



# Office of the City Auditor

City of  
Gainesville,  
Florida

## **GAINESVILLE CITY COMMISSION**

Lauren Poe, Mayor  
Reina Saco, Mayor-Commissioner Pro Tem  
David Arreola  
Cynthia Moore Chestnut  
Desmon Duncan-Walker  
Adrian Hayes-Santos  
Harvey Ward

## **AUDIT COMMITTEE MEMBERS**

Lauren Poe, Mayor  
Reina Saco, Mayor-Commissioner Pro Tem  
Harold Monk, CPA, CFE (Appointed)



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## Section 1. Annual Audit Report

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### Introduction

The City Auditor's 2021 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, activities and accomplishments, other stories of community builders making Gainesville great, and our enterprise risk assessment and internal audit plan.

## I. Internal Audit and Who We Are

### Our History

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The City of Gainesville Office of the City Auditor was established as a Charter Office in November 1979. In 2021 we celebrated our 42<sup>nd</sup> year of providing independent and objective auditing services to better serve the public good and to uphold the principles of good governance: (1) accountability for funds collected from the public and (2) efficiency, effectiveness, and equity in the delivery of public goods and services.

### Our Mission

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Our mission is to become an increasingly agile internal audit team while promoting honest, efficient, effective, transparent, and fully accountable government. To carry out this mission we perform risk-based audits, advisory services, special projects, and management requests. In addition, we manage the City's Fraud, Waste and Abuse Hotline and conduct investigations.

### Our Values

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Our values in serving the public interest include conducting our work with an attitude that is independent and objective both in fact and in appearance. We demonstrate integrity, competence and use due professional care to ensure quality and accountability.

### Our Goals and Objectives

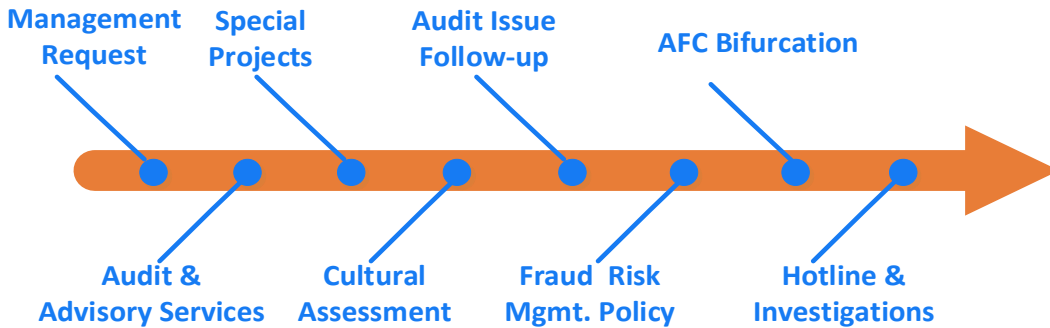
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In order to achieve our mission and goals, our fundamental objectives are to assist the City Commission and City management in the effective discharge of their duties. These objectives are met by providing analysis, consultation, assurance services, and recommendations that are actionable and value-added to promote accountability to the public, improve efficiency of government functions, ensure compliance with laws, policies, and procedures, and determine whether programs and services are accessible to all neighbors. Our goals are to:

- Periodically assess organizational risks that inform a risk-based audit plan.
- Support management's progress in strengthening risk management processes, including cybersecurity and fraud risk management.

- Add value and advance accountability through assurance and advisory services.
- Conduct quality occupational fraud investigations.
- Comply with internal auditing professional standards.
- Support personal and professional staff development.

## II. 2021 Activities and Accomplishments



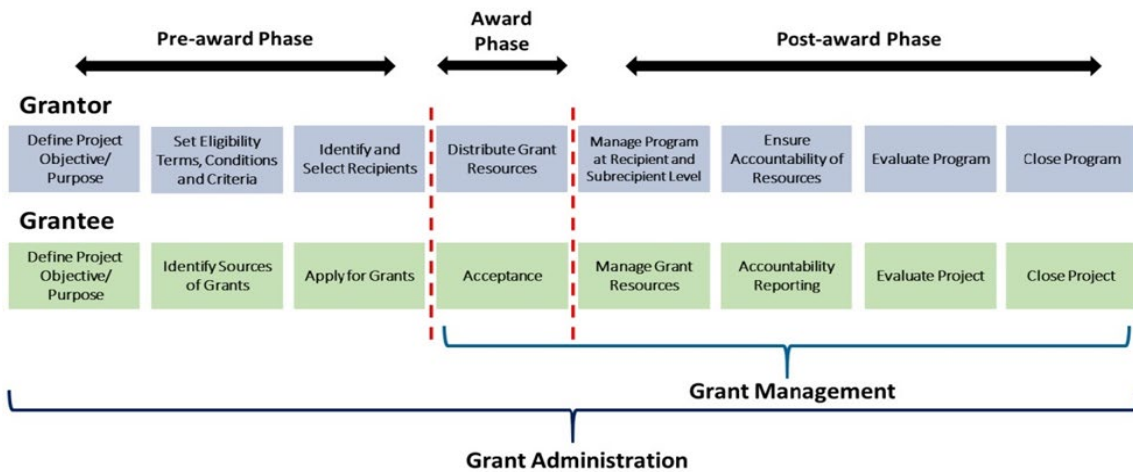
### Completed Audit & Advisory Services

We successfully completed the following engagements in 2021 resulting in gained efficiencies, improved operations, and reduced risks as management remediation efforts are completed. Reports can be viewed on the City Auditor’s website:

<http://www.cityofgainesville.org/CityAuditor/AuditorsReports/AuditReports.aspx>

- ❖ **General Government Grant Administration Consultation** (Identified areas for improvement for enhancement of grant administration)

Objective - to identify risks in General Government grant administration processes, review policies, procedures and guidance for best practices and equity considerations and review plans for process improvements related to implementation of a new ERP system grants module.



Source: IIA: Auditing Grants in the Public Sector, April 2018

- ❖ **GRU Customer Billing System – Phase I Pre-Implementation Requirements Consultation** (Identified four observations/keys risks for management to consider)  
Objective - to perform a pre-implementation review of the GRU customer billing system requirements to help identify risks and critical gaps in the requirements prior to the development and implementation of the system.
- ❖ **Citywide Succession Planning Audit** (Identified two opportunities for improvement)  
Objective - to review citywide succession planning policies and procedures, and internal controls to assess the City's level of preparedness for continuity and growth.
- ❖ **Police Property and Evidence Cash Audit** (Identified four opportunities for improvement)  
Objective - to assess the adequacy of design and operating effectiveness of internal controls over the handling of cash and cash equivalents in GPD Property and Evidence and drug task force processes. This audit was added to the City Auditor's Office 2021 Audit Plan when audit follow-up activities determined that a past due management action plan from a previous audit report was not yet implemented.
- ❖ **Administration and Management of Evergreen Cemetery Operations Audit** (Identified four opportunities for improvement)  
Objective - to review the design adequacy and operating effectiveness of financial and operational controls related to Evergreen Cemetery Trust Fund allocation and management of cemetery operations and maintenance activities. This audit was included in the City Auditor's 2021 Audit Plan.



