



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

July 21, 2009

Mayor and City Council
City Hall
Chattanooga, TN 37402

RE: Post Audit Review of Purchasing Department Contract Review, 08-11

Dear Mayor Littlefield and Council Members:

On December 31, 2008, the Internal Audit Division released an audit on the Purchasing Department Blanket contract Program. We performed certain procedures, as enumerated below, with respect to activities of the Purchasing 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 08-11 were that:

1. Many blanket contracts had not been properly executed,
2. Purchases were being made on expired blanket contracts, and
3. Purchases were being made on invalid contracts.

The audit contained 5 recommendations, which the Department concurred with, that addressed the audit's findings. Based on the select review of ten contracts recently entered into, we concluded that recommendations 4 and 5 were fully implemented; recommendations 1, 2 and 3 were partially implemented.

Recommendations Fully Implemented

We recommended (**Recommendation 4**) that all contracts over twenty-five thousand dollars should be forwarded to the Purchasing Agent or the Assistant Purchasing Agent for signature, per department policy.

The Department agreed. Of the ten contracts reviewed for this PAR, eight were over twenty-five thousand, and they were all signed by the Purchasing Agent.

We recommended (**Recommendation 5**) that per City Code, no requirements contract should be offered for a term of more than 12 months with one additional 12 month period of renewal.

The Department agreed with this recommendation and stated that it would address the matter with the Council, which it did, and the Council amended the specified Code section to allow a term of no more than 60 months. One of the selected contracts reviewed was a requirements contract with the above stated maximum sixty month term.

Recommendations Partially Implemented

We recommended (**Recommendation 1**) that the Buyers should assure awards match bids exactly, prior to issuance. Further, the Purchasing Director should ensure a management review process is in place, along with basic contract law training programs for all Buyers. We further recommended the Purchasing Department issue a comprehensive manual to all employees involved in the procurement process. This is a recommendation we have made on multiple occasions.

We recommended (**Recommendation 2**) that disciplinary action be taken with regard to those responsible for entering false information into the BUYSPEED system. We further recommended the Purchasing Department issue a comprehensive manual to all employees involved in the procurement process. This is a recommendation we have made on multiple occasions.

We recommended (**Recommendation 3**) the Purchasing Department issue all awards based on the bids received during the formal sealed bid process. Changing terms post-award is not fair to other bidders and creates an appearance of favoritism. Further, such actions are a violation of State and City Code if taken without re-bid and approval of the City Council. We further recommended the Purchasing Director institute training programs for Buyers and/or take disciplinary action regarding the alteration of terms post-award.

Per the Purchasing Agent, the comprehensive procurement manual recommended is in the hands of the Department Administrator, and is awaiting final approval from the Mayor's office and administration. The Department has however, issued a "Buyer's Guide to Purchasing" manual which all buyers have and must follow.

We thank the staff in the Purchasing Department for their assistance in conducting this review. We will consider this report to be final unless we are directed to continue our review.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stan Sewell', with a long horizontal flourish extending to the right.

Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Paul Page, General Services Administrator
Gene Settles, Purchasing Director