

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

## **SUMMARY**

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This operational audit of the City of Gainesville focused on selected processes, programs, and functions. Our audit disclosed the following:

### **Gainesville Regional Utilities (GRU) Financial Condition and Payments for General Government Services**

**Finding 1:** GRU debt levels are significantly higher than comparable municipal utilities.

**Finding 2:** The City had not established a reasonable and consistent methodology for determining the amount of the annual transfer from the GRU to the City's General Fund considering the GRU's long-term ability to pay.

**Finding 3:** City indirect cost allocation procedures did not provide for an independent review of the indirect cost worksheet or a reconciliation of recovered indirect costs to actual indirect costs after the completion of each fiscal year. As a result, the City overcharged indirect costs to the GRU.

### **Reichert House Youth Academy (RHYA) Program and Related Organizations**

**Finding 4:** The City did not effectively oversee or control RHYA Program operations.

**Finding 5:** The City did not, of record, assess that it was economically or otherwise advantageous for the City to use the nonprofit entity, Reichert House, Inc., to support RHYA Program operations, and the use of this entity resulted in less accountability and transparency of RHYA Program operations.

**Finding 6:** The City did not effectively oversee Reichert House, Inc. operations.

**Finding 7:** Reichert House, Inc. and RHYA Program operations lacked appropriate transparency.

**Finding 8:** City records did not demonstrate authorization for, or the necessity of, using the services of certain nonprofit organizations in lieu of the services of City personnel for soliciting, receiving, and disbursing grantor and donor funds for the RHYA Program, resulting in diminished transparency and accountability for those resources. In addition, for a \$20,000 National Police Athletic/Activities Leagues (NPAL) grant administered by one of the nonprofit organizations, City records did not demonstrate that the grant application was made for an eligible entity or that grant proceeds were expended for RHYA Program purposes in accordance with NPAL guidelines.

### **Administration and Management**

**Finding 9:** The lack of City personnel's knowledge and capability for compiling financial statements that comply with generally accepted accounting principles for the 2017-18 and 2018-19 fiscal years resulted in additional costs for assistance in preparing the City's financial statements and audit findings considered by the auditor to be significant deficiencies and material weaknesses in the City's internal controls over financial reporting.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

**Finding 10:** City records, including City-approved resolutions adopting budgets for the 2018-19 and 2019-20 fiscal years, did not include language specifying the legal level of budgetary control; budgeted amounts were not presented at a level that enabled financial statement users to readily determine whether resources were expended within budgeted amounts consistent with City Commission intent; and budget-to-actual expenditure comparisons were not timely presented to the City Commission.

**Finding 11:** Monitoring and transparency of the City's golf course operations could be improved.

**Finding 12:** The City could improve accountability and transparency over redevelopment activities carried out pursuant to an interlocal agreement with Alachua County.

**Payroll and Personnel Administration**

**Finding 13:** City policies and procedures for obtaining and documenting background checks of applicants seeking employment need enhancement.

**Finding 14:** Contrary to City policy, the City did not always conduct annual employee performance evaluations, and when evaluations were conducted, did not always promptly communicate the results of the evaluations to the employees.

**Expenditures – Use of Public Resources, Purchasing Cards, and Travel**

**Finding 15:** The GRU did not periodically use a competitive process to select certain professionals who assisted in the bond issuance process.

**Finding 16:** Controls over City-assigned purchasing cards (P-cards) need improvement to ensure that P-card assignments and credit limits are periodically evaluated and appropriately adjusted.

**Finding 17:** The City needs to enhance efforts to ensure that P-cards are promptly canceled upon a cardholder's separation from City employment.

**Finding 18:** The GRU needs to enhance travel policies and procedures to require employees to sign their travel vouchers, reduce meal allowances paid to the traveler for meals included in conference registration fees, document the necessity of multiple individuals attending the same conference, and require that travel arrangements be made sufficiently far in advance to minimize travel costs.

**BACKGROUND**

The City of Gainesville (City) was established in 1854, incorporated in 1869, and has operated under a Commission-Manager form of government since 1927. The City is located in Alachua County and has a population of 133,857, making it the most populous city in Alachua County.<sup>1</sup> The City is governed by a City Commission composed of seven elected Commissioners and an elected Mayor. The City Commission is responsible for enacting ordinances, resolutions, and policies governing the City, and is

<sup>1</sup> Florida Population Estimates for Counties and Municipalities, April 2019, Florida Office of Economic and Demographic Research.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

to appoint six Charter Officers,<sup>2</sup> who report to the Commission. The Charter Officers are charged with the enforcement of all ordinances and resolutions passed by the Commission. The City provides citizens with a full range of services, including police and fire, public works, planning and zoning, permitting, parks and recreation, and general administrative services.

## FINDINGS AND RECOMMENDATIONS

GAINESVILLE REGIONAL UTILITIES (GRU)  
FINANCIAL CONDITION AND PAYMENTS FOR GENERAL GOVERNMENT SERVICES

The City owns and operates Gainesville Regional Utilities (GRU), a multi-service utility system which serves approximately 93,000 residential, commercial, and wholesale customers in Gainesville and surrounding areas, providing electricity, water, wastewater, natural gas, and telecommunications. The General Manager for Utilities, as Charter Officer, is responsible for the efficient administration of the GRU and has exclusive management jurisdiction and control over operating and financial affairs of the GRU.

As shown in Table 1, the GRU provides substantial support to the City’s General Fund through operating transfers and utility taxes levied on GRU customers.

**Table 1**  
**GRU Support Provided to the City General Fund**  
**For the 2017-18 Through 2019-20 Fiscal Years**  
**(in millions)**

Resource Type	2017-18	2018-19	2019-20
GRU Operating Transfer to City General Fund	\$ 36.4	\$ 38.3	\$ 38.3
GRU Utility Taxes (Excluding Telecommunication Taxes)	12.3	13.4	13.8
<b>Total GRU Support Provided to City General Fund</b>	<b>\$ 48.7</b>	<b>\$ 51.7</b>	<b>\$ 52.1</b>
Total City General Fund Revenue	\$ 83.9	\$ 87.9	\$ 94.1
Total City General Fund Other Financing Sources	37.2	39.8	42.1
<b>Total City General Fund Revenues and Other Financing Sources</b>	<b>\$121.0</b>	<b>\$127.7</b>	<b>\$136.2</b>
<b>Total GRU Support as a Percentage of City General Fund Revenue</b>	<b>58.0%</b>	<b>58.8%</b>	<b>55.4%</b>
<b>Total GRU Support as a Percentage of City General Fund Revenue and Other Financing Sources</b>	<b>40.2%</b>	<b>40.5%</b>	<b>38.3%</b>

Source: City records.

Not only is the GRU’s financial health important for the GRU’s continued support of the City’s general governmental services, the GRU’s financial health is imperative to support its mission, which is to provide

<sup>2</sup> The Charter Officers are established in the City of Gainesville City Charter. The six Charter Officers consist of the Clerk of the Commission, City Manager, General Manager for Utilities, City Attorney, City Auditor, and Equal Opportunity Officer.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

safe, reliable, competitively priced utility services in an environmentally responsible manner to enhance the quality of life in the Gainesville community.

As discussed in the findings below, our audit procedures disclosed high debt levels, large transfers to the City’s General Fund to support general government services, and City overcharges of indirect costs, that represent significant challenges to GRU’s financial sustainability.

**Finding 1: GRU Debt Levels**

As part of our audit, we evaluated the GRU’s long-term sustainability to provide reliable utility services to its customers in the most effective and cost-efficient manner possible and to continue to support the City’s general government services. Insofar as the amount of debt relative to net position is one indicator of the long-term financial health of a utility, we evaluated the amount of GRU debt relative to that of comparable municipal utilities. The following utilities were considered comparable to the GRU:<sup>3</sup>

- City of Lakeland Utilities
- City of Tallahassee Utilities
- Jacksonville Electrical Authority (JEA)
- Orlando Utilities Commission (OUC)

We obtained the 2019-20 fiscal year audited financial statements<sup>4</sup> for these utilities and the GRU and computed the long-term-debt-to-net position ratios. The computed ratios are shown in Table 2.

**Table 2**  
**Long-Term Debt, Net Position, and**  
**Long-Term-Debt-To-Net-Position Ratio**  
**for the GRU and Comparable Municipal Utilities**  
**For the 2019-20 Fiscal Year**

Utility	Long-Term Debt (in thousands)	Net Position (in thousands)	Ratio
<b>GRU</b>	<b>\$1,761,684</b>	<b>\$ 409,373</b>	<b>4.30</b>
City of Lakeland Utilities	\$ 487,014	\$ 677,675	.72
City of Tallahassee Utilities	\$ 933,767	\$ 835,584	1.12
JEA	\$3,257,290	\$3,223,990	1.01
OUC	\$1,385,935	\$1,498,418	.92
<b>GRU Peer Average</b>			<b>.94</b>

Source: 2019-20 fiscal year audited financial statements of the GRU and comparable utilities.

<sup>3</sup> The City engaged a consultant to provide alternative methods to calculate the amounts of GRU transfers to the City’s General Fund. The consultant determined City of Lakeland Utilities, City of Tallahassee Utilities, Jacksonville Electrical Authority, and Orlando Utilities Commission to be comparable to the GRU.

<sup>4</sup> The 2019-20 fiscal year financial statements were the most recent available at the conclusion of our fieldwork in September 2021.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

Higher debt-to-net-position ratios indicate the degree to which an organization is financing its operations through debt rather than with available assets. As shown in Table 2, the GRU's long-term debt-to-net-position ratio of 4.3 is approximately 5 times higher than the .94 average of its 4 peers.

High levels of debt can also negatively impact credit ratings. Credit rating agencies assign credit ratings to debt based upon the likelihood that an issuer will default on debt obligations and the capacity of an issuer to make timely debt service payments in accordance with the terms of its obligations. Debt leverage is a key benchmark utilized by credit rating agencies in analyzing financial risk. A lower credit rating indicates higher risk for debt holders and can increase borrowing costs for the lender, in this case the GRU.

Debt rating agencies have recently lowered the GRU's debt ratings and have expressed concern over the GRU's high leverage or large amount of debt. For example:

- In May 2021, Standard & Poor's Rating Service downgraded the GRU's debt from A to AA-, citing high debt levels as one of the reasons for the downgrade.
- In January 2021, Moody's Investors Service issued a "periodic review of ratings," and although the GRU's debt rating was not lowered and was affirmed at Aa3, Moody's noted that, "GRU's rating is constrained by a high leverage."
- In March 2019, Fitch assigned an A+ rating to three 2019 GRU debt issues<sup>5</sup> and downgraded pre-2019 GRU debt issues from AA- to A+, citing high leverage.

Further, the GRU may be required to issue additional debt to maintain its existing power generating assets or construct new power generating assets. The Energy Authority (TEA)<sup>6</sup> issued an Integrated Resource Plan (IRP) for the 20-year period 2019 through 2039. An IRP is the result of a comprehensive planning study, which provides a recommended mix of supply- and demand-side resources a utility may use to meet its customers' future electricity needs. An IRP includes the following:<sup>7</sup>

- Demand forecast over a 20-year time horizon.
- Assessment of supply-side generation resources.
- Economic appraisal of renewable and non-renewable resources.
- Assessment of feasible conservation and efficiency resources.
- Least-cost plan for meeting the utility's requirements.
- Action plan

<sup>5</sup> In March 2019, Fitch was assigning its first rating on these three debt issues.

<sup>6</sup> According to the City's 2019-20 audited financial statements, the TEA is a power marketing corporation composed of seven municipal utilities: Municipal Electric Authority of Georgia, Jacksonville Electric Authority (Florida), South Carolina Public Service Authority, Nebraska Public Power District, GRU, City Utilities of Springfield (Missouri), and American Municipal Power, Inc. (Ohio). The TEA provides energy products and resource management services to equity members and nonmembers and allocates transaction savings and operating expenses to equity members pursuant to Settlement Procedures under the Operating Agreement.

<sup>7</sup> *Gainesville Regional Utilities Integrated Resource Plan, 2019*, page 15.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

The IRP projected the GRU’s additional debt needs for various “cases.” The least-expensive case is the “reference case” which involves GRU maintaining its existing power generating assets. The most-expensive case is transitioning to all renewable energy in accordance with an October 2018 City resolution<sup>8</sup> “establishing a goal of providing 100 percent of the City’s energy from renewable resources by 2045.” The IRP estimates that the range in new GRU debt required to provide power to its customers through 2039 ranged from a low of \$254 million for the reference case to \$895 million for the renewable energy case.

The GRU’s flexibility in addressing its high debt levels may be affected by its lack of growth in power demand and its high electricity rates. Specifically, the IRP indicated that the GRU’s power demand is projected to remain essentially flat, increasing at an annual rate of approximately 0.4 percent during the 20-year IRP period. Consequently, any moneys needed to service additional debt would need to be mostly generated through increases in customer utility rates rather than through increased power demand. In addition, according to the Florida Municipal Electric Association (FMEA),<sup>9</sup> as of August 2021, the GRU charged higher electricity rates for residential and commercial customers than comparable municipal utilities as shown in Table 3.

