



CITY OF ATLANTA

City Auditor's Office
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June 2007

Why We Did This Audit

We did this audit of the Hartsfield-Jackson Development Program because of its size, complexity and high public profile. Moreover, the city's external financial auditor recommended that we devote more audit effort to the program, and City Council members expressed interest in an independent assessment of program operations.

What We Recommended

We recommend that the airport general manager require program officials:

- include original baseline budget data in project budget documents and program reports;
- develop a total program budget to use as a benchmark for monitoring overall program costs; and
- improve quality control procedures to ensure that data entered into the cost management system are accurate.

To provide flexibility for management without sacrificing transparency and competitive procurement, we recommend that the airport general manager:

- request a separate appropriation for contingencies of no more than 10% of the contract amount when seeking authorization to execute a construction contract;
- seek authority to enter into annual contracts for construction services that may be required to support other projects and to minimize delay and operational impact; and
- obtain written authorization for brand name specifications prior to a contractor's purchase of such brand name items.

We also recommend that:

- the chief procurement officer ensures change orders and contract modifications comply with the city's code of ordinances, and the
- Procurement and Law departments propose code revisions as necessary and provide administrative guidelines on the use of contingency allowances.

For more information regarding this report, please contact Amanda Noble at 404.330.6750 or anoble@atlantaga.gov.

Performance Audit:

Hartsfield-Jackson Development Program

What We Found

Financial risks are inherent in large capital projects. The airport and the city adequately manage the program's funding risks protecting the city's financial position through sound fiscal planning and analysis, varied financing strategies, maintaining reserve funds, and monitoring compliance requirements for federal funds.

The program, however, will cost more and take longer to complete than initially presented in 1999. In May 2006, estimated costs for budgeted projects were 18% over the original figures, and 5 of the 8 program elements were expected to take longer to complete.

Airport officials do not view the 1999 figures as a budget constraint but rather as a preliminary estimate used to establish the airlines' share of funding. Program budgets evolve as projects are planned, designed, and executed; as a result, the South Complex does not yet have a budget.

Without a firm total budget, the program is limited primarily by available resources. With ample revenue, cost is less of a constraint than other factors. We found examples of airport decisions to expedite projects that have added costs. Delays in completing project activities, third-party requirements, and market factors also have contributed to the increase in program costs.

The airport's use of miscellaneous modification (contingency) allowances in construction contracts limited external oversight and competitive procurement practices. We found the Department of Aviation:

- authorized miscellaneous modifications for work that appears unrelated to contract scope;
- used miscellaneous modifications to specify brand names for equipment purchases without authorization from the Department of Procurement; and
- spent miscellaneous modification funds for unspecified work.