

# *Office of the City Auditor*

City of  
Gainesville,  
Florida

## **2023 Continuous Auditing Program Part II Micro-Report**

**June 21, 2023**



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



**GAINESVILLE CITY COMMISSION**

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

**AUDIT COMMITTEE MEMBERS**

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

**TABLE OF CONTENTS**

---

**EXECUTIVE SUMMARY ..... 3**

**INTRODUCTION..... 4**

**SCOPE AND METHODOLOGY..... 4**

**RESULTS AND CONCLUSION..... 5**

**GOVERNMENT AUDITING STANDARDS COMPLIANCE ..... 13**

**INTERNAL AUDIT TEAM ..... 13**



## Continuous Auditing Program Part II

# *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.

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 purchasing card and travel expense reimbursement transactions for fraud, waste or abuse.
- We reviewed purchasing card and travel expense reimbursement transactions for compliance with City policies.
- We reviewed purchasing card and travel expense reimbursement 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 purchasing card transactions or travel expense reimbursements. In addition, we identified improvements in internal controls designed to reduce costs and the risk of inappropriate purchasing card transactions and travel expenses. We also identified instances of non-compliance with purchasing cards and travel procedures and possible waste of resources.

#### **Purchasing Cards**

- General Government and GRU's progress for implementing management action plans for Part I is ahead of the action plan due date. This lowers the credit card fraud risk by establishing internal controls and safeguards.
- Two instances were identified where a purchase exceeded the assigned single transaction limit for the cardholder without evidence of approval. Purchases from two vendors included non-essential services.

#### **Travel Expense**

- Some trips did not include adequate documentation, trips were not booked timely to minimize costs, and expense reports were not submitted within the stipulated period.

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



## INTRODUCTION

---

The City of Gainesville administers two Purchasing Card Programs to allow City staff to purchase and pay for goods and services directly from vendors using City-issued purchasing cards (p-cards). The City of Gainesville also established a Travel Expense Policy to provide a systematic means by which travel is approved and controlled.

### *Purchasing Cards*

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

### *Travel Expenses*

General Government and GRU developed processes and controls to guide travelers through the travel expense process. These processes include Travel Requests and Authorization, Travel Planning, and Travel Expense Documentation and Reimbursement. General Government's travel expense process is managed using the City's ERP system. GRU's Accounts Payable Department administers GRU's travel process, and documentation is managed using GRU's Document Retention system.

The objective of the 2023 Continuous Audit Program is to establish a program for continuous auditing of Citywide purchasing card transactions, travel expense reimbursement policy and activity, and certain payroll transactions to reduce the City's risk of fraud, waste, and abuse. The audit scope and methodology, results and conclusion are summarized below.

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

## SCOPE AND METHODOLOGY

---

The scope of this audit covers City purchasing card and travel expense transactions from July 1, 2021, through March 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**

In the current phase of the audit, 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, or 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, or abuse and procedure compliance.

This micro-report includes the details and results of our Part II review of purchasing card transactions and travel expense reimbursements.

## **Part III – Review of Purchasing Card, Travel Reimbursement, and Payroll Transactions**

Internal Audit will review payroll transactions in Part III. A detailed audit report encompassing results for parts I – III will be presented after the completion of Part III.

## **RESULTS AND CONCLUSION**

As a result of our review, we did not identify any fraudulent p-card purchases or travel expense reimbursements. In addition, we identified improvements in internal controls designed to reduce costs and the risk of inappropriate purchasing card transactions and travel expenses. We also identified instances of non-compliance with purchasing cards and travel procedures and possible waste of resources.

### ***Purchasing Cards***

During the period of July 1, 2021, to March 31, 2023, the 575 employees with assigned City purchasing cards (p-cards) made purchases totaling \$17,921,809 using their p-cards as outlined in Figure 1 below. Figure 2 depicts the total purchasing card spend by location. We selected a risk-based sample of 106 purchasing card transactions and reviewed for the following processes and controls: (1) transactions contained the proper approval, (2) purchases were for business-related activities, (3) single transaction limits were not circumvented, (4) limits were reasonable and approved, (5) and purchase receipts and documentation were provided. We also conclude the review of transactions noted as inconclusive in the Part I Micro-report. The results of our review are summarized below.