**Table 3**  
**Electricity Rates for the GRU and Comparable Florida Municipal Utilities**  
**As of August 2021**

	GRU	City of Lakeland Utilities	City of Tallahassee Utilities	JEA	OUC
Residential Cost for 1,200 KWH	<b>\$148.88</b>	\$125.08	\$133.29	\$129.10	\$133.40
Commercial Cost for 1,500 KWH	<b>\$223.60</b>	\$152.54	\$144.18	\$155.64	\$169.02

Source: FMEA Web site, *Comparison of Residential Electric Rates*.

Insofar as the GRU’s electrical rates are already significantly higher than the rates of comparable utilities, the City Commission’s willingness to further increase electricity rates may constrain the GRU’s ability to meet current and future debt service payment requirements and also fund general government services.

Given the GRU’s already high debt levels, weakening credit ratings, stable level of power demand, and high electrical power rates, the GRU’s ability to meet the needs of its power customers while simultaneously funding a large portion of the City’s general government services could be limited. On October 4, 2021, GRU personnel told us that, as of that date, they were working with the City’s municipal advisor to establish a de-leveraging policy and a credit metrics policy.

**Recommendation: To help ensure GRU’s financial health is sufficient to enable it to provide reliable utility services to its customers in the most effective and cost-efficient manner possible,**

<sup>8</sup> City of Gainesville Resolution No. 180442.

<sup>9</sup> According to the FMEA’s Web site, the FMEA is an association that represents the interests of 33 Florida public power communities.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

**we recommend that GRU management and the City Commission jointly establish a long-term debt management plan with quantitative performance measures and timelines.**

**Finding 2: GRU Transfers to the General Fund**

The annual General Fund Transfer (GFT) paid by the GRU to the City’s General Fund to assist the City in providing general government services represents a large financial obligation for the GRU. The GFT represents the amounts that the GRU would pay to the City for property taxes and franchise fees as well as the return on investment to shareholders that would be paid if the GRU were an investor-owned utility. The GFT helps fund critical City services such as the Police, Fire, Parks and Recreation, and Public Works Departments.<sup>10</sup>

Table 4 shows the actual GFT amounts for the 2018-19 and 2019-20 fiscal years and the budgeted amounts for the 2020-21 and 2021-22 fiscal years.

**Table 4  
GFT Amounts Paid by the GRU to the City General Fund  
For the 2018-19 Through 2021-22 Fiscal Years  
(in millions)**

	Fiscal Year			
	2018-19	2019-20	2020-21 <sup>a</sup>	2021-22 <sup>a</sup>
GFT Amount	\$ 38.3	\$ 38.3	\$ 38.3	\$ 36.3
GRU Operating Revenues	\$416.7	\$390.6	\$395.9	\$410.4

<sup>a</sup> The 2020-21 and 2021-22 fiscal year amounts are budgeted amounts.

Source: City records.

Debt rating agencies have recognized that the GFT is significant to GRU operations,<sup>11</sup> and the GRU’s municipal advisor, in a January 2021 letter to a City consultant, observed that “it appears that GRU and the City Commission need to determine what is the larger priority for the City: the financial condition and viability of the utility; a stable, consistent GFT revenue stream from GRU and/or the level and type of services the City provides to its constituents.”

Given the significant GFT amounts and competing priorities of providing reliable utility services to customers and financially supporting general government services, it is imperative that the City utilize a reasonable and consistent methodology for determining the GFT amount that considers the GRU’s ability to pay the GFT over an extended period of time. However, instead of utilizing such a methodology, the City Commission approved the GFT amounts as part of each annual budget process based upon

<sup>10</sup> Request for Proposal (RFP) for Consultant for General Fund Transfer, August 4, 2020.

<sup>11</sup> For example, in January 2021, Moody’s issued a “periodic review of ratings,” which noted that GRU’s rating was, in part, constrained by high annual transfers to the City’s General Fund which reduced the utility’s ability to apply free cash flow generation toward rate reductions or investments into the system.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

amounts required to fund general government services for the budgeted fiscal year at the level desired by the City Commission.<sup>12</sup>

In October 2020, the City contracted with a consultant to “develop alternative General Fund Transfer (GFT) mechanisms based on a formula that balances General Government’s need for certainty of funding, with GRU’s ability to sustainably fund the GFT over an extended amount of time.” The contract provided that the consultant’s work products would consist of a presentation and a conference call to review and discuss the presentation.

A draft of the presentation was prepared in January 2021 and provided to various City personnel, including GRU personnel, but was not discussed at any publicly noticed meetings. The draft presentation indicated that five transfer methodologies were considered by the consultant:<sup>13</sup>

- Percentage of revenues.
- Percentage of utility plan improvement fund (UPIF).<sup>14</sup>
- Rate per-unit of retail sales.
- Franchise fee equivalent plus percentage of available funds.
- Percentage of available funds only (i.e., without franchise fee equivalent).

The consultant reduced the five methodologies to three options for further evaluation and ranking. As indicated in Table 5, the consultant ranked Option 2 the highest and, accordingly, recommended that the City adopt Option 2 when calculating the annual GFT.

**Table 5**  
**Consultant Evaluation and Ranking of GFT Options**

	Certainty of Funding and Ability to Fund	Certainty of Funding	Ability to Fund	In Common Use	Ranking
Option 1 (Percent of Revenue Less Fuel)	Not Balanced	Yes	No	Yes	2
Option 2 (Percent of UPIF Calculation)	Balanced	No	No	No	1
Option 3 (Rate per-Unit Sales)	Not Balanced	Yes, but Limited	No	Yes	3

Source: City records.

However, our review of the draft presentation indicated that the transfer methodologies described by the consultant did not comply with the contract scope of work, to “develop alternative General Fund Transfer

<sup>12</sup> On July 19, 2021, the City Commission approved Gainesville Resolution No. 210451, which provided that the GFT would be \$36.3 million for the 2021-22 fiscal year and would decrease by \$2 million each fiscal year to \$26.3 million in the 2026-27 fiscal year.

<sup>13</sup> The presentation indicated that some of the five methodologies included more than one variation, resulting in a total of nine transfer options that were considered.

<sup>14</sup> The UPIF is a formulaic reserve required under GRU debt covenants. Its purpose is to assure bondholders, customers, and other stakeholders that the GRU is setting aside an appropriate level of funds to ensure that its five utility systems (electric, water, wastewater, natural gas, and telecommunications) are being properly maintained and that necessary capital improvements are being made.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

(GFT) mechanisms based on a formula that balances General Government’s need for certainty of funding, with GRU’s ability to sustainably fund the GFT over an extended amount of time.” Specifically:

- The presentation stated that the consultant “developed parameters for each option to result in the targeted GFT on average (\$38.3 million).”
- As shown in Table 5, the presentation stated that the GRU’s ability to fund each of the three options considered was “No.”

We made inquiries in October 2021, regarding the introduction of the “targeted GFT of \$38.3 million” into the consultant’s scope of work and the resultant January 2021 draft presentation. Although we requested, no documentation was provided to evidence that the City Manager, or other City personnel, had contacted the consultant and amended the scope of work to include a minimum GFT of \$38.3 million. According to GRU personnel, the City Manager verbally contacted the consultant after the signing of the contract and indicated that any work product must allow for a minimum \$38.3 million GFT amount. However, insofar as the scope of work indicated that the GFT mechanisms had to result in the “GRU’s ability to sustainably fund the GFT over an extended amount of time,” it is not apparent why the consultant selected three options for consideration, including the recommended Option 2, that GRU would not have the ability to pay. Consequently, the consultant’s draft presentation did not appear to comply with the contract’s scope of work, and the usefulness of the analysis and recommendations to achieve the contract’s stated objectives was limited.

In response to the Utility Director’s written concerns addressed to the consultant, which included concerns similar to our observations disclosed above, the consultant developed Option 10, which was communicated to the General Manager of Utilities in a letter dated February 4, 2021. The consultant’s letter described Option 10 as Option 2 (percent of UPIF) modified so that the transfer amount cannot exceed the amount of GRU “profit” in a given year.<sup>15</sup>

The consultant prepared an additional presentation,<sup>16</sup> which compared Option 2 and Option 10, and discussed the presentation with the General Policy Committee<sup>17</sup> on March 25, 2021. In the presentation, the consultant indicated that “Option 10 would reduce to a greater extent the GFT, especially, for the next several years, and allow GRU more flexibility to strengthen its financial position.” However, the consultant also indicated that, based on experience with municipal utilities, “the City would have a harder time adapting to the lower and less stable level of GFT under Option 10 than Option 2.” The consultant’s March 2021 presentation did not recommend either Option 2 or Option 10 but instead recommended that a “determination should be made by the City working with GRU.” The General Policy Committee did not recommend either Option 2 or Option 10 be discussed at a future City Commission meeting.

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<sup>15</sup> The consultant indicated “profit” is to be calculated as: Net revenues less transfers from (to) rate stabilization funds, total debt service requirements, 2019 debt restructuring savings, and UPIF contributions.

<sup>16</sup> *GRU General Fund Transfer Policy Review Summary for City Commission Presentation.*

<sup>17</sup> The General Policy Committee is composed of the seven members of the City Commission.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

In May 2021, during preparation of the 2021-22 fiscal year budget,<sup>18</sup> the GRU and the City Commission agreed to a 2021-22 fiscal year GFT amount of \$36.3 million, or \$2 million less than the previous 3 fiscal years' \$38.3 million GFT amount. In July 2021, the City Commission signed a resolution setting the amount of the GFT to decrease by \$2 million annually through fiscal year 2027.

Notwithstanding the July 2021 resolution, absent a reasonable and consistent methodology for determining the GFT amount that considers the GRU's ability to pay and provides predictable amounts to facilitate long-term GRU planning, there is an increased risk that the GRU may not be able to provide reliable utility services to its customers in the most effective and cost-efficient manner possible over an extended period of time.

**Recommendation:** The City Commission should adopt and consistently utilize a reasonable and sustainable methodology to calculate the GFT amount. The methodology should consider the long-term ability of the GRU to pay.

**Finding 3: Indirect Cost Recovery**

The City allocates and charges indirect costs to its various departments, including the GRU, for administrative services performed by certain City departments, such as the Human Resources, Information Technology, and Equal Opportunities departments. Indirect costs are costs incurred for a common or joint benefit and are not readily identified with a specific project or organizational activity.

The City contracted with a consultant to develop a cost allocation plan (CAP) to allocate administrative services costs using actual departmental expenditure data from the most recently completed fiscal year at the time of the CAP development. For example, the consultant prepared the:

- 2018 CAP based upon the City's 2015-16 fiscal year actual departmental expenditures to be used for allocating indirect costs for the 2017-18 and 2018-19 fiscal years.
- 2020 CAP based upon the City's 2017-18 fiscal year actual departmental expenditures to be used for allocating indirect costs for the 2019-20 and 2020-21 fiscal years.

Budget and Finance Department personnel developed *Indirect Cost Analysis Instructions* to assist in allocating indirect costs. During the City's budget preparation process, Budget and Finance Department personnel enter allocated cost amounts from the most recent CAP and adjust the amounts based upon changes in departmental budgets for the upcoming fiscal year. For example, the actual 2015-16 fiscal year amounts from the 2018 CAP were adjusted for changes in the 2018-19 fiscal year departmental budgets. The adjusted amounts are allocated using the CAP administrative cost recovery methodology, and the various City departments are charged indirect costs monthly based upon amounts included on indirect cost allocation worksheets.

Our examination of the City's indirect cost allocation worksheets for the 2017-18, 2018-19, and 2019-20 fiscal years noted that the indirect cost allocations to the GRU of \$3.2 million, \$3.2 million, and

<sup>18</sup> The 2020-21 budget was adopted on September 23, 2021, pursuant to City of Gainesville Resolution No. 210451.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

\$3.5 million, respectively, were significantly higher than the actual indirect costs of \$2.6 million from the 2015-16 fiscal year. In response to our audit inquiry in June 2020, City personnel reviewed the indirect cost allocation worksheets and found an input error in the 2017-18 fiscal year allocation worksheet that carried forward into the subsequent fiscal years. City personnel corrected the input error and adjusted the 2019-20 fiscal year allocation to \$2.5 million, which was \$1 million less than the original allocation. City personnel also corrected the error in the 2017-18 and 2018-19 fiscal year allocation worksheets. As a result of the error, the GRU was overcharged approximately \$700,000 and \$600,000 in the 2017-18 and 2018-19 fiscal years, respectively.

Table 6 shows the indirect cost amounts allocated to and paid by the GRU for the 2017-18, 2018-19, and 2019-20 fiscal years and the corrected amounts for the 2017-18 and 2018-19 fiscal years.

