



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

September 15, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Outdoor Chattanooga Cash Collections, Audit 10-04

Dear Mayor Littlefield and Council Members:

On January 21, 2011, the Internal Audit Division released an audit on Outdoor Chattanooga 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 10-04 were that:

1. Cash collections are not properly handled, documented and submitted to the Treasurer's office within the required three day period.
2. Adequate support documents to facilitate an audit of cash collections were not maintained by Outdoor Chattanooga staff. Further, we found indicators that theft has occurred by one or more City employees.
3. Fees collected were not always in accordance with City Code.

The audit contained twenty-five (25) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1 through 3, 5 through 10, 12, 14 through 21, 24 and 25 were implemented, recommendations 11, 13, 22 and 23 were partially implemented and recommendation 4 is no longer applicable.

Recommendations Implemented [1 - 3, 5 - 10, 12, 14 - 21, 24, 25]

We recommended (Recommendation 1) that the Director of Outdoor Chattanooga should not allow private entities to use City property in violation of City Code. We recommended Administration take appropriate disciplinary action.

Administration updated the fee ordinance effective July 1, 2011. The ordinance provides free use of the building space for organizational meetings by registered non-profit groups that are outdoor recreation, environmental/outdoor education, and land conservation focused groups. In exchange, the partnering organizations will provide free public programs that are promoted by Outdoor Chattanooga. Management reported any other individual or entity is required to pay the stated fee per City Code.

We recommended (Recommendation 2) that Administration take immediate action to eliminate any conflict of interest or appearance thereof. The Director of Outdoor Chattanooga should not independently enter into agreements with an entity for which he serves an administrative function (i.e. the same individual should not act as an agent for both parties to various contracts/agreements).

The Director of Outdoor Chattanooga has resigned from Friends of Outdoor Chattanooga's board and no longer acts as its Executive Director.

We recommended (Recommendation 3) that a comprehensive investigation of Friends of Outdoor Chattanooga's books and records be initiated. Upon request, Internal Audit will open a special project to facilitate this investigation. We recommended Administration instruct all Outdoor Chattanooga staff that no documentation is to be destroyed or disposed of prior to the completion of this special project.

The City's audit committee requested further investigation by Internal Audit. The Internal Audit division is currently performing a comprehensive investigation of Friends of Outdoor Chattanooga's books and records. All available records were provided to Internal Audit for review.

We recommended (Recommendation 5) that pre-numbered, City of Chattanooga receipts be provided to any purchaser of goods and/or services. Further, we recommended conspicuous signs be posted that state the following or something similar to: "If you do not receive a City of Chattanooga receipt for your purchase, please contact Internal Audit at 423-425-6202". We further recommended all transfers of funds between staff be properly documented.

Signs have been posted at both locations. We performed a limited review of collection reports and noted it appears receipts are provided as required. Management has implemented transfer logs at both locations.

We recommended (Recommendation 6) that Parks and Recreation staff submit collection reports in accordance with the Finance department's policies and procedures.

Based on our limited review of collection reports, we noted collection reports are properly documented and remitted within three business days.

We recommended (Recommendation 7) that checks be made payable to "City of Chattanooga" and that all Outdoor Chattanooga and/or Outventure registration forms be updated.

We performed a limited review of collection reports and noted checks were made payable to "City of Chattanooga". Further, the registration forms were updated and require checks be made payable to the City.

We recommended (Recommendation 8) that Outdoor Chattanooga staff prepare the daily listing of payments received by mail along with stamping the actual receipt date on the check.

The updated cash collection policies and procedures require staff to prepare a daily listing of payments received by mail and to stamp the receipt date on all checks. Based on observation, staff maintains a log of checks received in the mail. We performed a limited review of collection reports and noted checks appeared to be date stamped accordingly.

We recommended (Recommendation 9) that Parks and Recreation Administration enforce their current written policy and procedures and take appropriate disciplinary action for violations.

