



CITY OF ATLANTA

City Auditor's Office
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June 2010

Performance Audit:

Aviation Grants Management – Federal Recovery Act

What We Found

Aviation's project management processes appear sufficient to ensure that aviation complies with grant requirements and achieves the recovery act's intent to spur economic activity and invest in long-term growth. Although controls are in place and the allocation appears to be reasonable, the apron project could present compliance risks as federal agencies review the projects.

Aviation's project management processes mitigate risks of fraud inherent to fixed-price construction contracts; however, the department could strengthen fraud prevention and detection efforts by training employees in fraud awareness and promoting vendors' use of the city's hotline. Aviation procedures for paying invoices and testing materials mitigate risks of materials overcharging and product substitution, which are primary fraud risks in fixed-price construction contracts. The city's Integrity Line provides additional protection against fraud but vendors rarely call.

Aviation did not follow some recovery act provisions specific to project planning and procurement because the projects receiving funding were under way before the city entered into grant agreements with the federal agencies. The city's contract with the construction manager at risk excludes whistleblower protection and "Buy American" provisions. In addition, scopes of work do not specify the tasks to be grant-funded.

Aviation reported no spending or job creation for the apron in its first quarter report and has yet to report spending or job creation for the baggage inspection system, understating the real-time economic benefits of the grants. Legislation appropriating the funds delayed the reporting process.

The Executive Office convened a task force to coordinate the city's efforts in applying for recovery act funding. The group's role should focus more on monitoring and reporting now that new applications are declining.

The city's website contains incomplete information about the grant-funded projects. As of May 2010, the website reported that the city received approximately \$75 million rather than \$86 million and contained limited information on aviation's grants.

Why We Did This Audit

We undertook this audit because use of federal recovery act (American Recovery and Reinvestment Act) funds is subject to special procurement, tracking, reporting, and transparency requirements. Aviation has been awarded \$34 million of the city's \$86 million recovery act grant funding as of April 21.

What We Recommended

The Aviation General Manager should:

- Discuss the integrity line or other methods to report suspected fraud in project administrative meetings.
- Post fraud awareness and reporting materials at construction sites.

The City Attorney should:

- Develop a standard provision in contracts informing contractors of the effect of fraud and mechanisms available to report suspected fraud.

The Chief Procurement Officer should:

- Develop specific contracting procedures for recovery act projects and provide training on specific requirements.
- Encourage vendors to promote fraud awareness and provide integrity line information to their employees.

The Executive Office should:

- Revise the city website to include job creation data, project status information, outcomes of grants, and Integrity Line information.
- Assess the potential for using the 0.5% allowed for oversight costs from recovery act grants and if feasible, develop a process to capture these funds.

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