10-C-1349

(Do Not Write Above This Line)

A COMMUNICATION BY CITY AUDITOR LESLIE WARD:

SUBMITTING THE FISCAL YEAR 2011 AUDIT SCHEDULE FOR THE CITY AUDITOR'S OFFICE.

Filed

AUG 16 2010

- ☐ CONSENT REFER
- ☐ REGULAR REPORT REFER
- ☐ ADVERTISE & REFER
- ☐ 1st ADOPT 2nd READ & REFER
- ☐ PERSONAL PAPER REFER

Date Referred 7/19/10

Referred To: Fin/Exec

Date Referred

Refferred To:

Date Referred

Referred To:

First Reading

Committee

Date

Chair

Referred To

Committee	Committee
Finance/Executive	
Date 7/28/10	Date
Chair	Chair
Action Fav, Adv, Hold (see rev. side) Other Filed	Action Fav, Adv, Hold (see rev. side) Other
Members	Members
Refer To	Refer To
Committee	Committee
Date	Date
Chair	Chair
Action Fav, Adv, Hold (see rev. side) Other	Action Fav, Adv, Hold (see rev. side) Other
Members	Members
Refer To	Refer To

FINAL COUNCIL ACTION

☐ 2nd ☐ 1st & 2nd ☐ 3rd Readings

☐ Consent ☐ V Vote ☐ RC Vote

CERTIFIED

CERTIFIED

AUG 16 2010

ATLANTA CITY COUNCIL PRESIDENT

CERTIFIED

AUG 16 2010

MUNICIPAL CLERK

MAYOR'S ACTION

RCS# 497
8/16/10
3:34 PM

Atlanta City Council

REGULAR SESSION

10-C-1349 SUB.FISCAL YR 2011 AUDIT SCHEDULE FOR CITY AUDITORS OFFICE FILE

YEAS:	14
NAYS:	0
ABSTENTIONS:	0
NOT VOTING:	1
EXCUSED:	0
ABSENT	1

Y Smith	Y Archibong	Y Moore	Y Bond
Y Hall	B Wan	Y Martin	Y Watson
Y Young	Y Shook	Y Bottoms	Y Willis
Y Winslow	Y Adrean	Y Sheperd	NV Mitchell

RECEIVED
OFFICE OF
MUNICIPAL CLERK
2010 JUL -6 PM 3:17

10-C-1349

CITY OF ATLANTA

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AUDIT COMMITTEE
Fred Williams, CPA, Chair
Donald T. Penovi, CPA, Vice Chair
Ex-Officio Members:
Council President Ceasar Mitchell
Mayor Kasim Reed

July 5, 2010

Honorable Mayor Reed, Council President Mitchell, and City Council Members:

The fiscal year 2011 audit schedule for the City Auditor's Office is attached for your review. We selected the 13 listed projects based on several considerations:

- Work begun in fiscal year 2010 and still in progress
- Significant external compliance requirements
- Ongoing financial and information technology risks
- Unmet City Council requests for audits
- Deferred audits from previous risk assessments
- Risks identified in previous audits that were outside the scope of the original audit
- Required follow-up on prior audit recommendations - both our own and those from the annual financial audit

This year's schedule devotes more resources to general government operations but also allows us to meet budgeted audit coverage in Aviation and Watershed. We will also devote more resources this year to management letter comments on internal controls and to monitoring the annual financial audit process.

A list of the audits completed in fiscal year 2010 is also attached.

Thank you for your continuing support for the Audit Committee and the City Auditor's Office.

Leslie Ward
City Auditor

Fred Williams
Audit Committee Chair

Audit Topic	Reason for Audit	Fund	Status
Information Technology General Controls and Follow-up on prior recommendations	Our IT audit efforts have primarily focused on specific applications. General controls – such as those relating to access, security, disaster recovery, change management, and documentation requirements – cut across all systems to ensure integrity and reliability of information and system performance. *(Deferred from 2007-08 audit plan.)* We will also follow up on prior IT recommendations which primarily address the Oracle application.	Citywide	We've finished fieldwork and are drafting the report. We plan to send the report to management in July.
Follow-up on prior audit recommendations Watershed and Finance	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. This report will assess the extent to which city officials have taken timely, appropriate corrective action in response to audit findings and recommendations. We reported on the implementation status of recommendations made to departments other than Watershed, Finance, and Information Technology in February 2010.	Citywide	We are conducting fieldwork and plan to send the draft report to management in August 2010.
Management Letter Follow-Up	City Council Resolution 08-R-0827 requested us to provide quarterly updates on the status of actions taken in response to management letter comments and recommendations. We view this effort as important to ensure that the governing body understands the issues raised in the city's financial audit to fulfill its oversight function. First report was issued in February 2009 and second report was issued in November 2009. The most recent management letter was finalized in April 2010.	Citywide	We plan to complete work in July and August and issue a report in September 2010.
Watershed Claims Review	Our December 2007 performance audit *Automated Meter Reading Program* identified potential liability related to open meter boxes with lids that were missing, broken, or did not properly fit. The City Council approves claims on a case-by-case basis. A systematic review of the number and magnitude of claims could help the city better manage risks.	Watershed	We've started initial planning work.