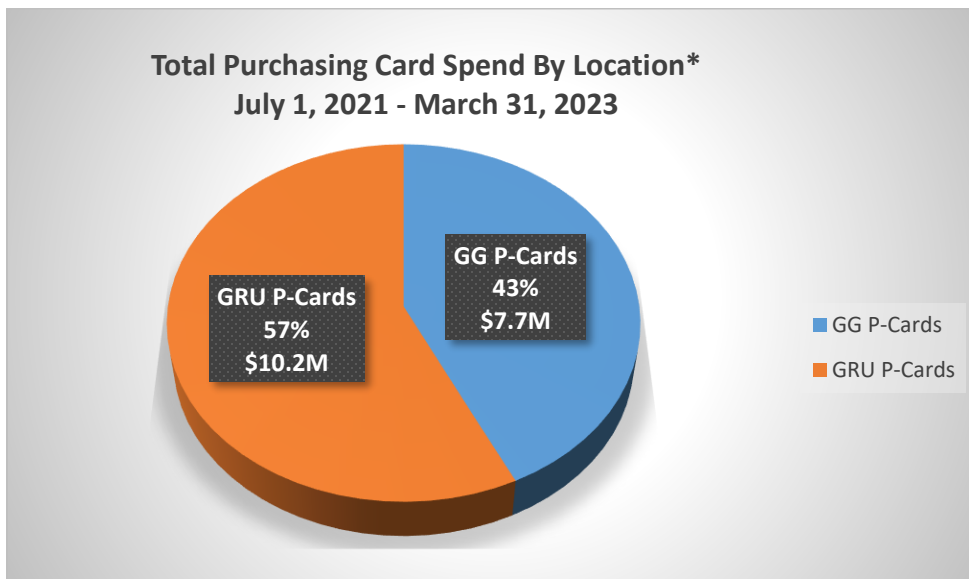


Figure 1

P-Card Transactions July 2021 to March 2023						
Transaction Type	Number of P-cards Used in Period	Number of Transactions In Period	Number of Transactions Tested	Percentage of Transactions Tested	Total Spend During Testing Period	Total Spend Tested
GG P-Cards	212	22,863	58	0.25%	\$7,680,969	\$55,160
GRU P-Cards	363	18,848	48	0.25%	\$10,240,840	\$73,797
<b>Total</b>	<b>575</b>	<b>41,711</b>	<b>106</b>	<b>0.25%</b>	<b>\$17,921,809</b>	<b>\$128,957</b>

Data Source: GG and GRU ERP Systems

Figure 2



Data Source: GG and GRU ERP System

### What Was Done Well

As a result of our review, we did not identify any fraudulent p-card purchases.

General Government and GRU's implementation of the management action plans for Part I of the audit is ahead of the due date for follow-up, thus lowering the credit card fraud risk. Our review confirmed that management reviewed and adjusted credit and transaction limits and reduced the number of active cardholders. The improvements are outlined in Figure 3 below.



Figure 3

Risk Reduction Improvements				
Management Action Observed	General Government		GRU	
Description	Part I	Part II Current Review	Part I	Part II Current Review
Active p-cards	227	212	385	363
P-cards closed	N/A	129	N/A	56
Credit Limit reduced	N/A	114	N/A	129
Declining Balance Cards	3	0	N/A	N/A
Single Transaction Limit above the competitive bidding threshold	N/A	N/A	3	0

*What We Found*

Internal Audit identified cost-saving opportunities and opportunities for improvement around spending limits and the use of Amazon business services. The areas reviewed, audit observations, and related recommendations are outlined below.

*Purchasing Card Spend Cost Saving Opportunities - GRU*

GRU incurred charges on Amazon purchases that could be reduced. Amazon was GRU’s top vendor based on the number of p-card transactions (2,764 of 18,848) and number five in total spending (\$431,926.78) during the audit period. In addition, some p-cardholders paid taxes or shipping charges on Amazon purchases or purchased individual Business Prime memberships at \$179 each for one to three members. Ten purchases from Amazon, totaling \$2,792.78, were reviewed. Three of the ten transactions included shipping and sales tax charges amounting to \$127.15, approximately 4.6% of the purchase cost. The extrapolated shipping and tax at 4.6% of the total Amazon purchases of \$431,926.78 is approximately \$19,900.

GRU has established an Amazon Account, but it is not required for all p-cardholders. Amazon's website<sup>1</sup> indicates that Business Prime for 100 users costs \$1,299, and benefits include free two-day shipping, same-day or one-day shipping, and discounted expedited delivery. Additionally, GRU could apply for sales tax exemption.

*Other Purchasing Card Spend Opportunities - GRU*

On two occasions, cardholder purchases did not comply with p-card policies and procedures. P-card payments to two vendors included non-essential services. The audit observations, are outlined in Figure 4 below.

