



CITY OF ATLANTA

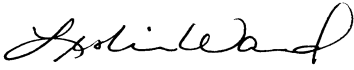
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AUDIT COMMITTEE
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Ex-Officio: Mayor Kasim Reed

TO: Honorable Mayor and Members of the City Council

FROM: Leslie Ward 

DATE: July 7, 2014

SUBJECT: Implementation of Audit Recommendations: Executive Office, Department of Finance, and Department of Information Technology

We follow up on previous audits 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 eight recommendations issued to the Executive Office, one recommendation issued to the Department of Finance, and one recommendation issued to the Department of Information Technology from three audits: *Tax Allocation Districts* (May 2012), *Department Gift Card Purchases* (January 2013), and *Atlanta Workforce Development Agency* (January 2013). The recommendations range in age from 17 to 25 months old. Management agreed with eight recommendations and planned to implement three of them in two to seven months; for five of the recommendations management had not determined implementation dates. Management did not provide responses or implementation dates for two recommendations. 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 Executive Office implemented three recommendations, partially implemented two recommendations, and did not implement three recommendations we assessed from these reports. The Department of Finance implemented the recommendation, and the Department

of Information Technology partially implemented the recommendation we assessed. As a result of our follow up, we are closing seven recommendations and leaving three recommendations open for future follow up. Appendices A and B summarize our assessment of each recommendation.

Invest Atlanta has not reevaluated its redevelopment strategies in the corridor districts. In our *Tax Allocation Districts* report, we recommended that the chief operating officer work with Invest Atlanta to reevaluate its redevelopment in the corridor districts considering current economic conditions in those districts. Management agreed with the recommendation. The chief executive officer has met with Invest Atlanta to discuss redevelopment in the corridor districts. Invest Atlanta cited Atlanta Public Schools' lack of contributing increment as the one factor hindering redevelopment that the city can potentially influence. Rather than reevaluating its strategy, Invest Atlanta is seeking additional funding to attract developers.

No progress on recommendations related to gift cards. In our *Department Gift Card Purchases* report, we recommended that the chief operating officer work with the commissioner of human resources to develop a centrally administered gift card program for employee recognition that included an annual budget, as well as policies and procedures to administer it. The commissioner of human resources provided us with no information regarding progress on centralizing, budgeting, or developing policies and procedures to administer the program. Because departments were using gift cards for small purchases as well as for employee recognition, we also recommended that the chief operating officer reconsider whether to establish purchasing card authority for departments. The chief procurement officer confirmed that the city has taken no steps to implement the recommendation. Management requested the audit and agreed with the recommendations. We are closing the recommendations due to lack of progress on implementation.

There is little additional oversight the Atlanta Workforce Development Agency. In our report on the Atlanta Workforce Development Agency, we recommended that the chief operating officer exercise additional authority in oversight of the agency by including the agency in its ATLStat program, overseeing agency responses to state and federal program monitors, and following up on corrective actions. Management did not respond to the recommendation for the report. FORAtlanta collects metrics on the agency but does not monitor the agency's responses to federal and state monitoring or follow up on corrective actions.

A consultant is reviewing the city's workforce development strategy. In our report on the Atlanta Workforce Development Agency, we recommended that the chief operating officer work with the Atlanta Workforce Development Agency board to procure a consultant to assist the agency in revising its operations. Management did not respond to the recommendation for the report. Invest Atlanta has procured a consultant to develop a strategy to align Atlanta's workforce system with its economic strategy, but the scope of the contract does not address the operational concerns we raised in the audit.

Not all personal information in the Atlanta Workforce Development Agency's information systems is protected. In our *Atlanta Workforce Development Agency* report, we recommended that the chief information officer protect personally identifiable information maintained in the agency's information systems. Management agreed with this recommendation. Although there are now password protections on the agency's database, other confidential information remained accessible on the server.

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 Brad Garvey and Jamie Amos.

