

11-C-0366

A COMMUNICATION BY CITY
AUDITOR LESLIE WARD:

SUBMITTING THE PERFORMANCE
AUDIT REPORT REGARDING THE
DEPARTMENT OF WATERSHED
MANAGEMENT CLAIMS REVIEW.

Filed

MAR 2 1 2011

- CONSENT REFER
 - REGULAR REPORT REFER
 - ADVERTISE & REFER
 - 1ST ADOPT 2ND READ & REFER
 - PERSONAL PAPER REFER
- Date Referred: 3/7/11
 Referred To: City Utilities
 Date Referred:
 Referred To:
 Date Referred:
 Referred To:

First Reading

Committee _____
 Date _____
 Chair _____
 Referred To _____

Committee
City Utilities

Date

March 15, 2011

Chair

Yolanda Curbishley

Action

Fav, Adv, Hold (see rev. side)

Other

Members

Richard Smith
 Howard Stearns

Refer To

Committee

Date

Chair

Action

Fav, Adv, Hold (see rev. side)

Other

Members

Refer To

Committee

Date

Chair

Action

Fav, Adv, Hold (see rev. side)

Other

Members

Refer To

Committee

Date

Chair

Action

Fav, Adv, Hold (see rev. side)

Other

Members

Refer To

FINAL COUNCIL ACTION
 2nd 1st & 2nd 3rd
 Readings
 Consent V Vote RC Vote

CERTIFIED
 MAR 2 1 2011
 ATLANTA CITY COUNCIL PRESIDENT

CERTIFIED
 MAR 2 1 2011
 Ronald Dampier Johnson
 MUNICIPAL CLERK

MAYOR'S ACTION

RCS# 934
3/21/11
2:46 PM

Atlanta City Council

REGULAR SESSION

11-C-0366

CITY AUDITOR SUBMITTING PERFORMANCE
AUDIT REPORT FOR WATERSHED MANAGEMENT
FILE

YEAS: 15
NAYS: 0
ABSTENTIONS: 0
NOT VOTING: 1
EXCUSED: 0
ABSENT 0

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

11-C-0366



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CITY OF ATLANTA

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AUDIT COMMITTEE
Fred Williams, CPA, Chair
Donald T. Penovi, CPA, Vice Chair
Marion Cameron, CPA
C.O. Hollis, Jr., CPA, CIA
Ex-Officio: Mayor Kasim Reed

TO: Mayor Reed, President Mitchell, and City Council members

FROM: Leslie E. Ward 

DATE: March 2, 2011

**SUBJECT: Performance Audit: Department of Watershed Management
Claims Review**

The report listed above is attached for your review. We will deliver bound copies of the audit report to elected officials on Monday, March 7th. Feel free to contact me if you have questions or want to discuss the report.

Cc:

Peter Aman, Chief Operating Officer, Mayor's Office
Duriya Farooqui, Deputy Chief Operating Officer, Mayor's Office
Candace Byrd, Chief of Staff, Mayor's Office
Sonji Jacobs Dade, Director of Communications, Mayor's Office
David Bennett, Senior Policy Advisor, Mayor's Office
Joya C. De Foor, Chief Financial Officer
Stefan Jaskulak, Deputy Chief Financial Officer
Greg Richardson, Controller
Dexter White, Interim Commissioner, Department of Watershed Management
Jim Beard, Deputy Commissioner, Department of Watershed Management
Cathy Hampton, City Attorney
Jerry DeLoach, Deputy City Attorney
Rhonda Dauphin Johnson, Municipal Clerk
Ginny Looney, Ethics Officer
Alfred Berry, Committee Analyst
Larry Stokes, Committee Analyst
Audit Committee

**Performance Audit:
Department of Watershed Management
Claims Review**

March 2011

**City Auditor's Office
City of Atlanta**

File #10.05



CITY OF ATLANTA

City Auditor's Office
Leslie Ward, City Auditor
404.330.6452

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.