



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

October 24, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Haman New Drivers, Audit 10-08

Dear Mayor Littlefield and Council Members:

On January 21, 2011, the Internal Audit Division released an audit of the contract between the City and Haman New Drivers (Haman) covering driving instruction for young people living within the City. We performed certain procedures, as enumerated below, with respect to activities of the Finance Department and Haman, 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, along with review and examination of documentation. It was substantially less in scope than an audit conducted 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 10-08 were that:

1. The proper bid methodology was not followed;
2. Proper cash collection procedures were not in place within the drivers' education program;
3. Haman complied with contract terms in handling of the drivers' education program, with minor exceptions; and
4. The City has proper procedures in place to oversee the drivers' education program.

The audit contained eight (8) recommendations that addressed the audit's findings. Based on the review performed, we concluded seven (7) were fully implemented and one (1) has been partially implemented.

Recommendations Implemented [1,2,3,4,6,7,8]

We recommended (**Recommendation 1**) when only one bid is received for a bid solicitation the Purchasing Division initiate a new bidding process, including advertising and a ten day re-bid period as dictated by City Code 2-553 (b).

The Purchasing Division has implemented a policy requiring the bid be re-advertised and the ten-day bid process reinitiated if, on the date of the bid opening, only one bid is received.

We recommended (**Recommendation 2**) if the Purchasing Division continues to utilize a proposal and purchase order to create a formal written contract, the purchase order form be modified to allow the successful bidder to sign purchase orders in addition to the purchasing manager. We further recommended purchase orders include by reference standard language to include related documents/terms, along with a statement that this document represents the complete agreement.

In conjunction with the City Attorney, the Purchasing Division has developed a letter to be used as an addendum to purchase orders for services that briefly describes services to be provided, time period of the contract and agreed upon charges. The purchase order is signed by both the City Purchasing Manager and a representative of the contracting company. Reference to standard language and documents is also included.

We recommended (**Recommendation 3**) all purchase orders and revisions be approved (signed) by a person with appropriate signing authority.

The Purchasing Division is now in compliance with the purchasing policies in place regarding electronic signatures, with the Purchasing Manager approving all purchase orders of amounts greater than \$10,000.

We recommended (**Recommendation 4**) that Haman attach a list of students for whom they are billing to each invoice, in compliance with contract terms.

Haman has complied with our recommendation and now includes a list of students for whom they are billing to each statement.

We recommended (**Recommendation 6**) that City Traffic Engineering ensure all staff involved in cash deposits be apprised of the City Collection Report policy in place as of January 2011 requiring offices that do not use cash registers to include receipts for all funds deposited, as well as copies of checks. We further recommended a procedure be implemented to ensure receipts are checked against collections, and that proper and complete documentation is attached prior to a collection report being presented to the Treasurers' Office.

Traffic Engineering has implemented this recommendation. Copies of checks as well as the receipts are attached to each pertinent application and forwarded to the Treasurer's Office with all funds.

We recommended (**Recommendation 7**) that City Traffic Engineering begin preparing receipts when funds are passed between employees within the department, one of whom collects the funds, with another completing the collection report.

Traffic Engineering has implemented this recommendation since publication of the audit report.

We recommended **(Recommendation 8)** that the City Attorney, with designation as the City Ethics Officer, per City Code Section 2-759, look into the propriety of a City employee working as program coordinator of the City driving program while their spouse was employed as a driving instructor for Haman New Drivers.

The City Attorney Office issued a letter providing an opinion and guidance on this matter.

Recommendation Partially Implemented [5]

We recommended **(Recommendation 5)** Traffic Engineering train additional employees in current collection report procedures and place additional emphasis on timely deposit of funds to ensure all funds are deposited within the three day timeframe specified by T.C.A. 6-56-111.

Traffic Engineering has trained an additional employee in collection report preparation, and has tightened the timing of deposits of funds deposited. However, we inspected a sample of deposits as part of this review, and found on occasion deposits were not made within three days of receipt.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Audit Committee
Steve Leach, Public Works Director
Artie Prichard, Purchasing Manager