

Post-Audit Review 24-02: CARTA Procurement Process

October 2025

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

October 6, 2025

To: Mayor Tim Kelly
City Council Members

Subject: Post-Audit Review of CARTA Procurement Process (Report #24-02)

Dear Mayor Kelly and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2024 CARTA 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 that CARTA's procurement procedures generally align with federal and state laws governing procurements. However, policies and procedures are not always followed resulting in key internal control weaknesses and violations of state purchasing laws.

The audit had ten recommendations to improve efficiency and effectiveness of the procurement process as well as address internal control deficiencies observed in the purchasing process. At the time of this Post-Audit Review, one recommendation was not implemented and nine were fully implemented. The recommendation not implemented is herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of CARTA 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
 Kevin Roig, Chief of Staff
 Mande Green, Chief Operating Officer
 Jim Arnette, TN Local Government Audit
 Charles Frazier, CARTA Chief Executive Officer

RECOMMENDATION NOT IMPLEMENTED (1)

Recommendation	Actions Taken
7 We recommended CARTA implement a procedure to ensure competitive bids are obtained for purchases of goods or services that exceed \$50,000 annually.	CARTA has implemented a procedure to ensure competitive bids are obtained for the purchase of goods and services that exceed \$50,000 annually. However, our review of the board minutes found CARTA continues to use the RFP process rather than competitive bidding as required by state law. As noted in their response letter attached, management is committed to using the IFB process going forward.

RECOMMENDATIONS FULLY IMPLEMENTED (9)

Recommendation	Actions Taken
1 We recommended CARTA provide training on its procurement policies to all staff responsible for purchasing goods and services for the organization.	CARTA has informed its Executive Leadership Team and Management Leadership Team of changes to the purchasing policy. Training was provided in July 2025 by Annie Powell, Director of Grants & Procurement.
2 We recommended providing adequate support documentation to accounts payable to ensure invoicing matches the agreed upon pricing.	All purchase orders, quotes and contracts are maintained in a shared drive. The Accounts Payable Manager performs a three-way match (invoice, packing slip, and purchase order/contract) to ensure the prices are accurate. Our review of a sample of invoices found no discrepancies.
3 We recommended CARTA management take appropriate disciplinary action when policies are violated.	CARTA has updated its purchasing policy to reflect that disciplinary action will be taken when policies are violated.
4 We recommended CARTA obtain and document quotes for blanket purchase orders that include detailed pricing (not lump sum).	We reviewed several blanket purchase orders and found that CARTA has obtained and documented quotes. The quotes included detailed pricing.
5 We recommended CARTA analyze the feasibility of incorporating the procurement module as part of its upgrade to the Oracle Financial system or integrating the RTA system with Oracle.	CARTA is still investigating the feasibility of incorporating the procurement module as part of its upgrade to Oracle Netsuite. CARTA has included in its capital plan to complete this within the next year.

Recommendation	Actions Taken
6 We also recommended CARTA periodically audit and reconcile payments to purchase order.	The purchasing policy was updated to include reconciliation of payments to purchase order. CARTA's Accounts Payable Administrator and CARTA's Manager of Purchasing & Procurement periodically monitor and reconcile payments to purchase orders.
8 We recommended CARTA receive board approval to procure goods and services using the RFP method and to award the responsible respondent.	Beginning in November 2024, CARTA began presenting a monthly procurement report to the Board of Directors. This report has a template that includes a) approval of purchases over \$50,000; b) Board approval of the Request for Proposals (RFP) process; c) report on sole source procurements; and d) report on emergency procurements.
9 We recommended reporting sole source or proprietary procurements to CARTA's board as soon as possible. The report should specify the amount paid, the items purchased, and from whom the purchase was made.	Beginning in November 2024, CARTA began presenting a monthly procurement report to the Board of Directors. This report has a template that includes a) approval of purchases over \$50,000; b) Board approval of the Request for Proposals (RFP) process; c) report on sole source procurements; and d) report on emergency procurements.
10 We recommended CARTA update its purchasing policy to ensure compliance with State laws governing procurements.	CARTA has updated its purchasing policy.



Chattanooga Area Regional Transportation Authority

October 6, 2025

Mr. Stan Sewell, City Auditor
Office of Internal Audit
City of Chattanooga
1001 Lindsay Street
Chattanooga, TN 37402

Dear Mr. Sewell:

The Chattanooga Area Regional Transportation Authority (CARTA) acknowledges receipt of the draft report for the *Post Audit Review of the CARTA Procurement Process* (Audit 24-02). I appreciate the professionalism and collaboration of you and your team throughout this productive engagement; you and your team truly partnered with us to help us do better.

With new leadership at both the Board and senior management levels, this review provided valuable insight into past practices and opportunities for improvement. We appreciate your recognition of CARTA's successful implementation of nearly all audit recommendations.

Regarding the one recommendation identified as not fully implemented, please note that while no Invitations for Bids (IFBs) were issued during the review period, CARTA recognizes the necessity for prioritizing the IFB process whenever possible. We also understand that the Request for Proposal (RFP) process should only be used when necessary, and when it is used CARTA should receive Board approval prior to doing so. We have the Board approval process implemented already and you have my commitment to prioritize the use of the IFB process.

CARTA remains committed to transparency, accountability, and continued collaboration with the Audit Committee to ensure compliance and continuous improvement.

Thank you again for your guidance and partnership.

Sincerely,

A handwritten signature in black ink that reads "Charles D. Frazier". The signature is written in a cursive, flowing style.

Charles D. Frazier

Chief Executive Office

Chattanooga's Driving Force.

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