**Table 6**  
**Indirect Costs Allocated and Paid by the GRU**  
(in millions)

	2017-18	2018-19 <sup>a</sup>	2019-20 <sup>b</sup>
Indirect Costs Allocated to and Paid by the GRU	\$3.3	\$3.2	\$2.5
Corrected Amounts	2.6	2.6	
Amount Over-Allocated to the GRU	\$ . 7	\$ . 6	

<sup>a</sup> For the 2018-19 fiscal year, the GRU allocation on the indirect cost allocation worksheet was \$3.4 million; however, only \$3.2 million was actually assessed to and paid by the GRU.

<sup>b</sup> For the 2019-20 fiscal year, the initial indirect cost allocation was \$3.5 million; however, the amount was decreased by \$1 million prior to the end of the 2019-20 fiscal year.

Source: City accounting records.

In June 2020, City personnel indicated that they would review the 2018-19 fiscal year indirect cost allocation overcharge as time allowed. In October 2021 we again inquired whether the indirect cost overcharges for the 2017-18 and 2018-19 fiscal years would be refunded to the GRU or credited against future indirect cost assessments; however, City personnel did not provide a response indicating how or if the overcharges would be resolved.

Neither the *Indirect Cost Analysis Instructions* nor other City procedures provide for an independent review process for the worksheet used to allocate indirect costs. A review of the indirect cost allocation worksheet by someone other than the worksheet preparer would provide additional assurance that the worksheet is free of errors and help avoid potentially significant indirect cost overcharges or undercharges. In addition, absent a process to reconcile indirect costs charged using budgeted numbers in the CAP to amounts that should have been charged based upon actual costs, amounts allocated and paid may not accurately reflect the actual costs of administrative services provided in the fiscal years to

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

which the charges apply. In addition, such a reconciliation process may have earlier detected the error in the indirect cost allocation worksheet that resulted in the GRU overcharges.

**Recommendation:** The City should enhance its indirect cost allocation procedures to provide for an independent review of the indirect cost allocation worksheet, require a reconciliation of the estimated indirect costs to the actual indirect costs after each fiscal year is completed, and require periodic adjustments for differences between the estimated and actual amounts. In addition, the City should either restore the 2017-18 and 2018-19 fiscal year indirect cost overcharges to the GRU or offset the overcharges against future fiscal year indirect cost assessments.

**REICHERT HOUSE YOUTH ACADEMY (RHYA) PROGRAM AND RELATED ORGANIZATIONS**

The RHYA Program is an after-school program designed for youth who are in need of assistance in making the transition from adolescence to adulthood. The RHYA Program offers a variety of activities including, for example, academic assistance, etiquette training, anger and stress management techniques and training, vocational training, and meals. The RHYA Program is functionally located within the Youth and Community Services Bureau of the Gainesville Police Department, and the Bureau Director is responsible for administration of the RHYA Program. According to City records, the City expended \$1,296,078 and \$986,917 for the 2018-19 and 2019-20 fiscal years, respectively, for RHYA Program activities.

In April 2019, the City Auditor's Office issued a report on the results of an audit of the RHYA.<sup>19</sup> The report included several findings regarding the RHYA Program, including a finding about the use of certain nonprofit organizations in support of RHYA Program operations. Our audit also disclosed that the City could have exercised better control and more effective oversight of RHYA Program operations, including the use of certain nonprofit organizations for the benefit of the RHYA Program. The pervasive lack of controls and ineffective oversight over RHYA Program operations increases the risk that fraud, waste, and abuse could occur without timely detection.

**Finding 4: RHYA Program Oversight and Control**

Given the significant amount of City resources and the donor and grantor funds utilized for the RHYA Program,<sup>20</sup> it is important that the City provide for adequate oversight and control of the Program. In addition, making accurate RHYA Program financial information readily available, for example on the City Web site, would increase RHYA Program transparency to members of the general public and other interested parties.<sup>21</sup> Our audit procedures disclosed that City oversight of RHYA Program operations needed improvement. Specifically, we noted that:

<sup>19</sup> City Auditor report dated April 3, 2019, titled *Audit of the City of Gainesville's Reichert House Youth Academy – Governance, Financial Processes, and Performance Metrics - Part A*.

<sup>20</sup> For example, the April 3, 2019, City Auditor report indicated that the City provided resources totaling approximately \$2.3 million to the RHYA Program during the period October 2015 through September 2018.

<sup>21</sup> Including grantors and donors of funds earmarked for the RHYA Program.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

- The City used a designated account code prescribed in the Florida Department of Financial Services *Uniform Accounting System Manual* to account for RHYA Program expenditures in the City accounting records; however, City accounting records did not always provide adequate accountability for RHYA Program financial transactions. Although requested, we were not provided records evidencing that the City used a designated account code to separately account for revenues received on behalf of, or allocated to, the RHYA Program.
- Financial and budgetary information was not consistently and accurately updated.
- The City Commission was not periodically provided financial reports showing RHYA Program financial activity.
- The City Web site included Web pages titled “Open Budget” and “Open Checkbook,” which allow users to view budget and actual expenditures and total expenditures with expenditure detail, respectively, for City departments, projects, or programs for several fiscal years. While these Web pages were intended to provide transparency regarding City budgets and expenditures, as shown in Tables 7 and 8, we noted discrepancies, regarding budget and expenditure amounts reported on these Web pages for the RHYA Program, as well as discrepancies between budget documents provided to us and the amounts on the Web pages.

**Table 7**  
**Comparison of Budgeted Expenditures**  
**For the 2018-19 and 2019-20 Fiscal Years**

	2018-19 Fiscal Year Budgeted Expenditures	2019-20 Fiscal Year Budgeted Expenditures
City Budget Document	\$656,900	\$656,900
Open Budget Web Page	\$724,423	\$668,400

Source: City records.

**Table 8**  
**Comparison of Actual Expenditures**  
**For the 2018-19 and 2019-20 Fiscal Years**

	2018-19 Fiscal Year Actual Expenditures	2019-20 Fiscal Year Actual Expenditures
City Records	\$1,296,078	\$986,917
Open Budget Web Page	\$ 952,796	\$997,190
Open Checkbook Web Page	\$ 214,077	\$143,494

Source: City records.

We noted these discrepancies on March 3, 2021, approximately 17 and 5 months, respectively, after the 2018-19 and 2019-20 fiscal year ends. In response to our inquiries, City personnel indicated that it was not practical for City personnel to timely update actual expenditure amounts reported on the City Web site.

- The City had not established policies and procedures addressing RHYA Program administration.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

Absent established RHYA Program policies and procedures, including requiring separate accounting for RHYA Program revenues, complete and accurate budget and actual expenditure information, and periodic financial reports, the City Commission lacks the information necessary to gain an appropriate understanding of the RHYA Program's financial status and how City resources are used for RHYA Program activities and, consequently, the City Commission's ability to make informed decisions about the Program is diminished. Furthermore, without accurate RHYA Program financial information readily available to members of the general public and other interested parties, the transparency of RHYA Program activities is diminished.

**Recommendation: The City should establish policies and procedures for adequate RHYA Program oversight, control, and transparency. Such policies and procedures should require:**

- **Revenues received on behalf of, or allocated to, the RHYA Program be separately accounted for in City accounting records.**
- **Accurate and timely updates to RHYA Program budget and actual expenditure information.**
- **Periodic financial reports to the City Commission accurately showing RHYA Program financial activity.**

**Finding 5: Use of Reichert House, Inc. to Support RHYA Program Operations**

The Legislature has recognized that a governmental entity's use of a nonprofit corporation or other non-governmental entity to provide services may be beneficial. However, the Legislature has also recognized that, before creating or contracting with other entities to assist in performing its functions, a governmental entity should make a determination of whether doing so is cost effective and in the public's best interest.<sup>22</sup> In addition, once created and used, good business practices require periodic evaluation of the non-governmental entity's cost effectiveness and continued value to the government.

Reichert House, Inc. was incorporated in February 2006 and the original registered agent was the City's Police Chief. According to the Police Chief, the sole purpose of Reichert House, Inc. was to "support and enhance the Reichert House Youth Academy programs utilizing fund raising and other methods to obtain private funds and other resources to benefit the Reichert House Youth Academy." According to its Articles of Incorporation, Reichert House, Inc. was governed by a board of directors, which initially consisted of six members; however, the number of board members declined to four in 2018 and only one board member remained as of July 2020. In April 2021, City personnel notified us of the last board member's resignation, and on August 29, 2021, Reichert House, Inc. filed for voluntary dissolution.

<sup>22</sup> For example, Section 455.32, Florida Statutes, known as the Management Privatization Act, authorizes the Department of Business and Professional Regulation to contract with nonprofit corporations to assist regulatory boards in carrying out their oversight responsibilities; however, the Department may only do so based on a privatization request from a regulatory board that includes a financial feasibility study. Similarly, pursuant to Section 216.023(4)(a)7., Florida Statutes, State agency legislative budget requests for outsourcing or privatizing agency functions must contain a cost-benefit analysis. Additionally, Sections 125.3401, 180.301, and 189.054, Florida Statutes, require counties, municipalities, and special districts, respectively, to make a determination of public interest before entering into a wastewater facility privatization contract.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

In response to our inquiry as to whether the City Commission or City management directed that Reichert House, Inc. be created to benefit the RHYA Program, City personnel indicated that a former City Manager suggested, due to budget constraints from the City, a non-profit organization be created to raise funds to support RHYA operations and expenses and asserted that some donors expressed a preference to donate to a nonprofit entity rather than to the City. However, although we requested, City personnel did not provide records to support this assertion.

Our audit disclosed certain disadvantages to creating and using Reichert House, Inc. to support RHYA Program operations. Those disadvantages include less accountability and transparency for RHYA Program operations than would have been provided had the City opted to operate the RHYA Program using City employees within the City operational structure. Specifically, as a nonprofit entity, Reichert House, Inc., was not required to comply with certain key provisions of State law applicable to local governments that help establish and foster ethical behavior, accountability, and transparency. For example, there was no requirement for Reichert House, Inc. to:

- Comply with the code of ethics established by State law,<sup>23</sup> which, among other things, provides standards for the conduct of elected officials and government employees and for protection against conflicts of interest.
- Comply with the Public Records Law,<sup>24</sup> which requires the maintenance of public records.
- Comply with the Sunshine Law,<sup>25</sup> which establishes requirements to provide public access to governmental proceedings, including a requirement that meetings of governing bodies be reasonably noticed and minutes of those meetings be promptly recorded and open to public inspection.
- Establish safeguards required by State law<sup>26</sup> regarding the investment of public moneys.
- Post governing body-approved budgets and budget amendments required by State law<sup>27</sup> to their Web sites and limit expenditures to budgeted expenditures as shown in the approved budget.
- Comply with the State law<sup>28</sup> establishing requirements for the procurement of certain types of services.
- Undergo annual financial audits in accordance with State law<sup>29</sup> and Rules of the Auditor General.<sup>30</sup> Such audits help ensure that management and those charged with governance are informed of control deficiencies and financial-related noncompliance.

Although we requested, we were not provided records (e.g., audio recordings or printed minutes of City Commission workshops or meetings) evidencing the City's initial determination or periodic evaluation that

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<sup>23</sup> Chapter 112, Part III, Florida Statutes.

<sup>24</sup> Chapter 119, Florida Statutes.

<sup>25</sup> Section 286.011, Florida Statutes.

<sup>26</sup> Section 218.415, Florida Statutes.

<sup>27</sup> Section 166.241, Florida Statutes.

<sup>28</sup> Sections 218.391, 255.0525(2), and 287.055, Florida Statutes.

<sup>29</sup> Section 218.39, Florida Statutes.

<sup>30</sup> Chapter 10.550, Rules of the Auditor General, prescribe requirements for local governmental entity financial audits.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

it was economically or otherwise more advantageous for the City to use Reichert House, Inc., rather than using City employees within the City organizational structure to carry out RHYA Program activities. In addition, as discussed in Findings 6 and 7, the use of Reichert House, Inc. to assist in carrying out RHYA Program activities decreased accountability and transparency for those activities.

