



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

July 13, 2012

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Capital Projects Donations, Audit 11-03

Dear Mayor Littlefield and Council Members:

On August 26, 2011, the Internal Audit Division released an audit on the capital donations projects handled by Public Works. We performed certain procedures, as enumerated below, with respect to activities of the Public Works 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 11-03 were that:

1. The Public Works divisions do not consistently administer and process capital contributions properly.
2. The Public Works divisions currently do not have written procedures and policies to address issues regarding capital contributions or donations.

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

Recommendations Implemented 1, 2

*We recommended (**Recommendation 1**) management obtain written contracts that outline services to be performed, and all aspects related to projects, prior to incurring any expense or providing any services. Further, we recommended copies be provided to City Council and the City Finance Officer as required by law.*

The Public Works department has developed and implemented a Partnership Agreement which documents the responsibilities of the City and the outside party for projects. These agreements were presented Council and a copy was provided to the Finance Officer as required.

*We recommended (**Recommendation 2**) Public Works staff review their collection process to ensure all funds are remitted to the Treasurer's office within three days and receipts are issued as required by State law.*

We reviewed all collections made for capital donations since the issuance of our audit and found Public Works staff are issuing receipts and submitting collection reports in a timely manner.

Recommendations Partially Implemented 3

*We recommended (**Recommendation 3**) the Public Works Administration develop (or require any divisions dealing with grants, contributions, donations and solicitation of funds to develop) adequate written policies/procedures to address their specific process. These divisions include, but are not limited to, Urban Forestry, Engineering and Traffic Engineering. We suggested management consider including steps in their written procedures which would ensure funds are received from an entity before the City performs any services or makes any purchases for the project. Additionally, management should develop separate procedures providing guidance on the Public Works Week event.*

Once developed, employees should have ready access to these policies/procedures (hard copy, computer based or Intranet). Each division should document receipt of such policies by each employee.

During the audit, the Urban Forestry Division provided a Grants Procedure checklist. They are currently using this checklist when processing their grants. Public Works management has not developed written procedures that address the usage of the Partnership agreements. They have verbally instructed their staff on the usage of the form and are in the process of developing the written procedures. They also have not developed written procedures for guidance when conducting the Public Works week.

We thank the personnel in Public Works Administration, City Engineering, and Urban Forestry 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
Steve Leach, Public Works Administrator
Dennis Malone, Assistant City Engineer
Audit Committee