American Recovery and Reinvestment Act Control Self-Assessment	Use of federal recovery act (American Recovery and Reinvestment Act) funds is subject to special procurement, tracking, reporting, and transparency requirements. The city is the prime grant recipient for about $60.2 million and a sub-recipient of the state for about $25.8 million. We've reviewed controls related to $34 million in grants to the airport, but decentralized management controls increase the city's risk of noncompliance with federal recovery act requirements. This project will assist other departments to assess their controls and determine the need for additional audit work.	General	We've started initial planning work.
Court Operations	City Council Resolution 10-R-0402 requested us to conduct an audit of the Municipal Court and Offices of the Solicitor and Public Defender. City Council concerns primarily relate to workflow, budgets, staffing, revenue and case loads.	General	We've started initial planning work.
Street Cuts	Utility companies often cut into public streets in order to make repairs. The Department of Public Works is responsible for enforcing city code requirements for permits and restoration. Failed street cuts create hazards, contribute to potholes, and reduce the useful life of the pavement. According to the public works director, about half of the street cuts are done by the Department of Watershed Management. *(Deferred from 2008-09 audit plan.)*	General and Watershed	We've started initial planning work.
Continuous Monitoring	Continuous monitoring uses information technology data extraction tools to flag unusual financial transactions, either in real time or on a periodic basis. The existence of red flags can trigger an audit or investigation.	Citywide	We plan to start in August 2010.
Aviation IT General Controls	Our August 2009 performance audit *Aviation Terminal Leases* identified weaknesses in change management and user access controls related to the department's billing system. This audit will assess controls covering all department IT applications.	Aviation	We plan to start in December 2010.

ATLStat Public Works	Our December 2008 performance audit *Office of Fleet Services* and recently completed performance audit *Office of Code Compliance* identified problems with performance data publicly reported through the city's ATLStat program. The chief operating officer expressed interest in an audit of all Public Works performance measures.	General	We plan to start in December 2010.
Firefighting Staffing	City Council members raised questions about fire department staffing during budget hearings in the past few years. Increasing benefit costs and minimum staffing guidelines per apparatus increase the city's costs. Long term changes in the nature of fire service workload could provide opportunities for reallocation. We have not yet conducted any audit work in the Department of Fire Rescue.	General	We plan to start January 2011.
Tax Allocation Districts	The city has used TADs (Tax Allocation Districts) to fund public infrastructure in disadvantaged areas. TADs use a portion of the increased tax revenue resulting from the improvement to pay for the improvement. Data on the first completed projects are now available to assess the extent to which revenues meet projections and funds are used for intended purposes. *(Deferred from 2007-08 audit plan.)*	General	We plan to start February 2011.
Public Works Fleet Maintenance Inventory Controls	Because of time constraints, we did not review management controls over inventories of parts and fuel in our December 2008 performance audit *Office of Fleet Services*. Our audit identified billing system problems that could increase risk of undetected inventory loss.	General	We plan to start March 2011.

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Audit Reports Completed July 2009 - June 2010

- Department of Aviation, Management of Recovery Act Grants (June 2010)
- Department of Planning and Community Development, Office of Code Compliance (June 2010)
- Review of Proposed Agreement to Lease the Detention Center to Fulton County (April 2010)
- Implementation of Audit Recommendations (selected departments) (February 2010)
- Office of the Mayor, Public Safety Facilities and Sale of City Hall East (December 2009)
- City Indirect Cost Allocation Plan (December 2009)
- Department of Watershed Management, Customer Information System (December 2009)
- Status of Financial Auditor's Management Letter Recommendations (November 2009)
- Department of Watershed Management, Back Billing for July 2008 Rate Increase (August 2009)
- Department of Aviation, Airport Terminal Leases (August 2009)