Performance Audit:
Implementation of Audit
Recommendations to the Departments of
Finance and Watershed Management

October 2010

City Auditor's Office

City of Atlanta

Why We Did This Audit

We undertook this audit to assess the extent to which city officials have taken timely, appropriate corrective action in response to audit findings and recommendations. The city charter requires my office to report on completed audits, major findings, management's corrective actions, and significant findings that have not been fully addressed.

Audit Scope

We assessed 66 recommendations made to the Departments of Watershed Management and Finance in 14 audit reports issued from March 2004 through April 2009. The recommendations range in age from 17 months to more than five years. The median age is about two and a half years.

What We Recommended

We make no new recommendations in this report. We encourage the Departments of Finance and Watershed Management to promptly implement recommendations or identify alternative ways to fix the problems the recommendations were intended to address.

For more information regarding this report, please contact Stephanie Jackson at 404.330.6678 or sjackson@atlantaga.gov.

Performance Audit:

Implementation of Audit Recommendations: Departments of Finance and Watershed Management

What We Found

The Departments of Watershed Management and Finance have implemented 33 of the 66 recommendations we evaluated. The departments have partially implemented another 17 of the recommendations and have told us that they plan to fully implement these recommendations by the end of calendar year 2010. Finally, the departments have yet to implement 16 of the 66 recommendations.

Despite the city's progress, some risks remain. The Department of Finance is responsible for 10 of the 16 unimplemented recommendations. Three of these are of particular concern because they address risks related to non-compliance with state or federal laws. These include practices regarding unclaimed payroll checks and methods to track and accurately report employees' taxable benefits to the IRS. Failure to address these issues could pose risk to the city.

Watershed Management has yet to implement 6 of 16 recommendations. These include reducing the frequency of bills based on estimated water use; reducing and monitoring water loss; developing a small meter maintenance plan that includes periodic site surveys; developing a succession plan for key senior management roles; including mandatory site visits as a condition for bidding construction projects; and summarizing the reasons accounts are uncollectible when submitting write-off legislation.

We plan to follow up on the remaining open recommendations later this year and annually report on implementation status of recommendations going forward.

CITY OF ATLANTA

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October 26, 2010

Honorable Mayor and Members of the City Council:

We undertook this audit to assess the extent to which city officials have taken timely, appropriate corrective action in response to audit findings and recommendations. The city charter requires my office to report on completed audits, major findings, management's corrective actions, and significant findings that which have not been fully addressed. This report is our second follow-up audit; it covers 66 recommendations made only to the Departments of Watershed Management and Finance in 14 audit reports issued from March 2004 through April 2009.

The Departments of Watershed Management and Finance have made progress implementing audit recommendations. They have implemented 33 recommendations and partially implemented 17 of the 66 recommendations we reviewed in this report. Of the 16 recommendations not implemented, 10 were addressed to Finance and 6 to Watershed Management. Both departments have recently undergone changes in upper-level management. We strongly encourage new management to fully implement the remaining recommendations or find alternative solutions to the issues identified in these audits.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Stephanie Jackson, Katrina Clowers, and Dawn Williams.

Leslie Ward   Fred Williams

Implementation of Audit Recommendations
Departments of Finance and Watershed Management

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List of Exhibits

Introduction

We conducted this performance audit of the city's progress in implementing audit recommendations pursuant to Chapter 6 of the Atlanta City Charter, which establishes the City of Atlanta Audit Committee and the City Auditor's Office and outlines their primary duties.

A performance audit is an objective analysis of sufficient, appropriate evidence to assess the performance of an organization, program, activity, or function. Performance audits provide assurance or conclusions to help management and those charged with governance improve program performance and operations, reduce costs, facilitate decision-making, and contribute to public accountability. Performance audits encompass a wide variety of objectives, including those related to assessing program effectiveness and results; economy and efficiency; internal controls; compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance, or summary information.[1]

We undertook this audit to determine whether city officials have taken timely, appropriate corrective action in response to audit findings and recommendations, in accordance with our charter provisions and government auditing standards. We focused our review on 66 audit recommendations made to the Departments of Watershed Management and Finance in 14 audit reports issued from March 2004 through April 2009.

We reported separately in February 2010 on the implementation of 54 audit recommendations we made to other city departments and to the Mayor and City Council. We will report on implementation of an additional 16 recommendations related to the Department of Information Technology in an audit of general controls, to be released in November 2010. We deferred review of 68 recommendations made mostly to the departments of Aviation and Watershed Management to allow more time for implementation.

We issued memos in February and November 2009 describing the city's progress in implementing recommendations made by the city's

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[1] Comptroller General of the United States, *Government Auditing Standards,* Washington, DC: U.S. Government Accountability Office, 2007, p. 17-18.

financial auditor in the management letter accompanying the city's fiscal year 2008 audited financial statements. We are currently evaluating the status of recommendations made by the financial auditor in the fiscal year 2009 management letter. We expect to report on the status of internal controls and progress toward implementing those recommendations in November 2010.

Background

The city charter requires the city auditor's office to report on management's corrective actions to respond to audit recommendations and significant findings that management has not addressed.

City Charter Requires Follow up on Corrective Action

The city auditor's office is responsible for assessing the implementation of prior audit recommendations issued to city departments. The city charter requires our office to submit an annual report to the Mayor and City Council indicating audits completed, along with major findings, corrective actions taken by management, and significant findings which have not been fully addressed by management.[2] Government auditing standards require auditors to evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous audits that are significant to current audit objectives.[3]

Management Agreed with 87% of Audit Recommendations Issued between 2002 and 2009

The city auditor's office made 545 recommendations between May 2002 and April 2009; we split one Finance recommendation into two separate recommendations for follow-up. Management agreed or partially agreed with 87% of the recommendations, disagreed with 2.6% and did not respond to 10.6%. The largest number of recommendations was addressed to the Oracle ERP Steering Committee, followed by the Department of Watershed Management. We have closed 396 (73%) of the recommendations. These include 232 recommendations that have been at least partially implemented

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[2] Atlanta City Charter, Sec. 2-603(3)

[3] Comptroller General of the United States, *Government Auditing Standards,* Washington, DC: U.S. Government Accountability Office, 2007, p. 140.

or addressed in a different way, 105 recommendations that are no longer relevant because of changes in circumstances at the department or other reasons, 42 recommendations that have since been replaced by another recommendation, and 17 recommendations that the department disagrees with and does not plan to implement. All 17 recommendations were addressed to the Department of Watershed Management in the April 2009 *Performance Review of the Department of Watershed Management,* conducted for our office by KPMG. Department management at least partially agreed with all 17 of the recommendations in its written response to the report. About 34% of the 150 recommendations that remain open are addressed to the Department of Watershed Management followed by 19% each to the departments of Finance and Aviation and 8% to the Oracle ERP Steering Committee (see Exhibit 1).

Exhibit 1 Number of Internal Audit Recommendations by Department April 2002 - May 2009

Recommendation Addressed to:	Open as of August 2010	Closed	Total Number of Recommendations
Department of Watershed Management	51	74	125
Department of Finance	29	16	45
Department of Aviation	28	2	30
Oracle Enterprise Resource Planning Steering Committee	12	170	182
Atlanta Police Department	8	18	26
City Council	10	0	10
Department of Procurement	3	20	23
Department of Public Works	2	6	8
Atlanta Municipal Court	0	27	27
Department of Information Technology	4	5	9
Department of Corrections	0	5	5
Department of Law	1	2	3
Office of the Mayor	1	1	2
Department of Parks, Recreation & Cultural Affairs	0	19	19
Department of Human Resources	0	18	18
Atlanta Workforce Development Agency	0	8	8
United Water Services Unlimited Atlanta, LLC	0	4	4
Atlanta Development Authority	0	1	1
TOTAL	**149**	**396**	**545**

Source: City Auditor's Office Recommendation Database as of August 2010

Audit Objectives

This report addresses the following objective:

- To what extent has the city implemented the city auditor's recommendations?

