



CITY OF ATLANTA

City Auditor's Office
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March 2011

Why We Did This Audit

We undertook this audit because our December 2007 performance audit, *Automated Meter Reading Program*, identified potential liability related to open meter boxes with lids that were missing, broken, or were ill-fitted. The Department of Law and City Council approve claims on a case-by-case basis. A systematic review of the number and magnitude of claims could help the city better manage risks.

What We Recommended

In order to provide reliable data for risk management, the city attorney should:

- Compile comprehensive claims and litigation data electronically, including, at a minimum, loss date, type of claim, cause of claim, disposition, and settlement amount
- Regularly provide relevant claims and litigation data to risk management

To implement an effective risk management program that minimizes the city's loss exposure, the chief financial officer should:

- Develop a comprehensive risk management program that includes tort claims analysis, consistent with city code requirements and best practices
- Ensure that all city departments are notified of and comply with the risk management program requirements, and regularly receive data on claims and litigation risk analysis

For more information regarding this report, please contact Stephanie Jackson at 404.330.6678 or sjackson@atlantaga.gov

Performance Audit:

Department of Watershed Management Claims Review

What We Found

The city paid \$11 million between January 2006 and June 2010 to settle injury and damage claims made against the Department of Watershed Management. We were unable to evaluate the severity and frequency of different types of claims because the law department has not consistently recorded the cause of damage leading to the claim, or the settlement amount for each claim in its electronic files. The number of claims filed has decreased since about March 2008, but the proportion settled, number of cases litigated, and total settlements paid per year have increased.

While the city code establishes a risk management function responsible for minimizing loss exposure, the city's recently hired risk manager has focused primarily on workplace safety, worker's compensation and insurance, and contract review, and has yet to establish a risk management program that includes analysis of third-party claims. The code requires the city's risk manager to develop and implement procedures to measure the frequency and severity of citywide losses and establish goals to help departments develop risk management plans to achieve acceptable loss levels.

Effective risk management requires complete and reliable loss data, including frequency, severity, cause, and financial consequences. The law department compiles data that would be useful to identify and evaluate loss exposure, but until recently the law department did not provide the information to risk management or any city department. Law recently shared some claims data with the city's risk manager. However, based on our analysis, the claims data is incomplete, tracked in multiple systems, and inconsistently categorized.

The risk manager should develop and implement a risk management program consistent with code requirements. The city attorney should share relevant claims information and ensure that tracked data is complete and accurate.