



City of Chattanooga

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

March 30, 2006

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

RE: Cash Collection Policies and Procedures, Audit 06-02

Dear Mayor Littlefield:

Attached is the Internal Audit report on cash collection policies and procedures in the Parks and Recreation Department. The Department has already begun the process to strengthen internal controls over cash collections. We thank the staff of the recreation centers for their cooperation and assistance during this audit.

We anticipated the release of this report at a much earlier date. However, as you are aware, additional and extensive procedures were required upon our finding indications of fraudulent activity. We strive to provide useful information to you and departmental staff in a timely manner.

Very truly yours,

Stanley L. Sewell
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Larry Zehnder, Parks & Recreation Administrator
Daisy Madison, Finance Officer
Larry Lockmiller, Detective

**PARKS & RECREATION DEPARTMENT
CASH COLLECTION POLICIES AND PROCEDURES
AUDIT 06-02
MARCH 8, 2006**

**PARKS & RECREATION DEPARTMENT
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Auditor



Director

**PARKS & RECREATION DEPARTMENT
CASH COLLECTION POLICIES AND PROCEDURES
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INTRODUCTION

The Chattanooga Parks and Recreation Department provides a wide variety of educational and recreational activities throughout a network of well-maintained parks and public facilities. The Chattanooga Parks and Recreation Department operates fifteen recreation centers, one senior center, two public golf courses, a fitness center, a skatepark, a tennis complex, four aquatic centers (three located within recreation centers), and the Chattanooga Zoo. However, the skatepark and tennis complex were not included in this audit.

Facility Managers and/or Recreation Specialists receive funds at the recreation centers and remit collections to the Treasurer on daily collection reports. The collections consist of money for recreation rentals, the Kidz Kamp summer program, and any fee-based activities (aerobics, swimming, computer, karate, fencing classes, etc.). Cashiers and/or clerks handle all collections at the Golf Courses, Fitness Center, Coolidge Park Carousel and Zoo. These collections consist of fees for service and purchases from gift shops. The Golf Courses and Coolidge Park deposit funds directly into the bank then provide the Treasurer's Office with the collection report and deposit slip. The fitness center, zoo, and recreation centers deposit their money with the City Treasurer's office.

STATEMENT OF OBJECTIVES

The Audit was conducted due to concerns expressed by Management, the inherent risk associated with cash and the lack of cash collection audits at recreation facilities within the last five years. The objectives of this audit were to determine if:

1. The department was following proper policies and procedures for cash collections according to Tennessee Municipality Guidelines.
2. Cash collection operating procedures were monitored sufficiently to safeguard assets and if such procedures were being performed in a timely and efficient manner.

STATEMENT OF SCOPE

The audit period covered policies and procedures from July 2005 to September 2005. Source documentation was obtained from the recreation centers, Treasurer's office, golf courses, and Parks and Recreation central office. Original records, as well as copies were used as evidence and verified through physical examination.

Due to indications of fraudulent activity, the scope of this audit was expanded to include documentation and information from July 1, 2001 through March 8, 2006 in certain areas.

STATEMENT OF METHODOLOGY

Internal Audit (IA) visited all recreation centers, City of Chattanooga Zoo, Fitness Center, Senior Center, Aquatic Center, Coolidge Park Carousel and the Brainerd and Brown Acres Golf Courses and reviewed operating procedures for cash collections. IA met with the Treasurer's Office to review established operating procedures being followed by their staff regarding collections. IA examined a sample of collection reports, rental agreements, sign-in sheets, canceled checks, canceled money orders, and other documentation needed to support the objectives of the audit. In addition, IA reviewed the Internal Control and Compliance Manual for Tennessee Municipalities, the Chattanooga City Code and Finance Department accounting policies and procedures.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Department staff were not following proper policies and procedures for cash collections according to Tennessee Municipality Guidelines; and
2. Cash collection operating procedures were not monitored, were not sufficient to safeguard assets and were not performed in a timely and efficient manner.

CASH COLLECTION POLICIES AND PROCEDURES

The Parks and Recreation Department does not have any formal written policies and procedures for cash collections in place. Due to a lack of policies and procedures there was no reasonable assurance regarding the achievement of safeguarding assets, ensuring validity of financial reports and records, adherence to regulations and laws or effectiveness and efficiency of operations.

