



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

June 15, 2010

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Concessions Contracts Audit 09-03

Dear Mayor Littlefield and Council Members:

On November 6, 2009 the Internal Audit Division released an audit on the Concessions Contracts. We performed certain procedures, as enumerated below, with respect to activities of the Parks and Recreation department in order to render a conclusion on the status of the recommendations made as a result of that audit.

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.

The conclusions of Audit 09-03 were that:

1. There is no system in place to ensure the City is aware of all contracts that have been entered into.
2. The contracts are not being fully complied with.
3. It appears that the City did not receive all the revenue due.

The audit contained six (6) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 2, 3, 4, 5 and 6 were implemented and recommendation 1 was partially implemented.

Recommendations Implemented [5]

We recommended [**Recommendation 2**] that all payers of monies be issued, per state law, a pre-numbered receipt or equivalent, referencing the collection report number the monies will be submitted on, and collection reports for said monies received have a copy of the issued receipt attached as additional support, with the receipt number notated on the collection report. We also recommended that all receipt books be kept per the record retention guidelines from MTAS and adopted by the City. To ensure such compliance, we recommended management enforce procedures to document custody of receipt books and take appropriate disciplinary action when they are missing.

We reviewed four concession collection reports that were completed after the issuance of Audit 09-03 and noted receipts were issued for all collections. Further, the department has implemented a process to account for and document receipt book usage through a receipt book log. The new process requires staff to obtain receipt books through the Parks & Recreation main office. The individual must log the return of a used receipt book prior to the issuance of a new receipt book.

We recommended [**Recommendation 3**] that all handlers and collectors of funds be made aware of the requirements for depositing funds received and the timeline to follow in depositing such funds and abide by the law in depositing those funds in a timely manner. Management should take appropriate disciplinary action when violations occur.

We reviewed four concession collection reports that were completed after the issuance of Audit 09-03 and noted the department had deposited the funds within three business days, as required. Further, we found the current written policies and procedures for cash handling issued by Parks & Recreation has addressed this issue.

We recommended [**Recommendation 4**] that all contracts entered into, regardless of the amount, be forwarded to Finance as required by City Code. We also recommended that the department begin keeping a copy in their files.

Based on discussions with staff, all contracts for the waterfront concessions have been maintained by Parks & Recreation and forwarded to the Finance department.

We recommended [**Recommendation 5**] that the department put into place a comprehensive system to manage all contracts. This system should ensure that the contract terms are fully adhered to, each contract is maintained in a organized file, a detail of contract receivables is maintained, an aging of receivables is periodically reviewed, and collection efforts are made for past due amounts.

Based on discussions with staff and review of documentation, Parks and Recreation has maintained the contracts and has tracked current receivables. The department mails a monthly invoice to each concessionaire and contacts Friends of the Festival by email if payment is not received by the due date.

We recommended [**Recommendation 6**] that all monies received by the department should be kept secured until the collection report is prepared and taken to the Treasurer's office. We also recommended the department follow the recommendations set out by Internal Audit 06-02, dated 03/30/2006, which addressed, among other issues, the safeguarding of assets.

Based on discussions with staff and review of current written policies, the handling and security of funds has been addressed by management. Further, several safes were purchased for the Watkins Street Office and monies are kept either in the safe or a locked desk/cabinet until taken to the Treasurer's office.

Recommendations Partially Implemented [1]

We recommended [**Recommendation 1**] that the contract language and terms be fully complied with, all violations be enforced, and all delinquent rental fees be demanded immediately.

Per discussions with Parks & Recreation staff, invoices for the current year contracts were sent to each concessionaire and payments have been received. Further, staff stated past due amounts are tracked and notices are sent to Friends of the Festival by email.

We examined the collection reports and noted all payments (2 payments for May 2010 and 2 payments for June 2010) were paid late and only one (1) of those late payments were in compliance with the contract. Further, Parks and Recreation staff stated no efforts have been made to collect the past due amount of \$3,900 disclosed during the audit.

We thank the personnel in Parks and Recreation department for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,



Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Larry Zehnder, Parks and Recreation Administrator
Audit Committee