



CITY OF ATLANTA

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TO: Honorable Mayor and Members of the City Council

FROM:

Leslie Ward

DATE: June 2, 2014

SUBJECT: Implementation of Audit Recommendations: Department of Watershed Management

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 18 recommendations issued to the Department of Watershed Management from six audits: *Implementation of Audit Recommendations* (June 2013); *Water Meter Readings, Estimates, and Adjusted Billings* (May 2013); *Department of Watershed Management Back Billing of July 2008 Rate Increase* (August 2009); *KPMG Performance Review of the Department of Watershed Management* (April 2009); *Department of Watershed Management Automated Meter Reading Program* (December 2007); *Review of Proposed Ordinance 06-O-1363 to Write Off 115 Uncollectible Accounts* (September 2006). The recommendations range in age from 11 to 92 months old. Management agreed with nine recommendations and partially agreed with four more recommendations and planned to implement them in one to twelve months. Management disagreed with four recommendations and did not specify agreement or disagreement on the final recommendation. 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 documents, policies, legislation, and departments' responses and data submissions to understand how management addressed each audit recommendation
- interviewing department management and staff to understand current policies, procedures, and practices
- reviewing prior follow-up work related to recommendations

The Department of Watershed Management implemented five of the recommendations and partially implemented two of the recommendations we assessed in this report. As a result of our follow up, we are closing 14 recommendations and leaving four recommendations open for future follow up. Appendices A and B summarize our assessment of each recommendation.

Procedure to ensure that watershed management's in-house street cuts are permitted has fallen through the cracks. In our report *Department of Public Works Regulation of Utility Street Cuts*, we recommended that public works permit and inspect all utility street cuts made by watershed management. In our 2012 follow up, we issued a new recommendation to watershed management to ensure that all its in-house street cuts are properly permitted. Managers from both departments told us that they agreed that public works staff would review the work order management system weekly to identify watershed management's open work orders and issue permits for them. However, staff in public works has changed since the unwritten agreement and watershed management acknowledges that some of its in-house work may be unpermitted. We recommend that public works and watershed management document and follow the procedure.

Watershed management still has no written procedure for manual bill estimation. Our May 2013 *Water Meter Reading, Estimates, and Adjusted Billings* audit noted that the method for calculating estimated usage varied among billing staff and was not addressed in billing procedures. We recommended the department use enQuesta to estimate bills or revise procedures to include a specific method for estimating usage. Although department management agreed with our recommendation, a billing manager told us that the department still has no written policy describing how utility bill specialists should estimate water use for accounts with no reads or incorrect reads.

Watershed management has not implemented replacement and maintenance plans for large and small meters. In our December 2007 report *Department of Watershed Management Automated Meter Reading Program* and again as part of our May 2013 *Water Meter Reading, Estimates, and Adjusted Billings* audit, we recommended that the department implement a comprehensive replacement and maintenance plan for small meters. A maintenance plan would enhance billing accuracy and help the department to address problems before they lead to customer complaints or present safety risks. We recommended that the plan include periodic site surveys or ways to identify operational problems, such as leaks and broken lids that cannot be detected with automated meter reading technology. We also recommended in 2007 that the department develop a comprehensive replacement plan for large meters to ensure the department has a meter inventory that functions at optimal

revenue-producing levels. Watershed management developed a draft plan in 2008 covering large and small meters, but the plan was never approved and did not address site surveys. Department staff told us that they are updating the plan regarding large meters and are developing a new plan for small meter maintenance. The department reported that these plans will be finalized by the end of fiscal year 2014.

Watershed management manages its inter-jurisdictional accounts efficiently, but is limited by the participation of the inter-jurisdictional partners and existing contract terms. In order to create greater accountability with inter-jurisdictional partners, KPMG recommended in its 2009 audit that the department centralize management of inter-jurisdictional accounts and renegotiate inter-jurisdictional contracts for greater accountability and to better recoup sewer maintenance costs. Watershed management has instituted a team of people who oversee inter-jurisdictional wastewater accounts drawn from the relevant departmental offices. The team negotiated an updated agreement with College Park and an aspect of the agreement in a Memo of Understanding with the City of Hapeville, but the majority of the inter-jurisdictional contracts remain unchanged. For inter-jurisdictional wholesale water contracts that have lapsed, the department bills for water as it is provided. The team reported that the inter-jurisdictional partners are uninterested in renegotiating the long-term contracts in place and the department is bound to bill for wastewater costs as stated in these contracts.

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, Susannah Laramee Kidd, and Kwasi Obeng.

