



CITY OF ATLANTA

City Auditor's Office
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Why We Did This Audit

We undertook this audit at the request of the chief financial officer, who expressed concern that the city lacked funding to complete construction of the public safety facilities. The City Council also expressed concern about changes in project scope and financing.

What We Recommended

The Mayor's Office should ensure that executive departments:

- Analyze the costs, benefits, and financing methods of proposed capital projects before undertaking them.
- Identify funding needs for projects before starting them.
- Identify project risks and risk management plans for each project that are updated over the life of the project.

The chief financial officer should:

- Create policies to ensure lease purchase agreements are accurately recorded within the city's financial system.

The office of enterprise asset management should:

- Create project management procedures to guide city personnel in managing capital projects appropriately. Procedures should assign specific responsibilities for controlling costs, meeting schedules, and ensuring

For more information regarding this report, please contact Eric Palmer at 404.330.6455 or epalmer@atlantaga.gov.

Performance Audit:

City Hall East Sale and Public Safety Facilities Construction

What We Found

The scope of the public safety facilities project has evolved to increase both the square footage and the number of facilities devoted to public safety while excluding relocation of other City Hall East operations. At its simplest, the city's preferred developer proposed swapping City Hall East for a 350,752 square foot downtown building and funding a \$10 million parking deck with tax allocation district proceeds, with the intention of housing all City Hall East operations. Assessments completed after the city requested proposals for relocation identified additional public safety needs. Ultimately, the city built a new public safety headquarters, purchased and renovated a public safety annex, and entered into a 30-year lease for a 911 call center. The three facilities comprise 430,025 square feet but do not house all employees who had worked in City Hall East.

Construction and related expenses for the facilities reached about \$103 million through September 2009, about 73 percent debt financed. The city will pay more than \$138 million over 30 years in debt service and lease payments, while additional costs for housing other City Hall East operations are not yet known.

Weak project controls increased project risk. The construction manager's responsibilities were too limited to effectively control costs. While payments for the city's initial \$47 million contract for headquarters construction were intended to be based on cost plus a fixed fee, the city and construction manager did not track costs in accordance with contract terms. The city paid about \$4.7 million in change orders for the headquarters without adequate documentation or required approval.

Financial reports on project costs are incomplete. Project expenditures were recorded in several different accounts in the city's financial system and expenditures of \$24 million in bank loan proceeds were processed directly from the bank rather than through the city's financial management system. Because these transactions were off the city's books, some of the payments circumvented city controls. Council expense account balances as of November 30, 2008, were about \$2.2 million.