Per Administration, Outdoor Chattanooga staff received training related to cash collections policies and procedures in January 2011. Further, Parks and Recreation management has taken disciplinary action for violations.

We recommended (Recommendation 10) that adequate support documentation, which could include but is not limited to: participant sign-in sheets, registration forms, rental agreements, and detailed daily summary sheets, be attached to the collection reports submitted to the Treasurer's office.

We performed a limited review of collection reports and noted support documentation appears adequate.

We recommended (Recommendation 12) that managers reconcile daily collections by performing meaningful independent reviews in which source documents or other records (participant sign in sheets, registration forms) are scrutinized to provide reasonable assurance that all funds collected are submitted to the Treasurer's office in a timely manner and recorded correctly. Further, we recommended the Finance Officer ensure Accounting staff are following

established accounting policies and procedures as they relate to collection report documentation reviews.

The Director of Outdoor Chattanooga performs random reviews of collection reports and support documentation submitted by staff. Based on our limited review of collection reports, we noted the Finance department has taken an active role to ensure collection reports have adequate support documentation.

We recommended (Recommendation 14) that management ensure that staff charges and collects the appropriate rental fees and Outventure fees mandated by City Code. We recommended management correct the rental rate sheet to indicate the daily rental rate for the Outdoor Chattanooga facility is \$700 per day on Saturday and Sunday (\$1400 per weekend).

As noted previously, the fee ordinance was updated and includes new rates for facility rentals. Per management, staff received training and new cash collection policies and procedures.

We performed a limited review of collection reports and found no discrepancies related to the fees mandated by City Code.

We recommended (Recommendation 15) that Outdoor Chattanooga collect facility rental fees for the use of City facilities as required by City Code. In instances where management believes a fee waiver is warranted, all appropriate actions, including council approval, should be taken prior to such waiver.

As noted previously, the fee ordinance was updated to included waivers for specific organizations and discounted fees for City residents.

We recommended (Recommendation 16) that the Outdoor Chattanooga facility rental agreement be updated and include the cancellation and refund policy.

We reviewed the updated facility rental agreement and noted the cancellation and refund policy has been included.

We recommended (Recommendation 17) that staff collect the rental fees and deposits at the time the reservation is booked. Further, we recommended refunds be issued in accordance with stated policies.

Per discussions, reservations are not confirmed and placed on the calendar until full payment is received. As noted previously, the refund policy has been updated on the rental agreement.

We recommended (Recommendation 18) management (with the assistance of the City's IS department) implement an alternative online payment method utilizing Link2Gov. If the Link2Gov service is not utilized, we recommended management ensure all applicable codes and policies are followed.

Management discussed Link2Gov with the IS department but determined the set-up cost was too expensive. At this time, no registrations are accepted online. Alternative methods are being explored with the assistance of the IS department.

We recommended (Recommendation 19) that management obtain written contracts that outline the services performed and/or received and the associated fees. Further, we recommended copies be provided to City Council and the City Finance Officer as required by law.

The department has developed a standard agreement which will be used for barter agreements with non-profit organizations as well as special events that the City agrees to co-sponsor. The new agreement outlines the services performed by each organization and the related costs associated with, and revenues expected from, the event.

We recommended (Recommendation 20) the use of Service Provider Contracts for future classes offered by the department through a third party instructor.

The department has not offered any classes through a third party instructor. Any future programs utilizing a third party instructor will have a Service Provider Contract.

We recommended (Recommendation 21) the department develop an organized system to maintain records (participant sign in sheets and liability waivers) for a minimum of two years. Further, we recommended participant waiver forms and sign-in sheets be included as support documentation for collection reports.

Per our review, Outdoor Chattanooga has implemented an organized system to maintain program records. Further, based on our limited review of collection reports, we noted participant waiver forms and participant sign-in sheets have been included as support documentation.

