

January 31, 2008

Honorable Ron Littlefield
Mayor, City of Chattanooga
City Hall
Chattanooga, TN 37402

RE: Post Audit Review of Dumpster Rentals, Audit 07-04

Dear Mayor Littlefield:

On July 23, 2007, the Internal Audit Division released an audit on Dumpster Rentals. 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 07-04 were that:

1. Dumpster rental expenditures were supported by physical dumpsters. However, dumpster service (pick-up) expenditures were not always appropriate.
2. Dumpster contracts were not in place for dumpster services.
3. Payments made for dumpster payments were not accurate and proper.
4. Purchasing policies and procedures were not adhered to in regards to dumpster services.

The audit contained seven recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1, 2, 3, 4, 5 and 7 were implemented and 6 was partially implemented.

Recommendations Implemented (1, 2, 3, 4, 5 and 7)

We recommended (**Recommendation 1**) that the Purchasing Department and/or Citywide Services consider trying to recoup the overpayments made to BFI. We recommended every department within the City be on the same blanket dumpster service contract. The contract should include both the dumpster service and rentals. We recommended the Purchasing Department facilitate the bidding process for the dumpster service contract and administer every aspect of the contract (including but not limited to, managing and paying all dumpster service/rental invoices for all departments, monitoring the contract (which could consist of contacting each department on the contract once or twice a year for updates on efficiency, etc...)).

Internal Audit further recommended the Purchasing Department consider re-bidding the dumpster service contract with BFI that was currently approved by council but not yet executed to include both dumpster service and rentals. Internal Audit recommended the Purchasing Department consider stipulating in the current dumpster service contract or any other dumpster service contract (in the event the current contract is re-bid) that detail invoices (that identify at a minimum, service locations, service days, size of unit, etc...) must be provided. In addition, Internal Audit recommended the Purchasing Department consider adding an audit clause to the current contract or any other dumpster service contract that may be later executed.

An e-mail was submitted from the Director of the Purchasing Department to BFI requesting payment for overpayments made. Based on observation of a check received from BFI, it appears the City did recoup overpayments made. Based on discussion with Gene Settles, Purchasing Director and Dedra Partridge, Buyer, and observation of the new Front End Loader Service Bid Solicitation issued on January 17, 2008, it appears all departments within the City will be on the same blanket dumpster service contract. The contract does include both dumpster service and rentals. The Purchasing Department did facilitate the entire bidding process for the dumpster service contract and is administering the contract. However, the Purchasing Department will not be paying all dumpster service/rental invoices for all departments. The invoices will be submitted to the Accounting Department and then sent out to each department for completion of a warrant voucher and administrator signature and returned back to Accounting for payment. Per the bid solicitation, all invoices are to be detailed and itemized. In addition, an audit clause is also stipulated in the special conditions of the bid solicitation.

We recommended (**Recommendation 2**) that the Purchasing Department implement controls to prevent payment for services not rendered. In addition, we recommended the Purchasing Department review utilization of all dumpsters and change pick-ups to reduce wasteful spending.

A meeting was called with all department heads within the City to discuss the dumpster rental and collection service. Per Mr. Settles, all department heads were made aware that they were to designate a person to oversee the dumpster service process at their location. Each person was and is to evaluate and monitor their containers and inform the Purchasing Department of any changes that need to be made. As a result of this meeting, some containers/locations were deleted from the dumpster service contract.

We recommended (**Recommendation 3**) that every department within the City should be on the same blanket dumpster service contract. The contract should include both the dumpster service and rentals. We recommended the Purchasing Department facilitate the bidding process for the dumpster service contract and administer every aspect of the contract (including but not limited to, managing and paying all dumpster service/rental invoices for all departments, monitoring the contract (which could consist of contacting each department on the contract once or twice a year for updates on efficiency, etc...)).

Internal Audit also recommended the Purchasing Department consider stipulating in the current dumpster service contract or any other dumpster service contract (in the event the current contract is re-bid) that detail invoices (that identify at a minimum, service locations, service days, size of unit, etc...) must be provided.

