



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

April 19, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of North River Civic Center Collections, Audit 09-18

Dear Mayor Littlefield and Council Members:

On July 28, 2010, the Internal Audit Division released an audit on the North River Civic Center Collections. We performed certain procedures, as enumerated below, with respect to activities of the Education, Arts and Culture 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 09-18 were that:

1. There are written policies/procedures in place related to collections. However, these written policies and procedures are limited and could be modified to provide more thorough guidance related to the collections process.
2. Partial controls are in place surrounding the collection process.

The audit contained seven (7) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 2, 3, 4 and 7 were implemented, recommendation 5 was partially implemented and recommendations 1 and 6 were not implemented.

Recommendations Implemented [2, 3, 4, and 7]

We recommended (Recommendation 2) that the EAC staff adhere to the instructor contract agreements that are currently in place between the EAC Department and the various instructors at the North River Civic Center with the City collecting class fees, following set procedures that will ensure a reasonable level of control over revenues. Further, we recommended (Recommendation 3) that the instructor contract agreement be updated.

Based on our review, the department has updated the service provider contract and has properly collected the class fees.

We recommended (Recommendation 4) that the EAC management modify the NRCC written policy/procedure to read something similar to the following, "Checks/money orders should be made payable to the City of Chattanooga."

We reviewed the updated rental policy and noted the department has changed the policy. During our limited review of collections, we noted checks were made payable to City of Chattanooga.

We recommended (Recommendation 7) that the EAC Department implement a policy that requires a written authorization/approval by EAC management (separate from staff responsible for fee collections) to document each event rental fee that is waived at the North River Civic Center. We further recommended EAC management ensure there is a clear understanding that Friends of the North River Civic Center does not have the authority to waive fees at this City facility.

Based on our review, the Administrator and/or Deputy Administrator provides written authorization (via email) for rental fee waivers when the organization provides volunteer hours at the Civic Center.

Recommendations Partially Implemented [5]

We recommended (Recommendation 5) that the EAC Department/NRCC modify the NRCC's written policy/procedure manual to include guidance about the event calendar scheduling process that specifically addresses event rental payments and how they relate to when events are officially listed on the event calendar. We also recommended that the EAC Department enforce their policy of only adding events to the NRCC calendar once both the event rental application and event rental fee have been received. Management should ensure an individual separate from the reservation process conducts periodic reviews/reconciliations of scheduled events to funds collected.

Based on our discussions with staff, EAC department has not modified and/or developed any comprehensive policy and procedures manual related to the event calendar. However, the staff no longer adds events to the calendar until the rental fee is paid in full. Also, management has recently assigned a staff member the responsibility to periodically review and reconcile scheduled events to funds collected.

Recommendations Not Implemented [1, 6]

We recommended (Recommendation 1) that the written policies/procedures at the North River

Civic Center be modified to include comprehensive guidance related to their collections process. The written policies/procedures should ensure proper internal controls to safeguard the collections from the time of the initial receipt by North River Civic Center staff to the time that the funds are remitted to the Treasurer's Office. Referencing the Finance Department's Collection Report Preparation procedures will help ensure staff are aware of some broad based requirements (issuance of pre-numbered receipts and prompt deposits) and that the collection reports are properly completed. However, additional procedures that are specific to NRCC operations are also needed to ensure issues such as custody of cash (documentation of transfers between staff), fee waiver approval/documentation, assignment of various responsibilities (considering segregations of duties), and requiring an event be added to the facility calendar once a rental application and rental payment is initially received should also be addressed. This updated policy/procedure document should be given to staff and a record of the receipt of this manual by staff should be documented in writing.

Based on discussions with staff and review of written policies/procedures provided (NRCC Guidelines and Procedures and Service Agreement), EAC administration has not developed a comprehensive written policies and procedures manual specific to NRCC operations. However, management stated the written policies and procedures will be developed that incorporate the Finance department's collection policy.

We recommended (Recommendation 6) that the North River Civic Center have their rental fee schedule approved by the City Council in order to increase internal controls and be consistent with the other City facilities related to fee approvals.

Based on discussions with Administration, the City Attorney's office has reviewed and approved the rental fees and waiver policy. The department has requested the City Attorney's office to review and approve a volunteer form that will be included in their fee schedule proposal submitted to Council for approval.

We thank the personnel in Education, Arts, and Culture 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
Audit Committee
Daisy Madison, City Finance Officer
Vickie Haley, Assistant Finance Officer
Missy Crutchfield, EAC Administrator