

**Post-Audit Review 17-03:  
Tivoli Foundation Contract Audit**

**September 2018**

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Senior Auditor**

Lisa Culver, CFE





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

September 25, 2018

To: Mayor Andy Berke  
City Council Members

Subject: Post-Audit Review of Tivoli Foundation Contract (Report #17-03)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded the City has not properly managed the Tivoli Foundation contract.

Since the release of the audit in July 2017, the auditee, General Services Division, was dissolved. The City's Engineering Division has been tasked with the responsibility of overseeing the City's leased properties.

The audit had 11 recommendations to address areas where City management should improve oversight and ensure the proper procurement process is followed. At the time of this Post-Audit Review, two recommendations were not implemented, two were partially implemented, and seven were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

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.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc:     Audit Committee Members  
          Stacy Richardson, Chief of Staff  
          Maura Sullivan, Chief Operating Officer  
          Daisy Madison, Chief Financial Officer  
          Bonnie Woodward, Purchasing Director  
          Bill Payne, City Engineer  
          Jim Arnette, TN Local Government Audit

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## RECOMMENDATIONS NOT IMPLEMENTED (2)

Recommendation	Actions Taken
2 We recommended the Purchasing Division update the <i>Procurement Instructional Manual</i> with formalized steps for payments to nonprofits. This would include, but not be limited to, requiring specific documentation of (not a mere reference to) the appropriation and amount.	Purchasing has developed a procedure for payments to nonprofits. The procedure states before a buyer can initiate a purchase order, they must receive approval from Finance that the organization is in compliance with the City Code pertaining to payments to non-profits. The buyer must also have proof the specific appropriation was approved by Council. This new procedure will ensure a purchase order will not be created unless the procurement process has been followed or a non-profit appropriation is documented and approved. The new procedure hasn't been approved by Council because the revised <i>Purchasing Manual</i> is currently being reviewed by the City Attorney.
8 We recommended the General Services Department (or its successor) develop performance criteria and measurements to evaluate the management services of the Tivoli Foundation. The performance requirements could be included in the terms of the contract when it is renewed.	Public Works has not developed performance measurements since taking over the City's leased property in early 2018. They will be working on these measurements in the future.

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## RECOMMENDATIONS PARTIALLY IMPLEMENTED (2)

Recommendation	Actions Taken
3 We recommended the Finance Department ensure payments are made only when proper documentation and authorization are present. This should include obtaining an executed contract, documentation of any necessary Council approval/resolution, and confirmation the product or service has been received consistent with contract requirements.	As mentioned in Recommendation 2, Purchasing has developed new procedures which will ensure a P.O. will not be issued unless they have proof the appropriation is in compliance with City Code and approved by Council. Finance has provided training to their staff to address the concerns of the recommendation.
4 We recommended City Management ensure an executed contract is in place prior to allowing use of a City asset by a third party.	The City's Real-Estate Office has been working over the last few years to identify leased City property. In the past, each department handled their own property leases and the information wasn't shared with the Real-Estate Office. The office is working to ensure each leased property has a written contract in place. They are tracking the renewals for the leased properties to ensure they don't expire and verifying leasees have the required insurance.

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## RECOMMENDATIONS FULLY IMPLEMENTED (7)

<b>Recommendation</b>	<b>Actions Taken</b>
1 We recommended the Purchasing Division competitively bid all contracts for management services.	The City rarely enters into a management contract. We reviewed Council Resolutions and City Purchase Orders for the period January 1, 2018 to August 31, 2018 and did not locate any management contracts. Per the Purchasing Director, her intent in response to the audit finding and recommendation was to use a competitive process such as the competitive Request For Proposal process when procuring management contracts.
5 We recommended the General Services Department (or its successor) work with the City Attorney to draft an amendment to the City Code to allow contracted management services at the Venues.	The City Code was updated with Ordinance #13333 on July 3, 2018, which deleted Part II, Chapter 2, Article VI, Sections 2-581 through 2-586 relating to the management of the Memorial Auditorium.
6 We recommended the Finance Department ensure supporting documentation is present demonstrating the Foundation is in compliance with the contract's reporting requirements prior to authorizing payments.	The Tivoli Foundation forwarded their Strategic Plan, Performance Tracker, Annual Financial report, FY19 Budget, and BOD documents to the Mayor, Council and Finance on March 1, 2018.
7 We recommended the General Services Department (or its successor) develop a checklist of contract terms to ensure they are being met within the stated timeframe.	Public Works has developed a checklist which identifies the contract terms. An Engineer will monitor the oversight of the contract and use a project management system to set contract deadlines and reminders.
9 We recommended General Services Department (or its successor) not approve payments to the Foundation for capital requests that lack prior approval. Each request must include a cost quote and description of work.	Public Works has developed a review process for capital requests. There has been one capital request since the audit was issued. It included a cost quote and description of the work for approval prior to the work beginning.

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**Recommendation****Actions Taken**

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10 We recommended the General Services Department (or its successor) ensure expenses submitted by the Foundation are properly documented before payment is initiated, as required by the contract. The documentation should at a minimum identify the payee, purpose and use of funds, as required by the contract.

Public Works has developed a verification process for capital expenses. Once an invoice is received it is assigned to Engineering who will verify the work is completed as specified. Once verified, the invoice is routed for payment.

11 We recommended General Services Department (or its successor) acquire from the Foundation copies of final as-built plans and specifications on any applicable capital improvements.

Public Works is aware of this contract requirement. However, there have not been any major renovations to the facilities since the audit was issued in July 2017.

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