



OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

December 21, 2012

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Parks and Recreation Friends of the Festival Contract, Audit 11-14

Dear Mayor Littlefield and Council Members:

On June 29, 2012, the Internal Audit Division released an audit on the management of the Friends of the Festival (FOF) contract. 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 11-14 were that:

1. The FOF management contract was not executed properly.
2. Some of the event's revenues were not accurately collected.
3. In some instances, Parks and Recreation management is not monitoring the FOF management contract carefully.
4. Parks and Recreation management is not properly overseeing FOF's Riverbend agreement.

The audit contained six recommendations that addressed the audit's findings. Based on the review performed, we concluded two recommendations were implemented and four recommendations were partially implemented.

Recommendations Implemented [2,3]

We recommended (**Recommendation 2**) Parks and Recreation management confer with the City Attorney to establish a process that would allow Parks and Recreation management to work with organizations in promoting events that would benefit the community and allow use of City property for free while following all applicable laws.

One approach we recommended was to setup criteria that the organizations must meet such as type of organization (nonprofit), documented benefit to the community (free admission), cost sharing advantages, etc. Then, include these criteria in the Parks and Recreation fee structure which is approved by Council. This process would alleviate the need to obtain approval for each event.

We further recommended Parks and Recreation management obtain a written agreement with any organization they will be partnering with for these City-sanctioned events to document the details of the arrangement before any obligation or use is made of City assets.

The Parks and Recreation Administrator has been working closely with the City Attorney to develop an approved Partnership agreement. The Administrator has presented to Council an Ordinance addressing the agreement and process.

They have implemented a temporary Partnership agreement which was utilized for the Pops in the Park, Three Sisters and the Holiday events. They have also developed procedures which coincide with this process. The Administrator did present these events to Council prior to the event date.

We recommended (**Recommendation 3**) Parks and Recreation management carefully review all license agreement terms to verify accuracy before executing the contract. We further recommended the process of executing contracts be reviewed, enhanced and documented.

The entire process of reviewing and signing the license agreements for waterfront events has been handled more carefully. The Administrator is properly reviewing all license agreements for correct payment terms. Since the audit, he has developed and used a standard partnership agreement, when applicable.

Recommendations Partially Implemented [1, 4, 5, 6]

We recommended (**Recommendation 1**) Parks and Recreation management ensure all applicable laws and proper procedures are followed prior to executing any contract.

Parks and Recreation Administration publicly advertised a request for proposals for the waterfront management contract in June 2012. They received two proposals which were vetted by a committee of six City employees. Friends of the Festival was awarded the contract and it was approved by Council in September 2012. However, the procurement process should have been administered by the Purchasing division following all requirements for a competitive bid.

We recommended (**Recommendation 4**) Parks and Recreation management ensure each event is charged the correct rental amount. We further recommended Parks and Recreation management work with FOF to update the fee schedule for events.

As mentioned in the Recommendations Implemented section above, Parks and Recreation Administration is taking more care to ensure the rental terms of the license agreements are correct. Currently, Parks and Recreation Administration and Friends of the Festival staff are updating the waterfront rental fee schedule and will be presenting it to Council in the near future.

We recommended (**Recommendation 5**) Parks and Recreation management develop a process to ensure the terms of the Riverbend contract are adhered to. We also recommended future contracts include language regarding penalties for nonpayment and late payments as applicable.

When developing the new contract terms, Parks and Recreation should consider the City's ability to properly monitor and collect the negotiated fees. Alternatively, the contract could include a set fee for the use of City property based upon estimated expenses incurred by the City for the event.

The Riverbend Festival contract expired in June 2012. The Parks and Recreation Administrator is facilitating the development of the new contract. All City departments impacted by the Riverbend Festival are providing input into the new contract language and terms. However, this process is taking time to administer. The Administrator stated contract language would include nonpayment and late payment penalties. For the 2012 Riverbend Festival, FOF did remit their full deposit and were billed by the Finance department according to the terms of the past contract.

We recommended (**Recommendation 6**) Parks and Recreation receipt and collect all rental payments as received, either partial or in full. They should revise their policies to include steps on how to address partial payment collections and how to account for the balances due.

Since the audit, a couple of partial payments have been received in the department and were collected when received. Staff has been verbally instructed to submit partial payments instead of returning them as in the past. However, the written procedures addressing this process are still being updated along with other comprehensive revisions.

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 requested to continue our review.

Sincerely,

Stan Sewell, CPA, CGFM
City Auditor

cc: Dan Johnson, Chief of Staff
Audit Committee Members
Larry Zehnder, Parks and Recreation Administrator
Chip Baker, Executive Director of Friends of the Festival