**Recommendation: The City should assess and document the economic or other advantages gained by using a nonprofit entity to assist with RHYA Program operations and whether such advantages are sufficient to offset the decreased accountability and diminished transparency of RHYA Program activities. If the City determines that utilizing a nonprofit entity is advantageous, the City should periodically reevaluate the continued cost effectiveness and value of such use to the City.**

**Finding 6: Oversight of Reichert House, Inc.**

Because the sole purpose of the Reichert House, Inc., was to support and enhance the City's RHYA Program, it was incumbent on the City to maintain sufficient oversight and control of Reichert House, Inc. operations. The Florida Attorney General has opined that, when a public purpose is involved, a municipality may accomplish this purpose through the medium of a nonprofit quasi-public corporation provided that some degree of control over public funds or property be retained by the public authority through implementation of proper safeguards to assure accomplishment of the public purpose.<sup>31</sup>

Our examination of City records and discussions with City personnel disclosed that the City's oversight of Reichert House, Inc. operations needed improvement. Specifically:

- The City did not execute a written contract with Reichert House, Inc. Provisions in a written contract could, among other things, obligate Reichert House, Inc. to comply with State and local laws and City policies and procedures applicable to the RHYA Program; require Reichert House, Inc. to establish policies and procedures with controls designed to provide for the appropriate reporting of moneys received and disbursed on the RHYA Program's behalf; and address the safeguarding of residual assets in the event of dissolution of Reichert House, Inc.
- Both the Reichert House, Inc., articles of incorporation and bylaws included provisions addressing the Reichert House, Inc. board of directors. However, neither the articles of incorporation nor the bylaws specifically address the RHYA Program or Reichert House, Inc. responsibilities related thereto.
- Given the significant RHYA Program resources entrusted to Reichert House, Inc., it was incumbent on the City to ensure that policies and procedures with appropriate internal controls were established by that organization regarding RHYA Program responsibilities. Although we requested, City personnel did not provide records evidencing established Reichert House, Inc. policies and procedures. Established policies and procedures addressing the various aspects of Reichert House, Inc. operations (e.g., revenue processing, procurements of goods and services, disbursement processing) related to its RHYA Program-related responsibilities would have provided additional assurance that Reichert House, Inc. conducted RHYA Program-related

<sup>31</sup> Attorney General Opinion No. 86-44.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

business in an effective, efficient, and appropriate manner consistent with City Commission and Reichert House, Inc. board members' intent.

- The City lacked the financial information necessary to gain an appropriate understanding of how the Reichert House, Inc. used resources to support RHYA Program operations and whether such uses were consistent with the City Commission's intent.
  - In response to our inquiry, City personnel indicated that reports showing Reichert House, Inc. financial transactions and activities related to the RHYA Program, including moneys received or expended on the RHYA Program's behalf, were made available to City personnel through the Community Foundation of North Central Florida (CFNCF) Web site and member login portal.<sup>32</sup> However, such reports were not made available to City Commissioners or the general public.
  - According to City personnel, Reichert House, Inc. financial statements<sup>33</sup> for the 2018-19 and 2019-20 fiscal years were provided to City personnel; however, it was not apparent that the financial statements were made available to the general public and, although we requested, we were not provided copies of the Reichert House, Inc. financial statements, or with the amounts of Reichert House, Inc. revenues and expenses, for those fiscal years.
  - City personnel indicated that Reichert House, Inc. budgets for the 2018-19 and 2019-20 fiscal years were not made available to City Commissioners, City personnel, or the general public.
  - We inquired with City personnel as to whether Reichert House, Inc. had filed with the Federal Internal Revenue Service (IRS) a Return of Organization Exempt from Income Tax Form 990 for the 2018-19 and 2019-20 fiscal years.<sup>34</sup> City personnel were unable to provide copies of the forms and attempted to obtain a Reichert House, Inc. response but were unsuccessful. Failure to provide the Form 990s to the City resulted in reduced transparency of Reichert House, Inc. operations and IRS fines and penalties may result if the nonprofit entities failed to file the forms with the IRS.

Absent periodic financial transaction and activity reports, financial statements, and budgets, City Commissioners and the general public lack the information necessary to gain an appropriate understanding of how the Reichert House, Inc. used the provided resources to support RHYA Program operations and whether such uses were consistent with the City Commission's intent. In addition, the City Commission's ability to assess the program's economic viability is diminished.

- The Reichert House, Inc. articles of incorporation did not explicitly provide for Reichert House, Inc.'s residual assets to be provided to RHYA upon dissolution. We inquired as to whether any residual assets existed on August 29, 2021, when Reichert House, Inc. filed for dissolution and, if so, whether any of those assets should revert to the City. In response to our inquiries, City personnel responded on October 22, 2021, that all Reichert House Inc. assets belong to the CFNCF and that CFNCF representatives stated that they are willing to "move in whatever direction is desired for the funds to support Reichert House."

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<sup>32</sup> On October 28, 2021, City personnel indicated that City employees no longer have access to the CFNCF portal and therefore, no longer have access to CFNCF records.

<sup>33</sup> Required by Article 8.01 of the Reichert House, Inc. bylaws.

<sup>34</sup> Most nonprofit organizations exempt from income tax, such as Reichert House, Inc., are required to annually file Form 990. Parts I through XII of the form must be completed by all filing organizations and require reporting on the organization's exempt and other activities, finances, governance, compliance with certain Federal tax filings and requirements, and compensation paid to certain persons by the organization.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

Executing a well-written contract with the Reichert House, Inc. that included sufficient provisions would have provided the City additional assurance that RHYA Program operations performed by Reichert House, Inc. were conducted in an effective, efficient, and appropriate manner consistent with City Commission intent and that the City received any residual assets in the event of Reichert House, Inc. dissolution.

**Recommendation: Should the City Commission decide to use another nonprofit entity to support RHYA Program operations, we recommend that the City:**

- **Execute a contract with the nonprofit entity that includes sufficient provisions to ensure that operations are conducted in an effective, efficient, and appropriate manner consistent with City Commission intent.**
- **Ensure that the nonprofit entity establishes appropriate policies and procedures governing RYHA Program operations.**
- **Ensure that financial transaction and activity reports, financial statements, and budgets are made available to City Commissioners, City management, and the general public.**
- **Ensure that required Federal financial disclosures are timely completed and make the disclosures available to City Commissioners, City management, and the general public.**
- **Ensure that applicable residual assets revert to the City upon dissolution of the nonprofit entity.**

**In addition, the City should take appropriate actions to verify the amount and status of the Reichert House, Inc. residual assets at the time of its dissolution on August 29, 2021, and if held by CFNCF, seek to recover the assets for RHYA Program use. Any final financial reports prepared for Reichert House, Inc. should be made available to City Commissioners, City management, and the general public.**

**Finding 7: Transparency of Reichert House, Inc. and RHYA Program Operations**

Certain State laws require municipalities to provide transparency regarding their transactions and activities. These open government laws include the Public Records Law,<sup>35</sup> which requires the maintenance of public records for public inspection, and the Sunshine Law,<sup>36</sup> which provides for public access to governmental proceedings. The Sunshine Law includes a requirement that meetings of governing bodies be reasonably noticed, and minutes of those meetings be promptly recorded and open to public inspection. As Reichert House, Inc. was created to assist with the City's RHYA Program, it is important to effectively communicate how the public may locate the information necessary to understand Reichert House, Inc. activities and to view or request copies of Reichert House, Inc. records.

The Florida Attorney General's Office annually compiles a comprehensive guide, known as the *Government-in-the-Sunshine Manual (Sunshine Manual)*, to address the requirements of and

<sup>35</sup> Chapter 119, Florida Statutes.

<sup>36</sup> Section 286.011, Florida Statutes.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

exemptions to Florida's open government laws. Based on guidance provided in the *Sunshine Manual*, Reichert House, Inc. activities may have been subject to the Public Records and Sunshine Laws.

Public Records Law. Any entity meeting the definition of "agency," as defined by State law<sup>37</sup> is subject to the Public Records Law. According to the *Sunshine Manual*, the fact that a private entity is incorporated as a nonprofit corporation is not the sole factor that determines whether the private entity is subject to the Public Records Law. Rather, the determining factor is whether the entity is "acting on behalf of" a public agency. The *Sunshine Manual* further indicates that, when a public agency, such as the City, uses a private entity to provide goods or services to facilitate the agency's performance of its duties, a significant level of involvement by the public agency would subject the private entity to the Public Records Law.

Our audit procedures disclosed that the Reichert House, Inc., primarily operated on behalf of the City in carrying out the RHYA Program, a City function, and that City personnel were significantly involved in Reichert House, Inc. activities. Therefore, based on *Sunshine Manual* guidance, it appears that the Reichert House, Inc. was subject to the Public Records Law and should have made every effort to comply with the Public Records law. Specifically, we found that:

- According to City personnel, the sole purpose of Reichert House, Inc. was to "support and enhance the Reichert House Youth Academy programs utilizing fund raising and other methods to obtain private funds and other resources to benefit the Reichert House Youth Academy programs." We inquired with City personnel as to whether Reichert House, Inc. performed activities on behalf of any governmental or nonprofit organization other than the City's RHYA Program. However, City personnel were unsuccessful in attempts to obtain a Reichert House, Inc. response to our inquiry.
- A City employee (either the Police Chief or the current Police Department's Youth and Community Services Bureau Director) acted as the Reichert House, Inc. registered agent from its inception in 2006 through at least January 17, 2019.
- City personnel indicated that, to the best of their knowledge, Reichert House, Inc. did not have any employees and that Reichert House, Inc. had used City employees to perform RHYA Program activities since its inception. Insofar as Reichert House, Inc. activities were performed by City employees, it is apparent that City personnel had a significant level of involvement in Reichert House, Inc. activities.
- City personnel indicated that Reichert House, Inc. activities were conducted on City-owned property or property owned by another nonprofit organization. Although requested, no evidence was provided to indicate that the Reichert House, Inc. owned, or performed activities, on any other property.

Sunshine Law. According to the *Sunshine Manual*, the Sunshine Law applies to private entities created by law or by public agencies, and to private entities providing services to governmental agencies and acting on behalf of those agencies in the performance of their public duties. The *Sunshine Manual* further notes that, although private entities are generally not subject to the Sunshine Law simply because they

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<sup>37</sup> Section 119.011(2), Florida Statutes.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

do business with public agencies, the *Sunshine Law* can apply if a public entity has delegated “the performance of its public purpose” to a private entity. As Reichert House, Inc. had primarily been acting on behalf of the City in support of the RHYA Program, it appears that Reichert House, Inc. was subject to the Sunshine Law and should have made every effort to comply with the Sunshine Law regarding Reichert House, Inc. board meetings.

Our examination of City records and discussions with City personnel disclosed that City efforts to promote transparency of Reichert House, Inc. and RHYA Program operations could be enhanced. For example, as of March 3, 2021:

- No official Web site had been established for Reichert House, Inc., specifically, or for the RHYA Program, generally.
- Although the City Web site includes a search button and disclosed how to request City public records, the City Web site did not indicate how to view or request copies of Reichert House, Inc. board meeting minutes or other records. City personnel asked Reichert House, Inc. to respond to our inquiry regarding whether Reichert House, Inc. maintained minutes of its board meetings; however, Reichert House, Inc. did not provide a response.

It was not apparent from the City Web site that Reichert House, Inc. board meeting minutes and other records were available for public inspection. Establishment of a Reichert House, Inc. Web site or provision of clearer directions and information on the City Web site for requesting and obtaining Reichert House, Inc. public records, including board meeting minutes, would have facilitated access to that information and increased public awareness of RHYA Program activities.

**Recommendation: The City should establish a RHYA Program Web site. If, in the future, the City elects to use Reichert House, Inc. or another nonprofit entity to support RHYA Program operations, the City should ensure that RHYA-Program-related board meeting minutes and other records are subject to the same level of transparency as City Commission meeting minutes and other City records.**

**Finding 8: Use of Other Nonprofit Organizations for the RHYA Program**

The City Auditor’s April 2019 report mentioned several nonprofit organizations, in addition to Reichert House, Inc., that contributed to the support of the RHYA Program. Our examination of City records and discussions with City personnel also disclosed other nonprofit organizations, including the Community Foundation of North Central Florida, Inc. (CFNCF),<sup>38</sup> Palm Breeze Youth Services, Inc. (PBYS),<sup>39</sup> and the National Police Athletic/Activities Leagues, Inc. (NPAL), contributed to the support of the RHYA Program and that transparency and accountability for grantor or donor moneys received for the RHYA Program and deposited with these nonprofit organizations could be enhanced.

<sup>38</sup> According to the CFNCF’s Web site, the mission of the CFNCF, which provides training and support for nonprofit organizations, is to promote and sustain philanthropy among the communities of North Central Florida. The CFNCF services other nonprofit organizations in addition to Reichert House, Inc.

<sup>39</sup> The mission of the PBYS nonprofit organization is to support and serve the youth of Alachua County through the provision of academic and vocational education and training in life skills and civic responsibility.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

CFNCF. To ascertain the nature of the CFNCF's relationship with the City and Reichert House, Inc., we made several inquiries of City personnel. City personnel answered some of our questions and, as requested by the City, the CFNCF responded to the remaining questions.

According to City personnel, during the 2018-19 and 2019-20 fiscal years, the CFNCF maintained a bank account into which grantor and donor moneys for the RHYA Program were deposited, including moneys solicited or received by Reichert House, Inc. board members and City personnel. Certain Reichert House, Inc. board members and City employees, including the Youth and Community Services Bureau Director, were authorized to request the CFNCF to make disbursements from this account for RHYA Program purposes.