Cc: JoAnn Macrina, Commissioner of Watershed Management
Mohamed Balla, Interim Deputy Commissioner, Financial Administration, DWM
Crystal Crawford, Director, Office of Performance and Accountability, DWM
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Dexter Chambers, Director, City Council Office of Communications
Reggie Grant, Legislative Analyst, Finance Executive Committee
Alfred Berry, Legislative Analyst, City Utilities Committee

Attachment A:

Audit Recommendations Remaining Open

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<p><i>Implementation of Audit Recommendations</i> July 2013</p> <p>Management Agreed</p> <p>Expected Implementation Date: October 2013</p>	<p>The commissioner of the Department of Watershed Management should ensure that all of the department's street cuts, including those for emergencies, within the city's right-of-way are properly permitted.</p>	<p>Watershed management applies for and tracks permits for contract work in the Public Works Online Permitting System. Public works and watershed management have agreed that public works staff will look up in-house work orders in Hansen 8 and issue permits, but the unwritten procedure does not seem to have been communicated to the person now responsible in public works.</p>	Partially Implemented
2	<p><i>Water Meter Readings, Estimates, and Adjusted Billings</i> May 2013</p> <p>Management Agreed</p> <p>Expected Implementation Date: FY2014</p>	<p>The commissioner of the Department of Watershed Management should use enQuesta to estimate bills or revise procedures to include a specific method for estimating usage.</p>	<p>Although department management agreed with our recommendation, a watershed manager told us that the department still has no formal written policy describing how utility bill specialists should estimate water use for accounts with no reads or incorrect reads.</p>	Not Implemented
3	<p><i>Water Meter Readings, Estimates, and Adjusted Billings</i> May 2013</p> <p>Management Agreed</p> <p>Expected Implementation Date: June 2013</p>	<p>The commissioner of the Department of Watershed Management should complete and implement the small meter maintenance plan to identify operational problems, such as leaks, that cannot be detected with AMR technology.</p>	<p>Watershed management developed a draft plan in 2008 covering large and small meters, but the plan was never approved and did not address site surveys. Watershed management staff told us that the maintenance plans for large meters are being updated and maintenance plans for the automated small meters are being developed.</p>	Not Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
4	<p><i>Department of Watershed Management Automated Meter Reading Program</i> December 2007</p> <p>Management Agreed</p> <p>Expected Implementation Date: June 2008</p>	<p>Department officials should develop a comprehensive replacement plan for both small and large meters. The department should continue to evaluate and select the most appropriate alternative in order to ensure the department has a meter inventory that functions at optimal revenue-producing levels.</p>	<p>Watershed management developed a draft plan in 2008 covering large and small meters, but the plan was never approved and did not address site surveys. Watershed management staff told us that the maintenance plans for large meters are being updated and maintenance plans for the automated small meters are being developed.</p>	<p>Not Implemented</p>

Attachment B:

Audit Recommendations Closed

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
1	<i>DWM Back Billing of July 2008 Rate Increase</i> August 2009 Management Disagreed Expected Implementation Date: Not Applicable	Determine which customers were shut off due to the back bill posting and refund any shutoff charges. The department should work with its contractor, Systems & Software (S&S), to analyze the accounts of customers who were shut off because of the July back billed amount and determine if any other customers were similarly affected. The department should also reverse any shutoff penalties assessed to these accounts as the result of the shutoffs.	Closed because watershed management did not agree with recommendation.	Not Implemented
2	<i>DWM Back Billing of July 2008 Rate Increase</i> August 2009 Management Disagreed Expected Implementation Date: Not Applicable	Propose changes to the city code or modify the department's current meter reading and billing processes so that the shutoff provisions are consistent. The department should review the code provisions that pertain to the 30-day shutoff requirement and work with the Department of Law to recommend revisions that are consistent with its operations. Regardless of the department's changes to its current timeline, it would be beneficial for customers to receive their next bill showing any delinquent balance prior to being shut off.	Closed because watershed management did not agree with recommendation.	Not Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
3	<p><i>DWM Back Billing of July 2008 Rate Increase</i> August 2009</p> <p>Management Disagreed</p> <p>Expected Implementation Date: Not Applicable</p>	<p>Notify all customers prior to shutoff, including NSF customers. The department should revise its policies and procedures on customer notification to include NSF customers. The department should also work with its enQuesta contractor, S&S, to ensure that notification is properly posted to customers' accounts.</p>	<p>Closed because watershed management did not agree with recommendation.</p>	<p>Not Implemented</p>
4	<p><i>DWM Back Billing of July 2008 Rate Increase</i> August 2009</p> <p>Management Disagreed</p> <p>Expected Implementation Date: Not Applicable</p>	<p>Propose changes to the city code to clarify the notice requirements for customers who do not pay their bill in full or dispute it by the due date. This would help to ensure that the notification requirements are clear and do not conflict with other sections of the code.</p>	<p>Closed because watershed management did not agree with recommendation.</p>	<p>Not Implemented</p>
5	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Partially Agreed</p> <p>Expected Implementation Date: Not Available</p>	<p>BFA should increase coordination throughout DWM bureaus to centrally maintain procurement supporting documentation. BFA should train bureau A/P representatives to properly document PO and receipt of assets to help reduce the number of matching issues. BFA and DOF should consider scanning vendor invoices and receiving information to increase DWM visibility into the A/P process and improve fixed asset documentation. (5D.1)</p>	<p>According to watershed management's in-house audit team, the Office of Financial Administration approves all field purchase orders and runs monthly reports on invoices on hold and forwards issues to bureaus. They also said that Finance sends vendor invoices to the Office of Financial Administration, where they are scanned into their document management system.</p>	<p>Implemented</p>