<sup>1</sup> [Business Prime benefits - Link](#)



Figure 4

Gainesville Regional Utilities - <b>Moderate Risk</b> P-card Limits and Spend Review Results						
Description	Population	Population Amount	Number of Transactions Tested	Spend Tested	# of Exceptions	Comments
Previously Undetermined From CAP I - Exceeded Single Transaction Limit	N/A	N/A	2	\$10,816	2	<u>Procedure Non Compliance</u> Purchases in June 2021. GRU experienced challenges getting parts from their regular vendor during COVID.
MCC Description- Cable, Satellite & Other Pay TV/Radio	86	\$14,338	3	\$431	2	The 86 transactions were for 4 p-cards. 82 of the 86 transactions were on 2 p-cards and related to 3 vendors. <u>Possible Waste</u> Cable charges included sports package and sales tax.

No purchasing card opportunities were noted for General Government.

**Travel Authorization and Reimbursements**

From July 2021 to March 2023, employees across the City requested authorization for 818 business-related trips totaling \$501,556, as outlined in Figure 4 below. We selected a risk-based sample of 101 travel authorizations (requests) and reviewed for the following processes and controls: (1) transactions contained appropriate approvals, (2) justification for expense and multiple attendees, (3) cost evaluation, (4) timeliness of request and expense reporting, and (5) receipts and documentation were provided.

Figure 5

Travel Expense Authorization July 2021 to March 2023						
Description	Number of Transactions in the Period	Number of Transactions Tested	% of Transactions Tested	Total Spend During Testing Period	Total Spend Tested	% of Spend Tested
GG Travel Authorizations	481	47	9.77%	\$168,363	\$24,969	14.8%
GRU Travel Requests	337	54	16.02%	\$333,193	\$100,725	30%
<b>Total</b>	<b>818</b>	<b>101</b>	<b>12.35%</b>	<b>\$501,556</b>	<b>\$125,695</b>	<b>25%</b>





### *What Was Done Well*

As a result of our review, we did not identify any fraudulent travel expense reimbursements. Receipts and other required supporting documentation supported travel requests and expenses.

In addition, the City established a travel policy to provide a reasonable and systematic means by which travel is approved and controlled.

### *What We Found*

Internal Audit identified opportunities for improvement around travel expense approval processes, justification and reporting travel related expenses. The areas reviewed, audit observations, and related recommendations are outlined below.

#### *Workday Travel Approval Process Opportunities- GG*

General Government procedures do not align with Workday Business Processes, resulting in inconsistencies in internal controls relating to the approval and documentation of travel expenses. The Workday Travel Authorization process for some travel authorizations reviewed were not completed before the start of the trip. General Government implemented the Workday ERP system in July 2021, seven of the fifteen late approval were for trips in July 2021. The risk of unauthorized or uneconomical travel increases when travel begins before the review and approval process is complete.

#### *Travel Authorization and Reimbursement Policy/Procedure Non Compliance*

Internal Audit identified opportunities for improvement around travel authorization and expense reporting policy and procedure compliance. Some trips did not include adequate documentation, trips were not booked timely to minimize costs, and expense reports were not submitted within the stipulated period.

The areas reviewed, audit observations, and related recommendations are outlined in Figures 6 and 7.



Figure 6

General Government - Moderate Risk								
Travel Spend Authorization and Expense Report Review Results								
Description	# of Trips <sup>2</sup> In Population	# of Events <sup>3</sup>	# of Events Tested	# Trips Tested	Population Spend	Spend Tested	# of Exceptions	Comments
Travel Trips with Airfare	7	N/A	N/A	7	\$11,035	\$11,035	4	<u>Procedure Non Compliance</u> 1 - Expense report not submitted (2022 trip) Total Spend \$902  1 - Airfare booked before Travel Approval (2023 trip) Total Spend \$2,604; airfare Cost \$974  2 - Expense reports not submitted within 10 days (2022 trips) Total Spend \$2,714
Travel Events Multiple Attendees	110	33	4	30	\$27,129	\$10,684	9	<u>Procedure Non Compliance</u> Other Attendees for same event not recorded (7 - 2021 & 2 - 2022) Total Spend \$2,981
Travel Trip Request & Expense Report - Other	N/A	N/A	N/A	10	N/A	\$3,250	7	<u>Procedure Non Compliance</u> 1 - Expense report not completed (2021 trip) Total Spend \$303  6 - Expense report not submitted within 10 days (1 - 2021 & 5 - 2022 trips) Total Spend \$1,680
Total				47		\$24,969		