We inquired with City personnel as to whether Reichert House, Inc. had executed a written contract with the CFNCF or had otherwise communicated in writing with the CFNCF regarding the use of grantor and donor moneys received for the RHYA Program and deposited into the CFNCF account. City personnel unsuccessfully attempted to obtain a response to this inquiry. A well-written contract identifies the responsibilities and protects the interests of all parties, defines the services to be performed, and provides the basis for payment. Such a contract between Reichert House, Inc. and the CFNCF would have provided the City and Reichert House, Inc. board members additional assurance that the CFNCF accounted for and expended grantor or donor moneys received for the RHYA Program in an effective, efficient, and appropriate manner consistent with City Commission and Reichert House, Inc. board member intent and in accordance with applicable grantor or donor restrictions.

According to City personnel, when grantor and donor moneys received for the RHYA Program were deposited into the CFNCF account they were not identified as RHYA Program funds. Ensuring that all such moneys are identified as available moneys to support RHYA Program activities would improve transparency and accountability for RHYA Program funds.

Because of concerns raised in the City Auditor's April 2019 report, the City engaged a CPA firm to perform an agreed-upon procedures (AUP) engagement that included a review of deposits into, and disbursements from, the CFNCF account for the period October 1, 2015, through December 31, 2018. The CPA firm issued a report (Reichert House AUP report) dated February 11, 2020, on the engagement results. The Reichert House AUP report included schedules showing Reichert House, Inc. moneys deposited into and disbursed from the CFNCF account. The schedules showed that donations, grants, and other moneys totaling approximately \$188,000 were deposited into the account for Reichert House, Inc. for the period October 2015 through December 2018, and, for the same period, disbursements totaling approximately \$149,000 were made from the account.

Because the schedules in the Reichert House AUP report did not include details as to how the transactions specifically related to the RHYA Program, we made inquiries regarding the nature of selected transactions shown on the schedules. As requested by the City, the CFNCF responded to our inquiries. While the CFNCF response explained many of the transactions, including the relationship of receipts and disbursements to the RHYA Program, the CFNCF response did not:

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- Explain the nature and source of \$22,500 of Reichert House, Inc. moneys deposited into the CFNCF account.
- Identify whether certain payments totaling \$30,421 from the CFNCF account were related to the RHYA Program. Specifically, while CFNCF provided explanations for payments totaling \$16,390, the explanations were not in sufficient detail to explain how the payments specifically related to the RHYA Program and no explanations were provided for the remaining \$14,031.

PBYS. The PBYS was incorporated in August 2006 and its original registered agent was the City's Police Chief. To ascertain the nature of the PBYS relationship with the City and Reichert House, Inc., we made several inquiries of City personnel. City personnel answered some of our questions but, as requested by the City, the PBYS responded to most of our questions.

According to the PBYS response, for the period November 2017 through April 2019,<sup>40</sup> at the request of City personnel, the PBYS maintained a bank account specifically for moneys, including grants and donations, received in support of the RHYA Program. Two City employees and the PBYS registered agent and Treasurer during that period were signatories on the account, and certain City employees, including the Police Chief and Youth and Community Services Bureau Director, could "make request for activities on the account."

We asked why the PBYS maintained a bank account on behalf of the RHYA Program and were advised that the PBYS established the bank account for the RHYA Program because Reichert House, Inc. did not have a bank account or a mechanism for disbursing funds in an appropriate time frame and it was determined that the PBYS could create an account to receive funds from the CFNCF and allow City employees access to funds for operational purposes. However, although we requested, City personnel did not indicate who opened the account (e.g., a City employee or Reichert House, Inc. board member) or explain why City personnel could not have used a City bank account for this purpose. In addition:

- The PBYS response indicated that support for using the PBYS to maintain the RHYA Program bank account was voted on at a PBYS board meeting, but minutes from that meeting could not be provided. According to City personnel, the decision to create an account was a mutual decision between the PBYS board, City employees, and Reichert House Inc.
- Although the PBYS established the bank account for the RHYA Program, neither the City nor Reichert House, Inc. had executed a written contract with the PBYS addressing responsibilities regarding the bank account. A written contract with the PBYS would have provided the City and Reichert House, Inc. board members additional assurance that the PBYS accounted for and expended funds earmarked for the RHYA Program in an effective, efficient, and appropriate manner consistent with the City Commission and Reichert House, Inc. board members' intent and in accordance with applicable grantor and donor restrictions.

Because of concerns raised in the former City Auditor's report, the City also engaged the aforementioned CPA firm to perform an AUP engagement that included a review of deposits into, and disbursements from, the PBYS RHYA Program bank account for the period October 1, 2015, through

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<sup>40</sup> The bank account was closed in April 2019.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

December 31, 2018. The CPA firm issued a report (PBYS AUP report)<sup>41</sup> dated February 11, 2020. The PBYS AUP report included schedules showing moneys purportedly for the benefit of the RHYA Program deposited into, and disbursements from, the PBYS bank account. The schedules showed that donations, grants, and other moneys totaling approximately \$105,000 were deposited into the bank account for the RHYA Program from November 2017 through December 2018, and, for the same period, disbursements totaling approximately \$94,000 were made from the bank account.

Because the schedules in the PBYS AUP report did not include details as to how the transactions specifically related to the RHYA Program, we made inquiries regarding the nature of selected transactions shown on the schedules. As requested by the City, the PBYS responded to our inquiries. While the PBYS response explained many of the transactions, including the relationship of receipts and payments to the RHYA Program, the PBYS response did not explain how certain payments totaling \$16,790 from the PBYS bank account were specifically related to the RHYA Program.

NPAL. Between August 2017 and June 2020, several NPAL subaward grants were awarded to the City of Gainesville Police Athletic/Activities League (GPAL), including a subaward grant for \$20,000.<sup>42</sup>

The City Auditor's April 2019 report indicated concerns regarding receipt and use of the \$20,000 NPAL grant. Through examination of the Reichert House AUP and PBYS AUP reports and inquiry of City personnel, we determined that:

- The grant was intended to benefit the RHYA Program.
- The grant proceeds were initially deposited to the CFNCF bank account.
- The grant proceeds were subsequently paid to the PBYS and deposited to the PBYS bank account in November 2017.
- Records provided by City personnel indicated that the grant proceeds were used for expenditures associated with the Police Department's GPAL "Mentoring Initiative."

In response to our inquiry, we were advised that, in a memorandum, a City employee directed the CFNCF to disburse the grant proceeds of \$20,000 to the PBYS because the PBYS had been designated to administer the grant. We requested, but were not provided, a copy of the memorandum or an explanation for why the PBYS was selected to administer the grant. Although the grant proceeds were reportedly used for the Police Department's GPAL "Mentoring Initiative" in connection with the RHYA Program, City records provided for our review did not evidence City Commission or City management authorization for the grant proceeds to be administered by the PBYS or explain why City personnel could not have administered the grant proceeds.

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<sup>41</sup> According to the PBYS AUP report, the engagement procedures were performed for the period October 2015 through December 2018. As the bank account was not established until November 2017, there was no activity between October 2015 and October 2017.

<sup>42</sup> In October 2021, City personnel provided records indicating that during the period August 2017 through June 2020, the GPAL received subaward grants from the NPAL of \$20,000, \$34,200, \$25,200, and \$12,600.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

According to guidelines provided on the NPAL Web site, only NPAL chapters are eligible for NPAL grants. NPAL requirements for becoming an NPAL chapter include incorporation as nonprofit organization and establishment of a board of directors and bylaws. On September 30, 2021, City personnel verbally indicated to us that NPAL guidelines did allow the City to be a grantee and indicated that they would provide us with documentation to that effect. However, as of October 21, 2021, we had not received documentation from the City.

The City Auditor's report indicated that a City employee applied for the grant using the City's Federal employer identification number and the applicant name "Gainesville PAL, Inc." In response to our inquiry, City personnel indicated that applicant name of Gainesville PAL, Inc. was due to a typographical error and provided us a copy of an NPAL Certificate of Membership for an organization called "Reichert Bold PAL of Gainesville." However, City personnel did not provide records evidencing that the grant was intended to be applied for on behalf of Reichert Bold PAL of Gainesville or that Reichert Bold PAL of Gainesville was eligible to be an NPAL grant recipient. Additionally:

- City personnel did not respond to our inquiry as to whether Reichert Bold PAL of Gainesville was a separate legal entity, nor were we provided records (e.g., articles of incorporation or bylaws) evidencing the existence of Reichert Bold PAL of Gainesville as an incorporated nonprofit organization.
- We requested, but were not provided, a copy of the grant application. Instead, City personnel indicated that grant information was "entered into the system" by a company that, according to its Web site, provides proposal and grant writing services. Although we requested, City personnel did not provide an explanation as to what "system" their response was referring to and did not provide records showing the grant application information entered by the company.

As such, City records did not demonstrate that the grant application was made for an eligible entity or that grant proceeds were expended for RHYA Program purposes in accordance with NPAL guidelines.

As discussed in Findings 5 through 7, nonprofit organizations are not required to comply with certain key provisions of State law that ensure local governments establish and foster ethical behavior, accountability, and transparency. Notwithstanding any benefits provided by the use of the CFNCF and the PBYS, using these organizations rather than City personnel to receive and disburse grantor and donor funds solicited and received for the RHYA Program resulted in diminished transparency and accountability for those resources. Especially as the resources were not subject to City policies and procedures designed to promote the safeguarding and effective, efficient, and appropriate use of resources in accordance with applicable State and local laws and prudent business practices.

**Recommendation: To enhance accountability and transparency of activities carried out in support of the RHYA Program, we recommend that the City:**

- **Discontinue using the CFNCF and PBYS bank accounts as repositories for grantor and donor funds solicited or received for the RHYA Program and instead deposit such moneys into a City bank account and establish records to separately account for the funds.**
- **Obtain explanations and supporting records for all unexplained RHYA Program transactions.**

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- **Contact the NPAL to determine the name of the grant recipient organization and whether the recipient organization was eligible for the NPAL grant.**
- **Obtain explanations and supporting records showing how the NPAL moneys were used and consult with the NPAL to determine whether any grant funds were spent for unauthorized purposes.**

**ADMINISTRATION AND MANAGEMENT**

Effective administration and management policies and procedures are essential to establish sufficient internal controls to ensure City officials and employees administer their assigned responsibilities in accordance with applicable statutory<sup>43</sup> and ordinance requirements. Such policies and procedures should be designed to promote and monitor compliance with these requirements and demonstrate accountability for public resource use.

**Finding 9: Financial Statement Preparation**

Government Finance Officers Association (GFOA) Best Practices<sup>44</sup> recommend that local governments prepare their annual external financial statements in accordance with generally accepted accounting principles (GAAP) and fulfill their financial reporting responsibilities by hiring, training, developing, and retaining accounting staff with the knowledge and capability to produce GAAP financial statements.

Our examination of City records and inquiries with City personnel disclosed that City personnel did not have the knowledge and capability required to prepare GAAP financial statements for the 2017-18, 2018-19, and 2019-20 fiscal years. As a result, the City additionally compensated the independent certified public accountant hired to perform the City's financial audit for those fiscal years, \$81,500, \$51,050, and \$75,235, respectively, for assistance in preparing the City's financial statements and for substantial additional work effort required to perform the audits. Additionally, the financial auditor included findings in the City's audited financial statements for the 2017-18, 2018-19, and 2019-20 fiscal years, that were considered to be significant deficiencies<sup>45</sup> or material weaknesses<sup>46</sup> in the City's internal controls over financial reporting.<sup>47</sup>

For example, the material weaknesses related to:

<sup>43</sup> For example, Chapter 166, Florida Statutes, *Municipal Home Rule Powers Act*.

<sup>44</sup> GFOA Best Practice: *Meeting and Exceeding Minimum GAAP Financial Reporting Requirements*, September 2021.

<sup>45</sup> *AICPA Professional Standards* define a significant deficiency as a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

<sup>46</sup> *AICPA Professional Standards* define a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

<sup>47</sup> For the 2017-18, 2018-19, and 2019-20 fiscal years, the GRU obtained separate financial statement audits, the results of which were included in the City's audited financial statements with a reference to the work of the other auditor. The standalone GRU audits for those fiscal years did not include any significant deficiencies or material weaknesses.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- Untimely bank reconciliations with unreconciled differences.
- Several accounts that were materially misstated and required the financial auditor to propose material adjustments and perform reconciliations.
- Assets not properly capitalized.

According to the 2019-20 fiscal year audit report, the material weaknesses occurred because the Finance Department continued to experience significant turnover resulting in a significant loss of institutional knowledge and limited staff availability to perform the necessary reconciliations. In response to our inquiry, City personnel confirmed in September 2020 that the Finance Department staffing issues resulted in the additional fees paid to the financial auditor. For example, the City Finance Director terminated employment in December 2018 and was not replaced until July 2020. In addition, City personnel indicated in an October 2020 response that Finance Department staff were heavily involved in the implementation of a new enterprise resource planning system. Notwithstanding, the City is responsible for preparing annual financial statements in accordance with GAAP, and the City's staffing issues resulted in the City incurring significant additional financial audit costs.

