



CITY OF ATLANTA

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TO: Honorable Mayor and Members of the City Council

FROM: Leslie Ward 

DATE: July 21, 2014

SUBJECT: Implementation of Audit Recommendations: Department of Public Works

We undertook this audit to assess the extent to which responsible 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.

We followed up on 19 recommendations issued to the Department of Public Works from 4 audits: *Office of Fleet Services* (December 2008), *Regulation of Utility Street Cuts* (April 2011), *Fleet Services Inventory Controls* (June 2011), and *Controls over Fuel Inventory* (November 2012). The recommendations range in age from 19 to 66 months old. Management agreed with all recommendations and planned to implement them within twelve months. We conducted this follow-up in accordance with generally accepted government auditing standards. Our methods included:

- obtaining management's assessment of whether each recommendation has been implemented, partially implemented, or not implemented
- reviewing departments' responses and data submissions to understand how management addressed each audit recommendation
- reviewing prior follow-up work related to recommendations

The Department of Public Works implemented eight and partially implemented three of the recommendations we assessed in this report. The remaining eight recommendations have not been implemented. We are closing two of these recommendations because the Department of Public Works has made no progress toward their implementation in more than three years. Attachments A and B summarize our assessments of each recommendation.

The department has implemented all but two recommendations related to information technology controls over the fleet and fuel inventory systems. In our *Controls over Fuel Inventory* and *Fleet Services Inventory Controls* audits, we identified weak system controls including:

- password controls in Fleet Focus that do not meet best practices standards
- inconsistent unit costs from input errors
- non-essential and retired individuals with access to fueling system
- unstandardized user IDs and employee names in Fuel Focus
- unimplemented application controls that would reduce the risk of fuel misuse
- Fleet Focus inventory and purchase records unlinked to Oracle
- employees with the capabilities to perform incompatible duties in Fleet Focus

We determined that the department has corrected or partially corrected most of these problems; however, some issues remain. Fleet Focus inventory and purchase records are not linked to Oracle, which would facilitate reconciliations. Department staff stated that the department is currently upgrading Fleet Focus and plans to link it to Oracle at a later time. Our review of Fleet Services employees duties in Oracle and Fleet Focus indicate that employees still have the ability to perform buying and receiving duties, which are incompatible and increase the potential for fraud.

The department has implemented physical security recommendations, but some risks remain. In *Fleet Services Inventory Controls*, we recommended that the department consolidate warehouses where the department stores parts, limit the distribution of keys, and perform a 100% inventory count with periodic reconciliations. Our review of the department's key distribution list and overnight access policy indicates that the department has limited the distribution of keys since the audit. Additionally, the department has consolidated storage space for parts and has closed three parts rooms. Department staff stated that the department is also in the process of removing parts from the Hill Street location.

However, after reviewing the department's documentation of inventory counts we determined that the department's documentation contained miscalculations of variance and accuracy for line items. The department's total accuracy calculations were overstated. Department policies do not describe steps to perform when there are discrepancies and what thresholds of discrepancy result in further research. In *Controls over Fuel Inventory*, we recommended that the department procure RF (Radio Frequency) Vehicle IDs and institute biometric identification techniques to ensure accuracy in vehicle information and fuel transactions with Fuel Focus. We also made recommendations regarding video surveillance of fuel use. As of April 2014, the department had installed RFIDs on 245 vehicles. Employees are still manually entering ID numbers into a keypad to obtain fuel. The department has not implemented the recommendations related to video surveillance, which require additional funding.

Generally accepted government auditing 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 appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Kwasi Obeng, Susannah Laramée-Kidd, and Christopher Armstead.

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Attachment A: Audit Recommendations Open