Scope and Methodology

Our scope included detailed assessment of 66 open audit recommendations from 14 audit reports issued from March 2004 through April 2009. Exhibit 2 lists the number of recommendations we followed up on from each audit.

Exhibit 2 Number of Recommendations Evaluated by Audit Report

Report Title	Release Date	Number of Recommendations
Performance Review of the Department of Watershed Management (KPMG)	Apr-09	31
General Fund Budget Review	Apr-08	2
Review of the Oracle ERP First Payroll Run	Apr-08	1
Automated Meter Reading	Dec-07	3
Management and Use of the City's Credit Card Account	Dec-06	5
Write-off of 115 Uncollectible Accounts	Sep-06	1
Payroll Tax Compliance	Apr-06	3
Department of Watershed Management – Consent Decree Monitoring	Apr-06	1
City Payroll Processes	Mar-06	4
Pre-Implementation Review of the ERP System	Nov-05	1
Oracle To-Be Processes	Aug-05	1
Department of Watershed Management: Billing and Collections Follow-up	Nov-04	1
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements	Oct-04	9
Pension Division Payments to Deceased Pensioners	Mar-04	3
	TOTAL	**66**

Source: City Auditor's Office Recommendation Database as of August 2010

About 36% of our recommendations dealt primarily with cost control, revenue collection and cost recovery. Another 15% were intended to improve the effectiveness and efficiency of city processes (see Exhibit 3). We recognize the value of evaluating activities in each of the risk areas and consider performance risks when selecting and planning audits.

Exhibit 3 Number of Recommendations Evaluated by Risk Category

Risk Category	Definition	Number of Recommendations
Cost Control	Efforts to control or reduce city costs	13
Revenue Collection and Cost Recovery	Revenue collection and cost recovery efforts	11
Process Improvement	Improving the effectiveness and efficiency of city processes	10
Compliance with External Regulations	Compliance with external laws, codes, and regulations, and contracts	7
Contract Management	Procurement policies, procedures, and processes	7
Safeguard Assets	Safeguarding or securing the city's physical, financial or information assets	6
Planning & Budgeting	Planning and budgeting practices, policies and procedures	6
Monitoring and Reporting	Monitoring, measuring, and reporting performance, as well as data integrity	5
Human Resource Management	Human Resource functions, training, and employee benefits	1
	TOTAL	66

Source: City Auditor's Office Recommendation Database as of August 2010

The median age of the 66 recommendations we assessed in this report is approximately 2 and a half years. Exhibit 4 shows the number of recommendations grouped by age. The most recent reported recommendations are 17 months old, while the oldest are more than five years old.

Exhibit 4   Age of Recommendations

Age	Frequency	Cumulative Percent
17 months	31	47.0%
2+ years	6	56.1%
3+ years	6	65.2%
4+ years	9	78.8%
5+ years	14	100.0%
AVERAGE	**TOTAL**	
4.17	**66**	

Source: City Auditor's Office Recommendation Database as of August 2010

We conducted this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the corrective actions taken by the responsible entities and evaluated whether the recommendations were fully, partially, or not implemented.

Our audit methods included:

- Compiling and analyzing open audit recommendations.

- Obtaining management's assessment of whether each recommendation has been fully implemented, partially implemented, or not implemented.

- Reviewing departments' responses and data submissions to understand how management addressed each audit recommendation.

- Interviewing management to understand department responses and obtain further clarification on recommendations as needed.

- Testing and analyzing data to confirm management's assessment of the implementation status of the recommendations, including:

- o Assessing the number of hours and estimated dollar amount of outstanding advanced sick leave from July 2009 to May 2010;

- o Reviewing credit card transaction data provided by finance staff to assess credit card expenditure and payment trends;

- o Evaluating meter readings by month for calendar year 2009 to determine whether Watershed reduced estimated and forced reads;

- o Analyzing 2008 and 2009 the city's water loss reports to identify whether Watershed has reduced its water loss; and

- o Reviewing city code provisions, final action legislation and department policies and procedures, and observing department systems and processes to identify how changes address each audit recommendation.

We examined each recommendation and the department's response, and then performed additional test work to evaluate whether we agreed with management's assessment of whether the recommendations were fully, partially or not implemented. The results of our analyses are shown on pages 9 through 23. A list of the implementation status of all recommendations we assessed is included in Appendix A.

Findings and Analysis

Watershed Management and Finance Are Making Progress toward Implementing Recommendations, but Risks Remain

The Departments of Watershed Management and Finance have implemented 33 of the 66 recommendations we evaluated, as shown in Exhibit 5. The departments have partially implemented another 17 of the recommendations and have told us that they plan to fully implement these recommendations by the end of calendar year 2010. Finally, the departments have yet to implement 16 of the 66 recommendations. The Department of Finance is responsible for 10 of the 16 unimplemented recommendations. Three of these are of particular concern because they address risks related to non-compliance with federal laws. The city should work to ensure that all of the outstanding recommendations are implemented promptly.

Exhibit 5 Implementation Status of 66 Recommendations Evaluated
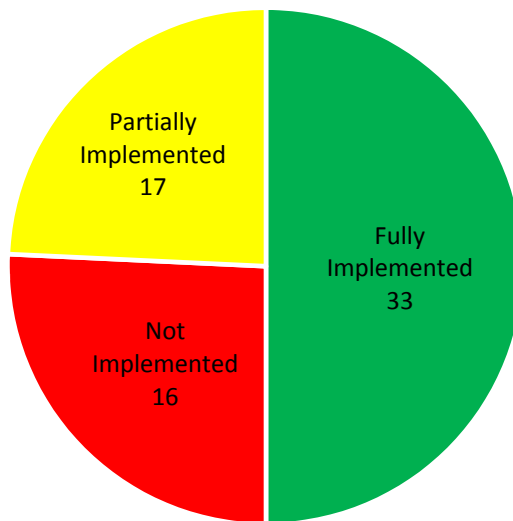
Source: Assessment of Implementation Status of Recommendations

Watershed Management Fully Implemented 58% of the Recommendations We Assessed

The Department of Watershed Management has fully implemented 21 of the 36 recommendations issued in 4 different audit reports. Watershed management partially implemented another 9 recommendations and took no action on 6 recommendations (see Exhibit 6).

Exhibit 6 Status of Watershed Recommendations

Watershed Management	Number of Recommendations
Fully Implemented	21
Partially Implemented	9
Not Implemented	6
Total Recommendations	**36**

The department fully implemented more than half of the recommendations we assessed. For example, in the April 2009 *Performance Review of the Department of Watershed Management*, our consultant, KPMG, recommended watershed management work with City Council and the Department of Law to document procedures and practices for analyzing and writing off bad debt in accordance with city code and state legislation. The council had adopted Ordinance No. 90-O-1324, which provided guidance for writing off bad debt in accordance with general accounting principles, but did not include a time period for writing off uncollectable accounts. State law (O.C.G.A § 9-3-25) establishes a limit of four years to collect debt. The department's current write off policy includes a provision stating that delinquent accounts are subject to write-off after four years in accordance with the statute of limitations listed in the Georgia code. In addition, the department has submitted three pieces of legislation in 2010 to write off delinquent accounts that are more than four years old. Based on the policy changes and steps taken by the department, we conclude that this recommendation is fully implemented.

