



CITY OF ATLANTA

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AUDIT COMMITTEE
Marion Cameron, CPA, Chair
Cheryl Allen, PhD, CPA
Daniel Ebersole

September 29, 2016

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 fiscal year 2017. 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 attached list includes recent and forthcoming audits begun in fiscal year 2016, as well as those planned to start by June 2017. 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 (both staff and contract auditors) and sources of funds for the audit function (both general and enterprise funds).

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.

The audit committee selected audit topics we considered highest priority, and audit staff scheduled 10 projects to start in fiscal year 2017. Three of these will be done under contract rather than with city audit staff.

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 cursive script that reads "Marion Cameron".

Marion Cameron, Chair

City of Atlanta Audit Committee

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

Audits in Progress

Audit Topic	Reason for Audit	Planned Draft to Management Date
Building Permits Data Testing	We are completing work originally planned for our Building Permits audit released in June 2015 that we could not do because we were unable to access permit data from Accela. New analysis will assess red flags for staff conflicts of interest. We will also update and correct our original analysis of the volume of building permits and time to issue permits. We have found errors in our original data set resulting from records omitted from the reports the department provided and our misinterpretation of the date field provided indicating the last status change for issued permits. We will also analyze data from fiscal years 2015 and 2016 to assess changes from fiscal years 2013 and 2014.	September 2016
Annual Contracts	In fiscal year 2016, the Department of Procurement maintained 273 annual contracts for goods with 279 vendors. Annual spending for these contracts totaled almost \$91 million. We are examining purchases to determine whether annual contracts are managed in compliance with city code, whether standard operating procedures embody industry best practices, and whether the city achieves optimal economies of scale from these contracts.	October 2016
Water Loss	According to a 2011 assessment, water loss was high and the report recommended establishing initiatives to reduce water loss. This audit will evaluate the efforts undertaken against industry benchmarks, as well as review the state-mandated water loss audits in progress.	October 2016

Audits Planned to Start in Fiscal Year 2017

Audit Topic	Reason for Audit	Planned Start Date
Parks Maintenance	The Office of Parks operates and maintains 343 parks. The office had the seventh highest risk score in our 2015 risk assessment. Primary risk factors included size and complexity, spending on capital outlays and commodities, budget to actual variances, and relatively high overtime, injury-on-	October 2016

	<p>the-job and sick leave hours. We last audited parks operations in 2006. We had planned to audit cash handling in fiscal year 2016, but found in our review of accounts receivable that the department accepts credit cards, money orders and personal checks, but does not accept cash payments.</p>	
Affordable Housing	<p>The city has several initiatives to encourage development of affordable housing stock. Most recently the City Council passed Ordinance 16-O-1163 that requires developers building multi-family homes and receiving a public grant, incentive, or subsidy to set aside up to 15 percent of the units for affordable housing. A performance audit could establish baseline data for the new initiative and assess the effectiveness of existing programs and monitoring and enforcement efforts.</p>	September 2016
Renew Atlanta Construction Projects	<p>Resolution 15-R-3343 calls for the City Auditor to monitor the 2015 infrastructure bond program for the duration of the bond projects. We conducted two audits in fiscal year 2016 to assess contract language and to evaluate the system of internal control put into place with the Renew Atlanta Project Management Plan. In fiscal year 2017, we plan to conduct audits of two individual construction projects to ensure controls are working as intended. We will select the projects based on risk and anticipated completion of milestones.</p>	September 2016 and May 2017
Airport Construction Contract Solicitations	<p>The airport recently launched a \$6 billion expansion program. We last reviewed procurement solicitation and evaluation processes at the airport in 2006. A performance audit could help provide assurance that the city's procurement processes are fair and transparent.</p>	October 2016
Payroll	<p>Our recent audits of timekeeping (May 2015) and segregation of duties in the city's Oracle Financial Management System (June 2016) found potential problems with payroll, including manual corrections to payroll records and employees with system access to both change employee data and process payroll. We last audited payroll in 2006. A performance audit could help ensure that the scheduled Oracle upgrade strengthens identified control weaknesses. We will also test transactions to ensure accuracy and proper authorization.</p>	January 2017

Water Quality Testing	The Department of Watershed Management's Office of Linear Infrastructure Operations oversees all aspects of the drinking water system, including raw water supply, treatment, distribution and water quality compliance. The office had the second highest risk score in our 2015 risk assessment. Our current audit of water loss reduction initiatives is one way of looking at the effectiveness of drinking water distribution. Water quality testing provides another measure. Recent media reported elevated lead levels in drinking water at several Atlanta Public Schools. According to the city's 2015 Water Quality Report, the city has no lead service lines, but does have some lead joints. The department tests water samples at the source, treatment plants, distribution center and consumer taps.	March 2017
Pavement Condition	We will review pavement condition data and estimates of remaining useful life of city streets, in comparison to recent and planned resurfacing work. We had planned to start this audit in fiscal year 2016, but the Department of Public Works experienced delay in implementing its pavement management system.	April 2017
Actuarial Audit (Defined Benefit Pension Plans)	Section 6-314 of the city charter requires the Audit Committee to engage a licensed actuary to conduct an actuarial experience review of the City's General Employee Pension Fund, Firefighter Pension Fund, and Police Pension Fund with the costs to be paid by the corresponding pension fund.	TBD
IT Vendor Management	We will contract with a firm to evaluate AIM's processes to identify, assess, and mitigate risks associated with reliance on third-party suppliers and service providers.	TBD
Information Security Management	At the request of the city's interim chief security officer, we will contract with a firm to evaluate the city's information security policies and practices related to critical systems to help the city prepare for ISO/IEC 27001 certification.	March 2017