RECOMMENDATION 1

To regain internal control and ensure proper handling of cash collections, Parks and Recreation Administration should document internal policies and procedures, business practices, and goals and objectives. Employees should have ready access to departmental policies and procedures (hard copy, computer-based or web-based). The Department should document receipt of such policies by all staff. The procedures should ensure proper internal controls, which include but are not limited to:

- Segregation of Duties
- Proper Authorization and Approval
- Proper Review and Reconciliation
- Proper Physical Security of Assets
- Proper Training and Supervision

Also, we recommend a sign be posted at every recreation facility stating the following or something similar: "If you do not receive an official City of Chattanooga receipt please call (423) 425-6202." This sign should have an enlarged copy of a city receipt posted and should be conspicuous.

Additionally, we recommend Parks and Recreation work with the finance department to incorporate such procedures into citywide policies.

AUDITEE RESPONSE

We concur. We have had preliminary discussions with the Finance Department regarding the development of policies and procedures. We anticipate assistance from MTAS and would appreciate consultations from Internal Audit. We have currently requested quotes to have signs made to be incorporated into all locations where cash collections occur.

SEGREGATION OF DUTIES

Internal controls are weak due to the lack of segregation of duties within the Parks and Recreation Department. At the Chattanooga Zoo and several of the recreation centers, employees who are collecting money throughout the day are also performing the reconciliation functions.

RECOMMENDATION 2

Segregating responsibilities could reduce errors and prevent or detect inappropriate transactions. One person should not be allowed to manage all aspects of cash handling, ticketing, reconciling and signing. The duties of receipting cash should be handled separately from the employee who is preparing the reconciliation report. During the reconciliation process, managers should perform meaningful independent reviews in which source documents or other records are scrutinized to provide reasonable assurance that everything collected is deposited to the appropriate bank and/or Treasurer's office in a timely manner and recorded correctly. Specifically the reconciliation process should include matching money collected to number of tickets sold and/or total prenumbered receipts issued. In addition, these reviews should include examination of the adequacy of the transaction documentation (e.g., do the pre-numbered sales receipts include sufficient transaction descriptions, dates, amounts, who made purchase, etc.).

AUDITEE RESPONSE

We concur. We will work to develop written procedures and to provide training to our facility managers and staff, as well as administrative staff. We will request assistance from the Finance Department in the training of staff and the immediate development of preliminary procedures (pending the development of Department/City-Wide policies and procedures). Further, we appreciate any consultation and/or training assistance from Internal Audit.

SAME DAY RECONCILIATION OF COLLECTIONS

At several facilities, money is not counted the same day it is collected. Daily collections are combined and put in a safe and sometimes not counted until the end of the week. This makes it difficult to ascertain an accurate count of what was actually collected for a given day. In addition, at some facilities, money for different activities is being stored in the same location. If there is a shortage, there is no way of indicating which activity had the shortage. Further, collections are not reconciled to supporting documentation at any recreation facility within the Parks and Recreation department.

RECOMMENDATION 3

Ensure all facility managers perform a daily reconciliation of fees collected. At the end of the day, all collections should be counted and documented. Reconciliation should be performed of all money collected to some form of paper trail (e.g. sign-in sheets, register tapes, building usage forms, applications, receipts, etc.). Money for different activities should be stored separate at the time of collection.

Routine examination and reconciliation of transaction records should be required to verify the accuracy of collections, the appropriateness of the transactions, and compliance with policy. Any questionable or irregular entries should be immediately investigated and resolved. The person performing the reconciliation should sign and date reports to signify that the reconciliation has been satisfactorily completed and any discrepancies resolved.

AUDITEE RESPONSE

We concur. We will work to develop written procedures and to provide training to our facility managers and staff, as well as administrative staff. We will request assistance from the Finance Department in the training of staff and the immediate development of preliminary procedures (pending the development of Department/City-Wide policies and procedures). Further, we appreciate any consultation and/or training assistance from Internal Audit.

PHYSICAL SAFEGUARDING OF ASSETS

Money is not properly safeguarded at the Brown Acres and Brainerd Golf Courses. The office to which the safe is located at the Brown Acres Golf Course is not locked at all times. At the Brainerd Golf Course, neither the office nor the safe is locked at all times. At the Chattanooga Zoo, numerous employees have access to the safe. At several recreation centers money is not secured and safeguarded in locked locations. At Coolidge Park, the cash drawers are not stored in a secure location. In addition, money is not safeguarded when it leaves the Parks and Recreation Administration office in route to the Treasurer's office for deposit. Money from the administration office is transferred to the Treasurer's office through interdepartmental mail in an unsealed, unlocked bag.

