



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

December 24, 2009

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

**RE: Memorial Auditorium/Community Theater Rental Fees, Audit 09-04**

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit report on Memorial Auditorium/Community Theater Rental Fees.

We thank the EAC Department and the Finance Department for their cooperation and assistance during this audit.

Very truly yours,

Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit


cc: Dan Johnson, Chief of Staff  
Daisy Madison, City Finance Officer  
Missy Crutchfield, EAC Administrator  
Audit Committee Members

**EDUCATION, ARTS & CULTURE DEPARTMENT  
MEMORIAL AUDITORIUM/COMMUNITY THEATER  
RENTAL FEES  
AUDIT 09-04**



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**Auditor**



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**Director**

**EDUCATION, ARTS & CULTURE DEPARTMENT  
MEMORIAL AUDITORIUM/COMMUNITY THEATER  
RENTAL FEES  
AUDIT 09-04  
October 2, 2009**

**EDUCATION, ARTS & CULTURE DEPARTMENT  
MEMORIAL AUDITORIUM/COMMUNITY THEATER  
RENTAL FEES  
AUDIT 09-04**

**INTRODUCTION**

The Memorial Auditorium and Community Theater are performance venues owned by the City of Chattanooga. The Education, Arts & Culture (EAC) Department charges rental fees for each event based on a rental fee schedule that is specified in Section 2-586 of the City Code.

**STATEMENT OF OBJECTIVES**

The objectives of this audit are to determine if:

1. Written policies/procedures are in place for the Memorial Auditorium/Community Theater rental fee collection process.
2. Memorial Auditorium/Community Theater rental fee revenue was properly accounted for and receipts were issued and retained for each collection.
3. Payments were received for all regularly scheduled events.
4. Memorial Auditorium/Community Theater rental fee revenue was submitted to the Treasurer's Office within three days of the initial receipt.

**STATEMENT OF SCOPE**

The audit period covered Memorial Auditorium/Community Theater rentals during the Fiscal Year ending 2008 (July 01, 2007 through June 30, 2008).

**STATEMENT OF METHODOLOGY**

We met with management and staff from the EAC Department and Finance Department to obtain an understanding about the Memorial Auditorium/Community Theater rental fee collection process. We also reviewed the City Code, Collection Reports, and Settlement Reports (and the related supporting documentation) to obtain information about the Memorial Auditorium/Community Theater rental fee collection process.

## **STATEMENT OF AUDITING STANDARDS**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and - conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **AUDIT CONCLUSIONS**

Based upon the testwork performed and the audit findings noted below, we conclude that:

1. Written policies/procedures are in place for the Memorial Auditorium/Community Theater rental fee collection process. However, some of these written policies/procedures are outdated and do not coincide with the City Code.
2. Memorial Auditorium/Community Theater rental fee revenue was properly accounted for (for payments that were received) and receipts were issued and retained for each collection.
3. Payments were not received for all regularly scheduled events.
4. Memorial Auditorium/Community Theater rental fee revenue was submitted to the Treasurer's Office within three days of the initial receipt.

## **WRITTEN POLICIES/PROCEDURES DO NOT COINCIDE WITH CITY CODE**

Section 2-586 of the City Code sets guidelines for Memorial Auditorium/Community Theater Rental Fees. The EAC Department has written policies/procedures that include Memorial Auditorium/Community Theater Rental Fees that are not in agreement with the City Code.

## **RECOMMENDATION 1**

We recommend that the EAC Department amend their written policies/procedures related to Memorial Auditorium/Community Theater Rental Fees so that the written policies/procedures are in compliance with the City Code. We further recommend a policy requiring annual review and update of the policy & procedure manual.

**AUDITEE RESPONSE**

The rental fee structure as established by the Auditorium and Tivoli Board of Directors includes items various room rentals other than the main hall. A varied rental fee structure is needed in order to continue to rent the facility to the various organizations, many of which are local non-profits. Non-rental events must go to City Council for prior approval or be designated as and EAC sponsored event. Staff has contacted the City Attorney's office to acquire the steps necessary to have these changes/additions presented to Council for approval and addition to the city code.

**AUDITOR COMMENT**

To eliminate the possibility of confusion, we are noting for the reader that the Auditorium and Tivoli Board of Directors mentioned in the auditee response is no longer in existence (and has not been in existence for many years). The City Council is responsible for the establishment of Auditorium/Tivoli rental fees. The Council approved fees are documented in the City Code.

**CITY CODE VIOLATION FOR THEATER RENTALS**

Section 2-586 of the City Code authorizes specific fees to be charged for Memorial Auditorium/Community Theater rentals. For seventeen (17) of the thirty-four (34) events selected for review by IA, it appears that the rental fees that were charged were not in agreement with the Fee Schedule that appears in Section 2-586 of the City Code.

**RECOMMENDATION 2**

We recommend that the EAC Department follow the City Code for future Memorial Auditorium/Community Theater rentals.

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### **SEPARATE ACCOUNT NEEDED**

The EAC Department ordinarily accounts for Memorial Auditorium/Community Theater Merchandise Sales Commission Revenue with the same account number (581112) that is utilized to report Memorial Auditorium/Community Theater Rents. This practice reduces the value and usefulness of the data reported by the City's accounting system.

### **RECOMMENDATION 3**

We recommend that the EAC Department work with the Finance Department to create an account that is used only to report Memorial Auditorium/Community Theater merchandise sales commission revenue that is separate from the Memorial Auditorium/Community Theater Rents account number.

### **AUDITEE RESPONSE**

Merchandise sales have traditionally been included with the rental revenue. Merchandise sales do not occur on every event. The staff is in the process of having accounting establish a separate account for merchandise.

### **CENTRALIZED SYSTEM FOR RENTAL INFORMATION**

The EAC Department utilizes printed calendars to maintain a record of events that were held at the Memorial Auditorium/Community Theater over the course of each Fiscal Year. There is no centralized real-time system (spreadsheet or calendar) in place that is maintained to track information that is relevant to each Memorial Auditorium/Community Theater event.

### **RECOMMENDATION 4**

We recommend that the EAC Department utilize an excel spreadsheet, outlook calendar, or similar application program to track important Memorial Auditorium/Community Theater event data that can be reconciled to rental fees. We also recommend

management consider having a real-time (up to date) version of this calendar posted to the Internet so that interested parties outside the EAC Department could have access to the schedule. We also recommend that EAC management physically observe the Memorial Auditorium/Community Theater on a random basis to check to see if any facility rentals are being held on dates that the calendar includes no events.

### **AUDITEE RESPONSE**

The booking calendar is a continuously changing process. Facility management uses the calendar to schedule support staff such as custodians, stage employees, box office staff, security, concession staff and front-of house staff. An online shared folder calendar has been created and is accessible by Civic Facilities administration staff, the Administrator and the Deputy Administrator. This will allow for live time changes such as cancellations and additions to the calendar. Both Administrator and Deputy Administrator attend events from time to time and are subject to dropping by the facility at any time. Administrator and/or Deputy Administrator's review of calendar vs. what is happening in the facility on any day will be added to policies and procedures. A weekly staff meeting is held each Wednesday with the Deputy Administrator to review calendar, scheduled events, changes to the calendar, bookings, ticket sales, and status of on-going projects. A public calendar is located on the department's web site.