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|  | **CITY OF ATLANTA** |  |
| **LESLIE WARD**City Auditor*lward1@atlantaga.gov***AMANDA NOBLE**Deputy City Auditor*anoble@atlantaga.gov* | **CITY AUDITOR’S OFFICE**68 MITCHELL STREET SW, SUITE 12100ATLANTA, GEORGIA 30303-0312http://www.atlaudit.org(404) 330-6452FAX: (404) 658-6077 | **AUDIT COMMITTEE**Marion Cameron, CPA, ChairCheryl Allen, PhD, CPADaniel Ebersole |

October 19, 2015

Honorable Mayor, City Council President, and members of the City Council:

We are pleased to provide you a summary of the City Auditor’s Office annual audit schedule for fiscal year 2016. Section 2-603 (2) of the Atlanta City Charter requires the auditor to submit an annual schedule to the Audit Committee for review and comment. The attached list includes recent and forthcoming audits begun in fiscal year 2015, as well as those planned to start by June 2016. The schedule reflects audit committee and senior audit staff priorities based on the risk assessment conducted by the City Auditor’s Office, ranking city departments and offices on factors associated with financial and performance risks. The number and mix of audits also takes into account available resources (both staff and contract auditors) and sources of funds for the audit function (both general and enterprise funds).

We use risk assessments to compare departments and offices based on their potential risk and to provide the city with targeted, relevant audits. Audit staff scores the departments and offices on the following factors; then we assign weights to the factors based on judgment of audit committee members and senior audit staff:

* Change: The level of growth or decline a department experienced in the previous two fiscal years.
* Planning & Performance: How efficiently an office budgeted its resources.
* Ethics: Potential for unethical behavior.
* Public Perception: Interactions that an office had with the public.
* Safety & Liability: Safety and legal liabilities related to an office’s normal activities.
* Size & Complexity: The amount of resources a department or organization has, and the diversity of services that it performs.

To identify specific audit topics within the selected departments and offices, we consider previous audits, results of the city’s recent annual financial audits, conversations with stakeholders, and other research. For more information and a demonstration of how the risk assessment works, visit our web site at [www.atlaudit.org](http://www.atlaudit.org).

Based on the input described above, the city auditor and senior staff selected audit topics and scheduled 11 projects to start in fiscal year 2016. Three to five additional projects requested by City Council will be done under contract or with contractor assistance to obtain specialized expertise in specific subject areas.

In addition to the selected audits in this year’s schedule, the city auditor and staff will continue to follow up on previous audit recommendations and expand the continuous audit capabilities of the office in order to monitor transactions for indicators of potential fraud and abuse.

Under the charter, the Audit Committee or the city auditor may amend this schedule if, in our judgment, changes are needed. The charter also provides for Council members to request specific audits of limited scope.

City Auditor Leslie Ward is available to answer questions about the schedule. Thank you for your continued support of the Audit Committee and the city’s independent audit function.

Sincerely,

Marion Cameron

Vice Chair

Atlanta Audit Committee

Attachment

Distribution (via e-mail):

Cabinet members

Deputy Commissioners

Judicial agency heads

Ethics Office

Citizen Review Board

City Council staff

City Auditor’s Office staff

Audit Committee members

AUDITS COMPLETED IN FISCAL YEAR 2016 (STARTED IN FISCAL YEAR 2015)

|  |  |  |
| --- | --- | --- |
| **Topic** | **Department or Agency** | **Report Released** |
| Building Permits | Planning & Community Development, Office of Bldgs. | July 2015 |
| Employee Compensation | Human Resources | October 2015 |

AUDITS IN PROGRESS

| **Topic** |  | **Draft for Manage-ment Review** |
| --- | --- | --- |
| Hansen Work Order Management (311) | Executive Offices, Public Works, Watershed Management | October 2015 |
| Financial Disclosures | Ethics Office | October 2015 |
| Accounts Receivable (General Fund) | Finance, Atlanta Fire Rescue, Parks and Recreation | November 2015 |
| Follow-up: Airport Capital Program | Aviation (Contract)  | November 2015 |
| Follow-up: Watershed Capital Program | Watershed Management (Contract) | January 2016 |

AUDITS STARTING IN FISCAL YEAR 2016, STAFFED INTERNALLY

| **Topic** | **Reason for Audit** | **Start** |
| --- | --- | --- |
| Building Permits Data Testing and Analysis | A follow-on to our July audit report, now that we have access to the Accela data that we needed to do detailed analysis of performance and compliance risks. | September 2015 |
| Pension Administration: Defined Contribution Plan | Risks include management oversight, contract compliance, employee education, and fees and performance compared to benchmarks. | October 2015 |
| Bond Project Tracking | Resolution 15-R-3343, adopted on March 16, 2015, calls for City Auditor to monitor the 2015 infrastructure bond program for the duration of the bond projects. The function will be funded by the bond proceeds allocated annually for project management expenditures and will not exceed $500,000 over the life of the construction program. Findings and recommendations will be discussed and reviewed by the project management team and the Commissioner of Public Works at regular six month intervals. Legislation to track and report on actual project completion compared to schedule and actual expenditures compared to budget. Initial audit work to identify data sources and design report format for regular 6-month reports. | October 2015 |
| Airport Concession Revenue | Significant source of airport revenue, procurement and reporting risks, limited audit coverage. | November 2015 |
| Segregation of Duties in Oracle | Combining incompatible duties creates security risk and opportunity for fraud and abuse. We identified numerous instances of incompatible duties among Oracle users. Audit work will compile and report on the analysis and make recommendations for the Oracle upgrade.. | November 2015 |
| Pavement Condition | We will review pavement condition data and estimates of remaining useful life of city streets, in comparison recent and planned resurfacing work. | January 2016 |
| Annual Contracts | We will assess use of annual contracts for commodities and supplies in comparison to code requirements and best practices | January 2016 |
| Water Loss | The Office of Linear Infrastructure Operations oversees all aspects of the drinking water system, including raw water supply, treatment, distribution and water quality compliance and is responsible for the management, operation and maintenance of more than 2,500 miles of drinking water mains and infrastructure, and more than 1,500 miles of sanitary and combined sewers. | February 2016 |
| Cash Management in Parks and Recreation | The department’s multiple, decentralized facilities and programs use various forms of recordkeeping and accept payments in cash. We will assess controls and risks of non-payment and loss. | May 2016 |
|  | **AUDITS STARTING IN 2016, STAFFED BY CONTRACT** |  |
| IT Vendor Management |  | January 2015 |
| Dependents’ Health Care Benefits Eligibility | City Council request | December 2015 |
| Watershed Management Inventory Count | City Council request | Unannounced |
| Defined Benefit Pension Plans Actuarial Services | City Charter requirement | February 2016 |
| Bond Project Contracts | Legislative requirement | TBD |

AUDITS COMPLETED IN 2015

| **Topic** |  | **Report Release** |
| --- | --- | --- |
| Airport Parking Contract |  | July 2014 |
| Take-Home Vehicles |  | July 2014 |
| Transportation Inventory Management |  | August 2014 |
| Watershed Inventory Management |  | September 2014 |
| Employee Reimbursements |  | May 2015 |
| Employee Timekeeping |  | May 2015 |
| **Follow-up on Audit Recommendations** |  | **Released** |
| Public Works |  | July 2014 |
| Executive Offices |  | July 20144 |
| Finance |  | July 2014 |
| AIM |  | July 2014 |
| Atlanta Fire Rescue |  | October 2014 |
| Atlanta Police Department |  | October 2014 |
| AIM |  | December 2014 |