- ❖ **Body Worn Camera Compliance Audit** (Identified three opportunities for improvement)  
Objective - to assess Gainesville Police Department's (GPD) compliance with Florida's Body Camera statutes, GPD's internal Body Worn Camera (BWC) policies and procedures, and the effectiveness of the GPD body worn camera supervisory review program.
- ❖ **GRU Badge Access and Physical Keys Management Audit** (Confidential Findings)  
Objective - to assess the adequacy of badge access controls and management of physical keys to ensure the risk of unauthorized access to GRU buildings and warehouses is adequately managed. The audit period reviewed was January 1, 2020 to June 30, 2021. During this engagement, we

interviewed GRU management and staff, observed operations, and performed tests of controls on a risk-based sample of locations, reports and other support documents.

❖ **General Government Internal Controls over Financial Reporting Audit** (Identified high and moderate risk opportunities for improvement combined into one issue)

Objective - to assess the design and effectiveness of General Government internal controls over financial reporting processes and ensure the risk of error, financial reporting misstatement, and fraud are sufficiently mitigated. This audit was added to the City Auditor's Audit Plan in March of 2021 as a result of insufficient progress being made toward General Government Finance and Accounting high risk areas identified with external financial statement audit findings.

❖ **Collier's Contract Compliance Audit** (Identified two opportunities for improvement)

Objective - to evaluate compliance with the deliverables, terms and conditions of the City's



contract with Colliers International Florida, LLC (Colliers). City departments and staff provide many services to its residents. Duties include managing a significant number of contracts. Effective contract administration is critical to the success of public contracting processes.

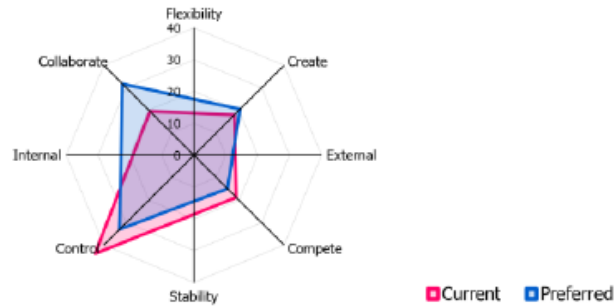
## Completed Special Projects

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We successfully completed the following special projects in 2021:

- ❖ **Organizational Culture Assessment** - In January 2021, the City Commission requested the Office of the City Auditor conduct an organizational culture assessment. The City Auditor's Office explored conducting an employee satisfaction survey and other options for working with organizational culture before establishing a core cross-functional leadership team to conduct the organizational culture assessment and related workshops. The Organizational Culture Assessment Instrument, image below illustrates an example of OCAI results that depict a current assessed culture in pink and the preferred culture in blue. In this example, there is preference from City leaders and staff to work in a slightly less competitive and much less controlling environment, and move toward a much more collaborative culture.





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.

1. Policy Research Workflow
2. Leadership Training
3. Policy Management Framework
4. Internal Conflict Resolution
5. Employee Suggestions

**RECOMMENDATIONS**  
P. 16

CITY OF GAINESVILLE 2021 ORGANIZATIONAL CULTURE ASSESSMENT AND REPORT

❖ **Phalanx Documentation Review** – The City Auditor’s Office performed an independent review of Phalanx job creation and retention documentation submitted by Phalanx to request loan forgiveness as stated in the Amended and Restated Promissory Note, and Special Warranty Deed. We did not perform a review of Phalanx operations or property improvements; therefore, we do not provide an opinion on whether prior debt forgiveness for improvements made to the property in prior years complied with the promissory note terms. Our results are summarized in the Memo to the City Manager.

❖ **Independent Payroll Recalculation of Overtime Hours Advisory Project** – Due to high risk of around payroll process configuration identified during the new ERP pre-implementation activities, Internal Audit performed an independent comparison of the calculation of employee overtime hours processed in the legacy payroll system with the configured ERP payroll system output of



test data against the labor agreement terms to identify potential ERP system non-alignment with the respective City labor agreements. A number of ERP configuration corrections were made during the special project and risk continued to be tracked as high.

❖ **Fraud Risk Management Policy** - The Office of the City Auditor drafted the City's first Fraud Risk Management Policy approved by the City Commission on October 21, 2021. An organizational fraud risk management policy defines fraudulent behavior, establishes that fraudulent behavior is unacceptable, helps safeguard City resources through improved management of fraud risk, and provides guidelines for the development, implementation, and monitoring of internal controls that aid in the detection and prevention of fraud in accordance with F.S § 218.33. Specifically, (3) Each local governmental entity shall establish and maintain internal controls designed to:

- Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).
- Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
- Support economical and efficient operations.
- Ensure reliability of financial records and reports.
- Safeguard assets.

The Office of the City Auditor also provided training and tips to staff during International Fraud Awareness week November 14 - 20, 2021.



❖ **GCRA Heartwood Applicant Selection** - The City Auditor's Office assisted the Gainesville Community Reinvestment Area (GCRA) office with the provision of transparent selection of applicants for the Heartwood Dreams2Reality housing that provides limited financial assistance for first time home purchasers in the Heartwood development. 31 applications were submitted to the City. The City Auditor's Office provided instruction to obtain an anonymized version of the file for random ordering using Audit Analytic software. All applicants received notification of their place on the randomized list. Housing and Community Development (HCD) worked through the list carefully documenting their processes until 11 qualified applicants were identified.

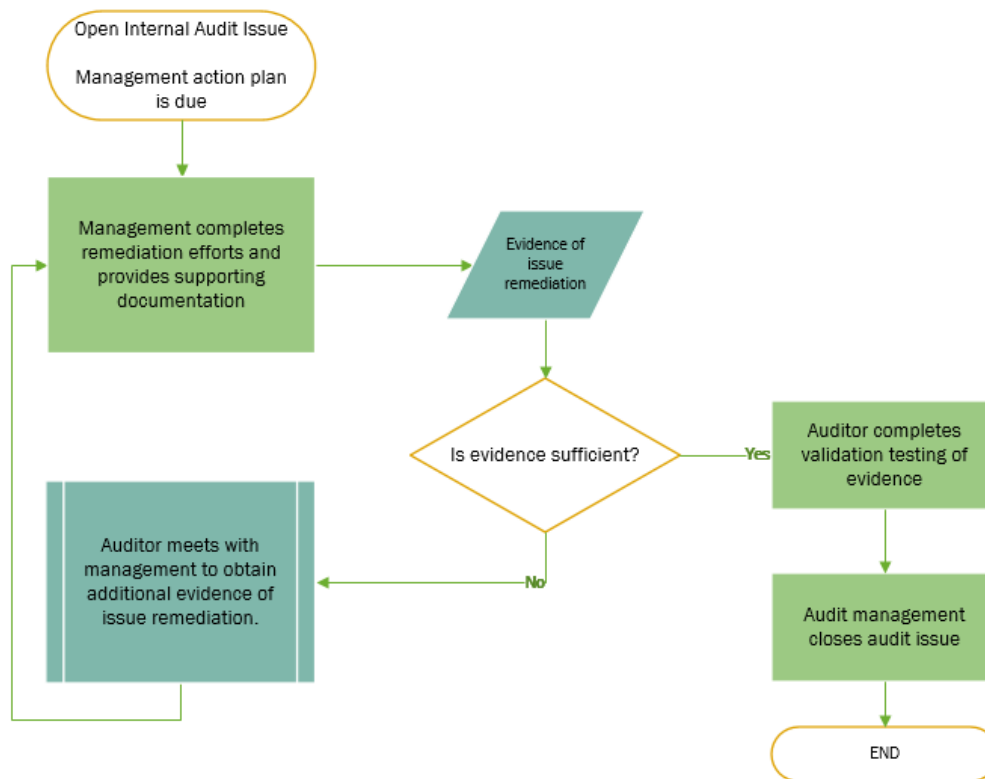


## Audit Issue Follow up Program

Throughout the year the City Auditor’s Office worked with management on **Audit Issue Follow up** activities to ensure management continues progress toward their management action plans to address open audit issues.