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<i>Fleet Services Inventory Controls</i> June 2011 Management Agreed Expected Implementation Date: June 2012	The commissioner of public works should work with the Departments of Procurement and Information Technology to develop a method to link Oracle and Fleet Focus records or develop an alternative method to facilitate reconciling inventory and purchase records.	The department is currently waiting to finish an upgrade to Fleet Focus prior to attempting to link Fleet Focus and Oracle records. The department did not develop an alternative method for reconciling inventory and purchase records.	Not Implemented
2	<i>Fleet Services Inventory Controls</i> June 2011 Management Agreed Expected Implementation Date: October 2011	The commissioner of public works should direct staff to conduct a 100% inventory count, reconcile discrepancies, and record the location of all parts. Once the baseline inventory is established, staff should conduct periodic counts at all parts facilities and reconcile discrepancies, consistent with policy.	The department's documentation for inventory counts contained miscalculations of variance and accuracy for line items as well as total accuracy which were all overstated. Additionally, department policies do not describe steps to perform when there are discrepancies and what thresholds result in further research.	Not Implemented
3	<i>Fleet Services Inventory Controls</i> June 2011 Management Agreed Expected Implementation Date: October 2011	The commissioner of public works should direct staff to update written policies to ensure that controls are consistent with current workflow and segregate incompatible duties and ensure that staff complies with procedures.	Our review of responsibilities currently assigned in Oracle and Fleet Focus found four staff members with buying responsibilities in Oracle and receiving responsibilities in Fleet Focus. These duties should be segregated to reduce opportunities for fraud and error.	Not Implemented
4	<i>Controls over Fuel Inventory</i> November 2012 Management Agreed Expected Implementation Date: June 2013	The commissioner of public works should ensure installed video surveillance is functioning properly at all fuel sites. In addition, the commissioner should take measures to improve physical security across all fuel sites.	According to the department, additional progress on this recommendation requires additional funding.	Not Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
5	<p><i>Controls over Fuel Inventory</i> November 2012</p> <p>Management Agreed</p> <p>Expected Implementation Date: November 2012</p>	<p>The commissioner of public works should establish a video retention and video back up policy. The policy should contain retention period, video over write, backup and deletion schedules.</p>	<p>According to the department, additional progress on this recommendation requires additional funding.</p>	Not Implemented
6	<p><i>Controls over Fuel Inventory</i> November 2012</p> <p>Management Agreed</p> <p>Expected Implementation Date: June 2013</p>	<p>The commissioner of public works should evaluate the current CCTV infrastructure and take steps to preserve the availability and integrity of recordings at each fuel site.</p>	<p>According to the department, additional progress on this recommendation requires additional funding.</p>	Not Implemented
7	<p><i>Controls over Fuel Inventory</i> November 2012</p> <p>Management Agreed</p> <p>Expected Implementation Date: June 2013</p>	<p>The commissioner of public works should take steps to improve the accuracy of odometer readings, employee IDs and equipment transactions recorded in FuelFocus. The department should consider replacing the current mechanisms of obtaining vehicle and user information. The department should implement stronger controls such as RF (Radio Frequency) Vehicle ID for obtaining vehicle data and one of the following for obtaining employee information:</p> <ul style="list-style-type: none"> •Proximity Keys •Magnetic Strip Cards •Biometric Identification 	<p>Department staff has acquired funding for RFIDs and has begun installing them on fleet vehicles. However, employee information is still obtained through the use of an employee entering an Employee ID Number using a keypad.</p>	Partially Implemented

Attachment B:

Audit Recommendations Closed

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<p><i>Office of Fleet Services</i> December 2008</p> <p>Management Agreed</p> <p>Expected Implementation Date: January 2009</p>	<p>The director of fleet services should enter into formal service level agreements with each department it serves to promote service accountability. The agreements should outline the responsibilities of each party, cost and service expectations, and how performance will be measured. The agreements should stipulate that the department receive receipts of work performed, and have an opportunity to review charges before being posted to their accounts. The agreements should be understood and acknowledged by the appropriate personnel in order to be effective.</p>	<p>The department has not entered into formal service level agreements with each department.</p>	<p>Not Implemented</p>
2	<p><i>Regulation of Utility Street Cuts</i> April 2011</p> <p>Management Agreed</p> <p>Expected Implementation Date: May 2011</p>	<p>The commissioner of public works should develop detailed policies and procedures that explain the permitting, inspection and recordkeeping requirements for excavation in the public right-of-way. The procedures should:</p> <ul style="list-style-type: none"> • clarify employees' responsibilities for processing permits • clarify permit requirements to ensure that street cut activity is permitted • provide standard guidelines for conducting preliminary, interim, post-closure and warranty inspections • describe a process for complete and easily accessible recordkeeping, including copies of permit applications, permits, inspection results, and the location of metal plates 	<p>We reviewed Inspections and Permitting Process Procedures dated April 26, 2011. We concluded last year that this recommendation was partially implemented because it was unclear who was responsible for some of the tasks. Staff explained that the context made it clear who is responsible (contractor, inspector, permitting staff).</p>	<p>Implemented</p>