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
6	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Partially Agreed Expected Implementation Date: Not Available</p>	DWM should reduce the number of malfunctioning AMR meters and allow the replacement of broken traditional (non-AMR) meters if the AMR meter cannot be installed in a timely manner (7A.3).	In the “Water Meter Reading, Estimates, and Adjusted Billings” audit in May 2013, we found that 99% of the city’s water meters have been converted to automated meter reader technology as of October 2012. From January 2008 through July 2012, automated reads increased from 38% to 96% of all meter readings.	Implemented
7	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Agreed Expected Implementation Date: Not Applicable</p>	DWM should request changes to City Code to permit charging illegal consumption penalties.(7C.4)	The Atlanta city code currently states that prosecution is necessary to charge illegal consumption penalties. Law confirmed that if watershed management wanted to charge illegal consumption penalties on their own, they would need to follow due process procedures. The city code has not been changed since the recommendation was issued.	Not Implemented
8	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April, 2009</p> <p>Management Agreed Expected Implementation Date: Not Available</p>	DWM should seek legal advice on potential conflicts between City Code and Georgia Code concerning unclaimed property and settle accounts accordingly (7D.3).	Law concluded (at our request) that the city code provision and the state code are not in conflict. Watershed management is remitting unclaimed property to the state as required in the state code.	Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
9	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Partially Agreed</p> <p>Expected Implementation Date: Not Available</p>	DWM should centralize management and reporting of inter-jurisdictional accounts to create greater accountability for billing and collections information.(7F.1)	Reorganization put a team in place of individuals drawn from the departments who are involved in managing inter-jurisdictional accounts. This team manages all wastewater inter-jurisdictional billing and communication.	Implemented
10	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Agreed</p> <p>Expected Implementation Date: Not Available</p>	DWM should establish contracts that more effectively mitigate service risks and include performance measures.(7F.3)	The team negotiated an updated agreement with College Park and an aspect of the agreement in a memo of understanding with Hapeville. Generally, the inter-jurisdictional partners are uninterested in renegotiating the agreements and the city is bound to comply with existing contract terms.	Partially Implemented
11	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Agreed</p> <p>Expected Implementation Date: Not Available</p>	DWM should reduce the usage of estimation and obtain actual reads.(7F.4)	In the “Water Meter Reading, Estimates, and Adjusted Billings” audit in May 2013, we found that estimated and forced reads decreased from 10% of billed reads in 2008 to 1% in the first six months of 2012. Bills based on either system- or staff-generated estimates of consumption accounted for 1% of total billed reads and forced usage was 0% as of July 2012.	Implemented

	Report Title and Date	Recommendation	City Auditor Analysis	Implementation Status
12	<p><i>KPMG Performance Review of the Department of Watershed Management</i> April 2009</p> <p>Management Partially Agreed</p> <p>Expected Implementation Date: Not Available</p>	<p>DWM should examine opportunities to recalculate the sewer O&M costs and then renegotiate sewer service agreements to adequately recover costs of services. DWM should bill a Month 13 for inter-jurisdictional sewer customers to accounts for year-end financial adjustments. (7F.5)</p>	<p>Watershed management is bound by agreements currently in place and most inter-jurisdictional customers are unwilling to renegotiate.</p>	Not Implemented
13	<p><i>Department of Watershed Management Automated Meter Reading Program</i> December 2007</p> <p>Management Agreed</p> <p>Expected Implementation Date: June 2008</p>	<p>Department officials should develop a maintenance plan for small meters that includes periodic site surveys or similar ways to identify operational problems – such as leaks and broken lids – that cannot be detected with AMR technology.</p>	<p>We closed this recommendation because we reissued it as part of the “Water Meter Readings, Estimates, and Adjusted Billings” audit in May 2013. See Attachment A, row 3 for follow-up analysis.</p>	Not Implemented
14	<p><i>Review of Proposed Ordinance 06-O-1363</i> September 2006</p> <p>Expected Implementation Date: Not Available</p>	<p>When submitting write-off legislation for City Council consideration, the Department of Watershed Management should summarize for each account why it is uncollectible, what collection efforts have been made, and which criteria for write-off are met.</p>	<p>Write-off legislation that was submitted since this recommendation was issued did not include summaries for each account.</p>	Not Implemented