The Audit Issue Follow up Program, depicted in Figure 1 below, begins with Internal Audit identifying risk during an audit that results in an audit issue. Internal Audit and management agree on an action plan to remediate the risk to an acceptable level, management responsible parties for ensuring the action plan stay on track, and a due date for the completion of the management action plan. Internal Auditors periodically check in with management on their action plan progress. When management has completed their action plan, Internal Audit requests evidence and performs validation testing. When the implemented action plan passes validation testing, the audit issue is closed. Any past due audit issue is reported to the Audit Committee and requires management explanation until the issue is closed.

**Figure 1 - Audit Issue Follow Up Program Process Flow**



### Summary of 2021 Audit Issue Follow up Activity

Internal Audit tracks all audit issues and reports status in the City Auditor Quarterly Update. As of December 31, 2021, 19 audit issues remained open. 21 audit issues were **fully remediated** and closed in 2021, resulting in **improved controls** around RTS revenue reporting, GRU and GG non-pension investments, Reichert House Youth Academy operations, Cybersecurity readiness, Annexed property fee

collections, and vendor master file design. There were no past due audit issues at the end of the year. See Table 1 below for 2021 audit issue statistics.

**Table 1 – 2021 Audit Issue Statistics**

<b>City Auditor Status of Audit Issues</b>	<b>Number of Audit Issues *</b>
Number of Audit Issues Open as of January 1, 2021	26
Number of Audit Issues Opened In 2021	14
Number of Audit Issued Closed in 2021	21
Number of Audit Issues Remaining Open as of December 31, 2021.	19

*\*Note: Counts do not include confidential security issues*

We validated and closed the following audit issues in 2021:

✚ **Audit of Regional Transit System Farebox and Bus Pass Revenues** – The last 2017 RTS Farebox and Bus Pass Revenues audit issue was successfully closed. Regional Transit Services (RTS) enhanced cash handling controls and implemented a thorough reconciliation process to include management oversight, review and approval.



✚ **Audit of GRU Non-Pension Investments** - The last 2018 GRU Non-Pension Investments audit issue was successfully remediated and closed. Utility Finance management engaged a consultant to assist with strengthening the GRU Investment Policy. The revised Investment Policy establishes governance and expectations around investment management. In addition, an Internal Controls and Operations Procedures Manual for Investments was created to address risk and delineate responsibilities for managing GRU non-pension investments.

✚ **Annexed Property Fee Collection Audit** - Management successfully remediated the final open audit issue from the 2018 Annexed Property Fee Collection Audit. To address risk, management in the Department of Sustainable Development collaborated with management and staff in GRU New Services, Public Works (Stormwater and Solid Waste), General Government Budget & Finance and Gainesville Fire Rescue to enhance procedures around tracking, billing and collecting revenues for properties annexed into the City of Gainesville. The enhanced procedures strengthen controls for notification, identification, and verification of annexation revenues, which include property taxes, utility taxes, stormwater fees, solid waste charges, fire assessment fees, and others. Internal Audit provided considerable assistance with facilitation and communication, and provided a process flowchart to management to aid collaborative efforts.



- ✚ **Vendor Master File** - The two remaining open audit issues identified on the 2018 Vendor Master File report, which included an assessment of citywide operations, were successfully remediated and closed. In preparation for the General Government ERP system implementation, management developed an action plan checklist to review and update vendors to strengthen controls around inherently high-risk vendor management activities. GRU also updated procedures requiring that vendors complete a Vendor Verification Form self-certifying that they are in compliance with the City's Code of Ethical Standards Section 2-146-VI. The recent ERP implementation identified new risks that will be analyzed in 2022.
  
- ✚ **Audit of the City of Gainesville's Reichert House Youth Academy – Governance, Financial Processes, and Performance Metrics** - Audit issues identified during the 2019 Audit of the City of Gainesville's Reichert House Youth Academy (RHYA) were summarized in five issues, four of which were successfully remediated by year end. The issues resolved addressed several risks related to business processes, transparency, and transaction documentation. The RHYA governance structure was revised with the help of an outside consultant, who recommended that RHYA remain a City department with a clear line of authority for governance, using a single accounting system, and engaging a single fiscal agent for handling donor funds. Staff attended required trainings to gain competencies, revised standard operating procedures, established processes for the acceptance of donations, established third-party agreements with entities that perform activities for Reichert House programming, and removed board assignments that posed conflicts of interest. One audit issue related to the tracking of grant expenditures will remain open until GPD receives a grant for the program and expends funds. Internal Audit will then determine whether the audit issue has been effectively remediated.
  
- ✚ **Audit of General Government Non-Pension Investments** - All three audit issues reported on the 2020 General Government Non-Pension Investments Review were successfully remediated. Management drafted updates to the City Investment Policy, City Operating Funds Investment Policy Statement, and Gainesville Fuels Hedging Strategy Policy. The updates include segregating functional duties between investments and accounting operations, establishing a Fuels Hedging Program Committee, and establishing an Operating Funds Investment Committee. Management updated the Investment Policy Statement, which streamlines the process for selecting a broker/dealer, and requires that broker/dealers certify that they have read and understand the policy.
  
- ✚ **Cybersecurity Readiness Review** - In 2020, Internal Audit completed a review of the City's Cybersecurity Governance. Any identified issue, deemed confidential for security purposes, was

successfully remediated in 2021. Internal Audit will continue assessing management’s progress with cybersecurity controls in a phase II audit scheduled in 2022.