KPMG also recommended that watershed management implement electronic signature approvals for procurement packages. The Department of Procurement had routed hard-copy documents among six city departments for approval resulting in an average approval time of 95 days in 2008, despite the city's target for contract

approval within 35 days. According to watershed management staff, the department began routing contracts through a new electronic signature process in December 2009 and said that it appears to have improved the processing time. Since watershed management implemented the new process, we conclude that this recommendation is fully implemented.

KPMG also recommended that watershed management develop a policy to guide billing staff in applying consumption estimates to address a concern that the bill edit process was not standardized and allowed for subjectivity. During this process, watershed management staff reviews and edits bills where changes in the consumption exceed established tolerances in enQuesta. According to watershed management staff, the department revised its standard operating procedures for bill editing after the audit. We reviewed the revised procedure to confirm that it provides adequate guidance for billing staff to use when editing bills; we conclude that this recommendation is fully implemented. We did not review the tolerance levels set in enQuesta or assess whether staff reviews all bills identified in the edit process.

KPMG also recommended watershed management document and enforce standardized collections procedures. KPMG reported that watershed management's procedures led to varying and inconsistent collection efforts. Staff used Excel worksheets to document delinquent accounts and collections assignments. The department did not prioritize delinquent accounts and had no policy for when to send delinquent accounts to 3rd party collection agencies. According to watershed management staff, enQuesta reports are now used to identify delinquent accounts, prioritize accounts by bill balance, and assign delinquent accounts to employees for resolution. The department's collections procedure states that delinquent accounts are sent to 3rd party collection agencies 30 days after the account is closed. Therefore, we conclude that this recommendation is fully implemented.

In our November 2004 report *Billing and Collection of Water and Sewer Service Charges Follow-up*, we recommended the department take legal action against customers who turn their water back on after the department shuts if off. Specifically, we recommended the commissioner exercise all options provided in city code, such as plugging or removing the meter. Our review of work order data for fiscal year 2009 to May 2010 showed that the department has plugged or removed approximately 3,800 meters. Because the

department is taking these measures authorized by city code, we conclude that this recommendation is fully implemented.

The department partially implemented 9 of the 36 recommendations we assessed. For example, in its *Performance Review of the Department of Watershed Management,* KPMG recommended watershed management document and enforce dispute resolution policies to address priority of accounts assigned to the dispute resolution team and the number, volume, and frequency of disputed charges allowed for each account. The department has developed a new procedure for resolving disputes that incorporates some, but not all components outlined in the recommendation. While the procedure includes the number, volume and frequency of disputed charges allowed per account, it does not address priority for assigning accounts to the dispute resolution team. Therefore, we conclude that the recommendation is partially implemented.

KPMG also recommended that watershed management review job functions and responsibilities to identify employees' need for cell phones and wireless cards and limit distribution to employees whose job functions require travel away from assigned office space for the majority of each day. KPMG reported that the devices were not being fully used and noted a lack of consistency with the distribution of cell phones and BlackBerrys. According to the audit, 7 of 19 senior administrative assistants had cell phones or BlackBerrys, and 2 of 3 three college interns had cell phones.

We conclude that this recommendation is partially implemented because the department has a telecommunications policy that establishes employee eligibility for devices and requires managers to conduct a bi-annual inventory to ensure that employees continue to demonstrate a need for the equipment. However, watershed management disagrees that travel away from the office should be the criterion for eligibility; rather managers assign telecommunication devices based on their judgments of the operational needs of the department.

KPMG also recommended watershed management staff be skilled in the rate model processes and the Department of Finance and other city stakeholders should independently review and agree upon rate model assumptions, inputs, and outputs. Watershed management staff uses a financial planning and rate model to project capital and operating expenditures and calculate funding requirements from retail water and sewer revenue and bond sales. During the audit,

KPMG found that an external consultant developed, managed and maintained the rate model; watershed management staff was unable to prepare alternative scenarios to analyze the impact of changing assumptions. In fiscal year 2010, watershed management created a position within the department that will be responsible for revenue forecasting and managing the rate model. However, watershed management said in June 2010 that it does not intend to seek input on the rate model from the Department of Finance or other city stakeholders until the city's chief financial officer is hired. Therefore, we conclude that the recommendation is partially implemented.

Unimplemented recommendations pose risk to the department. Watershed management took no action on 6 of the 36 recommendations we assessed. These recommendations range in age from one and a half years (from the *KPMG Performance Review of the Department of Watershed Management*, issued in April 2009) to almost four years (from the *Review of Proposed Ordinance 06-O-1363 to Write Off 115 Uncollectible Accounts*, issued in September 2006). Management at least partially agreed with all six recommendations.

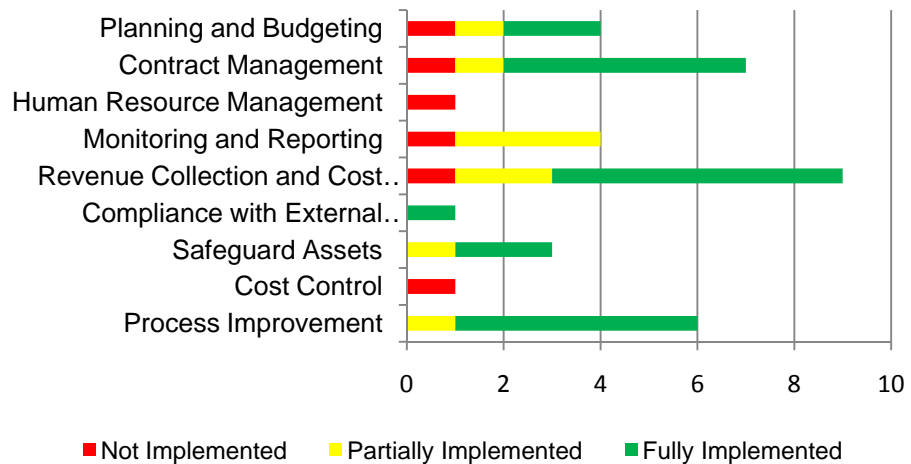Exhibit 7 Implementation Status by Risk Area

Exhibit 7 shows the implementation status of all 36 watershed recommendations by risk category. The unimplemented recommendations are shown in red.   Although watershed management made progress implementing recommendations in most risk areas, the department has yet to implement recommendations that address monitoring and reporting, planning and budgeting,

contract management, human resources management, cost control, and revenue collection and cost recovery. To limit the city's risk exposure, the department should work to implement the remaining six recommendations or identify alternative ways to fix the problems the recommendations were intended to address.

For example, KPMG recommended the department take steps to reduce the frequency of bills based on estimated water use. KPMG reported that the department billed accounts based on estimated consumption 113,000 times in calendar year 2008, representing almost 10% of its billings. As of February 2009, more than 1,300 meters had not been read at all during the previous 12 months and more than 600 meters had not been read at all during the previous 24 months. These included standard meters, which were read manually, and meters with AMR (automated meter reading) technology. The department started the $35 million meter replacement program in 2006. KPMG recommended the department generate priority work orders on meters when consecutive monthly estimates occurred and ensure that newly installed, malfunctioning AMR meters were repaired or replaced promptly.

The department continued to rely on estimated water consumption as the basis for billings throughout 2009. The number of forced and estimated meter readings increased 41% in 2009 compared to 2008. Watershed management staff applied forced or estimated readings approximately 191,000 times in calendar year 2009, representing 11.3% of its billings. An "estimated read" is an estimate of water consumption for the billing period that the billing system generates based on historic consumption. A "forced read" is an estimate of water consumption for the billing period that staff manually inputs into the billing system.

Exhibit 8 shows the percent of monthly bills based on estimated and forced consumption in 2008 and 2009. The percent of bills based on estimated consumption was over 12% between March and September 2009 and began to decrease in October 2009. Watershed management staff expects the decrease to continue in 2010.

