll Transactions**

In the current audit phase, Internal Audit reviewed employees' and retirees' payroll data and transactions. Internal Audit obtained and analyzed payroll data from the ERP system and supporting documentation maintained by management and reviewed a risk-based sample of data and transactions to monitor for fraud, waste, and abuse.

**RESULTS AND CONCLUSION**

As a result of our review, we did not identify any fraudulent payroll transactions. In addition, we identified internal controls designed to reduce the risk of inappropriate payroll transactions. We also identified opportunities for improvement relating to one-time payments, retiree recertification methods, and seasonal employee leave entitlement.

**Employees and Retirees Data and Transactions**

The City’s payroll function is expansive and involves several processes. The areas involved in this audit include employee and retiree payroll data, post-termination compensation, rate changes, employee leave and one-time payments. A breakdown of these areas can be found in Figure 3.

**Figure 3**  
**General Government Payroll Related Activities January 1 to December 31, 2023**

Transaction Type	Population Total	Number of Persons/Transactions in Population	Number of Persons/Transactions Tested	Percentage of Transactions Tested
Current Employees	1457			
New Hires		264	26	10%
Matching Banking Information		32	32	100%
Matching Address Information		38	38	100%
Terminations (Post Termination Compensation)	375		21	6%



Transaction Type	Population Total	Number of Persons/Transactions in Population	Number of Persons/Transactions Tested	Percentage of Transactions Tested
Terminations (Active Employees without recent compensation)	1457	30	30	100%
Rate Changes		3216	32	1%
Leave Records	1260	1260	26	2%
Retiree Recertification	2240	N/A	48	2%
Retiree Matching Address Information		75	75	100%
Retiree Matching Bank Information		78	78	100%
One Time Payments	297	532	55	10%

Data Source: City ERP System

### *What Was Done Well*

As a result of our review, we did not identify any fraudulent payroll data or transactions. Appropriate processes, documentation, and authorizations relating to rate changes, retiree recertification accessibility, and terminations were identified.

Changes made to employees' salaries were approved by the appropriate personnel and supported by documentation. Thirty-two of the 3,216 rate changes made in 2023 were reviewed as part of the audit. The ERP system included adequate documentation to support the changes.

The City established a recertification program for retirees, reducing the risk of improper payments or fraud against the City. The program offers multiple ways of recertification to facilitate the diverse abilities of its retiree population. The City did not make payments to retirees reviewed after notification of their death.

General Government did not inappropriately compensate terminated employees reviewed in the audit; additionally, terminated personnel were not retained on the list of active employees. This reduces the risk of improper payments.

### *What We Found*

Internal Audit identified opportunities for improvement around one-time payments, retiree recertification methods, confidential job requisition classification methods, and seasonal employee leave. The areas reviewed, audit observations, and related recommendations are outlined below.



## One-Time Payments Opportunities

Opportunities for improvement were identified around longevity pay and tuition reimbursements. Fifty-seven percent of longevity payments reviewed were incorrectly classified and were actually continuous service payments. Additionally, four of the twenty-four tuition reimbursement payments reviewed did not contain tuition reimbursement forms as required by procedure. Tuition reimbursement policies and procedures have not been updated since 2014 and do not include the City's ERP system process. An overview of one-time payments reviewed can be found in Figure 4.

**Figure 4**

### **One Time Payments By Plan**

Plan	Number of Transactions	Total Spend	Number of Transactions Tested	Total Spend Tested	Exceptions	Comments
ATU Hiring Bonus	51	15,300	-	-	N/A	N/A
ATU Referral Bonus	4	1,200	-	-	N/A	N/A
ATU Retention Bonus	2	1,100	1	500	-	N/A
Continuous Service Payment	60	60,782	6	5,870	-	N/A
Longevity Pay	78	114,268	14	32,685	8	<p><u>Coding for Longevity Payments</u> Incorrectly classified and should have been coded as continuous service payment.</p> <p>Only employees hired before March 2, 1992, qualify for longevity pay.</p> <p>Forty-one of the 51 employees with payment coded as longevity pay were hired after March 2, 1992.</p>
Moving Expense	7	15,881	2	4,000	-	N/A
Police Referral Incentive	14	2,300	-	-	N/A	N/A
Police Staffing Pay	52	81,500	8	12,500	-	N/A
Textbook Reimbursement	101	7,500	-	-	N/A	N/A
Tools Reimbursement Plan	62	13,687	-	-	N/A	N/A
Tuition Reimbursement	101	132,946	24	42,998	4	<p><u>Procedures for Tuition Reimbursement</u> Tuition reimbursement forms were not submitted as required by procedure B-1.</p>
	532	446,464	55	98,553	12	