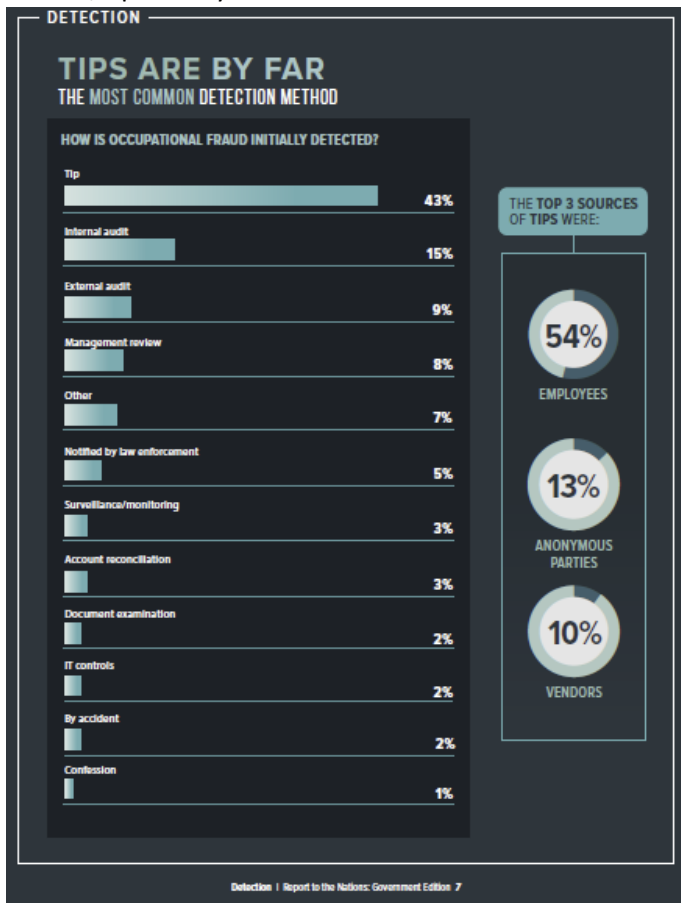
## Fraud, Waste and Abuse Hotline



### Lighthouse Anonymous Reporting

The Office of the City Auditor manages the contract with Lighthouse to provide anonymous hotline services to the City. Lighthouse is committed to protecting the identity of all persons who use the service. The Office of the City Auditor investigates fraud reports where there is predication and works with Human Resources investigators as appropriate for matters that fall under their responsibility.

According the Association of Certified Fraud Examiners 2020 Report to the Nations, Government Edition, tips are by far the most common method for identifying fraud.



Furthermore, the report indicates fraud detection by tip was substantially higher in organizations with hotlines (48% vs 32% with no hotline).

City of Gainesville Fraud, Waste, and Abuse Hotline

- To report an incident, call 1-844-818-2492 or  
Visit <https://www.lighthouse-services.com/cityofgainesville>  
(copy and paste URL into internet browser address bar)

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

2021 Hotline and Investigations – Office of the City Auditor	
New Cases:	21
Cases Closed:	20
Cases Open at 12/31/2021:	1

Most cases were related to employee relations, alleged conflicts of interest, other ethics or misconduct concerns, or policy violations. One case was related to employee theft. Two cases were reports of alleged external fraud that were directed to the proper authority.

### Annual Training for City Commissioners, Boards and Committees, and City Staff

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In August 2021, the City Auditor’s Office hosted the Florida Ethics Commission Senior Attorney for a live ethics presentation and training to the City Commission and members of Boards and Committees on the Florida Code of Ethics (Florida Statutes Title X, Chapter 112, Part III). Topics covered conflicts of interest, solicitation or acceptance of gifts, doing business with the City, conflicting employment and contractual relationships, voting conflicts, nepotism, misuse of public position, and other ethical matters.

### Ethics Training - Gainesville Corporate University

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In April 2021, the City Auditor’s Office conducted Ethics 101 in-person training for Utility managers, supervisors, and staff through Gainesville Corporate University. The training was held at the Eastside Operations Center to provide professional development around ethics and anti-fraud activities. The objective of the training was to ensure attendees understood ethics and its importance, to communicate policies and governance guiding ethical behavior, to discover the role of values in ethics, to assist attendees with applying ethical decision-making processes in the workplace, and to introduce anti-fraud concepts. Additional training is planned for 2022 and will incorporate training around the City’s new Fraud Risk Management Policy.

### City of Gainesville External Audits

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*External Financial Statement Audits*

The City Auditor's Office facilitates the selection of the General Government and Gainesville Regional Utilities external financial statement auditors and oversees administration of those contracts; however, Internal Auditors do not manage or direct activities of finance and accounting staff. The results of the external financial statement audits are presented to the Audit Committee annually. Results and any findings are communicated by the external auditor to those charged with governance and to management. Internal audit provides a summary slide in the City Auditor Quarterly Update.

#### *Florida Auditor General Operational Audit of the City of Gainesville*

The City Auditor served as the City's liaison for the Florida Auditor General operational audit of the City of Gainesville that kicked off in March 2020. The Auditor General wrapped up their work near the end of 2021 and issued their audit report on January 10, 2022. FL Auditor General staff presented their report to the Audit Committee on January 11, 2022 and expects to follow up on findings within 18 months. Beginning in June 2022 Internal Audit will communicate management progress updates in the City Auditor Quarterly Update.

### **City Auditor's Office Quality Assurance and Improvement Program (QAIP)**

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Internal Audit distributes a post-engagement customer satisfaction survey to management following each engagement requesting feedback on what we did well and what we can improve. While individual responses remain confidential, the City Auditor incorporates suggestions for improvement into the monthly team training. Suggestions for improvement may result in updated procedures or other process improvements. Kudos are shared with the audit team to ensure we continue to develop and leverage core strengths.

Internal Audit undergoes an external Peer Review process. Government auditing standards issued by Comptroller General of the United States (the "yellow book") requires reviews be performed at least once every three years, while the Institute of Internal Auditors' standards (the "red book") requires reviews every five years.

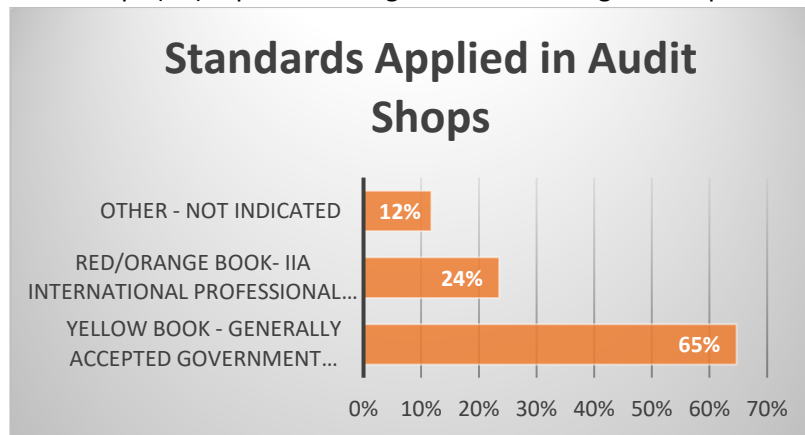
The City Auditor's Office has received yellow book Certificates of Compliance for Peer Reviews for more than 25 years. Our next peer review is scheduled with the Peer Reviewer for late 2022 or early 2023. For the first time we strive to be certified under red and yellow book professional standards.



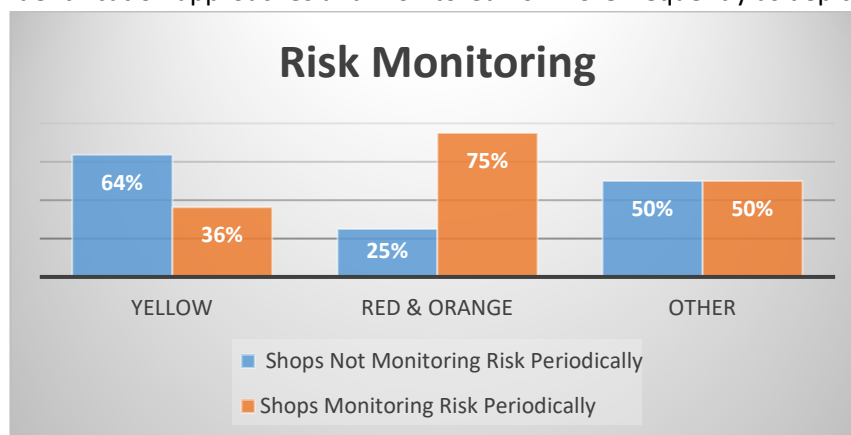
## Local Government Chief Audit Executive Risk Survey

The City Auditor's Office conducted a benchmarking survey with our local government Chief Audit Executive peers across the United States to gauge local government capabilities in identifying and responding to enterprise risks. Respondents were asked to provide information on their approach to risk identification and enterprise risk mitigation strategies. The survey showed that internal audit shops (including ours) that continuously monitor enterprise risk reported improved enterprise risk mitigating strategies.