Exhibit 8 Comparison of Forced/Estimated Readings by Month 2008 and 2009
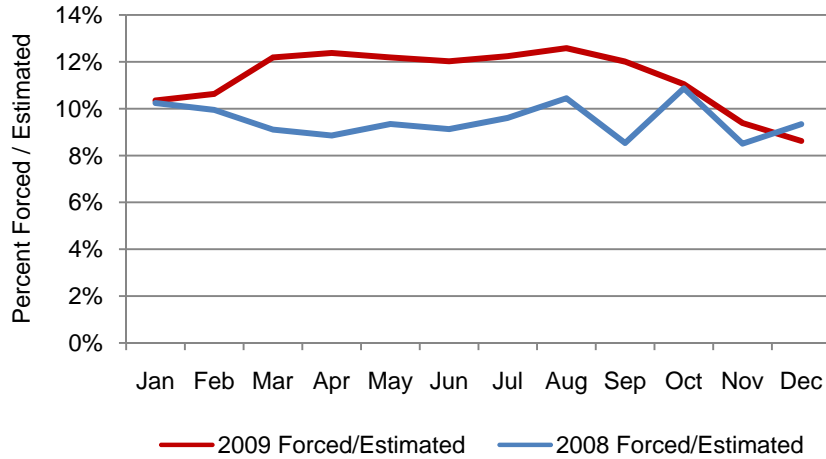
Source: Historical enQuesta billing data

In our December 2007 audit *Department of Watershed Management Automated Meter Reading Program*, we recommended the department develop a maintenance plan for small meters to include periodic site surveys or similar ways to identify operational problems — such as leaks and broken lids — that AMR technology could not detect. AMR reduces operating expenses by collecting meter data remotely but eliminates a visual site inspection that would inform the department of problems, such as broken lids or leaks that are wasteful or potentially hazardous. Although the department has developed a small meter maintenance plan, the plan does not include periodic site surveys. Industry best practices recommend that the water utility revisit meters periodically to ensure proper operation and to protect its assets, even after automation. Periodic site surveys would prompt identification of problems sooner and reduce the number of customer service calls the department receives about defective water meters.

In our September 2006 *Review of Proposed Ordinance 06-O-1363 to Write Off 115 Uncollectible Accounts*, we recommended that when submitting write-off legislation for City Council consideration, watershed management summarize why the accounts are uncollectible, what collection efforts have been made, and which criteria for write-off have been met. Accounts are uncollectible and subject to write-off under any of the following circumstances:

- the 4-year statute of limitation has expired and the account is inactive

- the debtor files for bankruptcy

- the debtor cannot be located

- the account balance cannot be substantiated (no supporting documentation of the debt)

Our intent in making the recommendation was to provide the City Council with more information on which to base decisions and to encourage timely write-off of bad debt. We previously recommended watershed management identify and recommend uncollectible accounts for write-off quarterly because keeping bad debt on the books inflated the department's assets and skewed collection rate calculations. City Council was uncertain whether the department had taken reasonable steps to collect on the accounts.

The 2006 legislation identified 115 uncollectible accounts, each with a balance of $10,000 or more, totaling about $3.26 million. We reviewed a sample of 25 accounts, representing 42% of the total amount owed:

- All 25 accounts had been inactive and delinquent for more than 4 years

- 6 of the account holders had filed for bankruptcy

- 2 accounts appeared to be uncollectible because the debtor could not be located

- 1 account balance could not be substantiated due to insufficient documentation of a disputed debt

The department's collection efforts on the 25 accounts varied. For example, 20 of the accounts had been referred to a collection agency, 11 of the accounts had had service shut off, and 5 of the accounts had been referred for property liens. While the department had not exhausted all collections methods available, the age of the accounts rendered them uncollectible.

The department has not implemented this recommendation. In May 2010, City Council adopted Ordinance No. 10-O-0748 to write off $504,121 of 27 uncollectible water and wastewater accounts with balances over $10,000 and greater than four years old. Exhibit A in the legislation noted the criteria used to identify accounts as uncollectible, but did not summarize the number of accounts meeting the different criteria or the collection efforts made.

Finance Has Fully Implemented 40% of the Recommendations We Assessed

The Department of Finance has fully implemented 12 of the 30 recommendations issued in 10 different audit reports. Finance partially implemented another 8 recommendations and took no action on 10 recommendations (see Exhibit 9). Management has plans to fully implement 10 of the 18 outstanding recommendations.

Exhibit 9 Status of Finance Recommendations

Finance	Number of Recommendations
Fully Implemented	12
Partially Implemented	8
Not Implemented	10
Total Recommendations	**30**

The department fully implemented over a third of the recommendations we assessed. For example, in our March 2006 audit *City Payroll Processes*, we recommended the chief financial officer ensure vacation balances remain below the maximum limit. In July 2009, the City Council approved legislation that requires employees to use all excess leave carried over into 2010 by December 31st. Employee leave represents a financial liability that the city should manage. The city's accrued liability for vacation and compensatory time was $22.5 million at the end of fiscal year 2009. Allowing unlimited accrual of vacation time while providing payments for unused vacation time at the end of employment creates an incentive for employees to misuse leave by, for example, using sick leave for non-medical purposes. Since the council limited leave carryover for 2010, this recommendation has been fully implemented. However, the council introduced legislation to allow employees to carry over excess annual leave and compensatory time through 2013.

In our April 2006 *Payroll Tax Compliance* audit, we recommended the chief financial officer and commissioner of human resources simplify the city's policy on reimbursing moving expenses to conform with IRS (Internal Revenue Service) regulations. We reported in the audit that the payroll division had not reported taxable moving expense reimbursements on eight employees' W-2s or withheld appropriate employment taxes. The city's relocation expenses

policy, revised in March 2010, provides guidance on what expenses are reimbursable and is consistent with those the IRS identified, in accordance with the recommendation.

In our April 2008 *Review of the FY 2008 General Fund Budget*, we recommended the chief financial officer present alternatives to reduce pension costs or offset the increased costs, including consideration of the 2004 Pension Technical Advisory Committee's recommendations. The audit showed that the funding status of pension plans had worsened as city contribution to pension plans grew. The mayor's office presented the results of its pension assessment to the City Council in December 2009. The city reduced annual costs in the short run by changing the amortization method and period used to calculate the annual retirement contribution. The mayor's office presentation outlined additional options to decrease long-term costs by changing benefits while maintaining income replacement ratio and competitiveness goals. This recommendation has been fully implemented.

The department partially implemented 8 of 30 recommendations we assessed. For example, in our March 2004 audit *Pension Division Payments to Deceased Pensioners,* we recommended the director of employee benefits establish a process to identify deceased pensioners as close to their dates of death as possible, and stop payments and initiate action to recover overpayments immediately upon verification of a pensioner's death. The city outsourced its office of retirement services to GEMGroup, a third-party administrator, in November 2009. According to GEMGroup staff, GEMGroup has a policy for handling deceased pensioners. The policy outlines how GEMGroup is notified of the death; procedures for recording the death and stopping payments; and a process for recovering overpayments. However, a benefit fund administrator said GEMGroup needs additional guidance from the city's retirement board on pursuing repayment in cases where the estate or the individual representing the deceased does not return the overpayment to the General Employees Pension Plan.

In our October 2004 memorandum on *Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements*, we recommended the chief financial officer add procedures to reimburse employees for business expenses incurred outside of travel. Finance staff has prepared a draft policy for reimbursing business expenses unrelated to travel that incorporates IRS guidelines. The policy is not yet adopted. Finance staff also plans to automate the reimbursement process and update the travel

and training policy to reflect the city's use of Oracle. The director of general accounting planned to fully implement this recommendation by September 2010.

