



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

August 4, 2010

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Civic Facilities Concessions, Audit 09-16

Dear Mayor Littlefield and Council Members:

On January 11, 2010, the Internal Audit Division released an audit on the Civic Facilities Concessions. We performed certain procedures, as enumerated below, with respect to activities of the Education, Arts & 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 09-16 were that:

1. The Tennessee sales and use tax returns have been filed timely for the Civic Facilities. However, we noted several returns were not completed properly.
2. The internal controls surrounding the concessions operations are not adequate to properly safeguard inventory items and cash collections.
3. Concession sales have been properly accounted for.

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

Recommendations Implemented [1]

We recommended (**Recommendation 1**) that a revenue reconciliation process be included in the Civic Facilities sales tax return preparation procedures. Further, we recommended management review the sales tax return prior to the return being filed with the State.

Based on discussions with staff, procedures for preparing the sales tax return include reconciliation to the revenues recorded in the City's accounting system (Oracle). Also, the business coordinator reviews the sales tax return prior to payment. Further, we examined the May 2010 sales tax return and noted detail revenue reconciliation was performed and the return was properly completed.

Recommendations Not Implemented [2, 3, 4, 5]

We recommended (**Recommendation 2**) that cash registers be purchased and utilized for concession sales at the Civic Facilities. Further, we recommended a detailed cash register receipt be provided to any purchaser of goods and services.

Based on discussions with staff, cash registers have not been purchased or used in the concession stands. Staff stated cash registers would not be purchased until a determination is made in regards to keeping concessions and/or alcohol sales "in-house."

Further, staff stated that due to time constraints, receipts are not provided to the purchaser except upon request. The department has posted signs at the concessions stating receipts are available upon request. This remains a violation of T.C.A. 9-2-103.

We recommended (**Recommendation 3**) that both employees count the concessions cash collections and document the exchange when the custody of money changes hands.

Based on discussions with staff, each cashier counts the total cash on hand at the end of the shift in the presence of the supervisor. Per the Business Coordinator, a new verbal policy required cashiers to tally the cash count on the inventory sheets but instead the cashiers used a separate blank sheet. These cash count sheets were not maintained by management to document the cashier counted and recorded the cash on hand at the end of their shift. Further, neither the cashier nor the supervisor has signed and documented when monies were exchanged between the cashier and the supervisor. Ultimately, cash is turned over to the Business Coordinator with no documentation to verify amounts submitted equal the amounts deposited.

We recommended (**Recommendation 4**) that each cashier perform and document a daily reconciliation of cash collections.

Based on discussions with staff, cashiers cannot perform and document a daily reconciliation of cash collections because sales are recorded manually and due to time constraints reconciliations cannot be completed at the end of the night. However, staff stated if the concession sales remain “in-house” and once cash registers are purchased, the cashiers will have the necessary information to perform the daily reconciliation of cash collections.

We recommended (**Recommendation 5**) that cash collections be deposited in the form and amount in which they are collected.

Per Administration’s response in the audit report, the department needed to request a petty cash fund increase to provide adequate cash for last minute inventory purchases. Based on discussions with staff, the department has not requested additional petty cash funds because they are unaware of the process to obtain a higher petty cash fund. Further, we examined several collection reports from May 2010 and June 2010 and noted purchases of inventory products have continued to be paid from the concession collections.

We thank the personnel in Education, Arts & 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
Daisy Madison, City Finance Officer
Audit Committee
Missy Crutchfield, Administrator Education, Arts & Culture