Survey respondents were asked to indicate the standard utilized by their internal audit shop. Most of the respondents indicated that they were yellow book audit shops (GAGAS); however, red book audit shops (IIA) reported stronger risk monitoring with improved outcomes.



Fifty-nine percent of the respondents assess risk only during the annual audit plan preparation. Respondents that indicated they were either red or orange book shops utilized multiple risk identification approaches and monitored risk more frequently as depicted in the chart below.



## Team Building



Once per year the City Auditor's Office sets aside a few hours for team building activities. In December 2021 we learned about wetlands ecology on a tour of Sweetwater Wetlands Park, hosted

by the very knowledgeable City of Gainesville Park Rangers, Darby and Nathan. We were fortunate to close our team-building event with a docent-led tour of the historic Thomas Center.



### **Team Professional Development, Certifications, and Associations**

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Our office conducts engagements in conformance with International Standards for the Professional Practice of Internal Auditing, Generally Accepted Government Auditing Standards (GAGAS), and ISACA Information Systems Audit and Assurance Standards. These standards establish minimum requirements for competence and continuing professional education (CPE) to ensure that auditors are knowledgeable and proficient.

Internal Audit Staff complete a minimum of 40 continuing professional education hours annually to comply with professional standards and additional hours as needed to maintain various professional certifications including Certified Public Accountant, Certified Internal Auditor, Certified Government Auditing Professional, Certified Information Systems Auditor, Certified Risk and Information Systems Control, and Certified Fraud Examiner. Staff have completed training in ethics, government auditing, audit project management, grants management, information technology, cybersecurity, and fraud prevention and detection, among other topics.

Internal Audit Staff maintain memberships in the following professional associations: Association of Certified Fraud Examiners (ACFE), American Institute of Certified Public Accountants (AICPA), Florida Institute of Certified Public Accountants (FICPA), Association of Local Government Auditors (ALGA), Government Finance Officers Association (GFOA), Institute of Internal Auditors (IIA), International Association of Privacy Professionals (IAPP), Association of Chartered Certified Accountants (ACCA), and ISACA.

In 2021 the City Auditor was invited to participate in a national local government Chief Audit Executive work group convened to support a Board in improving standards and training for government performance auditing.

### III. Other Stories of Community Builders Making Gainesville Great

We value the City of Gainesville and efforts made by officials and community builders in striving to improve City operations and services and offer to share other recent initiatives and accomplishments.

#### Cybersecurity Awareness and Training

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This year in observance of Cybersecurity Awareness Month the Information Technology Department provided City employees with online cybersecurity awareness training. Training was provided on a new cybersecurity topics each week to each staff awareness of the importance of cybersecurity, training included breakout session, links to videos and other activities **Cybersecurity Awareness 2021**

When City employees are cyber security aware, it means they understand what cyber threats are, the potential impact a cyber-attack will have on the City and the steps required to reduce risk and prevent cyber-crime infiltrating their online workspace.

#### Other Initiatives and Accomplishments

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Gainesville Fire Rescue (GFR) held a housing ceremony to dedicate its newest fire apparatus, Ladder 9 on September 28 at Station 9 in Butler Plaza. The new truck was pushed into the fire station, a tradition which dates back to the 1830's when fire companies were still using horse drawn equipment that could not simply be backed into the firehouse.

The fire truck is a 100-foot straight stick Quint with a dual rear axle that gives all of the unit's aerial equipment a 100-foot reach, a particularly important tool as Gainesville continues to grow three dimensionally. Community builders participated in the ceremony.

#### Gainesville Fire Rescue Pushes new Engine into Service



Source:<https://www.mainstreetdailynews.com/news/gfr-pushes-new-engine-into-service>

## TEAM Employee Award

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TEAM hosted the 2021 Annual Employee Awards Ceremony on Nov. 15 at the GRU Eastside Operations Center. As always, this was a wonderful time to recognize this city's employees' outstanding efforts from the 2020-2021 operational year.

The Employee Action Motivators (TEAM), is based on the understanding that employees have to take the responsibility to make the City a better place to work. TEAM's primary purpose is to help foster a positive employee culture through employee recognition and team building activities.



## Florida Municipal Electric Association Building Strong Communities Award

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The City's Gainesville Regional Utility was awarded a Building Strong Communities Award from the Florida Municipal Electric Association during its Energy Connections Conference & Trade Show. The Building Strong Communities Award recognizes Florida public power utilities for community-focused programs that enhance the quality of life of their communities. The awards were given out during the Building Strong Communities luncheon at the Energy Connections Conference on November 3, 2021. (Source GRU Daily 11.5.21)

## Technology Wins Best DevOps Industry Implementation Award

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GRU's IT Department received the Best DevOps Industry Implementation Award at the Predict 2022 Virtual Summit! The DevOps Dozen<sup>2</sup> Awards recognize outstanding and innovative achievements in DevOps, the practice of combining software development and IT operations. GRU won for efficiently and effectively automating processes across our organization. (Source GRU Daily 1.28.22) <https://devopsdozen.com/the-2020-devops-dozen-awards-finalists/community-awards-nominations-closed/devops-dozen-2021-community-award-honorees/>.

## **Meridian Healthcare and GPD Co-responder Team**

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The GPD/Meridian Co-Responder Team (CRT) was formed in 2018 in response to the unnecessary hospitalizations and overwhelming incarceration rates of people affected by mental illness. The CRT program consists of four teams, pairing one GPD police officer with one master's level clinician employed by Meridian Behavioral Healthcare. The clinician is assigned to ride with the GPD officer and respond to calls that involve individuals in crisis. The co-responder team places focus on effective care coordination and aims to divert individuals in need of mental health services to counseling and psychiatric support, not incarceration. In 2021 our co-response units responded to 792 calls, reported 104 jail diversions and invoked the Baker Act 109 times.

## Section 2. Enterprise Risk Assessment and Audit Plan

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### IV. Enterprise Risk Assessment

#### Introduction

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Internal Auditors provide independent oversight, through the audit process, to determine whether we as City governance, leadership, management and staff, are meeting the standards that have been set for us and are meeting the standards we have set for ourselves. Internal audit activities help build trust between the City and the public, improve processes and strengthen controls. How do auditors determine what to audit?

The Office of the City Auditor performs enterprise risk assessment (ERA) 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.

We assess risk exposure based on the likelihood a risk event would occur, and the impact or significance the risk event would pose for the organization if it did occur. *Inherent risk* describes risk without considering management control activities. *Residual risk* may be lower than inherent risk when management has effective internal controls in place to mitigate inherent risk. Internal auditors are interested in identifying moderate and high inherent risk exposures and determining whether residual risk is at an acceptable level (according to management's risk appetite).