RECOMMENDATION 4

Property should always have adequate physical security, especially valuable items or items that have high market desirability - e.g., cash should be stored in a locked safe. Access to valuable assets should be restricted to a limited number of people to minimize the risk of shortages. Money transferred to the Treasurer's office via interdepartmental mail should be properly safeguarded in a sealed or locked bag and only the party receiving the money should have access. The sending party should be held responsible for ensuring funds were received at the Treasurer's office. Transfers of cash between two people should be jointly verified and documented.

AUDITEE RESPONSE

We concur. We will immediately direct staff at all of our facilities to ensure collections are secured and that an appropriate audit trail is in place whenever funds transfer from one individual to another.

FUNDS NOT VERIFIED BEFORE LEAVING A FACILITY

The Fitness Center and Warner Park Swimming Pool do not count their collections before they leave the facility. The money leaves the facility and goes to the administration office and then to the Treasurer's office through interdepartmental mail. The funds are not counted until they reach the Treasurer's office.

RECOMMENDATION 5

Money should always be counted before it leaves a location. Money transferring from one person to another should at all times be counted by each person, jointly verified, and documented. In situations where coins are collected, management may want to invest in a coin-counting machine. At the Fitness Center and Swimming Pool locations, management should consider increasing the fee from .50 cents to \$1.00 to reduce the number of coins. Another recommendation would be to invest in a ticket dispenser machine. This would allow the customer to put their money in a machine and receive a ticket to present to the front desk attendant before entering the facility.

AUDITEE RESPONSE

We concur. We will direct staff at the Fitness Center and Warner Park to count and properly document on collection reports all funds received daily. The department has considered fee increases in the past. We will revisit the issue. To meet immediate needs, coin counters will be put in place. We will also investigate the feasibility of an automated ticket machine.

PROPER APPROVAL AND REVIEW

The Parks and Recreation Administration office is not properly reviewing and approving collection reports completed by the various facility staff members. Further, the Administrative office is limited in its ability to review collection reports from the Chattanooga Zoo.

RECOMMENDATION 6

Only persons with delegated authority should approve collection reports. Current Signature Authorization forms for delegated individuals should be on file in the administration office. Approvals should be documented with proper signatures. Any questionable or irregular entries should be immediately investigated and resolved. The person performing the review should sign and date reports to signify that the review has been satisfactorily completed and any discrepancies resolved. The supervisor at the Chattanooga Zoo should perform a review and approve the daily collection reports.

AUDITEE RESPONSE

We concur. We will designate specific individuals within the Administrative office to perform reviews of collection reports submitted from the various centers. We will train those individuals to verify that supporting documentation agrees with amounts reported on the collection report. Additionally, we will direct the supervisor of the zoo to begin reviewing and approving the collection reports. We will also establish a policy to provide for random audits by management.

COLLECTIONS NOT SUBMITTED TIMELY

The Fitness Center and several recreation facilities are not submitting their collections to the Treasurer's office timely. One location submitted collection reports to the Treasurer's office six weeks late.

RECOMMENDATION 7

Per the Tennessee Code Annotated (TCA), 6-56-11 (a), money should be deposited and posted no more than three working days after collection. All money collected should be submitted for management approval and deposited to the Treasurer's office within three working days.

AUDITEE RESPONSE

We concur. We have instructed all staff regarding the need to timely submit collections. We will monitor collection reports and take appropriate disciplinary action when collections are not remitted in a timely manner.

FACILITY RENTALS AND DEPOSIT COLLECTIONS

Facility rentals are not handled properly at the recreation centers. During site visits auditors noted several instances in which there was no supporting documentation for facility rentals other than a receipt.

RECOMMENDATION 8

There should be a system to record information that identifies the facility, date of reservation and person making reservation and receiving funds. Recreation rental forms should be submitted with full payment in advance. In addition, maintenance of an electronic calendar (outlook) for each facility should be required. All recreation rentals should be entered on the calendar at the time they are booked.

Recreation Rental forms should be duplicates with preprinted numbers. One copy of the form should go to the customer and the other to the facility. Parks and Recreation Administration should conduct periodic reviews to ensure there are no missing (pre-numbered) forms. Further, management should conduct unannounced visits when no rentals are scheduled on the calendar.

Additionally, management should consider requiring all recreation center rentals be booked through 311. To further enhance segregation of duties and prevent collaboration among staff, periodic observations should then be made by administration.