Cc:

Michael Geisler, Interim Chief Operating Officer, Mayor's Office
Hans Utz, Deputy Chief Operating Officer, Mayor's Office
Thomas Weyandt, Jr., Chief Operating Officer, Mayor's Office
Kristin Wilson, Deputy Chief Operating Officer, Mayor's Office
Candace Byrd, Chief of Staff, Mayor's Office
Katrina Taylor, Deputy Chief of Staff, Mayor's Office
Carlos Campos, Director of Communications, Mayor's Office
Anne Torres, Deputy Director of Communications, Mayor's Office
Melissa Mullinax, Office of Communications, Mayor's Office
David Bennett, Senior Policy Advisor, Mayor's Office
Cathy Hampton, City Attorney
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Nina Hickson, Ethics Officer
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Gwendolyn Smith, Deputy Chief Financial Officer
John Gaffney, Controller, Department of Finance
Michael Dogan, Interim Chief Information Officer
Rhonda Dauphin Johnson, Municipal Clerk
Tangela Williams, Director, Council Staff
Dexter Chambers, Director, City Council Office of Communications
Reggie Grant, Policy Analyst, Finance/Executive Committee
Audit Committee

Attachment A: Audit Recommendations Remaining Open

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<p>Atlanta Workforce Development Agency January 2013</p> <p>Management did not submit a response prior to audit issuance</p> <p>Expected Implementation Date: NA</p>	<p>If officials determine that the potential strategic benefits of retaining Atlanta as a separate local workforce area outweigh the costs of fixing problems, the chief operating officer should exercise additional oversight of the agency by including AWDA in its ATLStat program, overseeing agency responses to state and federal program monitors, and following up on corrective actions.</p>	<p>FORAtlanta (formerly ATLStat) collects metrics for AWDA but does not oversee AWDA state and federal reporting.</p>	<p>Partially implemented</p>
2	<p>Atlanta Workforce Development Agency January 2013</p> <p>Management did not submit a response prior to audit issuance</p> <p>Expected Implementation Date: NA</p>	<p>If officials determine that the potential strategic benefits of retaining Atlanta as a separate local workforce area outweigh the costs of fixing problems, the chief operating officer should work with the AWDA Board to procure a consultant to assist the agency in revising its processes to use existing systems to collect and report complete, accurate, reliable, and timely information.</p>	<p>Invest Atlanta has an agreement with a consultant (Maher & Maher) dated August 23, 2013, for \$154,490 to develop a workforce development strategy. The agreement states that the consultant shall facilitate, develop, and document a strategy to align Atlanta's workforce system with its economic strategy, and make reforms that will use data to drive the development of a sustainable and goal oriented workforce strategy aligned to growth sector demands for talent. The consultant is putting together a high-level strategy for the agency, but does not appear to address data collection and reporting as we recommended.</p>	<p>Partially implemented</p>

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
3	<p><i>Atlanta Workforce Development Agency</i> January 2013</p> <p>Management agreed</p> <p>Expected Implementation Date: May – July 2013</p>	<p>If the agency continues, the chief information officer should ensure that personally identifiable information maintained in Atlanta Workforce Development Agency information systems is protected.</p>	<p>The Department of Information Technology strengthened password protections on the Atlanta Workforce Development Agency database, but confidential information remained accessible on the city server.</p>	<p>Partially implemented</p>

Attachment B:

Audit Recommendations Closed

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<p><i>Tax Allocation Districts</i> May 2012</p> <p>Management agreed</p> <p>Expected Implementation Date: To be determined</p>	<p>The chief operating officer should propose for City Council approval modifications to the city's service agreement with Invest Atlanta to require it to develop and report annual evaluations of each tax allocation district to assess progress towards completing specific projects and achieving goals established in the redevelopment plan.</p>	<p>The city entered into a new Intergovernmental Agreement for Redevelopment Services with Invest Atlanta dated August 22, 2013. The new agreement calls for Invest Atlanta to evaluate the completion status of the redevelopment plans for all of the tax allocation districts every three years and report its findings to the City Council's Finance/Executive and Community Development/Human Resources committees.</p>	Implemented
2	<p><i>Tax Allocation Districts</i> May 2012</p> <p>Management agreed</p> <p>Expected Implementation Date: To be determined</p>	<p>The chief operating officer should develop a policy to review annually surplus increment once the redevelopment plan is substantially completed and establish criteria for using surplus increment to pay down debt, return surplus increment to participating jurisdictions, or reallocate surplus increment to a debt service reserve or for a specific development project.</p>	<p>The 2013 agreement requires that the city adopt legislation to direct Invest Atlanta to use surplus increment to pay down any outstanding debt related to a tax allocation district and all other outstanding redevelopment costs once a tax allocation district has been substantially completed. The city shall then adopt legislation terminating a tax allocation district once the outstanding debt and redevelopment costs have been paid in full. The city shall also direct Invest Atlanta to proportionally return any excess increment from terminated tax allocation districts to participating jurisdictions within the tax allocation district.</p>	Implemented
3	<p><i>Tax Allocation Districts</i> May 2012</p>	<p>Before seeking reallocation of increment to new projects outside the intended scope of the redevelopment plan, the chief operating</p>	<p>The 2013 agreement requires Invest Atlanta to prepare for City Council's consideration an amendment for the existing</p>	Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
	Management agreed Expected Implementation Date: To be determined	officer should require Invest Atlanta to prepare for City Council consideration an amendment to the existing redevelopment plan that includes at a minimum: <ul style="list-style-type: none"> • establishment of the “but-for” clause for the projects within the expanded scope • proposed specific uses of funds • anticipated benefits to be produced by the private sector entity receiving assistance • description of sanctions, such as a claw back provision, for failure to meet goals. 	redevelopment plan prior to seeking reallocation of increment to new projects outside the intended scope of the original redevelopment plan that includes the following: <ul style="list-style-type: none"> • establishment of the “but-for” clause for the projects within the expanded scope; • proposed specific uses of funds; • anticipated benefits to be produced by the private sector entity receiving assistance; and • description of sanctions, such as clawback provisions, for failure to meet goals. 	
4	<i>Tax Allocation Districts</i> (May 2012) Management agreed Expected Implementation Date: To be determined	The chief operating officer should work with Invest Atlanta to re-evaluate its redevelopment strategies in the corridor districts as appropriate, considering current economic conditions in those districts.	Invest Atlanta has met with the chief operating officer several times to discuss redevelopment strategies for the corridor districts. Invest Atlanta cites lack of Atlanta Public Schools involvement in contributing to the increment in the districts as hindering redevelopment. Invest Atlanta also cited depressed economic conditions, little developer interest, fragmented property parcel ownership, district areas being too large, and boundaries not being cohesive as also hindering redevelopment efforts.	Not implemented
5	<i>Tax Allocation Districts</i> May 2012 Management agreed Expected Implementation Date: To be determined	The chief financial officer should propose for City Council approval revisions to the city’s service agreement with Invest Atlanta to: <ul style="list-style-type: none"> • include preparation of financial reports at least annually showing how public funds were used to support tax allocation district redevelopment plans. • require Invest Atlanta and any of its affiliates to provide detailed budgets at least annually showing proposed uses of tax allocation district funds by fund. 	The 2013 agreement includes the additional reporting requirements.	Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
6	<p><i>Department Gift Card Purchases</i> January 2013</p> <p>Management agreed</p> <p>Expected Implementation Date: March 2013 or earlier</p>	<p>We recommend the chief operating officer work with the commissioner of human resources to develop a centrally administered gift card program processed through payroll. The commissioner of human resources should budget for the program through the city's annual budget process. At a minimum, the program should establish policies and procedures to describe:</p> <ul style="list-style-type: none"> • custodian of cards • criteria for receiving awards • limits on award amounts • responsible party for approving awards other than custodian • documentation to be submitted for distributing awards • records to be maintained • physical security measures for safe guarding cards • processes for reporting and withholding federal and state taxes • mechanism for informing employees of tax liability • reconciliation of gift cards purchased, distributed and remaining at least monthly performed by personnel other than the custodian 	<p>The commissioner of human resources provided us with no information about the implementation of this recommendation after several requests.</p>	Not implemented
7	<p><i>Department Gift Card Purchases</i> January 2013</p> <p>Management agreed</p> <p>Expected Implementation Date: March 2013</p>	<p>We recommend the chief operating officer reconsider whether to establish purchasing card authority for departments.</p>	<p>The chief procurement officer stated there has not been progress on implementing the audit recommendation. He stated that the change in the chief operating officer for the city was a reason for this.</p>	Not implemented