Internal auditors typically track enterprise risk by auditable entity, which is a classification unique to each organization that identifies its key services and operations. The Office of the City Auditor defines the City's auditable entities as the key offices, departments and funds described in the annual budget book. Auditors aggregate risk information by auditable entity over time. Macro risks affecting several or all-auditable entities may result in "citywide" audit engagements.

#### Approach

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One of the most effective methods to identify key risks impacting our organization is through discussions with stakeholders including elected officials, Charter Officers, management and staff. These discussions include focus on the City's strategic goals and objectives, management priorities and initiatives, risks to achieving those objectives and priorities, emerging risks, available resources, and missed opportunities. We perform more in-depth interviews on a biennial basis (2020 ERA) and otherwise conduct risk surveys and other less resource intensive discussions (2021 ERA). Table 1, below, defines example risk categories that help facilitate risk conversations with stakeholders.

**Table 1 - Example Risk Categories**

Organizational Risk Category	Risk Description
Compliance Risk	Risk of loss due to noncompliance with policies, contracts, agreements, or grants.
Environmental Risk	Risk of loss of life, financial loss, failed services, or missed opportunities due to extreme weather, natural disasters, human-made disasters, loss of biodiversity, etc.
Financial Risk	Risk of loss due to inadequate or ineffective controls around tax, accounting, financial reporting, capital and debt management, investments, and other financial processes.
Fraud, Waste and Abuse Risk	Risk of loss and other consequences due to misappropriation of assets, corruption, or financial statement fraud.
Information Technology Risk	Risk of financial loss and service failure around privacy and confidentiality, security, cybersecurity, cloud computing, mobile device security and IoT, business continuity and disaster recovery, software asset management, user access management, data governance, and remote workplace processes and systems.
Legal and Regulatory Risk	Risk of noncompliance with local, state or federal laws and regulations.
Operational Risk	Risk that City processes and services are not effective or efficient, or not in alignment with City goals and objectives; or human capital is not sufficient to meet operational or business continuity goals.
Public Safety Risk	Risk that communication policies, safety standards, physical security, emergency response training, routine security, and other related process and systems controls are not adequate to sufficiently mitigate safety risk for the public or employees.
Reputation Risk	Risk of decreased quality of services, community engagement, and trust, due to negative word of mouth or other neighbor communications.
Strategic Risk	Risk that the City's strategic priorities are not achieved. <i>Management goals and objectives should align with the City's strategic priorities.</i>
Third Party Risk	Risk of financial loss, inability to provide services, data breach, noncompliance with contract terms, or other failure related to third party agreements.

There are many ways to evaluate and quantify risk but it is important to avoid spending unnecessary resources on scoring and quantification processes that do not add additional value or insight. An example of the overall ERA process is depicted in Figure 1.



**Figure 1 – Overall Enterprise Risk Assessment Process**



Source: p.7 <https://iaa.no/wp-content/uploads/2019/11/2019-PG-Unique-Aspects-of-Internal-Auditing-in-the-Public-Sector.pdf>

**Micro Risk Factors**

**Staffing and talent management** was the leading risk communicated by management in our 2021 enterprise risk surveys. Internal Audit recently completed a Succession Planning audit to address some of these concerns. The two audit issue management action plans have not yet been implemented.

The next most significant risk identified by management was the City’s ability to manage **cybersecurity** risk. Internal Audit participates in periodic Enterprise IT Governance discussions and has added a phase II cybersecurity audit to the audit plan.

Data management, public records management, and infrastructure were the next most frequent risks noted. The utility’s debt defeasance program (and necessary cash reserves) and capital plan are top utility management priorities.

The City is working toward a data-driven culture. A lack of data-driven decision-making is a key organization risk that requires focus. A data-driven culture is critical in making more informed, effective, efficient and productive decisions. Making data easily accessible to staff, decreasing the cost of using data,

and holding staff accountable for considering appropriate data in decision-making are first steps in building a data-driven culture.

Source: <https://www.grantthornton.com/-/media/content-page-files/public-sector/pdfs/articles/2021/journal-government-financial-management-winter-2021.ashx>

## Macro Risk Factors

There are external political, economic and environmental factors, emerging risks, and laws and regulations that impact our organization’s risk exposure. Federal agency partners and professional association research and publications can assist us in identifying key macro risks that may impact the organization. We highlight below a few examples of macro risks that can significantly impact our organization.

### The Institute of Internal Auditors (IIA)

In the IIA’s OnRisk 2022 report, the following areas are noted as top organizational risks: **Cybersecurity**; **Talent Management**; Organizational Governance; **Data Privacy**; Culture; Economic and Political Volatility; Change in Regulatory Environment; Supplier and Vendor Management.

Source: <https://www.theiia.org/OnRisk>

### KPMG

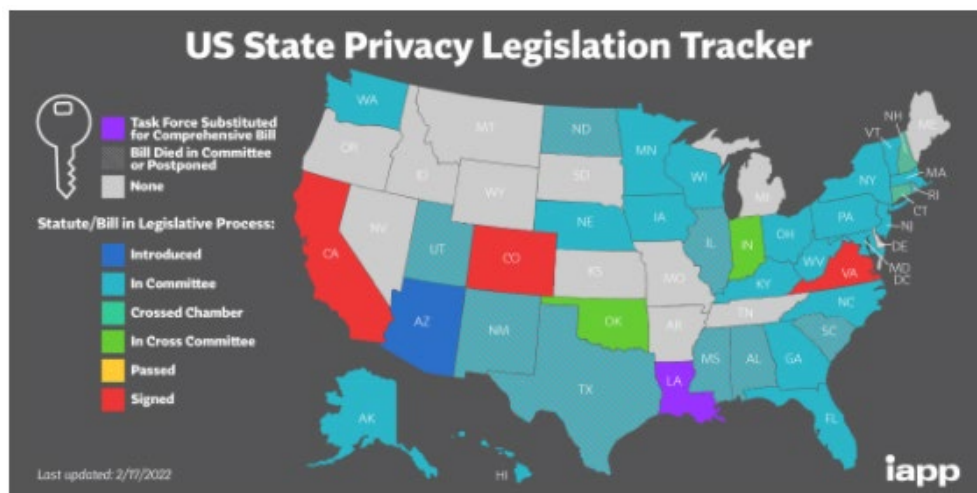
KPMG Internal Audit Key Risk Guide lists the following areas as top 2021 risks: Crisis management and operational resilience; **Staff well-being and talent management**; Fraud and exploitation of operational disruption; Climate change; Third party and supply chain management; **Cybersecurity** and **privacy**; Culture.

