

**Post-Audit Review 19-04:
Bike Chattanooga Contract**

November 2020

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

November 9, 2020

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Bike Chattanooga Contract (Report #19-04)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2019 Bike Chattanooga Contract 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. CDOT is monitoring operations and usage of the bike program;
2. However, CDOT needs to ensure contract terms are enforced and contract language needs updating, and;
3. Purchasing should ensure the required steps are followed when procuring bike equipment and they failed to follow the proper procedures when securing the Bike Chattanooga management services.

The audit had seven recommendations which addressed the need for CDOT to clarify and monitor contract terms as well as Purchasing follow required procurement procedures. At the time of this Post-Audit Review, four recommendations were partially implemented and three recommendations were implemented. Recommendations partially 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
 Kerry Hayes, Chief of Staff
 Maura Sullivan, Chief Operating Officer
 Daisy Madison, Chief Financial Officer
 Blythe Bailey, CDOT Administrator
 Vickie Haley, Purchasing Director
 Ben Taylor, Director of Transportation Operations
 Jim Arnette, Tennessee Local Government Audit

RECOMMENDATIONS PARITALLY IMPLEMENTED (4)

Recommendation	Actions Taken
<p>3 We recommended Purchasing follow T.C.A. 12-3-1207 as it pertains to acquiring Council approval prior to initiating an RFP procurement. In addition, the Purchasing Director should ensure all steps are followed when using the RFP process.</p>	<p>According to the Purchasing Director, a revised Purchasing Manual and City Code amendment addressing the requirement for Council to approve the initiation of an RFP process are sitting in the City Attorney's Office.</p> <p>A review was made of some completed Request for Proposal Purchasing files since the audit was issued. With the exception of not acquiring Council preapproval to use the RFP process, all required documentation was present and the proper RFP process was followed.</p>
<p>4 We recommended Purchasing follow City Code and <i>Procurement Instructional Manual</i> when making purchases.</p>	<p>According to the Purchasing Director, they work to ensure everything that needs Council approval is properly presented and all steps in the procurement process are followed. They have weekly staff meetings to address issues as they arise. They are scheduling specific training on sole source procurements which was an issue in the bike equipment procurement audit.</p>
<p>6 We recommended CDOT ensure they receive detailed invoices to identify items purchased. They should ensure the purchases are coded properly to classify fixed assets.</p>	<p>We identified two fixed asset expenditures since the audit was issued. One asset was properly coded however a new hvac unit was purchased for \$129,400 that was not coded as a fixed asset.</p>
<p>7 We recommended CDOT perform an inventory of all bike equipment and add it to the City's inventory (fixed assets or sensitive minor equipment as applicable). The equipment should be tagged as required by the Finance policies. Once the equipment is in the City's inventory, CDOT should perform an inventory of the bike equipment as required by Finance.</p>	<p>CDOT submitted a list of bike equipment and stations to Finance to be added to the fixed asset list. However, the list did not contain complete item descriptions or costs. The item cost determines if it will be identified as a fixed asset or sensitive equipment. Finance is following up with CDOT to ensure the items are classified properly. CDOT will perform an inventory during the winter months when the bikes are taken to the shop for repair.</p>

RECOMMENDATIONS FULLY IMPLEMENTED (3)

Recommendation	Actions Taken
1 We recommended CDOT ensure contract terms are followed and monitored.	CDOT is monitoring the contract terms. They have worked with the City Attorney and revised the contract based upon audit recommendations. The revised contract was approved by Council on October 13, 2020. The contract was amended to require the contractor to work in tandem with the City in applying for and receiving grant funds. When grant funding is obtained and paid to the City they will ensure the proper purchasing procedures are followed.
2 We recommended CDOT work with the City Attorney to add contract language to clarify the details of expanding the system once a revenue threshold is reached. In addition, contract language should expressly state all equipment of the bike system is owned by the City.	The amended contract was approved by Council on October 13, 2020 for a one year renewal. Contract language was added to clarify when the revenue threshold is met, the funds will be paid directly to the City and the funds will be used only for system expansion. Also language was added to specify all new equipment purchased is owned by the City.
5 We recommended CDOT follow <i>Finance Policies and Procedures Payments</i> when authorizing invoices for payments. They should ensure the services are complete and products received prior to authorizing the payment.	A limited review was made of CDOT purchases since the audit was issued. We found CDOT is ensuring products and services are received prior to authorizing the payment. There were no bike system equipment purchases made since the audit was issued.

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