

**NEIGHBORHOOD SERVICES DEPARTMENT  
CONTRACTED SERVICES  
AUDIT 10-09  
JANUARY 4, 2011**



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

January 7, 2011

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: NSD: Contracted Services, Audit 10-09

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit Division's report on Neighborhood Services Department:  
Contracted Services.

We thank the management and staff of the Neighborhood Services, Finance and Purchasing  
departments for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM  
Director of Internal Audit

cc: Dan Johnson, Chief of Staff  
Audit Committee Members  
Beverly Johnson, Administrator – Neighborhood Services

**NEIGHBORHOOD SERVICES DEPARTMENT  
CONTRACTED SERVICES  
AUDIT 10-09**

  
\_\_\_\_\_  
Auditor

  
\_\_\_\_\_  
Audit Director

**NEIGHBORHOOD SERVICES DEPARTMENT  
CONTRACTED SERVICES  
AUDIT 10-09**

**INTRODUCTION**

The Department of Neighborhood Services and Community Development maintains the City's neighborhoods through code enforcement, community services and neighborhood support programs. Community programs administered by the department (and funded by grants) include World Changers Home Repair, Neighborhood Leadership Institute, HomeAgain, CBDG – Home Repair, CDBG – Infrastructure and Public Facilities, Emergency Shelter Grants, Shelter Plus Care, Fair Housing, Rental Property Renovation and Community Revitalization Deduction.

Code enforcement is the only function of the department that is specifically mandated by the City charter. The Code Enforcement Division enforces City codes related to housing, vehicle, litter and overgrowth ordinances. During FY 2009, the division received 8,356 complaints and performed 17,282 inspections. Further, the division resolved 85 litter and overgrowth abatements at a cost of \$19,789.23. These costs are recovered from the property owner through municipal liens.

The department administers the Neighborhood Partners Program which provides neighborhood groups and community organizations resources to complete projects in partnership with the department. The program operates on a calendar year. During the 2008 – 2009 program periods, 32 projects were funded by the City (under Fund 9085) and completed. A total of \$85,000 was awarded and \$71,543.98 was spent on behalf of the organizations for their projects. The projects include neighborhood development, neighborhood beautification and neighborhood tree planting.

**STATISTICS**

Actual Expenditures (Excluding Community Development)

	<b><u>2008</u></b>	<b><u>2009</u></b>
Neighborhood Services	\$1,989,886	\$2,004,733

Source: Per City CAFR FY2008 and FY2009

## **STATEMENT OF OBJECTIVES**

This audit was conducted in accordance with the Internal Audit Division's 2010 Audit Agenda. The objectives of this audit were to determine if:

1. Competitive bids and council approval was obtained for contracted services in accordance with State and City Code for contracts exceeding \$10,000.
2. Written contracts are in place and if the contracts include a clearly defined deliverable.
3. Contracted service payments were valid and properly documented.

## **STATEMENT OF SCOPE**

Based on the work performed during the preliminary survey and the assessment of risk, the audit will cover contracted service payments from July 1, 2009 to June 30, 2010. Source documentation was obtained from Neighborhood Services department and Finance department. Original records as well as copies were used as evidence and verified through physical examination.

## **STATEMENT OF METHODOLOGY**

We reviewed the department's written purchasing policies/procedures and interviewed staff. We reviewed the Internal Control and Compliance Manual for Tennessee Municipalities, the Chattanooga City Code, and the Tennessee Code Annotated. In addition, we reviewed a sample of warrant vouchers and various supporting documentation.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

## **STATEMENT OF AUDITING STANDARDS**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **AUDIT CONCLUSIONS**

Based upon the test work performed, we conclude that:

1. Competitive bids and council approval were obtained for contracted services exceeding \$10,000 in accordance with State and City Code.
2. Written contracts were executed and included a clearly defined deliverable.
3. Contracted service payments were valid and properly documented.

## **NOTEWORTHY ACCOMPLISHMENTS**

The Neighborhood Services Department appears to have very effective management of its contracted services. We commend management and staff for their diligence in administering this area of operations.

We noted no material instances of noncompliance with any laws, provisions of agreements, or policies.