

December 12, 2008

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Chattanooga African-American Museum Building Maintenance Fund Audit, 08-09

Dear Mayor Littlefield and Council Members:

On May 22, 2008, the Internal Audit Division released an audit on the Chattanooga-African-American Museum (CAAM). We performed certain procedures, as enumerated below, with respect to activities of the Building Maintenance fund 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 08-09 were that:

1. The CAAM Memo of Understanding was approved by the City Council and the terms seem to be written according to the City Code.
2. A written intergovernmental agreement between the City and County could not be located that relates to the Heritage Center Building.
3. Terms of the CAAM Memo of Understanding are not being followed.
4. It appears that the Heritage Center building is being inspected on a periodic basis.

The audit contained 6 recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations #2 and #5 were partially implemented and

recommendations #1, #3, #4 and #6 were not implemented.

### **Recommendations Partially Implemented #2, #5**

We recommended (Recommendation #2 and #5) The General Services department needs to initiate the drafting of a lease agreement in cooperation with the County that would cover terms as determined by both parties for the lease of the Heritage Center building by CAAM. The lease needs to address all issues that any landlord-tenant lease would require. The lease must be reviewed and recommended by the Regional Planning Commission, then approved by the City Council and the County Commission.

The General Services department has drafted a lease for the Heritage Center building by CAAM. The lease has been presented to the Chairman of the CAAM Board and the CAAM Director. However, it has not been finalized and has not been presented to the City Council, County Commission or Regional Planning Agency as recommended.

### **Recommendations Not Implemented #1, #3, #4, #6**

We recommended (Recommendation #1) The City needs to work with County officials to design an agreement that would cover all the applicable terms as joint owners of the Heritage Center building which could include funding, occupancy, ownership, and up keep requirements of the building etc. The final agreement must be approved by the City Council and the County Commission.

The General Services department stated that they will pursue and finalize an Intergovernmental Agreement for the joint ownership of the Heritage Center building soon.

We recommended (Recommendation #3) Whenever City and County officials enter into a lease agreement for the Heritage Hall building, the lease has to be reviewed by the Regional Planning Commission before proceeding to the City Council and the County Commission.

Since the General Services department has not finalized the lease with CAAM, it has not been presented to the Regional Planning Commission. Upon finalizing the lease it will be presented to them.

We recommended (Recommendation #4) If the City and County continue to set the rental rate for the Heritage Hall building below that of a rate comparable to a building of its size and continue to fund costs outside of a landlord's normal responsibility, then the tenant must be a non profit and follow the City Code requirements for disbursements to non profits, Section 2-526.

The General Services department stated that due to the timing of the audit, this recommendation could not be implemented in the 2009 budget year. However, the draft lease will set the rental rate at the market rate and state that the lessee will pay the operational costs of the building as required by a normal tenant.

We recommended (Recommendation #6) The General Services department needs to contact CAAM staff to determine what subleases are currently in place and follow-up periodically on the status of all subleases and available space.

The General Services department has not contacted CAAM and verified the sublease status. The General Services department will be contacting the CAAM Director in the near future to verify this issue.

We thank the personnel in the General Services 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  
Paul Page, Director of General Services  
Daisy Madison, Finance Administrator  
Rose Martin, Executive Director of CAAM  
Louis Wright, Hamilton County Finance Administrator