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
3	<p><i>Regulation of Utility Street Cuts</i> April 2011</p> <p>Management Agreed</p> <p>Expected Implementation Date: October 2011</p>	The commissioner of public works should use all available options, including requiring insurance and bonding, to enforce the right-of-way ordinance.	We confirmed that 12 of 13 utilities had current insurance documents on file with the department and Georgia Power submitted a letter stating it is self-insured. The department had 10 of the 13 utilities performance bond documents on file.	Partially Implemented
4	<p><i>Regulation of Utility Street Cuts</i> April 2011</p> <p>Management Agreed</p> <p>Expected Implementation Date: Immediately</p>	The commissioner of public works should ensure that repaving activity is coordinated with street cut work.	Department staff stated that the street cut work is not coordinated with repaving. Also, the department no longer enforces the requirement in the right-of-way manual that contractors repave larger areas around cuts to newer pavement because the requirement is more stringent than what the state requires.	Not Implemented
5	<p><i>Fleet Services Inventory Controls</i> June 2011</p> <p>Management Agreed</p> <p>Expected Implementation Date: July 2011</p>	The commissioner of public works should direct fleet services' information technology staff to require Fleet Focus users to change passwords in the system at intervals consistent with best practices.	The department has enforced password settings in Fleet Focus that are consistent with best practices.	Implemented
6	<p><i>Fleet Services Inventory Controls</i> June 2011</p> <p>Management Agreed</p> <p>Expected Implementation Date: August 2011</p>	The commissioner of public works should direct staff to ensure that unit costs of like items are consistent in Fleet Focus, correct any incorrect costs and reimburse departments for overcharges resulting from input errors.	The department corrected the errors we identified in the audit, but we noted potential data entry errors in the system that could result in overcharges.	Partially Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
7	<i>Fleet Services Inventory Controls</i> June 2011 Management Agreed Expected Implementation Date: October 2011	The commissioner of public works should consolidate parts warehouses to fewer facilities and ensure that the facilities are secured to better safeguard inventory and improve operational efficiency.	Since the previous audit, the department has closed two parts rooms at the Clair Drive facility and one parts room at the Lakewood Avenue facility. Department staff also stated that the department is in the process of closing the Hill Street location.	Implemented
8	<i>Fleet Services Inventory Controls</i> June 2011 Management Agreed Expected Implementation Date: October 2011	The commissioner of public works should limit key distribution or install electronic keys to track employee entry into the facilities.	We reviewed the department's updated procedures on after-hours warehouse access, which establishes paper logs for tracking access. The distribution of keys is more limited than at the time of the audit, but the department can't reliably track employee entry.	Implemented
9	<i>Controls over Fuel Inventory</i> November 2012 Management Agreed Expected Implementation Date: Immediately	The commissioner of public works should establish a periodic review of all user accounts. The review should compare users in FuelFocus to Oracle HR.	We have reviewed evidence of the department performing reviews of all user accounts periodically.	Implemented
10	<i>Controls over Fuel Inventory</i> November 2012 Management Agreed Expected Implementation Date: Immediately	The commissioner of public works should review all operator names and IDs and remove all non-essential accounts.	The department has removed most non-essential accounts however there are a few that remain.	Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
11	<p><i>Controls over Fuel Inventory</i> November 2012</p> <p>Management Agreed</p> <p>Expected Implementation Date: Immediately</p>	<p>The commissioner of public works should standardize the employee names and user IDs in FuelFocus to match the corresponding Oracle HR record.</p>	<p>The department has standardized all employee names and user IDs in FuelFocus with the exception of one.</p>	<p>Implemented</p>
12	<p><i>Controls over Fuel Inventory</i> November 2012</p> <p>Management Agreed</p> <p>Expected Implementation Date: Immediately</p>	<p>The commissioner of public works should identify all application controls available in FuelFocus, analyze the impact of these on fuel activity and implement as many as possible to reduce the risk of fuel misuse. At a minimum the department should:</p> <ul style="list-style-type: none"> •change the “maximum fueling per day” parameter from 99 to 2 – 50 •check the parameter “Deny fuel if tries exceeded” for all vehicles/equipment •implement odometer validity checks to deny fuel when inaccurate odometer readings are entered •ensure no vehicle can fuel more than its established capacity 	<p>During our review, we found that the department has implemented application controls with a few exceptions. Nine vehicles are not denied fuel if tries are exceeded and 18 vehicles have greater than 5 maximum fueling per day.</p>	<p>Implemented</p>