Effective internal controls over financial reporting, including controls to ensure financial records are prepared and maintained by personnel with the appropriate knowledge and capabilities, are essential to management's assurance regarding accurate financial reporting in accordance with GAAP.

**Recommendation: The City should enhance its efforts to hire, train, develop, and retain staff with the knowledge and capability to produce GAAP financial statements.**

**Finding 10: Budget Management**

Pursuant to State law,<sup>48</sup> the City Commission is to adopt a budget each fiscal year by ordinance or resolution unless otherwise specified. The adopted budget must regulate the City's expenditures, and it is unlawful for any City officer to expend or contract for expenditures in any fiscal year except pursuant to the adopted budget. The City Commission may at any time within a fiscal year, or within 60 days following the end of the fiscal year, amend the budget for that year.<sup>49</sup> Additionally, GFOA Best Practices<sup>50</sup> recommend that all governments establish a formal set of processes for comparing budget to actual results to monitor financial performance. Establishing and conducting regular budget monitoring provides organizations the opportunity to promptly adjust for any significant variances to ensure continuity of services.

Our examination of City records and discussions with City personnel disclosed that the City's budgetary process could be improved. Specifically, we noted that:

<sup>48</sup> Section 166.241(2), Florida Statutes.

<sup>49</sup> Section 166.241(5), Florida Statutes (2019).

<sup>50</sup> GFOA Best Practice: *Budget Monitoring*, March 2018.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

- The City approved resolutions<sup>51</sup> adopting budgets for the 2018-19 and 2019-20 fiscal years. The adopted budgets presented budgeted expenditures at the department, account, and project level for the General Fund and at the function and project level for the other City funds<sup>52</sup> and included a summary of the General Fund's budgeted expenditures by function. However, the resolutions did not include language specifying the legal level of budgetary control. Upon inquiry, City personnel indicated the City had not defined the legal level of budgetary control but had implemented several budget policies. However, the budget policies also did not define the legal level of budgetary control, and, in the absence of such, the established legal level of budgetary control was the lowest level at which budgeted expenditure amounts were presented in the adopted budgets.
- Although the adopted budgets presented budgeted expenditures at the department, account, and project level for the General Fund and at the function and project level for the other City funds, the budgeted expenditures were reported in the City's 2018-19 and 2019-20 fiscal year audited financial statements at the function level (e.g., general government), and the budgets did not include reconciling information between the summary of the General Fund's budgeted expenditures by function and the budgeted expenditures by department, account, and project. As a result, financial statement users could not readily determine whether City resources were expended within the budgeted amounts consistent with City Commission intent.<sup>53</sup>
- Budget-to-actual comparison reports had not been provided to the City Commission since June 30, 2018. In response to our inquiry, City personnel indicated in September 2020 that Budget and Finance Department personnel conducted quarterly budget meetings with every department to review their budget-to-actual performance. Starting with the 2020-21 fiscal year, Budget and Finance Department personnel began providing the Audit and Finance Committee, consisting of two of the seven members of the City Commission, with quarterly budget-to-actual comparison reports. However, absent timely presented budget-to-actual comparison reports presented to the entire City Commission, the City Commission and the public lack the information necessary to gain an appropriate understanding of the City's financial status, and the City Commission may lack the information necessary to promptly adjust for significant variances and ensure continuity of services.

**Recommendation:** The City Commission should enhance controls over the budgetary process to ensure that:

- **The desired legal level of budgetary control is established for City budgets.**
- **Budgeted expenditures reported on the financial statements accurately reflect the established legal level of budgetary control to enable financial statement users to readily determine whether resources were expended within budgeted amounts consistent with City Commission intent.**

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<sup>51</sup> City of Gainesville Resolution Nos. 180364 and 190397 adopted the City's 2018-19 and 2019-20 fiscal year budgets, respectively.

<sup>52</sup> The City Commission separately approves the GRU annual budgets (for example, City of Gainesville Resolution No. 190368 for the 2019-20 fiscal year GRU budget), and GRU budget documents indicate that the GRU budget is presented in accordance with the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts.

<sup>53</sup> The GRU posts quarterly *Budget to Actual Comparison* reports on its Web site, and the reports are presented using the same FERC basis of accounting used in the City Commission-approved budget, which enables readers to readily determine whether GRU resources were expended within budgeted amounts consistent with City Commission intent.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- Budget-to-actual comparison reports are timely presented to the entire City Commission.

**Finding 11: Transparency of Golf Course Operations**

The City of Gainesville owns and operates Ironwood Golf Course (Ironwood). Ironwood was acquired by the City in March 1992 for \$1.2 million and is managed by the City Department of Parks, Recreation, and Cultural Affairs. The City accounts for Ironwood’s financial activities in the General Fund; however, prior to the 2019-20 fiscal year, Ironwood’s financial activities were accounted for separately in the Ironwood Golf Course Fund.

As shown in Table 9, Ironwood experienced operating losses ranging from \$639,228 to \$1,058,563 for the 2014-15 through 2018-19 fiscal years. To mitigate the operating losses, the City transferred General Fund moneys ranging from \$783,691 to \$832,450 to the Ironwood Golf Course Fund in each of those fiscal years.

**Table 9  
Ironwood Golf Course Fund Operating Losses  
For the 2014-15 Through 2018-19 Fiscal Years**

	2014-15	2015-16	2016-17	2017-18	2018-19
Operating Revenues	\$ 892,998	\$ 895,996	\$ 539,477	\$ 776,184	\$ 937,299
Operating Expenses	(1,532,226)	(1,660,862)	(1,598,040)	(1,718,551)	(1,714,146)
<b>Operating Loss</b>	<b>(639,228)</b>	<b>(764,866)</b>	<b>(1,058,563)</b>	<b>(942,367)</b>	<b>(776,847)</b>
Net Nonoperating Expenses	(60,955)	(62,854)	(48,706)	(67,895)	(63,454)
Capital Contributions		78,295	28,776	71,182	
Transfers Out	(4,977)	(5,016)	(5,017)	(5,736)	(6,082)
<b>Change in Net Position before General Fund Transfers</b>	<b>(705,160)</b>	<b>(754,441)</b>	<b>(1,083,510)</b>	<b>(944,816)</b>	<b>(846,383)</b>
Transfers In from General Fund	832,450	804,746	783,691	813,684	799,700
<b>Increase (Decrease) in Net Position</b>	<b>\$ 127,290</b>	<b>\$ 50,305</b>	<b>\$ (299,819)</b>	<b>\$ (131,132)</b>	<b>\$ (46,683)</b>

Source: City’s audited financial statements.

For several years, the City attempted to identify and remediate the factors resulting in the Ironwood operating losses. For example:

- In 2009,<sup>54</sup> the City Commission met several times and:
  - Hired a consultant to evaluate Ironwood and its operations and provide options and recommendations.
  - Based on recommendations from the consultant and City personnel, decided to complete capital improvements essential to the ongoing viability of the golf course beginning in April 2010.

<sup>54</sup> City Commission meeting minutes for meetings held on February 19, 2009, May 21, 2009, and September 17, 2009.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- Decided to continue reporting Ironwood as an enterprise fund and make annual transfers of \$300,000 over a 10-year period to pay off accumulated deficit, then begin accounting for Ironwood operations in the General Fund beginning with the 2019-20 fiscal year. Once in the General Fund, the City would no longer assess indirect costs to Ironwood,<sup>55</sup> and Ironwood would be treated like other Parks, Recreation, and Cultural Affairs operations with no expectation of being self-sustaining.
- In 2013,<sup>56</sup> the City Commission awarded a contract to a contractor for full groundskeeping services and maintenance to enhance the appearance of the golf course.
- In 2014,<sup>57</sup> the Recreation, Cultural Affairs and Public Works Committee discussed marketing strategies to increase course revenues.

Notwithstanding these efforts, Ironwood continued to experience operating losses. As noted above, the City began reporting Ironwood within the City's General Fund in the 2019-20 fiscal year. By reporting Ironwood in the City's General Fund, the operations of the golf course are no longer discretely presented in the City's audited financial statements, and Ironwood's financial position is less transparent.

When asked how City personnel could continue to monitor the financial position of Ironwood, they indicated that Budget and Finance Department personnel hold quarterly budget meetings with each department, including the Parks, Recreation and Cultural Affairs Department, to review their budget-to-actual performance and financial position. As it is the City's intent to retain Ironwood as a recreational facility, providing periodic financial reports of Ironwood's operations to the City Commission for discussion would allow the City Commission to periodically assess Ironwood's financial activity and provide information necessary to make informed decisions about Ironwood's operations. In addition, discussion of such financial reports at public meetings would provide transparency of Ironwood's operations to members of the public.

**Recommendation: To increase accountability and transparency regarding Ironwood, we recommend the City provide periodic financial reports of Ironwood's operations to the City Commission for discussion in a public meeting.**

**Finding 12: Gainesville Community Reinvestment Area**

State law<sup>58</sup> authorizes the creation of community redevelopment agencies (CRAs) by counties and municipalities for the purpose of redeveloping slums and blighted areas that are injurious to the public health, safety, morals, and welfare of residents and providing affordable housing to residents of low and moderate income, including the elderly. State law also addresses CRA powers, funding, expenditure restrictions, and reporting and audit requirements.

<sup>55</sup> For the 2018-19 fiscal year, the last fiscal year in which indirect costs were allocated to Ironwood, the City charged Ironwood indirect costs of \$256,194.

<sup>56</sup> City of Gainesville agenda item 120296, dated October 17, 2013.

<sup>57</sup> City of Gainesville agenda item 130455, dated January 27, 2014.

<sup>58</sup> Chapter 163, Part III, Florida Statutes, also known as the "Community Redevelopment Act of 1969."

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

A CRA is funded through tax increment financing whereby, generally, the CRA annually receives 95 percent of the difference between the amount of ad valorem taxes levied by each taxing authority (exclusive of amounts derived from debt service millage) on taxable properties within the designated community redevelopment area and the amount of taxes that would have been produced by the millage rates levied by the taxing authorities prior to the effective date of the ordinance providing for the funding.

The Gainesville Community Redevelopment Agency (Gainesville CRA)<sup>59</sup> was made up of four distinct districts established between 1979 and 2001, each with its own redevelopment plan, budget, and advisory board. The Gainesville CRA was governed by the City Commission seated as the Gainesville CRA Board and the City Manager also held the position of Executive Director of the Gainesville CRA. During the 2018-19 fiscal year, the Gainesville CRA operated four redevelopment districts and incremental tax revenues collectively totaling \$4.3 million were deposited in the respective special revenue trust funds established to account for redevelopment trust fund financial activity associated with these districts.

In April 2019, pursuant to State law,<sup>60</sup> the City and the Alachua County Board of County Commissioners (County) entered into an interlocal agreement providing that the City Commission would adopt an ordinance creating the Gainesville Community Reinvestment Area (GCRA) and establishing requirements for the GCRA pertaining to GCRA funding and annual work plans. The interlocal agreement was effective April 9, 2019, with a termination date of December 31, 2029. In September 2019, the City Commission adopted an ordinance,<sup>61</sup> effective October 1, 2019, dissolving the Gainesville CRA, creating the GCRA, and incorporating the pertinent interlocal agreement provisions. The City dissolved the Gainesville CRA and created the GCRA effectively avoiding changes to State law that the Florida Legislature was considering. According to a Frequently Asked Questions document located on the GCRA Web site, the City and County wished to “insulate the GCRA from future state legislative mandates.”

Since October 1, 2019, State law<sup>62</sup> has required increased accountability and transparency for CRAs. For example, State law requires CRAs with revenues or a total of expenditures and expenses in excess of \$100,000, to provide for a financial audit each fiscal year in accordance with rules for audits of local governments adopted by the Auditor General;<sup>63</sup> greater specificity for the types of expenditures that a CRA may incur; and the CRA to report performance data and provide a summary indicating to what extent, if any, the CRA has achieved the goals set out in its community redevelopment plan.

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<sup>59</sup> City of Gainesville Resolution R-81-84, dated September 28, 1981, renamed the existing Downtown Community Redevelopment Agency as the Gainesville CRA.

<sup>60</sup> Chapter 163, Florida Statutes.

<sup>61</sup> City of Gainesville Resolution No. 181001, which is codified as Chapter 2, Article V, Division 9 of the City of Gainesville Code of Ordinances.

<sup>62</sup> Chapter 2019-163, Laws of Florida, and Sections 163.387(6), (7) and (8)(a) and (b), and 163.371(2), Florida Statutes.

<sup>63</sup> Chapter 10.550, Rules of the Auditor General, prescribes requirements for local governmental entity financial audits.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

By dissolving the Gainesville CRA and creating the GCRA, the City effectively removed its redevelopment activities from State law accountability and transparency requirements applicable to CRAs. The GCRA is not a separate governmental entity but instead is administered as a City department and because the GCRA is not a CRA as contemplated by State law, the GCRA is not funded by tax increment financing. Instead, City ordinances<sup>64</sup> and the interlocal agreement include schedules of ten annual contributions the City and County are each required to make to the GCRA for reinvestment activities, with City and County contributions totaling \$37.4 and \$33.3 million, respectively.

