



# City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell  
Director

Ron Littlefield  
Mayor

August 25, 2010

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Fleet Purchases, Audit 09-11

Dear Mayor and Council Members:

On December 29, 2009, the Internal Audit Division released an audit on Fleet Purchases. We performed certain procedures, as enumerated below, with respect to Fleet Purchases 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 the General Services Department staff 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 09-11 were:

1. Adequate written policies/procedures are not in place for the Fleet purchasing process.
2. Vehicle request forms were not always properly completed for Fleet purchases. Fleet management properly documented inspection of vehicles for compliance with bid specifications prior to payments being issued. Fleet management properly accounted for surplus inventory that was related to new vehicle purchases.
3. It does not appear that all Fleet Purchases over \$10,000 were made in compliance with Article V of the City Code.

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

### **Recommendations Implemented [2, 3]**

We recommended (**recommendation 2**) that Fleet management take the necessary steps to ensure that all future VR-1 forms are properly completed (all required vehicle information, all required departmental authorization signatures, etc.).

As a part of our review, we requested VR-1 forms that recently been completed. We found no material omissions of information on the VR-1 forms that we reviewed.

We recommended (**recommendation 3**) that the General Services Department utilize the competitive bidding process and obtain approval from the City Council for all purchases that exceed \$10,000.00 in order to be in compliance with the City Code and the State Code.

As a part of our review, we found in Oracle that Fleet had 4 major purchases from January 1, 2010 through August 1, 2010. One purchase was from Tennessee Kenworth in the amount of \$426,179.19, one purchase was from Village Volkswagen in the amount of \$142,500.00, and two purchases were from Marshal Mize Ford in the amounts of \$1,229,052.48 and \$254,286.72. Based on our review, all of these purchases appear to have been competitively bid and approved by the City Council.

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

We recommended (**recommendation 1**) that the General Services Department update their written policies and procedures. We recommended that employees have ready access to the policies and procedures (hard copy, computer-based or web-based). We also recommended the Department document the receipt of this policy by each employee that is involved in the vehicle acquisition process. We also recommended that these policies ensure that proper internal controls were in place related to the fleet purchasing process. We also recommended that the updated written policies and procedures related to vehicles be incorporated into a comprehensive written purchasing policy/procedure manual.

During our review, we learned that an updated written/policy procedure document related to Fleet Purchases has been drafted. However, it does not appear that this document has been distributed to all City employees that are involved in the vehicle acquisition/disposal process. We noted that the updated written policy/procedure document was modified to provide more detailed information related to the fleet acquisition/disposal process and the internal controls that surround the process. We also learned that the Purchasing Department's written policy/procedure manual is still in draft form and has not yet been completed.

### **Recommendations Not Implemented [4]**

We recommended (**recommendation 4**) that the Purchasing department comply with TCA Section 12-3-1003 when purchasing used equipment from non-governmental entities in the future.

As a part of our review, we found that Citywide Services attempted to purchase used equipment from a non-governmental entity without performing the necessary due diligence requirements that are mandated by state law. It appears that the Purchasing Department was aware of this attempted purchase but they did not require Citywide Services to comply with TCA Section 12-3-1003.

We thank the General Services Department and Public Works 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  
Daisy Madison, City Finance Officer  
Vickie Haley, Assistant City Finance Officer  
Paul Page, General Services Administrator  
Artie Prichard, Purchasing Director  
Brian Kiesche, Fleet Manager  
Steve Leach, Public Works Administrator  
Audit Committee Members