Source: <https://assets.kpmg/content/dam/kpmg/nl/pdf/2020/services/internal-audit-key-risk-areas-2021.pdf>

### Federal and State Data Privacy Laws

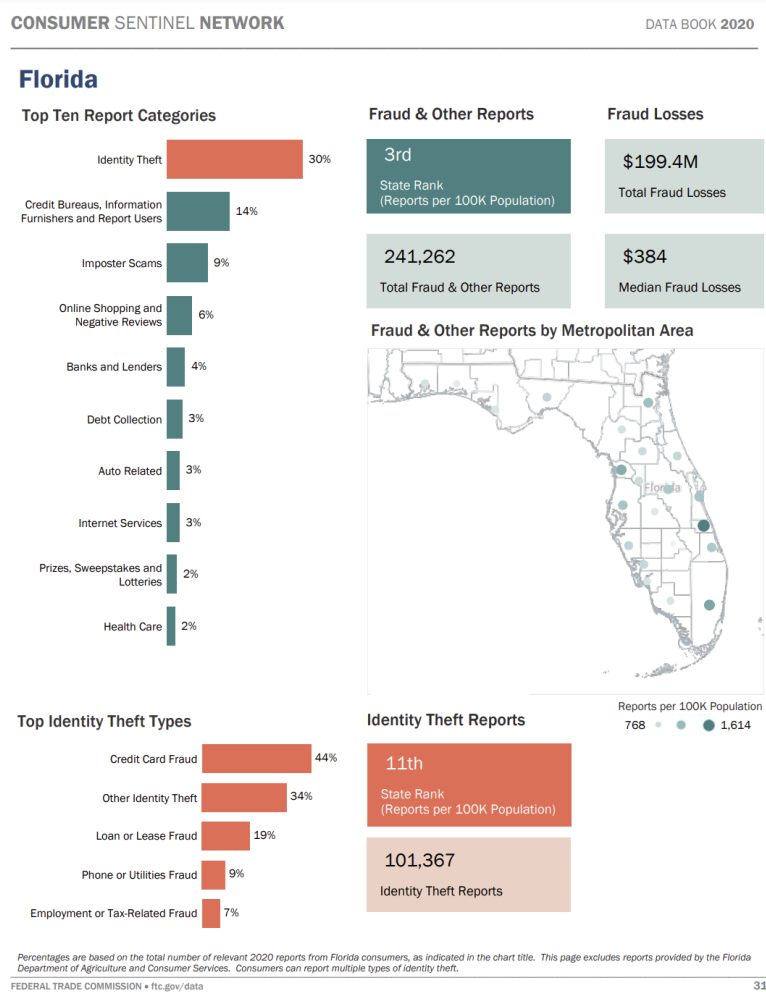
Privacy risk includes risk of unauthorized access to personal information. Identity theft is a type of fraud where a person’s personal information is stolen, usually for financial gain. The frequency, cost and impact of data breaches and identity theft is rising at an alarming rate. Federal legislation is in progress to better protect the public; meanwhile, some states have made significant advancements in privacy law. See Figure 2, below.

Figure 2



Retrieved 2/18/2022 from: <https://iapp.org/resources/article/us-state-privacy-legislation-tracker/>

The Federal Trade Commission reports Florida as the 11<sup>th</sup> highest state in per capita reported incidents of identity theft.



Source: [https://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-2020/csn\\_annual\\_data\\_book\\_2020.pdf](https://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-2020/csn_annual_data_book_2020.pdf)

### American Public Power Association

The City’s risk exposure is complex in part due to the complete suite of utility services provided, including energy supply and delivery. The American Public Power Association clearly states the purpose and benefit of public power. “Public power is distinctly different from the investor-owned utility sector and even rural electric cooperatives because it is fully accountable to its customers. Public power is about serving the local community. Local control affords public power communities five distinct advantages: accountability and transparency in governance; financial support for the local government; more efficient municipal operations; the ability to tailor utility policies, programs and practices to serve the priorities of the local community; and the value of ownership.”

Retrieved from: [https://www.publicpower.org/system/files/documents/municipalization-benefits\\_of\\_public\\_power.pdf](https://www.publicpower.org/system/files/documents/municipalization-benefits_of_public_power.pdf)

### Cybersecurity & Infrastructure Security Agency (CISA)

The Cybersecurity and Infrastructure Security Agency (CISA) is an operational component of the Department of Homeland Security (DHS). According to CISA's website, "As part of our continuing mission to reduce cybersecurity risk across U.S. critical infrastructure partners and state, local, tribal, and territorial governments, CISA has compiled a list of free cybersecurity tools and services to help organizations further advance their security capabilities. This living repository includes cybersecurity services provided by CISA, widely used open source tools, and free tools and services offered by private and public sector organizations across the cybersecurity community."



Retrieved from: <https://www.cisa.gov/free-cybersecurity-services-and-tools>

CISA provides guidance to:

- Implement a cybersecurity framework
- Assess current status and identify target maturity
- Identify gaps in existing cybersecurity risk management programs
- Identify tools and resources

Retrieved from: <https://www.cisa.gov/uscert/resources/cybersecurity-framework>

### The America COMPETES Act of 2022 - The U.S. House of Representatives 4521

This bill directs the Office of Science and Technology Policy (OSTP) to implement a National Engineering Biology Research and Development Initiative to advance societal well-being, national security, sustainability, and economic productivity and competitiveness. The act has some cybersecurity and R&D provisions of interest to supply chain processes and public power. The bill passed the House on 2/4/2022. Provisions in the Act include:

- National Institute of Standards and Technology for the Future: Supports important research and standards support for industries of the future, including quantum information science, artificial intelligence, **cybersecurity**, **privacy**, engineering biology, advanced communications technologies, semiconductors and more. Supports agency activities for software supply chain security to address SolarWinds style cyberattacks.
- Regional Innovation Act: Establishes a regional technology and innovation hub program at the Department of Commerce – incentivizing collaborative partnerships between **local governments**, colleges and universities, private industry, non-profits and community organizations to promote and support regional technology and innovation hubs.
- Innovating Our Wireless Supply Chain & Network Security: Provides American consumers with the tools necessary to minimize **cybersecurity risks**.

## V. Internal Audit Plan

Following this year's enterprise risk assessment refresh activities, we propose adding a few additional internal audit engagements to the audit plan (see "New" on the audit plan). Specifically:

- FL Highway Safety and Motor Vehicles Internal Control and Data Security Compliance Audit, p.8
- GG Finance Indirect Cost Allocation Attestation (Annual), p.8
- ARPA Reporting Compliance Audit, p.9
- G-5 Public Records Policy Compliance Audit, p.9

We propose removing the GPD Equity in Staff Retention Processes Review engagement from the audit plan as the Office of Equity and Inclusion is engaging in this work as part of their Affirmative Action Work Plan (see "Removed" on the audit plan).

Please see the refreshed Audit Plan with 12-18 months of engagements beginning on the next page.