City Ordinances include certain requirements designed to provide for accountability over GCRA operations. For example, the City Commission must adopt a reinvestment plan to guide community redevelopment within the GCRA,<sup>65</sup> separate funds must be maintained to account for GCRA revenues and expenditures,<sup>66</sup> and the City must annually present a work plan describing planned GCRA community redevelopment and report GCRA community redevelopment activities for the preceding calendar year.<sup>67</sup> However, certain other requirements would enhance transparency and accountability for City redevelopment activities. For example, we noted that:

- City ordinances do not provide for a separate annual audit of the GCRA. Although the GCRA financial operations are audited as part of the City's annual financial audit, requiring a periodic external or internal audit of the GCRA's compliance with City ordinances, policies, and procedures governing GCRA operations would improve accountability for GCRA resources, provide additional transparency regarding GCRA operations, and provide the City and the County with additional assurance as to the proper use and disposition of GCRA trust fund moneys.
- City ordinances<sup>68</sup> specify certain purposes for which GCRA trust fund moneys may not be used including, for example, construction or expansion of administrative buildings for public bodies or police and fire buildings, unless the construction or expansion is contemplated as part of a community policing innovation, or general government operating expenses unrelated to community redevelopment. However, City ordinances do not otherwise limit GCRA expenditures. Specifically, City ordinances do not require the GCRA to only expend moneys pursuant to the City Commission-adopted reinvestment plan. Prescribing specific purposes for which GCRA trust fund moneys may be expended and requiring that such moneys be expended only pursuant to the City Commission-adopted reinvestment plan would provide additional assurance that GCRA moneys are expended consistent with City and County intent.
- City ordinances<sup>69</sup> provide that on or before April 1 of each year the City Commission will hold a joint meeting with the County, at which the City will present an annual (or longer duration) work plan that describes the GCRA's planned community redevelopment and an annual report of GCRA community reinvestment activities for the preceding calendar year. However, City ordinances do not specify performance data or require a summary of the extent to which the GCRA achieved the goals set out in the work plan. Imposing some performance reporting

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<sup>64</sup> Section 2-409, City of Gainesville Code of Ordinances.

<sup>65</sup> Section 2-410, City of Gainesville Code of Ordinances.

<sup>66</sup> Section 2-409, City of Gainesville Code of Ordinances.

<sup>67</sup> Section 2-407, City of Gainesville Code of Ordinances.

<sup>68</sup> Section 2-409, City of Gainesville Code of Ordinances.

<sup>69</sup> Section 2-407, City of Gainesville Code of Ordinances.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

requirements on the GCRA would provide the City, the County, and the general public additional information necessary to assess whether the GCRA is operating effective.

**Recommendation: We recommend that City ordinances be amended to establish additional GCRA accountability and transparency provisions. The additional provisions could include, for example, an audit requirement, a requirement that the GCRA only expend trust fund moneys pursuant to the City Commission-adopted reinvestment plan, and a performance reporting requirement.**

PAYROLL AND PERSONNEL ADMINISTRATION

Effective payroll policies and procedures establish controls to ensure that payroll transactions are handled accurately and consistently in accordance with applicable laws and the directives of the City Commission and City management. Effective personnel policies and procedures address, among other things, employee background screenings and evaluation of employee performance.

**Finding 13: Employee Background Screenings**

State laws<sup>70</sup> provide for background screenings for employees in positions of special trust or responsibility or sensitive location. For example, a level 2 background screening<sup>71</sup> is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system; and certain State employment positions. Although municipalities are not required to conduct background screenings under State law, the City has established a policy<sup>72</sup> that provides for “screening assessments” and established Human Resources (HR) Practices (Practices)<sup>73</sup> to describe the screening process. The HR Practices provide that:

- The HR Technician will order the following types of background screenings: Identity confirmation, consumer report (when credit history is job-related), and criminal history.
- “Unfavorable” screening results will be communicated to the Staffing Services Manager, who will consult the Assistant HR Director and possibly the HR Director or the City Attorney to jointly assess the risks of employing the applicant based upon the job’s requirement. The unfavorable results will be considered based upon the nature of the work to be performed, job responsibilities, the level of risk the offense may pose, the time that has passed since the offense, and whether there is a pattern of the same or similar violations.
- Background screening information will be maintained electronically in a file separate from employee personnel files.

<sup>70</sup> Sections 409.175, 110.1127, and 1012.32(2)(a), Florida Statutes.

<sup>71</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

<sup>72</sup> City Human Resource Policy E-1, *Employment*.

<sup>73</sup> Human Resources Practices – *Background Screening Process*.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- The HR Department is accountable for ensuring fairness and consistency in background processing decisions.

However, we noted that the HR Practices could be improved to:

- Define what constitutes an “unfavorable” background screening result that would require consideration by the Staffing Services Manager, Assistant HR Director, HR Director, and City Attorney.
- Identify the types of offenses that would be considered disqualifiers or potential disqualifiers for employment, regardless of job requirements.
- Describe how the consideration of “unfavorable” background screening results by City personnel will be documented in the personnel records.
- Require periodic screenings of employees in executive-level positions, in positions of trust, or who work with vulnerable populations.

While it is the City’s practice to perform background screenings on all applicants prior to employment, the absence of an official policy identifying these items increases the risk that individuals hired for positions of special trust and responsibility may not be suitable for employment in such a position.

From a population of 712 employees hired during the period October 2018 through February 2020, we examined records for 30 individuals to determine whether the individuals had undergone background screenings prior to employment. All the employees in our tests had undergone a background screening; however, one employee’s screening disclosed convictions for two second degree misdemeanors and one first degree misdemeanor. In response to our request for documentation evidencing consideration of the results by the various City personnel required to review screening results per the HR Practices, City personnel indicated that notes evidencing such consideration were not prepared because the applicant was deemed acceptable.

Enhanced HR Practices defining what constitutes an unfavorable background screening result, identifying the types of offenses that would be considered disqualifiers for City employment, requiring documentation of consideration of unfavorable screening results, and requiring periodic screenings for City employees in executive-level positions, in positions of trust, or who work with vulnerable populations, would provide additional assurance that individuals employed by the City have suitable backgrounds.

**Recommendation:** We recommend that the City enhance policies and procedures to:

- **Define what constitutes an unfavorable background screening result, specifically identifying the type of offenses that would be considered disqualifiers or potential disqualifiers for employment.**
- **Require the HR Practice-required consideration of unfavorable background screening results to be documented in writing and maintained in City records.**
- **Require periodic screenings of employees in executive-level positions, in positions of trust, and who work with vulnerable populations.**

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

**Finding 14: Employee Evaluations**

City policy<sup>74</sup> requires the City to establish and maintain a formal performance management program for all regular non-represented employees, which includes management, administrative, and professional employees. The performance management program is to link performance to pay, support the market mid-point pay structure, and motivate employees to achieve the City Commission-established organizational goals and objectives. The policy recognizes that performance management covers the entire management responsibility of monitoring and managing employee performance, including: the development of goals, objectives, and development plans; the monitoring and annual evaluation of performance; a process to address poor performers through performance improvement plans and progressive discipline; and the communication and training necessary to provide employees with an understanding of the process used to evaluate performance and determine pay.

To accomplish these goals and objectives, the City Commission designated the HR Department to maintain and administer a Citywide Performance Management System (PM System), which is part of the HR Module of the City's enterprise resource planning application.

The PM System provides a comprehensive and systematic way to:

- Evaluate performance for the achievement of individual, departmental, and organizational goals.
- Reward top performers and incent low performers to improve.
- Establish developmental plans for every employee to encourage each employee to optimize their potential.
- Link individual's pay to the successful accomplishment of individual, departmental, and organizational goals through the performance evaluation process.
- Provide a mechanism to manage pay to the market mid-point system.
- Communicate to employees the process used to evaluate and reward performance.

The PM System has several components, one of which is to monitor the completion of the annual employee performance evaluations at the end of each fiscal year.

As part of our audit, we reviewed the evaluations for 30 selected employees from the population of 2,873 City employees employed during the 2018-19 fiscal year. Our examination disclosed that the evaluation for 1 employee was not completed and signed by the employee and the employee's supervisor, and evaluations for 6 employees were not promptly communicated to the employee. These evaluations were communicated to the employee 14 to 449 days after the evaluation due dates, with an average of 307 days late.

In response to our audit inquiry, City personnel indicated that the PM System generates automatic alerts reminding supervisors and employees at various phases in the evaluation cycle to complete the evaluation form. If the alert is for an employee who no longer reports to the supervisor, the supervisor is

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<sup>74</sup> Human Resources Policy C-5 *Performance Management Policy*.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

instructed to notify HR so an update can be made to the PM System. Police officers and firefighters frequently rotate on different shifts and assignments and, as a result, report to multiple or different supervisors and, as the evaluation update process is manual, updates are not always timely. The delays in completing the evaluations we noted were due to a change in supervisor during the rating period. Notwithstanding this response, City policy indicates that annual evaluations are required at the end of each fiscal year, and the HR Module indicated that the 2018-19 fiscal year evaluations were due on December 31, 2019.

Timely conducted performance evaluations are an important management tool to inform employees of their accomplishments, training needs and areas for improvement, and to assist management in making and supporting personnel decisions. In addition, evaluations are used to determine and support pay increases and to motivate employees to achieve the City Commission-established organizational goals and objectives.

**Recommendation: The City should ensure that performance evaluations are timely performed at least annually for all City employees and documented in the personnel files.**

**EXPENDITURES – USE OF PUBLIC RESOURCES, PURCHASING CARDS, AND TRAVEL**

Included in City Commission stewardship and fiduciary responsibilities associated with managing public resources is the responsibility to ensure that City controls provide for the effective and efficient use of resources in accordance with applicable laws, contracts, grant agreements, and City ordinances, policies, and procedures. To promote responsible spending and improved accountability, it is important that the City consistently utilize an effective and efficient process for procurement and that City records demonstrate that public funds are properly utilized in fulfilling the legally established responsibilities of the City.

**Finding 15: Selection of Debt Professionals**

During the period September 2017 through February 2020, the GRU issued \$954 million of bonded debt, and \$40 million of commercial paper notes. Specifically, the GRU issued:

- Utilities System Revenue Bonds, Series 2017A,<sup>75</sup> 2017B,<sup>76</sup> and 2017C,<sup>77</sup> totaling \$681 million, to finance the acquisition of the Gainesville Renewable Energy Center power generation station (GREC Biomass Plant).
- Subordinated Utilities System Revenue Bonds, Series 2018A of \$25 million, to fund capital projects and other improvements to the utilities systems.<sup>78</sup>

<sup>75</sup> City of Gainesville Resolution 170394, September 21, 2017.

<sup>76</sup> City of Gainesville Resolution 170403, September 21, 2017.

<sup>77</sup> City of Gainesville Resolution 170404, September 21, 2017.

<sup>78</sup> City of Gainesville Resolution 171089, May 17, 2018. This bond issue functions similarly to a line of credit, in which up to \$25 million may be drawn upon and outstanding at one time. As of September 2020, the City had not issued any bonds pursuant to this bond issue.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

- Utilities System Revenue Bonds, Series 2019A and 2019B, totaling \$181 million, to fund capital improvements to the system and refund outstanding commercial paper notes Series C and D and variable rate utilities system revenue bonds Series 2005B.<sup>79</sup>
- Utilities System Revenue Bonds, Series 2019C, in the amount of \$67 million, to fund capital projects and other improvements to the utilities systems and to refund outstanding variable rate bonds Series 2005C, 2006A, 2007A, 2008B, and 2012B.<sup>80</sup>
- Utilities System Commercial Paper Notes, Series C, of \$40 million, to partially fund 2018 capital improvement program for the utilities system.<sup>81</sup>

Governments typically employ professionals, such as a municipal advisor, legal counsel, and an underwriter<sup>82</sup> to assist in the debt issuance process. Municipal advisors can assist in determining the debt sale method and may have various other responsibilities depending on which sale method is selected. Legal counsel renders an opinion on the validity of the note offering; the security for the offering; and whether, and to what extent, interest on the debt is exempt from income and other taxation. According to the GFOA,<sup>83</sup> the opinion of legal counsel provides, both to issuers and to investors who purchase the notes, assurance that all legal and tax requirements relevant to the matters covered by the opinion are met.

Insofar as the GRU has significantly higher debt leverage than its peers (as discussed in Finding 1), it is especially important for the City to contract with the most qualified professionals. The GFOA recommends that issuers selecting municipal advisors, legal counsel, and underwriters to assist with the debt issuance process employ a competitive selection process and review their relationships with debt professionals periodically. A competitive selection process:

- Allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria.
- Provides objective assurance that the best services and interest rates are obtained at the lowest cost possible.
- Demonstrates that marketing and procurement decisions are free of self-interest and personal or political influences, reducing the opportunity for fraud and abuse and providing fairness to competing professionals.