In our December 2006 audit *Management and Use of City's Credit Card Accounts*, we recommended the finance department change to an account more appropriate for the city's needs that blocks high-risk merchant categories and prohibits cardholders from obtaining cash advances. At the time of the audit, the city's corporate credit card account had features similar to a consumer credit card account; cardholders were allowed to carry a balance and receive cash advances, and purchases were not restricted to specific categories. These features gave cardholders purchasing flexibility, but made it difficult to ensure that all purchases were authorized.

According to finance staff, the department obtained business credit cards from Bank of America in February 2010 and implemented a new policy for card issuance and use for expenses incurred by city employees for travel and training. The policy prohibits use of the card in six high-risk merchant categories: gambling, adult, ISP and hosting services, downloading of software, spas, and dating. The policy also encourages city credit card users to use prudence and good judgment when using a city credit card for official city business. According to finance staff, the department has not verified whether controls are adequate to block improper or questionable purchases. Therefore, we conclude that this recommendation is partially implemented.

Unimplemented recommendations pose risk to the department. Finance took no action on 10 of the 30 recommendations we assessed. These recommendations range in age from about 2 and a half years (from the *Review of the Oracle ERP First Payroll Run*, issued in April 2008) to six and a half years (from the audit of *Pension Division Payments to Deceased Pensioners*, issued in March 2004). Management at least partially agreed with each of these recommendations.

Exhibit 10 shows the implementation status of all 30 finance recommendations by risk category. The unimplemented recommendations are shown in red. Finance made progress implementing recommendations to control costs, improve processes, and comply with external regulations.

Exhibit 10 Implementation Status by Risk Area

Legend: ■ Not Implemented ■ Partially Implemented ■ Fully Implemented
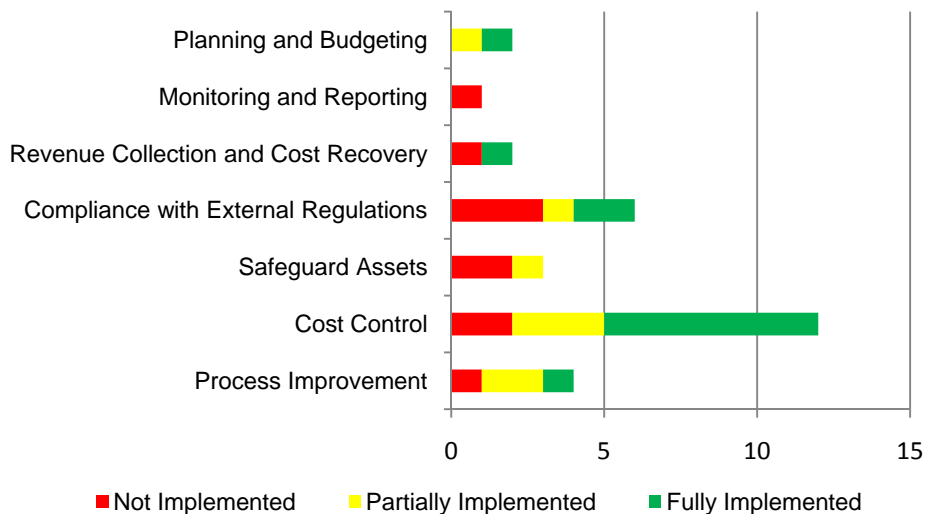
To limit the city's risk exposure, the department should work to implement the 10 unimplemented recommendations or identify alternative ways to fix the problems the recommendations were intended to address.

Finance should implement the three recommendations that address compliance risks:

- In the audit of *City Payroll Processes*, we recommended the chief financial officer comply with state law on unclaimed payroll checks. State law treats unclaimed payroll checks as abandoned property (O.G.C.A. 44-12-206) that must be remitted to the state (O.G.C.A. 44-12-214). The city can be fined 25% of the value of the unremitted property and $100 per day up to $5,000 for each day the unclaimed property is willfully withheld from the state. Finance does not have a written policy for handling and processing unclaimed payroll checks. Finance staff intends to develop and implement a policy by October 2010.

- In the *Payroll Tax Compliance* audit, we recommended the chief financial officer develop procedures to accurately track and report the personal use of city vehicles. The city had no central process for tracking personal use of city vehicles and self-reported personal use of city vehicles appeared to be understated. The city could be liable for taxes, penalties, and interest assessed on the full purchase value of these vehicles if the city cannot document the amount of personal

use. Finance staff was unable to provide any documentation on the use of city assigned vehicles and mileage reimbursement. The director of general accounting plans to implement this recommendation when staff performs the year-end financial closeout in December 2010.

- Also in the *Payroll Tax Compliance* audit, we recommended the chief financial officer propose legislation to amend Section 2-1715 of the city code on personal use of city owned vehicles so that the code complies with IRS regulations. The code focuses on the type of employee using the vehicle, whereas IRS regulations focus on the type of vehicle driven by the employee. Only vehicles that are not likely to be used more than a minimal amount for personal purposes may be taken home and not be considered a taxable fringe benefit, such as clearly marked police or fire vehicles, flatbed trucks, school buses, or ambulances. The code has not been updated since the audit. The city should align its policies with federal requirements, and could simplify administration by providing allowances to compensate employees for business use of their personal vehicles rather than providing city-owned vehicles.

Finance should also implement the remaining recommendations to safeguard city assets, control costs, increase revenue collection and cost recovery, and improve monitoring and reporting:

For example, in the audit of the *Management and Use of City's Credit Card Accounts*, we recommended the department ensure timely payment of the account and make full payment of the account each month through a single electronic transfer. We reported that the city had paid $16,360 in finance charges and fees from January 1, 2002, to June 30, 2006. According to finance staff, accounts payable will only pay current charges. Currently, finance staff pays credit card balances with a check that is hand delivered to the card company on the 28th of each month. Despite this process, staff said that the department has missed payments. Our review of credit card transactions and payments between January 2009 and March 2010 showed the city paid $4,222 in finance charges and fees (see Exhibit 11). The highest amount of finance charges and fees occurred in the second quarter of 2009. These charges and fees could have been avoided if the city promptly paid the balance owed on the card each month. Because of the finance charges and late payments on the accounts, we conclude that the recommendation is not implemented.

Exhibit 11 Credit Card Expenses and Payments January 2009
            through March 2010
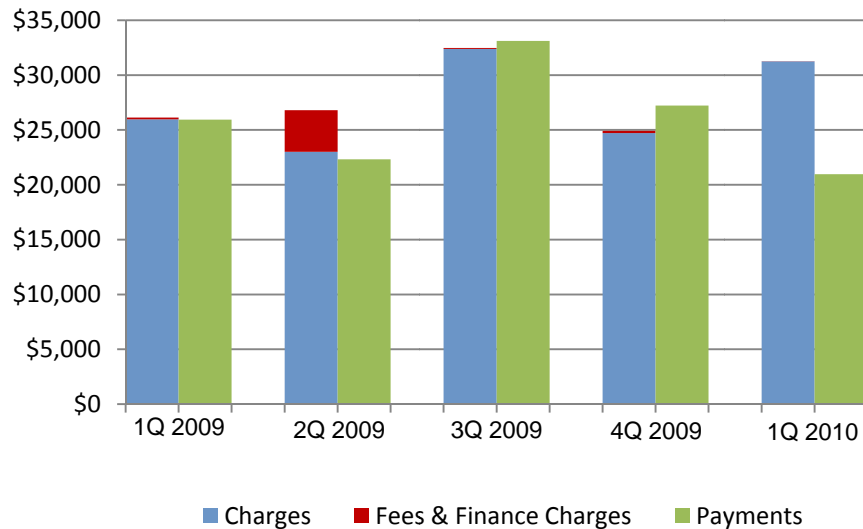
Source: Credit card transaction data provided by Finance and Bank of America

In the audit of the *Management and Use of City's Credit Card Accounts*, we also recommended finance routinely review card activity for possible misuse and to ensure that cardholders adhere to budget limits and procurement and travel regulations. We also recommended the department establish a cardholder payment process for incidental expenses related to travel. In the initial audit, we found indicators of misuse of the credit card account, such as charges for automotive services and retail. Best practices for charge-card programs identify adherence to procurement laws and regulations and periodic reviews of travel card use to identify misuses. The current credit card program policy states that the department reviews monthly charges but does not address budget limits, procurement spending, or travel regulations. In addition, finance staff told us the review is primarily to ensure that all supporting documents are attached and to check for mathematical errors, not necessarily to check compliance with other city policies. Better oversight can ensure that cards are not used to circumvent budget limitations or procurement rules.