We recommended (Recommendation 24) that the Parks and Recreation Administration develop an updated lease agreement with North Chickamauga Creek Conservancy and submit the lease agreement to the Regional Planning Commission for approval. Further, we recommended Administration obtain City Council approval for the new lease agreement.

Per our review, the lease agreement was properly submitted to the Regional Planning Commission for approval and received council approval on March 8, 2011.

We recommended (Recommendation 25) a comprehensive investigation into the missing collections. Upon request, Internal Audit will open a special project to facilitate this investigation. We further recommended Administration instruct all Outdoor Chattanooga staff that no documentation is to be destroyed or disposed of prior to completion of this special project.

The City's audit committee requested further investigation by Internal Audit division. Internal Audit completed an investigation related to Outventure fees collected at the Greenway Farms location. As a result of our investigation and subsequent management action, an employee of

Outdoor Chattanooga resigned.

Recommendations Partially Implemented [11, 13, 22, 23]

We recommended (Recommendation 11) that the duties of cash handling be separated from the duties of recording and reconciling the collections.

Outdoor Chattanooga management has separated cash handling duties to the extent possible due to limited staff resources. Per the Director, proper segregation of duties would require the addition of an administrative assistant.

We recommended (Recommendation 13) that an electronic calendar be maintained on the City's website and that all facility reservations be booked through 311.

The reservation calendar for the Outdoor Chattanooga building has not been included on the City's website. Management has discussed the need with the IS department and plans to include the facility calendar on Outdoor Chattanooga's webpage.

Reservation procedures have been updated. Currently, the staff with access rights to the calendar does not collect reservation and deposit fees.

We recommended (Recommendation 22) the department issue a pre-numbered (possibly color coded by month of issuance) membership card to each rapid learning member. The membership card should include the member name, type of membership, and the expiration date. We recommended a membership roster be maintained in an electronic format (such as Excel) that can be accessed by management. The membership roster should include the member name, membership card number, type of membership, date paid, amount paid, and receipt number. We recommended a copy of the membership registration form (indicating the membership card number issued) be attached to the collection report. Further, we recommended management perform a periodic reconciliation of the membership card inventory.

Rapid Learning members do not receive membership cards. The membership forms are not included as support documentation for collections. However, the receipt indicates type of membership (family, individual, or one-day).

Staff maintains a membership roster in electronic format that provides the members name, type of membership, membership date, method of payment, and receipt number. Staff require photo ID if unfamiliar with the participant prior to the roll sessions and rapid learning day trips. The membership roster is maintained in a shared folder, accessible to all Outdoor Chattanooga staff.

We recommended (Recommendation 23) that management develop a comprehensive policy and procedures guide related to their cash collections process that incorporates the City-wide policies as well as the Parks and Recreation's departmental policies and procedures. The written policies and procedures should be specific to Outdoor Chattanooga's operations and should ensure proper internal controls, which include, but are not limited to; safeguarding cash collections, segregation of duties, document retention, proper authorization and approval, proper review and

reconciliation to support documentation, and proper training and supervision. Further, we recommended the department keep a written record of receipt of such policies by all staff.

Management provided copies of the new cash collections policies and procedures. The written policies and procedures provide comprehensive policies and procedures related to cash collections, safeguarding collections, support documentation and document retention. However, the policies do not address review and reconciliation or segregation of duties.

Per discussions with management, staff received copies of the new policies but the department failed to keep a written record of receipt by all staff. Management stated the written record of receipt would be documented at their next staff meeting.

Recommendations Not Applicable [4]

We recommended (Recommendation 4) if the Director of Outdoor Chattanooga continues to serve in his current capacity (performing administrative functions) with Friends of Outdoor Chattanooga, an outside employment form should be submitted and approved by Administration.

As discussed in Recommendation 2, the Director resigned his board position and no longer performs administrative functions for the organization. Therefore, the recommendation is no longer applicable.

We thank the personnel in the Outdoor Chattanooga division 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 Members
Daisy Madison, Finance Administrator
Larry Zehnder, Administrator Parks and Recreation