

Post-Audit Review 22-01: Purchasing Division Procurement Process

June 2023

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

June 30, 2023

To: Mayor Tim Kelly
City Council Members

Subject: Post-Audit Review of Purchasing Division Procurement Process (Report #22-01)

Dear Mayor Kelly and City Council Members:

Attached is a summary report on the status of audit recommendations from our 2022 Purchasing Division Procurement Process 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:

1. The City's procurement process substantially complied with State purchasing laws applicable to municipalities and the City Code during the audit period (7/1/2021—3/31/2022);
2. The *Procurement Instructional Manual* ("Procurement Manual") lacks clear guidelines and procedures for some procurement activities which increases the risk of noncompliance with State and City Code purchasing requirements; and
3. Internal controls for purchases should be strengthened to enhance business value and minimize risk.

The audit had six (6) recommendations to improve efficiency and effectiveness of the City's procurement process and address internal control deficiencies. At the time of this Post-Audit Review, none of the recommendations were implemented. Recommendations 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**
 Vickie Haley, Chief Financial Officer
 Jermaine Freeman, Chief of Staff
 Ryan Ewalt, Chief Operating Officer
 Julia Bursch, Deputy Chief Operating Officer
 Phil Noblett, City Attorney
 Debbie Talley, Chief Procurement Officer
 Jim Arnette, Tennessee Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (6)

Recommendation	Actions Taken
1 We recommended revisions to the Procurement Manual to ensure compliance with State and City Code purchasing requirements for: (1) competitive sealed proposals; (2) single/sole source purchases; (3) contracts for information management services; (4) cooperative purchase agreements; and (5) public improvement contracts.	Revisions to the Procurement Manual are currently under review by the City Attorney's office.
2 We recommended revisions to the Procurement Manual to ensure potential suppliers meet the following standards of responsibility: <ul style="list-style-type: none">• Adequate financial resources to perform the contract;• Ability to meet the required delivery or performance schedule, taking into consideration all existing commitments;• Satisfactory record of performance;• History of integrity and business ethics; • Be neither debarred nor suspended from federal, state or local government programs;• Necessary experience, operational controls, and technical skills;• Compliance with applicable licensing and tax laws;• Necessary production, construction, equipment and facilities;• All other qualifications necessary to receive an award under applicable laws and regulations.	Revisions to the Procurement Manual are currently under review by the City Attorney's office.
3 We recommended revisions to the Procurement Manual for negotiating price increases and the specific information suppliers must provide to justify price increases.	Revisions to the Procurement Manual are currently under review by the City Attorney's office.

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| 4 We recommended the price escalation clause in supplier contracts include language requiring the supplier to revert to the price(s) in the original purchase agreement in the event the supplier can no longer justify the price increase. | No action taken. |
| 5 We recommended purchases by the Head Start program for educational and social services follow the standard procurement process prescribed by state law, the City Code and the Procurement Manual. | No action taken. |
| 6 We recommended revisions to the Procurement Manual for storing and maintaining supporting documentation for procurement activities. | Revisions to the Procurement Manual are currently under review by the City Attorney's office. |

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