Our audit procedures disclosed that, during the period February 2017 through February 2020, the City did not competitively select certain professionals who assisted in the bond issuance process for that period. Specifically, the GRU did not competitively select:

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<sup>79</sup> City of Gainesville Resolution 180747, February 21, 2019.

<sup>80</sup> City of Gainesville Resolution 180818, March 21, 2019.

<sup>81</sup> City of Gainesville Resolution 171087, May 17, 2018.

<sup>82</sup> Underwriters purchase debt securities, such as government, corporate, or municipal debt, from an issuing body (like a government agency) to resell them either directly to the marketplace or to dealers, who will sell them to other buyers.

<sup>83</sup> GFOA Best Practice: *Selecting Bond Counsel*.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- The municipal advisor who was paid a total of \$505,925. Our examination of GRU records disclosed that in February 2006,<sup>84</sup> pursuant to competitive selection, the City Commission contracted with the advisor for a 5-year period. In January 2012,<sup>85</sup> the City Commission approved a 5-year contract extension, and on March 2, 2017,<sup>86</sup> the City Commission approved another 5-year extension through March 22, 2022. In response to our inquiry, GRU personnel indicated that, because the municipal advisor had extensive history in the region and had provided years of service as municipal advisor for the GRU, the contract has been extended since 2006 absent a competitive selection process.
- The bond counsel who was paid a total of \$798,004. Our examination of GRU records disclosed that, in May 2014 pursuant to competitive selection, the GRU contracted with the bond counsel and, because the contract lacked an established term, the GRU continued to use the bond counsel through July 2020. In response to our inquiry, GRU personnel indicated that City policy<sup>87</sup> exempted legal services from competitive solicitation; therefore, the bond counsel was not competitively selected. Additionally, the City Attorney indicated that the City retained the bond counsel since May 2014 without conducting an additional competitive selection process because she believes the bond counsel's extensive knowledge and history and familiarity with the City results in cost savings for the City.

Notwithstanding City Attorney and GRU personnel's satisfaction with the services provided by its current municipal advisor and bond counsel and the City policy exemption for competitive procurement of legal services, without periodically employing a competitive selection process to select professionals to assist in the debt issuance process, the GRU cannot demonstrate that it contracted with the most qualified professionals, received the best services and interest rates at the lowest cost possible, or that the selection process was free from self-interest and personal or political influences. In the absence of a competitive selection process, a documented periodic evaluation of the City's relationships with debt professionals would provide some assurance that the relationships continue to provide the best services and value.

**Recommendation: When selecting professionals to assist in the debt issuance process, we recommend that the City employ a competitive selection process. In addition, the City should periodically reevaluate ongoing relationships and document the results of the evaluation.**

**Finding 16: Purchasing Cards – Periodic Reviews**

To provide an efficient and effective procurement method for employees to purchase low dollar goods and services and reduce the administrative costs of processing purchase orders, the City and GRU established a purchasing card (P-card) program. Although P-cards provide an efficient and effective method for purchasing and paying for supplies and services, P-cards are vulnerable to fraud and misuse

<sup>84</sup> City of Gainesville Resolution 050899, February 13, 2006.

<sup>85</sup> City of Gainesville Resolution 110627, January 19, 2012.

<sup>86</sup> City of Gainesville Resolution 160743, March 2, 2017.

<sup>87</sup> Section 6.6(f), City of Gainesville Procurement Policy. Prior to July 10, 2017, legal services exceeding \$50,000 were required to be competitively selected.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS**  
**NOT AN AUDIT REPORT**

and, therefore, it is essential that City policies and procedures provide effective controls over the safeguard, accountability, and use of P-cards.

City and GRU P-card procedures are established in the *Financial Services Procedures Manual*<sup>88</sup> and *Purchasing Card Program Procedures*, respectively. City P-card procedures provide that the Department Head is responsible for approving P-card assignments and setting two limits for each cardholder, a single purchase limit and a monthly purchase limit. In addition, the Department Head is responsible for initiating and authorizing requests for spending limit changes. The GRU's P-card procedures provide that department supervisors and managers are authorized to request a purchasing card for employees who need to purchase goods and services for their department and designate a single purchase limit and monthly purchase limit for each cardholder. The procedures also provide that the supervisor or manager is responsible for authorizing changes to a cardholder's single or monthly purchase limit.

During the period October 2018 through January 2020, the City's general government P-card expenditures totaled \$7.1 million and the GRU's P-card expenditures totaled \$7.7 million. As of January 31, 2020, there were 190 and 339 employees with active City general government and GRU P-cards, respectively. To determine the reasonableness of the City's general government and GRU employee P-card monthly purchase limits, for cardholders with credit limits over \$1,000, we compared the highest monthly purchase amount for each cardholder during the period October 2018 through January 2020 to the cardholders' monthly purchase limit. We found that, given the amount of the cardholder's highest monthly purchases, it appeared 98 City general government P-cards and 157 GRU P-cards had excessive credit limits, ranging from \$2,000 to \$35,000. The usage for these cards ranged between 1 and 49 percent of the limits for the City general government P-cards and 2 and 49 percent of the limits for the GRU P-cards. In addition, 12 City general government cardholders and 21 GRU cardholders with credit limits ranging from \$2,000 to \$35,000 did not use their cards during the period.

Our discussions with City and GRU personnel and examination of City records disclosed that the City and GRU did not perform periodic reviews and evaluations of P-card use and the reasonableness of cardholder purchasing limits relative to the frequency and dollar amounts of actual P-card usage as neither the City's *Financial Services Procedures Manual*, the GRU's *Purchasing Card Program Procedures*, or other City and GRU policies and procedures required such reviews and evaluations.

In response to our inquiry, City personnel indicated that, previously two employees conducted general government P-card reviews; however, the employees are no longer employed with the City and their positions have not been filled. GRU personnel indicated in response to our inquiry that the department employee manager is responsible for requesting, assigning, and maintaining P-card limits for their employees and they could not answer whether the department manager performed periodic reviews of the limits.

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<sup>88</sup> Chapter 43-000 is dedicated to the Procurement Card Program. Section 43-323 of the manual relates to dollar limitations.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

Without periodic reviews and evaluations of P-card use and cardholder purchasing limits, there is an increased risk that P-card errors, fraud, or misuse could occur and not be timely detected and resolved and the P-card purchasing limits may exceed the amounts needed relative to the cardholder's responsibilities.

**Recommendation: The City and GRU should enhance their procedures to require periodic reviews and evaluations of P-card use and cardholder purchasing limits. Based on the evaluation results, appropriate actions, such as adjustments to purchasing limits should be promptly taken.**

**Finding 17: Purchasing Cards – Separations**

During the period October 2018, through January 2020, 27 City general government employees and 26 GRU employees who had been assigned P-cards separated from employment. Per City personnel, when an employee separates, each department is required to collect the P-card from the employee and fill out a Procurement Card Request Form stating to cancel the card. Once the Purchasing Department receives the form with the P-card, the individual's account will be "suspended" for several cycles to ensure that all charges and credits previously made have been applied. The P-card is unable to be used for new purchases once placed in the suspended profile. The GRU has a similar process but uses a different form.

To determine whether P-cards had been timely suspended upon the cardholders' employment separation, we requested for examination records supporting the 29 City general government P-cards (assigned to 27 employees) and the 27 GRU P-cards (assigned to 26 employees) showing when each P-card was suspended and could no longer be used for new purchases. City general government personnel indicated that it was not possible to generate a report that showed the suspend date but could provide a report that showed an inactive date<sup>89</sup> instead. Therefore, for the City general government analysis, we used the inactive date and identified 19 P-cards, assigned to 19 cardholders, that were deactivated 17 to 182 days, or an average of 65 days, after the employees' separation dates. Our examination also disclosed 3 GRU P-cards, assigned to 3 cardholders, that were suspended from 24 to 32 days, or an average of 27 days, after the employees' separation dates.

Although our audit tests did not disclose any charges incurred subsequent to the cardholders' separation, prompt cancellation of P-cards upon a cardholder's separation reduces the risk that unauthorized charges will occur.

**Recommendation: The City should strengthen procedures to ensure that P-card privileges are timely suspended upon a cardholder's separation from City employment.**

<sup>89</sup> Per City general government personnel, the inactive date is the date the P-card is actually inactivated or deactivated.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

**Finding 18: Travel**

Effective policies and procedures for the administration of travel advances, travel reimbursements, and other travel-related expenses promote compliance with travel guidelines and requirements and, among other things, require supervisory approval, documented justification for travel, travel by the most economical means possible, and maintenance of documentation supporting the travel expenses incurred. Such policies and procedures provide travelers and those responsible for approving travel and related expenses a clear understanding of their responsibilities. To provide a reasonable and systematic means by which travel for official City business is approved and controlled, the City has established policies and procedures<sup>90</sup> for travel that apply to City elected officials, charter officers, employees, members of advisory boards, volunteers, and all others authorized to travel on City business. The GRU follows the City's travel policies and procedures but has also implemented procedures and standard travel documents<sup>91</sup> specific to the GRU.

During the period October 2018 through February 2020, the GRU recorded 463 travel expenses totaling \$577,739. Our examination of GRU records and discussions with GRU personnel disclosed that controls over travel expenses could be enhanced. Specifically, our examination of records for 24 GRU travel expenses totaling \$80,310 disclosed that:

- Although travel vouchers supporting GRU-approved travel were submitted, contrary to City policy,<sup>92</sup> travel vouchers for 23 GRU expenditures totaling \$78,609 were not signed by the travelers to certify that the expenditures incurred were necessary in the performance of official GRU duties. In response to our inquiries, GRU personnel indicated that their procedures do not require travelers to sign travel vouchers.<sup>93</sup> However, State law requires that any claim authorized or required to be made under any provision of State law<sup>94</sup> shall contain a statement that the expenses were actually incurred by the traveler as necessary travel expenses in the performance of official duties and shall be verified by a written declaration that it is true and correct as to every material matter.<sup>95</sup>
- Although City policy<sup>96</sup> prohibits travelers from being reimbursed for any meal included in a convention or conference registration fee paid by the City without appropriate approval and explanation, three travelers were reimbursed \$48 for lunches provided at a conference. In response to our inquiry, GRU personnel were able to provide an explanation for the reimbursement. However, appropriate approval and explanation was not documented in GRU records at the time of reimbursement.

<sup>90</sup> Chapter 25-000, City of Gainesville *Finance Department Procedures Manual*.

<sup>91</sup> *Gainesville Regional Utilities Travel Procedures*.

<sup>92</sup> City Policy Section 25-260, *Travel Expense Reports* states that each person who travels for the City is required to complete and sign a report containing a full accounting of expenses incurred.

<sup>93</sup> General government and GRU use different travel vouchers in processing travel. The general government travel expense document includes a certification and authorization statement and an area where the traveler signs, whereas the GRU travel expense document does not include such certification or require the traveler to sign.

<sup>94</sup> Section 112.061, Florida Statutes.

<sup>95</sup> Section 112.061(10), Florida Statutes.

<sup>96</sup> City Policy Section 25-233, *Meals*.

**PRELIMINARY AND TENTATIVE AUDIT FINDINGS  
NOT AN AUDIT REPORT**

- 11 GRU employees attended the annual SAP for Utilities conference for a total cost of \$32,037, including \$600 in late registration fees for 3 employees. GRU personnel indicated that 1 employee was added late due to the timing of a change in project focus. The 2 other employees were added late since the registration deadline occurred at the end of the fiscal year and there was uncertainty whether travel completed in the following fiscal year would be covered and authorized. By the time it was clarified, the early registration deadline had expired.
- One traveler incurred additional hotel, meal, and flight expenses that may have been avoided if travel arrangements for a conference had been timely made. Specifically, the traveler purchased airfare 4 days before the flight for a total of \$764 and had to travel 2 days prior to the start of the conference, due to a GRU vehicle not being available,<sup>97</sup> which led to additional costs of \$248 for an additional night at the hotel and a full day of meal reimbursements.

Absent the traveler's attestation that they incurred the expenses reflected on the travel voucher and that the expenses were necessary in the performance of official GRU duties, accountability for travel expenses is limited. Additionally, without policies or procedures regarding how far in advance travel plans should be made, there is an increase risk that travel options will be limited, resulting in additional travel costs.

**Recommendation:** The GRU should enhance travel policies and procedures to require:

- **Travelers sign travel vouchers attesting that they incurred the expenses reflected on the travel voucher and that the expenses were necessary in the performance of official GRU duties.**
- **Verification that travelers are not reimbursed for meals included in conference registration fees. If the City decides to reimburse a traveler for meals included in conference registration fees, appropriate approval documentation should be retained.**
- **Records be retained for each individual documenting the purpose of their conference attendance.**
- **Travel arrangements be made in a timely manner to allow for cost-efficient options to be utilized.**

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<sup>97</sup> The traveler originally planned to drive to the conference in a GRU-owned vehicle.