We reviewed credit card transactions from January 2009 through March 2010. Nine city officials and employees held city credit cards during at least some portion of this period. Although current policy limits credit card use to travel, lodging, convention and/or training conference expenses, we found transactions from merchants such as

Tiffany and Co., florists, and Blockbuster movie rentals that appear to be inconsistent with the policy. To fully comply with the recommendation, we urge finance staff to ensure purchases made by cardholders are consistent with the city's policy.

In the audit of *City Payroll Processes*, we recommended the chief financial officer seek repayment from employees who leave city employment before repaying advanced sick leave. The current city policy is to seek repayment by deducting the amounts owed from the employee's final pay, refund of pension contribution, or retirement benefit if applicable. Finance staff has no established procedure to check whether employees leaving the city have outstanding advanced sick leave or to report this information to GEMGroup, the third party administrator for retirement funds. As of May 31, 2010, city human resources records show most employees with advanced sick leave had outstanding balances greater than could be recovered in a final paycheck. Records show 105 employees had a combined balance of over 16,000 hours of advanced sick leave worth about $292,000. The number of hours outstanding per employee ranged from 1 to 360. Records show that 15 of these employees had left city employment with a combined advanced leave balance of about 3,000 hours worth approximately $57,000. Finance staff said the department intends to develop and implement a procedure going forward and retroactively recover payments from employees who have already left the city with outstanding leave balances by December 2010.

Appendices

Appendix A
Implementation of Audit Recommendations by Category

Planning and Budgeting – Planning and budgeting practices, policies and procedures

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Review of the FY 2008 General Fund Budget April 2008	Chief Financial Officer should present alternatives to reduce pension costs or offset the increased costs, including consideration of the 2004 Pension Technical Advisory Committee's recommendations.	Finance	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should close construction contracts on a regular basis as projects are completed (e.g., quarterly or semi-annually) to help ensure funding is available for additional capital projects. DWM should update project closeout procedures to include the timing of assessing contract closeout (Rec. 6G.4).	Watershed	Fully Implemented
Department of Watershed Management Automated Meter Reading Program December 2007	Department officials should develop a comprehensive maintenance plan for large meters that incorporates industry best practices.	Watershed	Fully Implemented
Review of the FY 2008 General Fund Budget April 2008	City Council should establish the following financial policies to: - Create a reasonable fund balance - Define acceptable uses of non-recurring and surplus revenues - Prepare and present 5-year forecasts of revenues and expenditures - Prepare and present interim financial reports - Prepare budget document annually - Periodically review internal service fund costs and allocations - Budget for needed operating transfers among funds	Finance	Partially Implemented
Department of Watershed Management Automated Meter Reading Program December 2007	Department officials should develop a comprehensive replacement plan for both small and large meters. The department should continue to evaluate and select the most appropriate alternative in order to ensure the department has a meter inventory that functions at optimal, revenue-producing levels.	Watershed	Partially Implemented

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Department of Watershed Management Automated Meter Reading Program December 2007	Department officials should develop a maintenance plan for small meters that includes periodic site surveys or similar ways to identify operational problems - such as leaks and broken lids - that cannot be detected with AMR technology.	Watershed	Not Implemented

Monitoring and Reporting – Monitoring, measuring, and reporting performance, as well as data integrity

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	BES should consider implementing a formal procedure for tracking and following up on lessons learned to help ensure implementation of process improvements on future projects. At a minimum, the lessons learned procedure for tracking progress should include clearly documenting the lesson learned, responsibility for follow up, action steps taken or work completed and open items. BES should consider assigning one individual responsible for verifying implementation of lessons learned on future projects. One suggestion is to include this task in the project controls function (Rec. 6B.3).	Watershed	Partially Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	BES should clearly document the program and project reporting requirements including responsibility for completing reporting, required timing, and defined reporting requirements. Both program and project level processes should be documented. Program level reporting should define requirements for key stakeholders such as the City Council and the Georgia Environmental Facilities Authority, including timing, responsibility and data validation. Project level reporting should include assigned responsibility for updating the CIPR system, timing and frequency of updates, and clearly define reporting information. Project reporting timing and frequency should align with program level reporting to help ensure up to date and accurate program level information is reported to key stakeholders. In developing program and project reporting processes, BES should leverage existing systems such as Primavera, the CIPR, and Oracle to help ensure efficient and accurate reporting (Rec. 6C.1).	Watershed	Partially Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	BES should develop scope and configuration controls to track changes made during design development to help ensure that design related changes minimize delay to the overall program schedule. BES should require the design consultants to implement a document control system to manage, track, and report scope and configuration changes throughout the design process. The formal process should include a tracking log for design review comments including specific action items and target resolution dates to allow for follow up by Facilities Design personnel (Rec. 6E.4).	Watershed	Partially Implemented

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Pension Division Payments to Deceased Pensioners March 2004	Develop Performance Measures. The Director of Employee Benefits should establish performance measures to determine how well the division is accomplishing its mission. Examples of appropriate performance measures based on the findings in this audit would be: a. Establishing a target number of days after a pensioner's date of death in which to stop payments and the percentage of time that the target is met (e.g., "stop deceased pensioner's payments within XX days of their death XX percent of the time"). b. Establishing a target percentage of overpayments to be recovered within a specified timeframe after it is identified as an overpayment (e.g., "recover XX percent of pension overpayments within XX days after identification as an overpayment").	Finance	Not Implemented
Review of Proposed Ordinance 06-O-1363 to Write Off 115 Uncollectible Accounts September 2006	When submitting write-off legislation for City Council consideration, the Department of Watershed Management should summarize for each account why it is uncollectible, what collection efforts have been made, and which criteria for write-off are met.	Watershed	Not Implemented

Implementation of Audit Recommendations

Safeguard Assets – Safeguarding or securing the city's physical, financial or information assets

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	BES should develop and document in Section 5 Design of the PMM a clearly defined review and approval process for design consultant invoices. Facilities Design and Engineering should consider leveraging existing documented procedures, process flows, and review checklists currently used by Construction Management for processing various construction consultants' invoices. BES should ensure processes clearly define the review procedures and required approvals for design consultant invoices. Project managers should ensure appropriate supporting documentation is a condition for payment for project invoices (Rec. 6G.2).	Watershed	Fully Implemented
Follow-Up: Department of Watershed Management Billing and Collection of Water and Sewer Service Charges November 2004	Take Legal Action Against Customers Who Turn Their Water Back On After the Department Shuts It Off. The commissioner should exercise all options provided in the Code, such as plugging or removing the meter, to handle customers who turn their water back on after shutoff. If these efforts prove to be ineffective, the commissioner should work with the city attorney to develop procedures to pursue criminal action against customers who turn their water back on without the authorization of the department.	Watershed	Fully Implemented
Pension Division Payments to Deceased Pensioners March 2004	Identify Deceased Pensioners, Stop Payments, and Recover Overpayments More Promptly in the Future. The Director of Employee Benefits should establish a process to identify deceased pensioners as close to their dates of death as possible, and to stop payments and initiate action to recover overpayments immediately upon verification of a pensioner's death. The process should include: a. Developing and using a standard intake form for family notifications of a pensioner's death. b. Using third-party sources at least once per quarter to identify pensioners who may be deceased and verify that pensioners listed in death audit reports are in fact deceased. c. Establishing a timeline and a process for verifying that a pensioner has died when the family does not provide a death certificate as requested. d. Stopping pension payments immediately upon receipt of a returned check or direct deposit advice.	Finance	Partially Implemented

