



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

June 11, 2010

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Sewer Fee Collections, Audit 09-05

Dear Mayor Littlefield and Council Members:

On September 28, 2009, the Internal Audit Division released an audit on the Sewer Fee Collections. 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 09-05 were that:

1. Tennessee American Water Company has collected the sewer fees in accordance with City Code.
2. Tennessee American Water Company has properly collected sewer fees from customers located within the City limits.
3. We were unable to determine if TAWC had calculated and remitted the proper sewer fee collections to the City.

4. Public Works department should implement additional procedures to monitor sewer fee collections and to provide reasonable oversight of the TAWC billing function.

The audit contained five (5) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendation 5 was implemented, recommendation 1 was partially implemented and recommendations 2, 3 and 4 were not implemented.

#### **Recommendations Implemented [5]**

We recommended (Recommendation 5) that Public Works staff perform a monthly reconciliation to verify the accuracy of the sewer fee collections submitted by TAWC. During our review, we learned that the staff has been completing a monthly reconciliation.

Based upon the TAWC data provided to Public Works, it seems that the data submitted is supporting the payment received and facilitating a reconciliation process.

#### **Recommendations Partially Implemented [1]**

We recommended (Recommendation 1) that Public Works administration work with the City Attorney to develop an updated and comprehensive agreement with Tennessee American Water Company.

Per discussions with Public Works staff, the department has recently submitted a draft contract to the City Attorney. However, the updated contract has not been discussed with Tennessee American Water.

#### **Recommendations Not Implemented [2, 3, 4]**

We recommended (Recommendation 2) that Public Works administration institute a policy for periodic reviews of contracts, which should be included in their written policy and procedures manual.

We recommended (Recommendation 3) that Public Works develop and implement written policies and procedures to address the monitoring and periodic review (reconciliation to supporting documentation) of the sewer fee collections submitted by third parties to the City.

Based on discussions with staff, the policies and procedures have not been updated.

We recommended (Recommendation 4) that Public Works department require Tennessee American Water Company to provide sufficient electronic data to facilitate a complete reconciliation, in accordance with part 6 of the 1950 contract.

Based upon discussions with the Public Works staff, issues addressed in the audit with the reconciliation of the payments submitted by TAWC have still not been resolved. The Public Works staff is currently working with TAWC to address these issues.

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We thank the personnel in the Waste Resources Division 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  
Audit Committee Members  
Daisy Madison, City Finance Officer  
Steve Leach, Public Works Administrator  
Jerry Stewart, Director Waste Resources  
John Watson, President – Tennessee American Water Co.