AUDITEE RESPONSE

We concur. We will take immediate steps to setup an outlook calendar for all facilities. We will instruct all facility staff that rentals are to be booked on the calendar immediately and under no circumstance should they be booked during or after a rental. Administrative staff will periodically review the calendars and make unannounced visits to the facilities. We will initiate discussions with the IS department to investigate the possibility of having 311 book all facility rentals and/or alternative booking methods.

RETENTION OF SUPPORTING DOCUMENTATION

Numerous facilities within the department did not have proper supporting documentation for cash collections received. The collection reports were not completed properly and supporting documentation did not match information on the collection report. Building usage recreation rental forms, copies of checks and contracts with private instructors could not be located at several locations. At most locations, there was no supporting documentation on file.

RECOMMENDATION 9

The department should adequately maintain records. All recorded transactions should be adequately supported. Supporting documentation should be kept on file for at least three years.

AUDITEE RESPONSE

We concur. We anticipate that the policies and procedures we develop working with the Finance Department will address this issue. To correct this on a more immediate basis, all staff will be informed of the need to maintain copies of complete documentation for all transactions via memo or email.

SEPARATE CASH DRAWERS

At the Chattanooga Zoo and the Brainerd and Brown Acres Golf Courses, all cashiers on duty are allowed to run the same register. However, there is no individual employee identification password to distinguish who utilized the register. In addition, at Coolidge Park, more than one employee is allowed to enter in and out of the same cash drawer. However, there is no way of distinguishing who entered the drawer.

RECOMMENDATION 10

Internal Control Compliance Manual for Tennessee Municipalities, Title 3, Chapter 1, Section 6, states, "Each cashier should be assigned a separate cash drawer that is accessible only to that cashier." At appropriate locations, an alternate recommendation would be to invest in a ticket machine to eliminate the need for employees to handle money.

AUDITEE RESPONSE

We concur. We are currently investigating the feasibility of installing automated ticket machines. To ensure compliance with the Internal Control Compliance Manual on an immediate basis, we will assess the facilities to determine the best course of action (additional drawers and/or scheduled rotations with secured user IDs).

CAROUSEL ENTRY FEES

Activity at the entrance to the carousel at Coolidge Park was observed on several occasions. IA observed the turnstile (device that keeps a count of every individual who enters the carousel) to the carousel was broken on each occasion. Staff members notified IA, that the turnstile had not worked in several months. Therefore, the number of individuals who enter the carousel on a daily basis is not an accurate count. In addition, there are instances in which the same employee performs both the selling and collecting of tickets and all sold tickets are destroyed once collected from the customer, therefore, there is no security over spent tickets.

RECOMMENDATION 11

Management should implement a system that can provide a customer receipt (ticket machine) for every payment transaction. An automated or manual reconciliation to the turnstile should be made. Parks and Recreation Administration should periodically test the system to ensure it is accurate and efficient.

AUDITEE RESPONSE

We concur. We are currently investigating the feasibility of installing automated ticket machines. We have corrected the turnstile problem and are monitoring (through administrative staff reviews) the number of tickets sold. We are currently in the process of addressing staffing issues (segregation of duties).

CITY FUNDS DIVERTED

During the audit, Internal Audit obtained information and documentation leading to what we deemed a reasonable expectation that fraud had occurred at various recreation centers. IA learned that a facility manager at the South Chattanooga Recreation Center opened a personal checking account (using his Social Security Number) at AmSouth Bank named "South Chattanooga Recreation Complex DBA Chattanooga Titans." Working with the Fraud Division of the Chattanooga Police Department, IA obtained the account history, cancelled check, and deposit documentation for the checking account. IA also obtained source documentation from the recreation center and a Recreation Center Specialist.

With the bank account documentation and source documentation of recreation rental forms, Kidz Kamp registrations, and pool and aquatics sign-in sheets, IA determined that the facility manager was depositing City funds into his personal checking account and that a minimum of \$ 22,000.00 in South Chattanooga Recreation Center (City) funds were diverted from the City Treasury. IA further determined additional source documentation that could identify more diverted funds could not be located. It would appear such documentation was destroyed or hidden. The Fraud Division of the Chattanooga Police Department provided the District Attorney with a presentation packet for Grand Jury on March 8, 2006 pertaining to the Facility Manager and a Recreation Center Specialist. Presentation to the Grand Jury is pending scheduling by the District Attorney.

