

September 14, 2006

Honorable Ron Littlefield
Mayor, City of Chattanooga
City Hall
Chattanooga, TN 37402

RE: Post Audit Review of Chattanooga Skate Park; 06-01

Dear Mayor Littlefield:

On March 06, 2006, the Internal Audit Division released an audit on the Chattanooga Skate Park. 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 06-01 were that:

1. The concessionaire has failed to perform as per the terms of its agreement with the City.
2. The concessionaire has failed to remit all amounts due to the City as per the terms of its agreement.

The audit contained 3 recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1 and 2 were fully implemented, and recommendation 3 was partially implemented.

Recommendations Fully Implemented

We recommended (Recommendation 1) the Administrator exercise the rights given him under Part 32 of the contract, and terminate the agreement immediately due to multiple violations of the terms and conditions of the agreement. According to the agreement, the City may terminate the agreement immediately for cause, with the City having sole judgment of non-performance. Also, the City shall have full authority to re-enter and take possession of the concession premises, as well as any personal property within the premises (with limitations), without the necessity of obtaining any legal process.

The department concurred. The concessionaire was notified and department staff took possession of the facility.

We recommended (Recommendation 2) the Administrator take immediate action to recover monies owed the City by the concessionaire. This includes all past due monthly payments along with late charges and interest, as allowed by the agreement. To this end, we recommended that Internal Audit perform additional procedures utilizing any records obtained at the Skate Park to aid in determining the amounts due.

The department concurred and requested assistance from Internal Audit in determining and documenting amounts due the City by CG Skates, Inc. The department sent a certified letter to the concessionaire, per the agreement, demanding payment. A copy of the letter was sent to the City Attorney for further action as he saw fit. The department seized all the assets and personal items in the park, as allowed by the agreement.

Recommendations Partially Implemented

We recommended (Recommendation 3) that the Parks and Recreation Administration seriously consider self management of the City's skate park. Should this decision be made, we recommended the department work closely with the Finance Department, and if necessary consult with Internal Audit, to ensure strong internal controls are in place relative to cash collections. Should the department choose to contract out management of the skate park, a competitive bid process should be utilized. Further, the contract should incorporate a flat fee.

The department concurred. The department stated it would conduct an extensive review of the management possibilities relative to the skate park. They also noted the current agreement with CG Skates, Inc. was entered into by the previous administration. The department made a Request for Proposal for management of the skate park. However, they decided to self manage the park at this time. In regard to the decision to self manage, the recommendation to seek assistance from Finance to help in the development of procedures to ensure strong internal controls over cash collections is in process. The department has started formulating written procedures to handle cash collections, along with other areas of skate park operations. As of this date, these procedures are not complete, but there are guidelines in place to handle collections while these formal procedures are being finalized. This does leave some weaknesses, but they are being addressed by department officials at present.

We thank the personnel in the 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
Daisy Madison, Chief Financial Officer
Brian Smart, Manager of Financial Operations