**2022-2023 Internal Audit Plan – 12-18 months**

<b>Audit Plan Status</b>	<b>Auditable Entity</b>	<b>Proposed Audit Engagement Name</b>	<b>Audit Service Type</b>	<b>Proposed Audit Objective</b>	<b>Estimated Internal Audit Budget (Operational and IT audit)</b>
Fieldwork	Information Technology	Review of GG ERP User Access Management	Audit	Review the design and effectiveness of controls around Workday user identity, authorization and authentication. -Purvis Gray	10
Planning	GCRA	GCRA Project and Fiscal Management Audit	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.	800
<b>NEW</b>	Risk Management; Information Technology	FL Highway Safety and Motor Vehicles Internal Control and Data Security Compliance Audit	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.	400
<b>NEW</b>	Financial Services	GG Finance Indirect Cost Allocation Attestation (Annual)	Attestation	Management's request and Auditor General action plan to review accuracy of management's indirect cost allocation calculations.	100
	GG and GRU Financial Services	GRU and GG Budgeting Processes and Reporting	Audit	Assess the effectiveness and accuracy of GRU and GG budget preparation, reporting and City Commission approval processes.	800
	Public Works, GRU, RTS, GPD	Citywide Fleet Management Processes	Audit	Review the policies, procedures and internal controls around the City's fleet management programs to ensure efficiency of operations and appropriate risk management.	800
	GG Transportation and Mobility	Traffic-Related Surveillance Data Security and Privacy Controls Audit	Audit	Review security and privacy controls around capturing, storing, handling, and accessing traffic-related surveillance data.	600
	GPD	Police Overtime Billing & Collections	Audit	Review processes and controls for third party billing and collections related to police overtime.	500

**2022-2023 Internal Audit Plan – 12-18 months**

<b>Audit Plan Status</b>	<b>Auditable Entity</b>	<b>Proposed Audit Engagement Name</b>	<b>Audit Service Type</b>	<b>Proposed Audit Objective</b>	<b>Estimated Internal Audit Budget (Operational and IT audit)</b>
<b>NEW</b>	Financial Services	ARPA Reporting Compliance Audit	Audit	Assess effectiveness of ARPA reporting internal controls.	200
<b>Change</b>	Information Technology	"Citywide Cybersecurity Audit -Phase II <del>Review of Citywide Management of Legacy Systems and Technology Improvement Plans</del>	Audit	Incorporates, " <i>Review of Citywide Management of Legacy Systems and Technology Improvement Plans</i> ". The objective is to provide management with an assessment of the current Cyber Security Program policies and procedures and identify opportunities to improve the City's ability to identify, assess, and mitigate cybersecurity risks to an acceptable level.	500
	GG Transportation and Mobility	Parking Charge Capture	Audit	Review charge capture processes and fee collection around City parking spaces and garages.	400
	Human Resources Data Quality	HR Data Quality Review	Audit	Review controls around HR data intake, processing and output with use of disparate systems and manual processes.	500
	GG and GRU Infrastructure	Review GG and GRU Capital Improvement Plans	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.	800
	Affordable Housing	SHIP and Local Housing Assistance Plan Audit	Audit	Audit use of SHIP funds and adequacy of Local Housing Assistance Plan intended to produce and preserve affordable homeownership and multifamily housing.	800
	Parks, Recreation and Cultural Affairs	PRCA Billing and Collections Audit	Audit	Perform a risk-based evaluation of PRCA internal controls for billing and collections processes and merchant account handling.	800
<b>NEW</b>	Citywide	G-5 Public Records Policy Compliance Audit	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.	400
<b>Audit Plan Status</b>	<b>Auditable Entity</b>	<b>Proposed Audit Engagement Name</b>	<b>Audit Service Type</b>	<b>Proposed Audit Objective</b>	<b>Estimated Internal Audit Budget</b>



**2022-2023 Internal Audit Plan – 12-18 months**

					<b>(Operational and IT audit)</b>
	GRU Grants	GRU and GG Grants Administration Audit -Phase II	Audit	Assess adequacy and effectiveness of governance and internal controls over grant administration.	400
	Parks, Recreation and Cultural Affairs	Operational Risk Management Advisory project	Advisory	Demonstrate example framework for identifying key risks and assessing controls for key PRCA services and activities to enhance resource allocation and risk management.	500
	GRUCom	GRUCom Asset Management and Capitalization Processes Review	Audit	Review internal controls around asset management and capitalization processes, including recovery for operating radio systems (police, fire).	500
	Utility Billing System	<del>GRU customer billing for Public Works services Audit</del> Utility Billing System Post-implementation Audit	Audit	Review accuracy and completeness of customer billing and financial reporting, including customer billing for Public Works services (refuse and recycle).	500
	City Attorney	Case Management System User Access Review	Audit	Assess adequacy and effectiveness of user access management and related controls to ensure authorized access to the case management system.	300
	GRU	Customer Complaint Management process Review	Audit	Review effectiveness of utility customer complaint management processes.	500
	GG Financial Services - Billing and Collections	Review of Governance, Compliance and Internal Controls around Business Tax Processes	Audit	Assess governance, compliance and internal controls around General Government business tax processes.	200
<b>Combined</b>	Citywide	Citywide Purchasing Card Review	Continuous Auditing Program	Establish program for continuous auditing of Citywide pcard programs, travel expense and reimbursement policy and activity, and certain payroll transactions.	600
		Payroll Overtime Audit			500
		Review of Citywide Travel Program Governance, Compliance, and Internal Controls			300
			<b>Subtotal - Budgeted Hours, Audits and Advisory Services:</b>		<b><u>12,710</u></b>
<b>Audit Plan Status</b>	<b>Auditable Entity</b>	<b>Proposed Audit Engagement Name</b>	<b>Audit Service Type</b>	<b>Proposed Audit Objective</b>	<b>Estimated Internal Audit Budget</b>

**2022-2023 Internal Audit Plan – 12-18 months**

					<b>(Operational and IT audit)</b>
<b>REMOVE</b>	GPD	GPD Equity in Staff Retention Processes Review	Advisory	Review data and identify process improvements around staff retention in areas of high turnover.	300
<b>ONGOING INTERNAL AUDIT ACTIVITIES</b>					
		Audit Issue Follow up	Monitoring	Monitor management's establishment of enterprise information technology governance supporting the City's strategies and objectives.	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.	200
		Citywide Records Management Program	Advisory	Provide advisory services to support improved records management processes, including digitization, data storage, data retention schedules and data destruction.	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.	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.	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.	400
		Audit Committee Management	Board Reporting	Ongoing resources needed to prepare for and present to the City's Audit Committee at least quarterly.	200
			<b>Subtotal - Budgeted Hours, Ongoing Internal Audit Activities:</b>		<b><u>1,500</u></b>
			<b>Total Audit Plan Budgeted Hours:</b>		<b><u>14,200</u></b>

**2022-2023 Internal Audit Plan – 12-18 months**

<b>AVAILABLE TEAM HOURS PER 12 MONTH PERIOD</b>			
<b>Utilization assumption</b>	<b>Non-Admin Budget</b>		<b>Hours</b>
70%	City Auditor (1)		1,344
75%	Assistant City Auditor (1)		1,440
78%	Audit Manager (2)		2,995
80%	Senior Auditor (2)		3,072
	<b>2022 Internal Audit Team Total Available Hours (12 month period):</b>		<b><u>10,291</u></b>



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## Office of the City Auditor

Ginger Bigbie, CPA, CFE | City Auditor | City of Gainesville  
200 E University Avenue, Gainesville, FL 32601  
Office: 352-334-5020

URL: <http://www.cityofgainesville.org/CityAuditor>

## 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 from the Internal Audit Team!*

### Our Internal Audit Team

Ginger Bigbie, MBA, CPA, CFE, City Auditor  
Brecka Anderson, CIA, CFE, CGAP, Assistant City Auditor  
Ryan Timmons, CISSP, IT Audit Manager  
Internal Audit Manager (new hire to start soon)  
Diana Ferguson-Satterthwaite, FCCA, CIA, Senior Internal Auditor  
Teri Pitts, Executive Assistant to the City Auditor