



# CITY OF ATLANTA

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**AUDIT COMMITTEE**  
Don Penovi, CPA, Chair  
Marion Cameron, CPA, Vice Chair  
Cheryl Allen, PhD, CPA  
Daniel Ebersole

January 5, 2014

Honorable Mayor, City Council President, and members of the City Council:

We are pleased to provide you a summary of the City Auditor's Office annual audit schedule for the remainder of fiscal year 2015. Section 2-603 (2) of the Atlanta City Charter requires the auditor to submit an annual schedule to the Audit Committee for review and comment. The schedule reflects our priorities based on the risk assessment conducted by the City Auditor's Office, ranking city departments and offices on factors associated with financial and performance risks. The number and mix of audits also takes into account available resources and sources of funds for the audit function. Audits currently under way were carried over from the fiscal year 2014 annual audit plan, which we adjusted to accommodate work the City Council requested regarding security in the Department of Watershed Management.

We use risk assessments to compare departments and offices based on their potential risk and to provide the city with targeted, relevant audits. Audit staff scores the departments and offices on the following factors; then we assign weights to the factors based on judgment of audit committee members and professional staff:

- **Change:** The level of growth or decline a department experienced in the previous two fiscal years.
- **Planning & Performance:** How efficiently an office budgeted its resources.
- **Ethics:** Potential for unethical behavior.
- **Public Perception:** Interactions that an office had with the public.
- **Safety & Liability:** Safety and legal liabilities related to an office's normal activities.
- **Size & Complexity:** The amount of resources a department or organization has, and the diversity of services that it performs.

To identify specific audit topics within the selected departments and offices, we consider previous audits, results of the city's recent annual financial audits, conversations with stakeholders, and other research. For more information and a demonstration of how the risk assessment works, visit our web site at [www.atlaudit.org](http://www.atlaudit.org).

The audit committee selected audit topics we considered highest priority, and audit staff scheduled five projects to start in the remainder of fiscal year 2015. The City Auditor's Office staff is also on track to complete follow-up on the implementation status of open

recommendations made between 2004 and 2013. Currently, 193 recommendations are open, including 72 recommendations that we have followed up on at least once.

Under the charter, the Audit Committee or the city auditor may amend this schedule if, in our judgment, changes are needed.

We or City Auditor Leslie Ward would be happy to answer questions about the schedule. Thank you for your continued support of the Audit Committee and the city's independent audit function.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Penovi". The signature is fluid and cursive, with a large initial "D" and a stylized "Penovi".

Donald T. Penovi  
Audit Committee Chair

#### Attachment

Distribution (via e-mail):  
Cabinet members  
Deputy Commissioners  
Judicial agency heads  
Ethics Office  
Citizen Review Board  
City Council staff  
City Auditor's Office staff  
Audit Committee members

WORK IN PROGRESS

Topic	Reason for Audit	Draft for Mgt Review
Building Permits (Planning and Community Development)	We've received occasional Integrity Line allegations about staff offering expedited services for kick-backs or using resources for personal gain. While the Law Department's compliance unit investigates specific allegations, the audit is assessing whether controls are in place to ensure that permitting complies with code and ethics requirements.	January 2014
Employee Reimbursements (Finance)	The city uses Oracle's iExpense module to reimburse employees for mileage, travel, and other purchases. The city is not consistently using the employee flag in its vendor file to identify employees, and relies on manual controls to identify unreconciled travel advances and double-dipping (submitting receipts for expenses covered by per diem, duplicate reimbursements, or reimbursements for charges covered by a city credit card). The audit is testing the effectiveness of automated and manual controls and identifying opportunities for improvement.	January 2014
Employee Timekeeping (All Departments)	The Integrity Line has received numerous complaints about abuse of time and violation of controls in the city's automated timekeeping system. Our audit is reviewing policies and practices for capturing, recording, and tracking hours worked across city departments. We are also assessing whether controls in the timekeeping system are in place to ensure the accuracy of work hours and compliance with the federal Fair Labor Standards Act.	February 2014

ADDITIONAL WORK STARTING IN FISCAL YEAR 2015

Topic	Reason for Audit	Draft for Mgt Review
Financial Disclosures (All Departments)	The city's ethics officer requested that we audit the completeness and accuracy of financial disclosures filed pursuant to Sec 2-814 of the city code, which requires officials and certain employees to disclose income and financial interests annually.	June 2015
Compensation (All Departments)	<p>Following news media reports about leave payouts to some current employees, members of the City Council's Finance/Executive Committee drafted Resolution 14-R-4120 requesting an audit of compensation and payroll practices. The resolution specifically requests that the audit scope include:</p> <ul style="list-style-type: none"> <li>- Determining whether the departments of Finance and Human Resources have established appropriate and comprehensive policies and procedures for compensation and payroll</li> <li>- Evaluating the city code in comparison to the city's practices</li> <li>- Reviewing payments for unused leave (compensatory time, vacation and sick leave)</li> <li>- Reviewing employee changes in compensation (pay increases and decreases)</li> <li>- Reviewing other municipalities' and private industry compensation regulations, rules, practices</li> </ul>	June 2015

<p>Hansen Work Order Management (Operating Departments)</p>	<p>The city implemented a 311 system to consolidate call centers and improve customer service. To support this effort, the city is standardizing work order management across operating departments. Managers have expressed concern about the extent to which employees have accepted the new software and changes in processes. Challenges in work order management could pose a barrier to achieving the goals of 311. About 37% of respondents to the most recent citizen survey reported contacting the city in the past year; two-thirds of respondents were satisfied with the way they were treated during the interaction, but half were dissatisfied with the ultimate outcome.</p>	<p>July 2015</p>
<p>Pension Admin: Defined Contribution (Human Resources and Finance)</p>	<p>The Mayor's Efficiency Commission has initiated a project to maximize rates of return to pension funds and reduce administrative costs. The initiative doesn't include the city's defined contribution plan. As of 2011, about 15% of city employees participated in the defined contribution plan. Effective September 1, 2011, all new hires at a pay grade less than 19, as well as sworn Police and Fire Department employees, were required to participate in a Combination Plan (with both a defined benefit and a defined contribution). The city contracts with a third party administrator to administer the defined contribution plan. Employees are responsible for selecting investment funds from the options offered. As of the end of fiscal year 2013, the defined contribution plan held assets of \$72.5 million. The audit will compare system design to recommended practices and review administrative costs and rates of return compared to benchmarks.</p>	<p>July 2015</p>
<p>Accounts Receivable Reconciliations (Finance)</p>	<p>A large portion of city fund balances are accounts receivable and amounts due from other funds and governments. Reconciling accounting records to receivables is a key control to detect errors, irregularities, and potential fraud. Aging receivables is a key management tool.</p> <p>External auditors conduct limited testing. Our 2013 audit of the city's cash pool found that non-participating funds were slow to reimburse the cash pool. These funds, including bond, grant and tax allocation district funds, owed the cash pool \$59 million in December 2012 and \$9.9 million in May 2013.</p>	<p>November 2015</p>