



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

July 29, 2008

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Supplemental Garbage Can Sales, Audit 07-07

Dear Mayor and Council Members:

On January 8, 2008, the Internal Audit Division released an audit on the Supplemental Garbage Can Sales. We performed certain procedures, as enumerated below, with respect to the Supplemental Garbage Can Sales 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 07-07 were:

1. There are no written policies/procedures in place for supplemental garbage can sales.
2. Receipts are not being turned into the Treasurer's office within the required three (3) day period.
3. Controls are not in place to ensure that all collections are properly accounted for.
4. Controls are not in place to ensure that inventory is properly accounted for.

The audit contained seven (7) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1, 3, and 5 were implemented, recommendations 2 and 7 were partially implemented and recommendations 4 and 6 were not implemented.

Recommendations Implemented [1, 3, and 5]

We recommended (**recommendation 1**) that City Wide Services develop written policies and procedures for the supplemental garbage can sales process. At the time of this review, we verified that a written policies and procedures document has been implemented for the supplemental garbage can sales process.

We recommended (**recommendation 3**) that receipts be issued for each garbage can sale that is made by the City Wide Services division. At the time of this review, we observed the receipt book that contained the City's copy of the receipts related to garbage can sales to verify that this process had been implemented.

We recommended (**recommendation 5**) that a perpetual inventory system be put in place for the garbage cans in order to be in compliance with Section 2-5 of the City Code. At the time of this review, we verified that a perpetual inventory system is now in place related to garbage can inventory.

Recommendations Partially Implemented [2 and 7]

We recommended (**recommendation 2**) that all collections related to garbage can sales be submitted to the Treasurer's Office within three days of initial receipt in order to be in compliance with TCA 6-56-111. At the time of this review, we pulled supporting documentation for six collection reports from May 2008 and June 2008 that reported garbage can sales revenue. We found all payments associated with each collection report were submitted to the Treasurer's Office within three days of the initial receipt for five of the six collection reports that we selected for review. One of the six collection reports contained a payment that was not submitted to the Treasurer's Office until the fourth working day after its initial receipt.

We recommended (**recommendation 7**) that management perform a periodic reconciliation of garbage can placements/sales data. At the time of this review, we learned that management has access to reports that include pie charts that provide a detail about garbage can repairs, garbage can replacements, etc. Also, we learned that a copy of the completed work order and copy of the check received is sent to the office of the Sanitation Superintendent (to be maintained in the files) each time that a payment is received and a can is placed. No report is generated on a periodic basis that specifically lists cans placed (by serial number) and the specific payment information for each can, but management does have access to this information via Cityworks and the Collection Report support that is maintained at City Wide Services.

Recommendations Not Implemented [4 and 6]

We recommended in **(recommendation 4)** and **(recommendation 6)** that City Wide Services work with IS to modify CSR and Cityworks in order for those systems to more accurately track the data related to the garbage can sales. At the time of our review, CSR and Cityworks have not been modified in relation to our audit recommendations.

We thank the personnel at City Wide Services 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
Daisy Madison, City Finance Officer
Steve Leach, Public Works Administrator
Bill Neighbors, Assistant Director – City Wide Services