

**Post-Audit Review 18-02:
Software Purchases**

June 2019

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

June 6, 2019

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Software Purchases (Report 18-02)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2018 Software Purchases report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. Sufficient planning was not performed prior to a project being undertaken; and
2. Proposed software purchases should be compared to similar software in-use prior to purchase.

The audit had 4 recommendations to improve efficiency and effectiveness of the software purchasing process, as well as address internal control deficiencies observed in procedures. At the time of this Post-Audit Review, two recommendations were not implemented, one was partially implemented, and one was implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

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.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
 Stacy Richardson, Chief of Staff
 Maura Sullivan, Chief Operating Officer
 Daisy Madison, Chief Financial Officer
 Brent Messer, Chief Information Officer
 Bonnie Woodward, Purchasing Director
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (2)

Recommendation	Actions Taken
2 We recommended the written procedures and mandatory project charter for projects in excess of \$25,000 be included in the next revision of the City's <i>Purchasing Manual</i> .	Revisions have been included in a draft revision to the Purchasing Manual, but it has not been presented to City Council for approval.
3 We recommended DIT develop a dashboard showing open projects, budget status and timeline in relation to goals set at the beginning of the project.	A spreadsheet has been developed using Excel, but is not published online for review by management and project members.

RECOMMENDATION PARTIALLY IMPLEMENTED (1)

Recommendation	Actions Taken
1 We recommended the Project Management Office (PMO) develop and implement written procedures (and the project charter be modified) for projects in excess of \$25,000 to address the following items: Department of Information Technology (DIT) personnel be involved in software purchases from the beginning of the planning process; Project Charter clearly defines responsibilities of DIT and stakeholder departments and are assigned to specific individual positions, and agreement documented by signature, prior to the software purchase; Project planning be strengthened and steps included in the project charter to indicate required planning steps have been completed;	DIT personnel are involved in all projects approved in the BFO process and involve themselves in projects funded from operating budget as they become aware of them. The project charter is a high level document that lists all known large events, such as software budget, necessary physical changes and project risks. The charter is signed off by a high-level executive of the department. However, it does not list the individual/position responsible for accomplishing tasks, or budget for departmental changes. There is a project plan that is more specific as to duties, but mostly is contained to DIT functionality, and is not a complete project plan.

Recommendation	Actions Taken
Project Charter shows sufficient budget availability to implement the project;	The project charter has a budget shown on it, but it relates only to the DIT portion of the project, not "soft costs" in the department, such as physical changes, personnel additions or reductions.
Project Charter shows the estimated costs of sustainability for five years and the planned funding;	The project charter contains a section for ongoing funding (3 years) and which cost center is responsible. The project charter is approved by a high ranking departmental manager.
Project Charter indicates physical changes are completed by stakeholder departments prior to the software purchase being completed;	The project charter lists information regarding physical changes necessary to accommodate use of the software. However, no overriding project management function exists within the City that would monitor progress towards completion of required changes to physical facilities.
Project Charter indicates personnel changes are completed, or a plan created to accomplish them, prior to the software purchase being completed;	The project charter does not address personnel changes necessary to successfully complete the project.
Business process changes are designed and ready to be put in place when the project concludes;	The project charter does not address business process changes necessary to successfully complete the project.
Significant due diligence steps be created to perform prior to contracting with consulting firms;	Language is now built into software consulting contracts that include training and support functionality. The contracts are written as blanket contracts to allow functionality (training, etc.) to be added to the project without rebidding.
A process be put in place to prevent DIT management approval of software purchases without PMO input and knowledge.	DIT management has taken steps to consider if the PMO has had input to a project prior to approval. Also, Purchasing now will not move forward on a DIT project without PMO approval. Purchasing is flagging software with incorrect commodity codes for DIT purchases.

RECOMMENDATION FULLY IMPLEMENTED (1)

Recommendation

4 We recommended development of a software inventory and analysis to determine if currently-owned software is capable of performing the task prior to purchasing new software. Vendors of similar software should be consulted to determine if their software can perform the task with minor modifications. DIT personnel should examine the feasibility of using currently-owned software when it will perform the needed task.

Actions Taken

The PMO has compiled a list of software owned by the City and compares it with software requests to determine if software currently in-house will perform the function needed. DIT is in the process of purchasing software inventory software.

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