Data Source: City ERP System

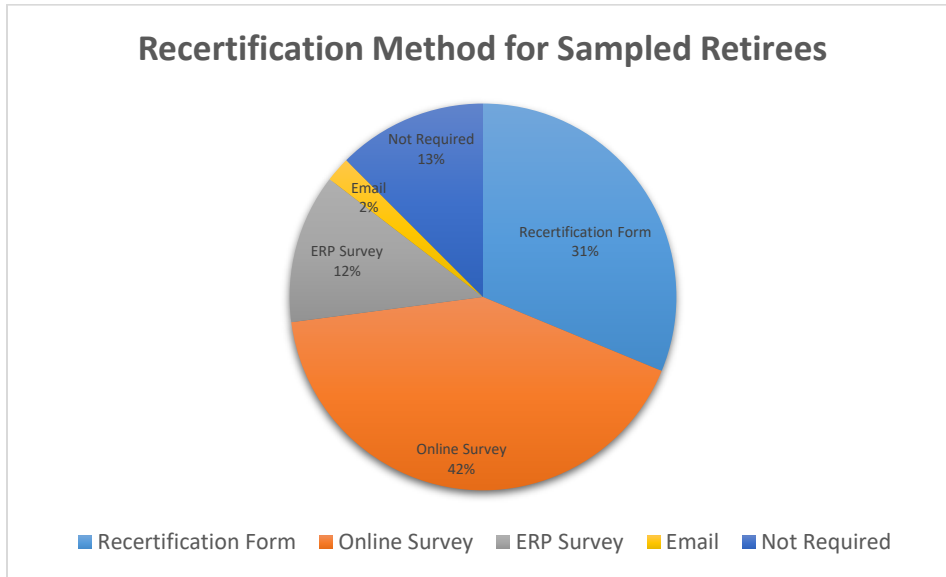
## Retiree Recertification Method Opportunity

Forty-eight retirees were reviewed as part of the audit to determine eligibility. A recertification document was available for all employees receiving payment. The City uses multiple recertification methods including recertification forms (must be notarized or completed in person), online or ERP surveys, and emails. See Figure 5. There is an opportunity for improvement relating to the content of the email to confirm the email is from the retiree or an authorized agent of the retiree.





Figure 5



Data Source: City ERP System

**Seasonal Employee Leave Classification**

Twenty-six employee leave records were reviewed as part of the audit. Five seasonal employees were misclassified, resulting in the accrual of Personal Time Off (PTO) leave. The potential exposure for accrued leave was \$9,647. There was neither leave usage nor leave cash-out for these employees. Upon notification from Internal Audit, staff corrected the classification error to eliminate the identified exposure. There is an opportunity to review and update the current process to prevent a recurrence. An overview of employee leave reviewed can be found in Figure 6.

Figure 6

General Government - Moderate Risk							
Employee Leave Sampled - January 1 to December 31, 2023							
Transaction Type	Population Total	Persons Tested	Percentage Tested	Employee Type	Sample Amount	Exceptions	Comments
Leave Records	1,260	26	2%	Regular	21	0	N/A
				Seasonal	5	5	<p><u>Misclassification</u> Seasonal employees were inaccurately classified as CWA Union employees and incorrectly accrued PTO.</p> <p>Potential exposure: \$9,647.</p> <p>No leave usage or payout. Promptly corrected by HR.</p>

Data Source: City ERP System

**Recommendations:**

We recommend management enhance internal controls around seasonal employees’ leave classification by adopting the following process improvements:



- Enhance internal controls to ensure the accuracy of employee classifications.
- Enhance procedures to include periodic reviews of the City’s ERP system to identify and correct inaccuracies.

**Management Action Plan:**

City management recognizes the need to enhance internal controls around seasonal employees' leave classification. HR will reinforce compliance with HR Practice E1 - Temporary Employment Practices by educating hiring departments about the importance of the appropriate temporary classification and ensuring an appropriate HR review process. As also included in the procedure, HR will generate and distribute quarterly reports to all departments about all their current Temporary employees to identify and correct inaccuracies.

Likewise, the GG Internal Control Division will add the onboarding process to its annual reviews to test compliance with procedures and practices, including the accuracy of employee classifications.

<b>Due date:</b>	August 30, 2024
<b>Responsible Party:</b>	Director of Human Resources Internal Control Manager
<b>Accountable Party:</b>	City Manager

## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

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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**

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