



CITY OF ATLANTA

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

January 24, 2018

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 2018 annual audit schedule. Section 2-603 (2) of the Atlanta City Charter requires the city auditor to submit an annual schedule to the Audit Committee for review and comment. The attached lists work currently in progress and audits we plan to begin in 2018. The schedule reflects our priorities based on the 2017 risk assessment conducted by the City Auditor's Office, which ranked city departments and offices on factors associated with financial and performance risks. The number and mix of audits also considers available resources and sources of funds for the audit function (General, Enterprise, and Renew Atlanta funds).

Our risk assessment model scores departments and offices on 37 measures grouped into five categories:

- Change
- Planning & Performance
- Control Environment
- Safety & Liability
- Size & Complexity

We assigned weights to the categories based on our judgment. A description of the risk assessment model and results are on our web site at www.atlaudit.org. To identify specific audit topics within the selected departments and offices, we considered previous audits, results of the city's recent annual financial audits, conversations with stakeholders, and other research.

The Audit Committee selected audit topics we considered highest priority, and audit staff scheduled seven projects to start in 2018.

Under the charter, the Audit Committee or the city auditor may amend this schedule if, in our judgment, changes are needed. Two of these audits will be done under contract rather than with city audit staff.

We or the city auditor, Amanda Noble, 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
Airport Construction Contract Solicitations	The airport 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.	November 2017
Affordable Housing	The city has several initiatives to encourage development of affordable housing stock. Ordinance 16-O-1163 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 initiative and assess the effectiveness of existing programs and monitoring and enforcement efforts.	January 2018
Payroll	Our 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.	February 2018
Renew Atlanta	<p>Resolution 15-R-3343 calls for the City Auditor to monitor the 2015 infrastructure bond program for the duration of the bond projects. In 2016, we assessed contract language and evaluated the system of internal control put into place with the Renew Atlanta Project Management Plan. In 2017, we audited roadway resurfacing projects, assessing compliance with contract terms, including the appropriateness of billings and supporting documentation for quantities billed, and the city's management of the contracts.</p> <p>In 2018, we will contract for a closeout construction audit of the Martin Luther King Jr. Recreation and Aquatic Center, a \$23.1 million design-build lump-sum project and conduct a construction audit of the fire station renovation projects, budgeted at \$8.7 million.</p>	TBD based on procurement

Audit Topic	Reason for Audit	Planned Draft to Management Date
Water Quality Testing	The Department of Watershed Management's Office of Water Treatment & Reclamation had the second highest risk score in our 2017 risk assessment. The office is responsible for operating the city's drinking water plants and storage facilities, and complying with all applicable regulatory requirements, including the Safe Drinking Water Act and Clean Water Act. Media has reported elevated lead levels in drinking water at several Atlanta Public Schools. According to the city's 2016 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. The department's Office of Watershed Protection monitors and reports compliance with state and federal regulations independently of operations. Our audit will review the process for testing and reporting on water quality.	June 2018
Overtime	The city spent \$54.2 million on overtime in fiscal year 2017, double what it spent in fiscal year 2013. Our audit will review patterns in overtime spending by department and employee; assess the relationship between overtime and productivity; and examine controls over the use and distribution of overtime.	August 2018
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 based on procurement

Additional Audits Planned to Start in 2018

Audit Topic	Reason for Audit	Planned Start Date
Procurement	City councilmembers have expressed concern over the city paying on expired contracts. The city's competitive procurement process is intended to foster a fair and open process to select the most responsible proposer who can provide the best value for the city. Extending expired contracts limits competition.	February 2018

Audit Topic	Reason for Audit	Planned Start Date
APD Body Cameras	Body cameras enhance transparency and accountability for interactions between citizens and the police. The Atlanta Police Department started deploying body worn cameras in 2016, starting in zone 4 and rolling them out to the other patrol zones throughout 2017. The chief of police expressed interest in a performance audit to assess compliance with the department's policy and to recommend performance metrics for monitoring.	February 2018
Code Enforcement	We last audited code enforcement in 2010. At the time, the city lacked reliable data to prioritize, track, and manage its code compliance complaints, measure its progress toward meeting performance standards, or determine staffing requirements. The Office of Code Compliance had overstated its performance and misrepresented the makeup of its complaints in public reports. Since then, the city transferred the function to the Atlanta Police Department from the Department of Planning and Community Development. APD's Code Enforcement Section is responsible for inspecting residential and commercial properties to enforce the Housing Code, Graffiti Ordinance, and Commercial Maintenance and Industrial Code.	May 2018
Live Nation	The City Council authorized a direct lease agreement between the city and Live Nation Worldwide, Inc., for use of the Lakewood Amphitheater through 2034. Prior to the 2009 agreement, Live Nation held a sublease to the property. Community stakeholders have expressed concern to the Audit Committee about Live Nation's compliance with lease agreement terms, which include base and percentage rents, maintenance obligations, and capital improvements.	June 2018
Office of Aviation Security and Maintenance	The Aviation General Manager expressed interest in a performance audit of the Office of Aviation Security and Maintenance, which scored relatively high in our risk assessment primarily due to its size and complexity. The office is responsible for controlling access to secure areas of the airport facilities.	July 2018

Audit Topic	Reason for Audit	Planned Start Date
AFRD EMS controls over inventory of medical supplies	A recent investigation of theft of fuel from the Atlanta Fire/Rescue Department identified weak inventory controls. Several fire stations operate advanced life support vehicles that carry medical supplies such as morphine and valium.	July 2018
Hiring	Managers in operating departments have expressed frustration with the city's hiring process. Citywide turnover and vacancies contribute to higher costs and lower productivity.	August 2018