Based on discussion with Gene Settles, Purchasing Director and Dedra Partridge, Buyer, and observation of the new Front End Loader Service Bid Solicitation issued on January 17, 2008, it appears all departments within the City will be on the same blanket dumpster service contract. The contract does include both dumpster service and rentals. The Purchasing Department did facilitate the entire bidding process for the dumpster service contract and is administering the contract. However, the Purchasing Department will not be paying all dumpster service/rental invoices for all departments. The invoices will be submitted to the Accounting Department and then sent out to each department for completion of a warrant voucher and administrator signature and returned back to Accounting for payment. Per the bid solicitation, all invoices are to be detailed and itemized.

We recommended (**Recommendation 4**) that every department within the City be on the same blanket Dumpster Service Contract. The Contract should include both the dumpster service and rentals. The Purchasing Department should facilitate the bidding process for this contract and administer this contract. In addition, the Purchasing Department should pay all dumpster service/rental invoices for all departments from a detailed schedule.

Based on discussion with Gene Settles, Purchasing Director and Dedra Partridge, Buyer, and observation of the new Front End Loader Service Bid Solicitation issued on January 17, 2008, it appears all departments within the City will be on the same blanket dumpster service contract. The contract does include both dumpster service and rentals. The Purchasing Department did facilitate the entire bidding process for the dumpster service contract and is administering the contract. However, the Purchasing Department will not be paying all dumpster service/rental invoices for all departments. The invoices will be submitted to the Accounting Department and then sent out to each department for completion of a warrant voucher and administrator signature and returned back to Accounting for payment.

We recommended (**Recommendation 5**) that the Purchasing Department exercise renewal clauses in contracts when beneficial to the City and rebid contracts prior to expiration, otherwise. In addition, Internal Audit recommends the Purchasing Department adhere to City Code in regards to council approval and competitive bidding.

Per discussion with Mr. Settles, exercising renewal clauses in contracts when beneficial to the City or rebidding contracts prior to expiration is their standard practice, however they were remiss in extending the term of this contract. However, per Mr. Settles they are reviewing all term contracts 120 days prior to the contract expiration date to determine the expiration or renewal of the contract. Also, per Mr. Settles they are adhering to the City Code in regards to council approval and competitive bidding.

We recommended (**Recommendation 7**) that the Purchasing Department consider rebidding the dumpster service contract that is currently approved by council but not yet executed. The specifications in the contract should clearly state how the invoices should be itemized and the contract should include an audit clause.

Internal Audit further recommended the City not pay invoices that are not itemized to sufficiently determine the service provided. Internal Audit recommended the Purchasing Department consider contacting BFI and requesting they itemize their invoices and make them clearer. We recommended dumpster rentals be coded in the accounting system separate from dumpster service.

The Purchasing Department rebid the dumpster service contract on January 17, 2008. Per the new bid solicitation, all invoices are to be detailed and itemized. Specifications in the new bid solicitation clearly state how invoices should be itemized. The Purchasing Department contacted BFI and requested they itemize their invoices. It appears they are still not itemizing their invoices. However, it appears the City is still paying for invoices not itemized. Per Brian Smart, Manager of Financial Operations, they have set up a new code in accounting for "Dumpster Rental" – 711036. Per Mr. Smart, departments will be asked to use this for the rental and 711013 for the service to haul the waste. Separate lines will also be set up on the new blanket order, which departments will use for their shipping releases.

Recommendation Partially Implemented (6)

We recommended (**Recommendation 6**) that Parks and Recreation ensure they only pay for services per contract terms. In addition, Internal Audit recommended Parks and Recreation consider trying to recoup the additional funds paid to Waste Connections. Further, we recommended Parks and Recreation utilize the citywide blanket dumpster contract.

Per invoices, checks submitted and discussion with Dana Carter in Parks and Recreation, Parks and Recreation is only paying for services per the contract terms. Per the new bid solicitation, Parks and Recreation will utilize the Citywide blanket dumpster contract. However, at the present time Parks and Recreation has not tried to recoup the additional funds paid to Waste Connections. However, it appears based on discussion with Dana Carter at Parks and Recreation, they are going to contact Waste Connections and try to recoup the funds.

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We thank the personnel in the Purchasing 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: Paul Page, General Services Administrator
Gene Settles, Purchasing Director
Artie Prichard, Assistant Purchasing Director
Steve Leach, Public Works Administrator
Larry Zehnder, Parks and Recreation Administrator