



# OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

December 5, 2012

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Fitness Center Cash Collections, Audit 12-03

Dear Mayor Littlefield and Council Members:

On April 30, 2012, the Internal Audit Division released an audit on Fitness Center Cash Collections. 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 12-03 were that:

1. Several internal control weaknesses exist in the Fitness Center's cash collection process; and,
2. Cash collections were properly documented and submitted to the Treasurer's office within the required three day period.

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

## **Recommendations Partially Implemented [2]**

We recommended (**Recommendation 2**) that each cashier count monies, prepare a reconciliation report and document funds collected, and place the signed report along with monies in the drop safe. Further, we recommended cash overages be deposited with the City Treasurer and any shortages be reported as required by current policies.

*We reviewed several collection reports and supporting documentation completed between September 2012 and November 2012 to verify suggested changes were implemented. We noted cash overage/shortages are being properly reported. Based on the review, we found the lunch and night cashiers have not prepared a reconciliation report nor signed the respective cash register tapes to indicate the funds were collected by each cashier. Management was advised of the post audit review finding.*

### **Recommendations Not Implemented [1, 3]**

We recommended (**Recommendation 1**) the Fitness Center implement new procedures that ensure accountability for funds collected. The procedure could include a dual witness either at night (when cashier performs nightly close out) or the next morning (when collection report preparer opens safe and counts the prior day collections). Transfers between staff should be minimal and adequately documented.

*Per discussions with management, the new procedure implemented only requires the Director to be present when the safe is opened in the morning. As occurred during the audit period, the morning cashier counts the prior day collections, prepares the collection report and then gives the funds and collection report to the Director to re-count and sign. Collections are transferred between three employees without properly documenting transfers as required by The Internal Control and Compliance Manual for Tennessee Municipalities.*

We recommended (**Recommendation 3**) the Fitness Center establish change funds for each cashier. The change funds should be secured in a locked box or safe that is accessible only to the cashier with custodial responsibility.

*Per discussions with management, change funds have not been established. Management cited possible implementation of new recreational management software as the reason for not implementing the recommendation.*

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  
City Auditor

cc: Audit Committee Members  
Dan Johnson, Chief of Staff  
Larry Zehnder, Administrator Parks and Recreation  
Rick O'Rear, Director Fitness Center