

**Post-Audit Review 13-04:  
Oracle Approval Procedures**

**August 2014**

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Senior Auditor**

Pamela Swinney, CPA





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

August 1, 2014

To: Mayor Andy Berke  
City Council Members

Subject: Post-Audit Review of Oracle Approval Procedures (Report #13-04)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2013 Oracle Approval Procedures 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 approval process provided excessive control and was not overly efficient; and,
2. The process required several layers of authority in a department for approval of most purchases.

The audit had 10 recommendations to improve efficiency and effectiveness of the Oracle approval process. At the time of this Post-Audit Review, five recommendations were not implemented, one was partially implemented, and four 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  
Travis McDonough, Chief of Staff  
Brent Goldberg, Chief Operating Officer  
Brent Messer, Chief Information Officer  
Daisy Madison, Chief Financial Officer  
Wade Hinton, City Attorney  
David Carmody, Purchasing Manager

## RECOMMENDATIONS NOT IMPLEMENTED (5)

Recommendation	Actions Taken
<p>1 We recommended the Finance Department and Purchasing Division examine current departmental approval paths and in conjunction with Administrators take steps to lessen the number of approvals needed. This could be accomplished by adopting dollar thresholds for approvers within departments.</p>	<p>The Oracle Approval Management Engine (AME) has recently been installed which includes functionality for tailored approvals but configuration for Requisition approvals is not completed. A Technology Business Case is in process to address this recommendation in collaboration with the IT and user departments.</p>
<p>2 We recommended Finance Department and Purchasing Division reduce the time allotted for approval at each level to 2 business days.</p>	<p>Although it has not been implemented at this time, management plans to reduce approval time to five (5) calendar days; to allow for weekends and holidays because Oracle does not make provision for business days only.</p>
<p>3 We recommended the Finance Department and Purchasing Division change procedures to forward requisitions and purchase orders that time out due to inaction to the next highest approver.</p>	<p>The Oracle Approval Management Engine (AME) has been recently installed which includes functionality for tailored approvals but configuration is not completed. A Technology Business Case is in process to address this recommendation in collaboration with the IT and user departments.</p>
<p>4 We recommended the requisition approval process be revised to remove the Budget Division in order to prevent duplication and limit approvers required for a requisition. Maximizing benefit from this recommendation will require accountability at the departmental management level. All expenditures initiated should have a clearly identified lawful municipal purpose to meet departmental goals.</p>	<p>Electronic budgetary controls (addressed in recommendation 6 below) have not been fully implemented. Therefore, budget staff must be involved in the procurement process, to some extent, to comply with City Code Sec. 2-68. Also, the Finance Department feels it is beneficial for the budget staff to review charge distributions and request corrections on the front end of the process. There is a CFO pool (including the Budget Manager) for purchase orders. This point of approval could be used to facilitate compliance with City Code Sec. 2-68 and to allow budget staff to review charge distributions at this time (eliminating the need to approve requisitions – a duplicative process).</p>
<p>7 We recommended the City Attorney's Office Finance Department and Purchasing Division work to amend the City Code to allow for the use of purchase cards subject to the Purchase Card Policies and Procedures.</p>	<p>The Finance Department has asked the City Attorney to determine any necessary amendment to the City code.</p>

---

## RECOMMENDATION PARTIALLY IMPLEMENTED (1)

Recommendation	Actions Taken
6 We recommended the Finance Department, with assistance from Information Services Department develop and implement the Oracle purchase order tolerance functionality.	Electronic budgetary control is in place at the fund level for key funds. Finance has begun testing electronic budgetary control at operational levels lower than fund levels such as salaries, benefits and operations. Finance does not have an estimated target of completion due to the complexity of the system setup.

---

## RECOMMENDATIONS FULLY IMPLEMENTED (4)

Recommendation	Actions Taken
5 We recommended the Oracle User Management and Approvals Management modules be installed.	AME and User Management have recently been installed. Management is still studying the extent to which sensitive information is accessible by unauthorized user groups. While AME is installed, it has not been configured for use in production. This process is now on hold pending review, approval and prioritization by the newly formed Technology Planning Committee.
8 We recommended the Purchasing Division, with input from the Finance Department, establish consistent per transaction thresholds in the Purchasing Manual and the Purchase Card Policy and Procedures.	The Procurement Manual was recently revised and allows for some flexibility that can be governed in the Purchase Card Policy. Management indicated the 2015 edition of the Procurement Manual will list specific exceptions to the base per transaction amounts as well as the right of the CFO and Purchasing Agent to extend such limits in the case of a Credit Card being the only accepted method of payment.
9 We recommended the Finance Department align its practices with Purchasing Manual thresholds for requiring purchase orders.	The Procurement Manual (PM) has recently been revised. The new PM allows for Purchase Orders under \$1,000 (Section 2.02). Departments can and should take advantage of the efficiencies gained from use of a Purchase Card whenever possible. Functional areas within the City that do not have access to a Purchase Card may obtain one following the standard application process. Plans are still in the works to utilize the Quick Order functionality of Oracle upon implementation of iSourcing which is in FY2018 of the 5-year capital plan.

10 We recommended Information Services determine the possibility of all approval paths being visible in the Oracle system. If determined possible, we recommended Information Services set the purchase order system inquiry screens to show all approval paths.

Information Services has updated the Oracle system to provide the approval sequence in the purchase order inquiry screens.

### **City of Chattanooga Fraud, Waste, and Abuse Hotline**

Internal Audit's Fraud, Waste, and Abuse Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any City facility or department.

Internal Audit contracts with a hotline vendor, The Network, to provide and maintain the reporting system. The third party system allows for anonymous reports. All reports are taken seriously and responded to in a timely manner. Reports to the hotline serve the public interest and assist the Office of Internal Audit in meeting high standards of public accountability.

To make a report, call 1-877-338-4452 or visit our website:

[www.chattanooga.gov/internal-audit](http://www.chattanooga.gov/internal-audit)