



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

October 26, 2009

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Capital Assets Policy Audit, 09-02

Dear Mayor Littlefield and Council Members:

On April 3, 2009, the Internal Audit Division released an audit on the Finance department, Capital Asset Policy. We performed certain procedures, as enumerated below, with respect to activities of the Accounting division 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 09-02 were that:

1. The Capital Asset Policy and Procedures Manual could be strengthened.
2. The Capital Asset Policy and Procedures Manual is not being fully adhered to.

The audit contained five (5) recommendations that addressed the audit's findings. Based on the review performed, we concluded that none of the recommendations were fully implemented, 1 and 3 were partially implemented and 2, 4 and 5 were not implemented.

Recommendations Partially Implemented 1, 3

We recommended (Recommendation 1) that the Finance Department perform and/or oversee a physical inventory annually, make corrections to the fixed asset listing and accounting records based on the inventory results, and investigate any missing assets.

Since our audit, the Finance department has provided all City departments with a list of their fixed assets to review and verify. This lengthy process has not been completed. Therefore, the fixed asset listing and accounting records have not been adjusted to reflect the City-wide inventory results.

We recommended (Recommendation 3) that all the required information be entered into the fixed asset list and the detail information be distributed along with the corresponding asset tag. In addition, we recommended the Finance Department determine if the fixed asset sticker currently being used should be replaced with a more durable, tamperproof and weather resistant sticker. Also, we recommended that the Finance Department do random periodic checks on the assets to verify that asset tags are being applied by the Departments.

The Finance department did investigate other types of fixed asset stickers and determined their current sticker seems as durable and sturdy as other options. They have not performed any random checks on fixed asset tags out in the departments. Currently, the fixed asset module of Oracle has not been implemented. Due to this, the Finance department is not clear on the information that will be provided when the asset tag is distributed under the Oracle system.

Recommendations Not Implemented 2, 4, 5

We recommended (Recommendation 2) that the Finance Department include in the written policies and procedures a requirement that when pay documents are submitted for payment of fixed assets they must contain the required descriptive information before they will be processed. Also, a periodic review of the data entered into the fixed asset listing should be done at the supervisory level by the Accounting Division.

We recommended (Recommendation 4) that the Finance Department include in the written policies and procedures a requirement that the Departments submit a signed and dated receiving report along with all other documents. This may be accomplished by the employee receiving the item signing the packing slip, bill of lading, invoice or any other identifying document with the indication "received by."

We recommended (Recommendation 5) the Finance Department update their Capital Asset Policy based upon a comprehensive review of their entire process for capital asset management. We further recommended including the issues addressed above in the updated policy manual. Once the manual is updated, we recommended that training be provided to all Department employees who may use this information in their daily job. We further recommend the Accounting Division perform an annual review of the Capital Asset Policy Manual and update as necessary in the future.

Since the fixed asset module of Oracle has not been implemented, the department does not have an understanding of the process and reporting issues to include in a revised capital asset policy manual. Therefore, the Finance department has not updated their Capital Asset Policy. The tentative target date for the asset module to come online is November 2009. Once this has occurred, the department plans to update the manual to include the audit recommendations. Staff stated the new manual will be available on the City's Intranet and employees will be provided the necessary training.

We thank the personnel in the Finance 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, Finance Administrator
Audit Committee