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should review job functions and responsibilities to identify the need for telecom devices. DWM should limit distribution of telecom devices to employees whose job functions require travel away from assigned office space for the majority each day (Rec. 7H.1).	Watershed	Partially Implemented
Pension Division Payments to Deceased Pensioners March 2004	Obtain Affidavits to Identify Remarried Spouses. The Director of Employee Benefits should establish a process to identify the pool of surviving spouses who become ineligible for spousal pension benefits upon remarriage. The Pension Division should send an annual letter to each of these surviving spouses explaining the conditions of continued eligibility for a survivor's pension and to request the spouse to complete and return an affidavit to the city declaring that they have not remarried. The letter should state that falsification of the affidavit constitutes fraud and may result in criminal prosecution. Furthermore, the letter should state that the city will require the spouse to reimburse pension payments, with interest, made after the remarriage date.	Finance	Not Implemented
Management and Use of the City's Credit Card Account December 2006	Ensure that procurement and travel regulations are followed. The Department of Finance should review card activity on a regular basis for possible misuse and to ensure that budget limits, procurement, and travel regulations are followed. The department should also establish a cardholder payment process for incidental expenses related to travel.	Finance	Not Implemented

Contract Management – Procurement policies, procedures, and processes

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should further define the roles and responsibilities for the DWM procurement division in conjunction with the predefined roles and responsibilities of DOP. DWM should work with DOP to develop agreed upon reporting tools that eliminate duplication of efforts and enhance coordination (Rec. 7G.1).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM and DOP should document and evaluate current procurement processes to gain efficiencies and reduce lifecycle time (Rec. 7G.2).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should enhance their quality review process, enabling them to be more accountable for their procurements. DWM should enhance their policies and procedures to include a standard review checklist for DWM Procurement staff reviews of bid packages. DWM should consider taking responsibility to assemble the procurement package, complete with legal review and necessary reprographics (Rec. 7G.3)	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM and DOP should work together to increase process visibility. DWM should create a centralized process for project manager to review procurement status reports and identify expected completion dates for procurements (Rec. 7G.4).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should implement electronic signature approvals (Rec. 7G.5).	Watershed	Fully Implemented

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should consider developing a formal design consultant and contractor performance evaluation process to monitor vendor performance. This should start with a review of the current Department of Procurement vendor review process to determine if this will meet this need or if it can be enhanced to support DWM needs. The objective of the evaluation process should be identifying design consultants and contractors that are not performing and should not be awarded future contract awards or task orders. DWM should work closely with the City of Atlanta's Department of Procurement to develop an efficient and effective performance evaluation process. The process should include clearly defined performance metrics regarding the ability to meet project milestones, assess the quality and timeliness of deliverables, schedule management, budget management, the ability to meet project manager expectations and contract compliance requirements (Rec. 6D.1).	Watershed	Partially Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should consider including mandatory site visits as a condition for bidding construction projects (Rec. 7G.6).	Watershed	Not Implemented

Process Improvement – Improving the effectiveness and efficiency of city processes

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Delete the requirement for individual receipts to be submitted for meal and incidental expenses (receipts would still be required for other reimbursable expenses).	Finance	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should reorganize the internal audit function to report directly to the DWM Commissioner. DWM should increase internal audit resources in order to enhance the evaluation and monitoring of DWM performance, risks, and controls (Rec. 4A.4).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	BFA should continue to routinely monitor the Invoices on Hold report and work with DOF to facilitate timelier vendor payment. DOF and BFA should establish a target timeframe (e.g. 30 days) to benchmark payment processing once the invoice and goods or services have been received (Rec. 5D.2).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	BES should consider establishing standard communications protocols and standing meetings to allow for knowledge sharing, training, communication of project issues and allow for greater transparency within Facilities Design. BES should work to provide clear lines of communication with team members to help ensure priority projects are a focus and clear communication of schedule milestones to all project team members (Rec. 6E.1).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	Compliance with the BES Project Management Manual should be mandatory for all Facilities Design and Engineering project managers to help ensure consistency in delivering projects. BES Facilities Design should consider updating the PMM to reflect current processes and help ensure appropriate controls are in place during design (Rec. 6E.2).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should enhance the refund process to comply with City Code including: - Refunding deposits on closed customer accounts within 60 days of account closing; and - Tracking customer deposit dates according to the service initiation date and not the enQuesta transition date (Rec. 7D.2).	Watershed	Fully Implemented

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Add procedures to reimburse employees for business expenses incurred other than when in a travel status.	Finance	Partially Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	The updated PMM should clearly define the roles and responsibilities for the end-to-end project delivery cycle as well as each detailed section of the PMM. BES may consider developing a responsibility matrix to be included in the introduction section or the appendix to the PMM clearly demonstrating roles and responsibilities in overall delivery of capital projects. BES may consider using a Responsibility, Accountability, Consult and Inform (RACI) matrix to provide a summary to stakeholders of the personnel involved with each of the key activities in project delivery (Rec. 6A.3).	Watershed	Partially Implemented
Pre-Implementation Review of the ERP System November 2005	The ERP Steering Committee should ensure that written policies and procedures are prepared for all manual processes that are not automated in the new system implementation.	Finance	Partially Implemented
City Payroll Processes March 2006	Move toward eliminating production of payroll checks. The chief operating officer and chief financial officer should evaluate options for increasing use of direct deposit by employees with bank accounts and providing alternatives such as payroll cards for employees without bank accounts, with the goal of eliminating production of payroll checks except for seasonal and temporary employees and employees' final paychecks.	Finance	Not Implemented

Revenue Collection and Cost Recovery – Revenue collection and cost recovery efforts

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Department of Watershed Management - Consent Decree Monitoring April 2006	Arrange payment for outstanding water and sewer service charges from city entities. The Chief Financial Officer should work with the Department of Watershed Management to resolve outstanding water and sewer service charges to other city government funds and to keep the accounts current in the future. As an option, the city government funds could pay for the services rendered, or the chief financial officer could reduce the annual payment in lieu of taxes and franchise fees (PILOT) by the outstanding amount owed to the Department of Watershed Management for water and sewer services.	Finance	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should develop a documented policy defining specific guidance and parameters for applying consumption usage estimates without subjectivity by billing staff during the bill edit process (Rec. 7A.1).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should develop a documented policy defining specific guidance and parameters for applying forced usage estimates. Forced usage estimates should not be used to lower consumption without proper cause (Rec. 7A.4).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	Management should review changes to customer consumption levels made by billing staff during the edit process (Rec. 7A.5).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	Work orders should be generated by enQuesta or by Billing Staff when there has been consecutive system estimations or when forced usage estimates are performed (Rec. 7A.6).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should document and enforce standardized collections procedures (Rec. 7B.4).	Watershed	Fully Implemented

