



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

May 24, 2012

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Fleet Third Party Billing, Audit 11-09

Dear Mayor Littlefield and Council Members:

On November 18, 2011, the Internal Audit Division released an audit on Third Party Billing by the Fleet Services Department. We performed certain procedures, as enumerated below, with respect to activities of Fleet Services in billing work performed for outside entities, 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, along with review and examination of 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 11-09 were that:

1. Valid contracts/agreements do not exist with entities for which work is performed;
2. Billings are performed in a timely fashion;
3. Proper internal control procedures are not always followed during the work and billing to ensure proper charges are billed; and
4. Receivables are aged, proper collection procedures are followed and appropriate follow-up performed on past due accounts.

The audit contained four (4) recommendations that addressed the audit's findings. Based on the review performed, we concluded two (2) were fully implemented and two (2) were partially implemented.

### **Recommendations Implemented [2]**

We recommended (**Recommendation 2**) City Fleet Services update the price of fuel after each purchase, or weekly at a minimum, to address the current volatility of fuel prices.

*Fleet Services found the system in use for tracking and billing (RTA) uses the last amount entered for billing purposes. As a result, a spreadsheet was developed to track fuel purchases each month and calculate an average price per gallon. The monthly average price per gallon, plus an 8% overhead charge, is entered into RTA prior to producing the monthly billings.*

As a result of several anomalies in billings tested during the audit, we recommended (**Recommendation 3**) Fleet Services immediately revisit the setup for each vehicle in the RTA system to ensure the billing setup was correct. We also recommended billings for all vehicles be checked for consistent pricing going forward. Also, we recommended the setup for all vehicles be checked regularly, with a log showing the date of testing and the employee performing the test signing the log.

*Fleet Services reviewed the setup for all vehicles serviced (City and outside entity), as well as all billing setups for outside entities, and corrected any setup errors. Current Invoices are spot checked for proper pricing. A log has been implemented tracking changes and reviews of the setups.*

### **Recommendation Partially Implemented [2]**

We recommended (**Recommendation 1**) City Fleet Services, in conjunction with the legal department, procure signed agreements with all entities for whom they sell fuel or perform mechanical work. We also recommended a copy of the agreements be provided to the City Council, a copy kept on file in the Fleet Services offices, and in compliance with City policy, the original be filed in the office of the Chief Finance Officer. We further recommended future agreements be procured prior to performing work for outside entities.

*Fleet Services has provided memorandums of understanding (MOU) to the 13 entities they currently provide services or sell fuel, requesting they be signed and returned. As of this time, 2 have been signed and returned, 3 are in the legal department, and there has been no response from the others. The Manager of Fleet Services is in the process of contacting the agencies that have not replied.*

*A second copy of the MOU for those agencies will be included in the May 2012 billing, along with a note requesting compliance. Copies of the signed MOU's have not been forwarded to the City Council or Finance.*

We recommended (**Recommendation 4**) Fleet Services develop procedures to ensure all employee labor rates charged for work are entered into the system properly. We further recommended a review of all billable rates in the RTA system be conducted every six months.

*Fleet Services examined the setup for all employees, and is exploring if the system allows the use of a global labor rate. They had implemented a policy where one person entered all setup information in the RTA system, with the Manager of Fleet Services as a backup. They have since weakened the internal control structure by allowing others access to change setups in the system. A log has been developed tracking all additions, changes and reviews.*

We thank the personnel in the Fleet Services 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  
Audit Committee  
Daisy Madison, City Finance Officer  
Dan Thornton, Director, General Services  
Brian Kiesche, Manager, Fleet Services