



OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

December 28, 2012

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Parks and Recreation Dock Rental Collections, Audit 11-07

Dear Mayor Littlefield and Council Members:

On November 21, 2011, the Internal Audit Division released an audit on the collections and monitoring of City's waterfront dock leases and payments. 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 11-07 were that:

1. Currently, not all entities using the City's waterfront have written contracts.
2. All entities leasing waterfront space are making payments however, some are consistently late.

The audit contained five recommendations that addressed the audit's findings. Based on the review performed, **we concluded that all five recommendations were implemented.**

Recommendations Implemented [1, 2, 3, 4, 5]

We recommended (**Recommendation 1**) Parks and Recreation management work with the City Attorney's office in updating and/or developing language in all current and future dock rental contracts to include specific language related to penalties and when they begin. We also recommended language be developed to address issues of nonpayment and the City's ability to remove vessels from the City's waterfront. We further recommended all contracts/agreements be presented to Council, with the original kept in Finance per the City Code.

Parks and Recreation Administration has entered into two new contracts since the audit was issued. A standard contract was developed which contains detailed language addressing late payment penalties, and language specific to removal of vessels for nonpayment. Both contracts were presented to Council.

We recommended (**Recommendation 2**) Parks and Recreation management monitor all account payments closely with regards to payment terms and dates and take immediate action to collect funds when they become overdue.

Parks and Recreation Administration keeps very organized and detailed payment records for all dock rental contract. All payments are current, with the exception of one, which was issued a Notice of Default. Since the letter, they have received regular payments from this lessee.

We recommended (**Recommendation 3**) Parks and Recreation management consider including only fixed monthly rental rates in future dock rental contracts. We also recommended, if possible, any current contracts with percentage or passenger based payments be updated to remove those terms and adjust the base monthly rental amount as appropriate. Otherwise, we recommended any percentage or passenger based payments be supported by adequate documentation such as an entities' accounting reports or audited financials.

Both new rental contracts developed by Parks and Recreation Administration required only monthly fixed payments instead of a combination of fixed and a percentage based payment. This will allow easier management of rental payments.

We recommended (**Recommendation 4**) Parks and Recreation include in any future contracts an audit clause into the language of their contract. This was recommended in our report Audit Clause Audit 07-06 which was released on August 3, 2007.

Parks and Recreation Administration has developed a standard contract which includes an audit provision of lessee records. This clause was included in the two contracts issued recently.

We recommended (**Recommendation 5**) Parks and Recreation management develop comprehensive written policies regarding the entire process of contract management. This includes, but not limited to, setting renewal dates, terms, aging of receivables, collection efforts, and balances due. Once the policies are developed, they should be distributed with documented

acceptance and understanding by all employees assigned the responsibility. The policies should be posted on the department's shared drive or Intranet.

Parks and Recreation Administration have developed comprehensive policies regarding contract management which was posted to the department's shared drive.

We thank the personnel in Parks and Recreation 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: Dan Johnson, Chief of Staff
Larry Zehnder, Parks and Recreation Administrator
Audit Committee Members