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should charge fees to customers as allowed by current or future City Code including: - Late Fees, - Same Day or After Hours Service, and - Charges for Damaged Water Meters (Rec. 7C.3).	Watershed	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should document and enforce formal policies for the prioritization of accounts that the Disputes Resolution team addresses and for the number, volume, and frequency of allowable disputed charges (Rec. 7B.5).	Watershed	Partially Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM staff should be skilled in the Rate Model processes and should be accountable for the inputs and outputs of the Rate Model. The Department of Finance and other City stakeholders should perform analysis apart from DWM or DWM consultants to review and agree upon Rate Model assumptions, inputs, and outputs (Rec. 5C.1).	Watershed	Partially Implemented
City Payroll Processes March 2006	Ensure advanced leave is repaid. The chief financial officer should seek repayment from employees who leave city employment before repaying advanced leave.	Finance	Not Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should reduce the frequency of estimated consumption and increase the number of actual meter reads. Meters should not be estimated for multiple consecutive months. Work orders should be generated and prioritized when consecutive monthly estimates occur. DWM should confirm that newly installed, malfunctioning AMR meters are repaired or replaced timely (Rec. 7A.2).	Watershed	Not Implemented

Compliance with External Regulations – Compliance with external laws, codes, and regulations and contracts

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Oracle To-Be Processes August 2005	The city should review its document retention policies and practices in light of Oracle implementation. Because system entry of purchase, payment, and receipt transactions will occur from several locations, responsibility for retention and storage of supporting documents should be specified clearly. User departments will not have to submit documents to Finance or Procurement in order to process transactions, as they do now. Federal and state laws require the retention of purchasing, payment, receipt and supporting documentation for a specified number of years.	Finance	Fully Implemented
Payroll Tax Compliance April 2006	The chief financial officer and commissioner of human resources should simplify the city's policy on reimbursed moving expenses so it agrees with IRS regulations. Our office recommended this course of action in a memorandum dated October 18, 2004 to the commissioner of human resources and the chief financial officer. - The policy should identify expenses that will not be reimbursed, and such expenses should be consistent with those the IRS has identified as nondeductible, thus eliminating any additional reporting to the IRS on taxable fringe benefits. - If the city's policy continues to allow reimbursement of nondeductible moving expenses, the chief financial officer and commissioner of human resources should establish a process to ensure such reimbursements meet the IRS requirements for reporting and tax withholding.	Finance	Fully Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should work with City Council and the Department of Law to develop documented procedures and practices for analyzing and writing off bad-debts in accordance with City Code and State legislation (Rec. 7B.1).	Watershed	Fully Implemented

Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Establish a procedure to deduct travel advances from employees' paychecks when an employee has not reconciled the travel advance within 30 days of his return. This should include a procedure for notifying affected employees that the deduction will be made from their pay check on [date] unless the travel advance is reconciled and any excess amount is returned at least seven days prior to that date. Alternatively, the Department of Finance could elect to establish a procedure to report the travel advance as income to the employee and withhold the appropriate taxes. This procedure would also require that employees be notified of the action that will be taken if their travel advance is not reconciled prior to a specific date. The notification should include a statement that the action is required to ensure compliance with Internal Revenue Service requirements for reporting taxable income to employees.	Finance	Partially Implemented
City Payroll Processes March 2006	Comply with state law on unclaimed payroll checks. The city's chief financial officer also should: a. Develop written policies and procedures for handling and processing unclaimed payroll checks. b. Submit an Unclaimed Property Report to the State of Georgia Department of Revenue along with the unclaimed payroll checks that are older than 1 year old. c. Clear outstanding and expired payroll checks from the city's Management Analysis and Response System for Government (MARS/G).	Finance	Not Implemented
Payroll Tax Compliance April 2006	The chief financial officer should propose legislation to amend Section 2-1715 of the city Code of Ordinances on personal use of city owned vehicles so that the code complies with IRS regulations. Commuting to work is considered a taxable benefit regardless if the employee has permission or is on call. Vehicles assigned to executives and public safety employees are also considered taxable unless the vehicle meets certain specifications. Therefore, sections of the city Code of Ordinances that state otherwise should be modified.	Finance	Not Implemented

Implementation of Audit Recommendations

Payroll Tax Compliance April 2006	The chief financial officer should develop procedures to accurately track and report the personal use of city vehicles. To simplify the city's reporting requirements, we recommend: - whenever possible, encourage employees to use their personal vehicle for city business, and reimburse the employee for mileage under IRS regulations; - when the extent of business use warrants it, grant employees a vehicle allowance instead of an assigned city vehicle, thus eliminating additional reporting to the IRS; - request that fleet services distinguish between vehicles that qualify for personal use under IRS regulations and vehicles that do not (i.e. qualified non personal use vehicle); and - provide fleet services and/or operating departments with instructions on how personal use should be reported to the payroll division.	Finance	Not Implemented

Cost Control – Efforts to control or reduce city costs

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Establish a meal and incidentals per diem at the "prevailing federal rate for the location" and mileage reimbursement at the "prevailing federal rate."	Finance	Fully Implemented
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Specify that hotel accommodations are limited to the federal lodging or convention rate, plus taxes. The Code should require employees to request a government rate when making their hotel reservations.	Finance	Fully Implemented
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Specify that the per diem rate will include meals and incidental expenses, as defined by the IRS, and that other reasonable travel and business expenses (e.g., ground transportation, airport parking, laundry, business telephone calls) will be reimbursed separately when supported by receipts.	Finance	Fully Implemented
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Establish a provision for reimbursing employees for training and business expenses incurred, other than when in an overnight travel status.	Finance	Fully Implemented
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Notify departments, at least annually, where they can locate the most current information regarding the prevailing federal per diem rates.	Finance	Fully Implemented
Proposed Changes in City Policies and Procedures for Travel and Training Expense Reimbursements October 2004	Notify departments of the current federal mileage rate. The notification should be provided when the annual rates are posted, and any interim changes should be provided to departments in a supplemental notification.	Finance	Fully Implemented
City Payroll Processes March 2006	Comply with vacation accrual limits. The chief financial officer should ensure vacation balances do not exceed the maximum limit.	Finance	Fully Implemented

Management and Use of the City's Credit Card Account December 2006	Change to an account more appropriate for the city's needs. The Department of Finance plans to put a new city-wide credit card program in place. We recommend that the program block high-risk merchant categories and prohibit cardholders from obtaining cash advances.	Finance	Partially Implemented
Management and Use of the City's Credit Card Account December 2006	Implement management controls over the account. As the Department of Finance develops policies for the program, it should establish controls that follow best practices for government credit cards. In addition to clearly defining types and amounts of acceptable purchases, it should establish formal procedures for obtaining and cancelling cards.	Finance	Partially Implemented
Management and Use of the City's Credit Card Account December 2006	Define roles and provide guidance to cardholders. The Department of Finance should identify key management officials and their responsibilities for the card program, including the role of the business managers. The department should also make cardholders responsible for verifying the accuracy of their charges.	Finance	Partially Implemented
Management and Use of the City's Credit Card Account December 2006	Ensure timely payment of the account. The Department should make full payment of the account each month through a single electronic transfer.	Finance	Not Implemented
Review of the Oracle ERP First Payroll Run April 2008	The Controller should establish a formal documented process to address errors identified during the detect/validation process. - This process answers the question: What is the best way to deal with errors in overtime payment now that they have been identified? - This process should be a collaborative effort between DIT developers, Kronos, and Payroll groups.	Finance	Not Implemented
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should establish a strategic initiative to reduce and monitor water loss on an ongoing basis and should include targeted water loss levels with performance measurements such as unbilled metered water and unbilled unmetered water (Rec. 7E.1).	Watershed	Not Implemented

Human Resources Management – Human Resource functions, training and employee benefits

Report Title and Date	Recommendation	Responsible Entity	Implementation Status
KPMG Performance Review of the Department of Watershed Management April 2009	DWM should develop a succession plan for management of BES and document key senior management responsibilities and procedures regarding management of the capital program and project delivery. DWM should consider identifying potential successors to senior management positions based on qualifications and experience (Rec. 6A.2).	Watershed	Not Implemented