



# City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell  
Director

Ron Littlefield  
Mayor

December 22, 2010

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Professional Services Contracts, Audit 09-19

Dear Mayor Littlefield and Council Members:

On April 16, 2010, the Internal Audit Division released an audit on the Professional Services Contracts. We performed certain procedures, as enumerated below, with respect to activities of the Finance department in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 09-19 were that:

1. Payments were not always properly documented and classified as a professional service.
2. The majority of professional services contracts exceeding \$10,000 have been properly approved by City Council. However, we found two vendors with expenditures in excess of \$10,000 that did not appear to have council approval.

3. Professional services contracts have not been maintained by the city finance officer.

The audit contained four (4) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1, 2 and 3 were implemented and recommendation 4 was partially implemented.

### **Recommendations Implemented [1, 2, 3]**

We recommended (**Recommendation 1**) adequate supporting documentation be obtained prior to payment of expenditures. Per discussions with the Finance department, policies and procedures are in place that requires adequate support documents prior to payments. The exceptions found during the audit related to the City Attorney's office billing for secretarial services by statement only. Since the attorneys are now employees of the City these type of invoices do not occur anymore.

We recommended (**Recommendation 2**) the Finance department require a copy of the resolution or council minutes be included with the warrant voucher or request for payment. Per discussions with the Finance department, purchase orders of \$10,000 or more are not approved unless the buyer notes the resolution number or council approval date in Oracle. Further, a secondary control in Oracle flags any commodity that exceeds \$10,000 to be reviewed by the purchasing department before issuing a purchase order.

We recommended (**Recommendation 3**) warrants not be paid until the contracts are on file with the city finance officer. Per discussions with the Finance department, Finance procedures have been enhanced to require a review of all payments for services to ensure contracts have been executed. We examined several professional service payments and noted the contracts were on file with the Finance department.

### **Recommendations Partially Implemented [4]**

We recommended (**Recommendation 4**) the Finance department obtain copies of all contracts as required by City Code. Further, we recommended they develop an organized and centralized system to track and maintain all original contracts.

Per discussions with the Finance department, the department's policy for single payment professional services requires the original, signed contract to be attached to the invoice and filed with the warrant copy. Multiple payment professional service contracts will be maintained in the Finance department. Currently, the department is in the process of creating a shared folder for tracking contracts. A spreadsheet will be created listing the supplier name, purchase

order number, description and the location of the original contract.

We thank the personnel in the Finance department for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM  
Director of Internal Audit

cc: Dan Johnson, Chief of Staff  
Audit Committee  
Daisy Madison, City Finance Officer