



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

April 18, 2008

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

RE: Post Audit Review of ISS Plant Contracted Services, Audit 07-05

Dear Mayor Littlefield:

On September 21, 2007, the Internal Audit Division released an audit on the ISS Plant Contracted Services. We performed certain procedures, as enumerated below, with respect to the contracted services purchased for the Interceptor Sewer System 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 conclusion of Audit 07-05 was:

1. ISS Plant contracted services were not always procured in compliance with the City Code.

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

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

We recommended (**recommendation 1**) that the Purchasing Department retain all necessary supporting documentation relating to competitive bidding and contracts in order to be in compliance with Resolution No 23576.

IA reviewed five purchasing files (related to the Public Works Department) that were completed after the conclusion of our audit. The appropriate supporting documentation was attached to each purchasing file that we reviewed.

### **Recommendations Partially Implemented [2, 3, 4, 5, 6 and 7]**

We recommended (**recommendation 2**) that the Public Works department follow the policies and procedures outlined in the City Code in regard to purchases that exceed \$10,000 during the same fiscal year that require council approval.

We recommended (**recommendation 3**) that the Public Works department follow the policies and procedures outlined in the City Code in regard to competitive bidding for purchases that exceed \$10,000 during the same fiscal year.

We recommended (**recommendation 4**) that the Public Works department take the steps to ensure that a written contract is in place with all vendors that receive over \$10,000 during the same fiscal year.

We recommended (**recommendation 5**) that the Public Works department abide by the policies/procedures outlined in the City Code in regards to competitive bidding and council approval when payments for like items to the same vendor will exceed \$10,000 during the same fiscal year.

Since the completion of our audit, the Public Works department (ISS) competitively bid and awarded a sewer plumbing contract to McGinnis Brothers Construction. This written contract was approved by the City Council on 12/4/07. Another vendor, Johnson Controls, has received over \$10,000 so far during Fiscal Year 2008 for HVAC repair and maintenance services. Johnson Controls had been paid \$14,210.29 during FY08 at the time of this post audit review (PAR). Competitive bidding, a written contract, and council approval were not utilized at the time of this PAR to procure the HVAC contracted services. Per discussion with Waste Resources Division management, they are currently working with purchasing to get a contract in place for the HVAC contracted services.

We recommended (**recommendation 6**) that Purchasing adhere to the City Code for all purchases that are made in the future. We also recommended that the Purchasing Department develop adequate written policies/procedures that are in agreement with all aspects of the City Code.

The purchasing department has developed a draft version of a written policies/procedures manual that is currently at the City Attorney's office for review/approval.

The purchasing department has continued to cite TCA 6-56-304.2 for sole source purchases over \$10,000 in order to procure items without utilizing the competitive bidding process. Section 2-552 of the City Code requires any requisition or voucher or contract over \$10,000 to be publicly advertised for competitive bids. Sole Source purchases over \$10,000 (made by the City) must be competitively bid at least once before they can be determined to be sole source according to the City Code.

We recommended (**recommendation 7**) that the Purchasing Department develop written policies/procedures requiring sign off on all bid opening sheets and retain this documentation as evidence for each bid opening.

The purchasing department has developed a draft version of a written policies/procedures manual that is currently at the City Attorney's office for review/approval.

We thank the personnel at the Waste Resources Division and 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: Dan Johnson, Chief of Staff  
Jerry Stewart, Waste Resources Director  
Gene Settles, Purchasing Director  
Daisy Madison, City Finance Officer