Figure 7

Gainesville Regional Utilities - Moderate Risk								
Travel Spend Authorization and Expense Report Review Results								
Description	# of Trips <sup>2</sup> In Population	# of Events <sup>3</sup>	# of Events Tested	# Trips Tested	Population Spend	Spend Tested	# of Exceptions	Comments
Travel Trips with Airfare	40	N/A	N/A	9	\$97,969	\$27,847	2	<u>Procedure Non Compliance</u> 2 - Expense report not submitted within 20 days (2022 trips). Total Spend \$3887.
Travel Events Multiple Attendees	218	65	7	35	\$183,048	\$55,849	2	<u>Procedure Non Compliance</u> Other Attendees for same event not recorded, Justification not documented (2022). Total Spend \$3,687
Travel Trip Request & Expense Report	N/A	N/A	N/A	10	N/A	\$17,029	7	<u>Procedure Non Compliance</u> 6 - Expense report not submitted within 20 days (1 - 2021 & 5 - 2022 trips) Total Spend 12,995 1 - No lodging estimate (2022 trips) Lodging Cost \$298
Total				54		\$100,725		

<sup>2</sup> A Trip represents an overnight journey away from an employee's usual place of work for a business activity

<sup>3</sup> An Event represents an overnight offsite business activity attended by one or more employees



**Recommendations:**

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

- Consider establishing GRU Amazon Business Prime memberships for p-cardholders to reduce shipping and sales tax costs.
- Review identified cable packages for alignment with business needs and cost effectiveness.
- Update General Government travel procedures with the Workday Business process to reduce the risk of unauthorized or uneconomical travel expenses.
- Department managers’ review and monitor travel activities to ensure adherence to established procedures. This includes ensuring that adequate documentation is provided for travel requests, trips are booked timely to minimize costs, and expense reports are submitted timely.

**Management Action Plan:**

*General Government (GG)*

Management agrees with the recommendations. The review of the revised travel policy draft is already under way. Procedures have also been developed to reconcile spend authorization and expense reports monthly, and late submissions are being monitored. The referred actions are as follows:

1. Evaluate mandatory annual refreshment training for all managers;
2. Revise travel policy and procedures to ensure alignment with Workday and current practices. The Department of Financial Services expects to approve and implement the updated Procedures by the end of October 2023.

<b>Due date:</b>	October 31, 2023
<b>Responsible Party:</b>	Cesar Leal, Internal Control Manager
<b>Accountable Party:</b>	Sue Wang, Director of Finance
<b>Consulted Party:</b>	Kendal Lambert, Account Clerk Senior
<b>Informed Party:</b>	Cynthia W. Curry, City Manager

*Gainesville Regional Utilities (GRU)*

GRU has initiated discussions regarding including all p-cardholders on the established GRU Amazon Business Prime account. A complete analysis of associated costs and how those are to be allocated will be completed to ensure the best fit for the utility.



Department managers are already evaluating the current cable packages to determine the level of service that is required to meet the needs of the utility. This will include ensuring diverse sources (i.e. internet, cable, cellular) are considered and that appropriate levels of news and weather information is being provided at critical areas of operation, especially during storm events. Diverse sources of information are essential when anticipating storm outages of one source or another.

Ensuring compliance with travel procedures is the responsibility of department management. The General Manager will communicate with all Department Managers to reemphasize the need for all GRU employees to comply with travel procedures including providing all required documentation in a timely manner.

<b>Due date:</b>	September 30, 2023
<b>Responsible Party:</b>	Anthony Cunningham, General Manager of Utilities
<b>Accountable Party:</b>	GRU Leadership Team Anthony Cunningham, General Manager of Utilities Dino DeLeo, Energy Supply Officer Tony Carroll, Energy Delivery Officer Eric Walters, Chief Sustainability Officer Cheryl McBride, Chief People Officer J Lewis Walton, Chief Business Services Officer David Warm, GRU Communications Director Walter Banks, Chief Information Officer Claudia Rasnick, GRU Chief Financial Officer Kinnzon Hutchinson, Chief Customer Officer Debbie Daugherty, Water/Wastewater Officer Brett Goodman, Chief Operating Officer Doug Beck, Utility Safety and Training Officer Jamison Delapena, IT Enterprise Services Director
<b>Consulted Party:</b>	See Above
<b>Informed Party:</b>	See Above



## **GOVERNMENT AUDITING STANDARDS COMPLIANCE**

---

We conducted this audit engagement in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

## **INTERNAL AUDIT TEAM**

---

Brecka Anderson, CIA, CFE, CGAP, Interim City Auditor

Diana Ferguson-Satterthwaite, FCCA, CIA, IA Manager and Lead Auditor for this Engagement

Lisa, Siedzik, CISA, IT Audit Manager

Peter DeMaris, Internal Auditor

Meayki Batie, Audit Coordinator