In addition, IA learned that a former supervisor of the Parks and Recreation Department had rented one of the recreation facilities on several occasions; however, the money was never submitted to the City Treasurer's office. This information was provided to the Fraud Division of the Chattanooga Police Department. Subsequently, a warrant was issued for the individuals arrest. A hearing is currently pending.

RECOMMENDATION 12

Implementation of the other recommendations made within this report should strengthen overall internal controls and reduce the possibility of future losses.

AUDITEE RESPONSE

We concur. We will direct all resources possible to the timely development of formal, written policies and procedure. We will also focus on strong supervision and staff training/awareness.

VERIFICATION BY ACCOUNTING DEPARTMENT

Section 1d of the City Accounting department Collection Report Procedures states, "Copies of checks, receipts and other supporting documents should be stapled to the back of the white original collection report." In addition, City of Chattanooga Cash Receipts Procedures state the Accounting department should verify the accuracy of supporting documentation for each collection report. IA reviewed the collection reports for the South Chattanooga Recreation Center from July 1, 2001 through January 9, 2006 and found that the procedures were not being followed consistently. Many of the collection reports reviewed did not agree to supporting documentation. In addition, some collection reports reviewed did not include any supporting documentation. In some instances, supporting documentation provided direct evidence of missing funds. Had the City's Accounting Department been following these procedures, missing deposits at the South Chattanooga Recreation Center may have been identified at an early stage and losses minimized.

RECOMMENDATION 13

The Finance Officer should ensure Accounting staff are following established accounting policies and procedures as they relate to collection report documentation.

AUDITEE RESPONSE (Finance)

We concur. To strengthen our internal review process will require additional staff as well as better staff training. We will better train existing staff as well as request additional staff to affect a more thorough review to ensure that all City departments are complying with applicable procedures regarding adequate documentation of cash collections. Any violations of these procedures will be communicated to appropriated departmental personnel for correction and disciplinary action as necessary.

VIDEO GAME MONEY NOT SUBMITTED TO THE CITY

Video game machines were being operated at the Tyner and South Chattanooga Recreation Centers during calendar year 2005. American Amusement owns these machines. However, IA could not locate a contract on file with American Amusement. Per discussion with American Amusement, IA learned that the recreation centers were earning 50% of any money collected from video game sales revenue. American Amusement provided IA with a detail of collections that they had remitted to Tyner and South Chattanooga from May 18, 2005 through December 7, 2005. It appears \$98 was paid to Tyner and \$79.75 was paid to South Chattanooga. Based on observation of (signed) collection tickets, it appears the Facility Mangers at both Tyner and South Chattanooga collected the majority of these funds. IA examined all collection reports from January 2005 to December 2005 for Tyner and South Chattanooga and found that video game money was not submitted on any collection reports examined.

RECOMMENDATION 14

The Parks and Recreation Department should ensure that a copy of all vendor contracts are on file within the department and the original is forwarded to the Finance Department. Also, Department Managers/Supervisors should monitor revenue submitted to the city on a periodic basis to ensure all funds are being remitted. We would further recommend that all such contracts require payment by the vendor in the form of a check made payable to the City of Chattanooga. In addition, Parks and Recreation Administration (Supervision) should make periodic visits to all facilities and review financial information for anomalies. IA became aware of this issue by taking note that video games were present in the facility and checking for associated revenues.

AUDITEE RESPONSE

We concur. The Parks and Recreation Department relied on an organization structure with two Supervisors who had oversight of the recreation centers. These supervisors were required to visit all centers weekly and ensure the facility managers were carrying out proper administrative functions. Personnel from the Administrative office of the Department are now performing this function. In fact, direct involvement (physical visits to facilities) by administrative staff identified the vending machine issue detailed in this report. Streamlining operations and installing proper controls is a work in progress.

We will ensure that the appropriate staff are aware of the requirements for contracting, as well as retention of documents. We anticipate the development of formal policies and procedures, discussed previously, will aid in rectifying these issues. Further, we will ensure all management staff are aware of their monitoring and review responsibilities, and we will take appropriate disciplinary action regarding funds that have not been remitted to the City.

NO VENDING MACHINE CONTRACT

A Facility Manger at one city recreation center has owned vending machines at nine facilities for the last three years. However, there is no contract in place with the city allowing the facility manager to have these vending machines at the recreation centers. This is in violation of several City Code Sections:

- City Code Sec. 2-548 (a) & (b) which states, "Contracts for construction, services and all other contracts shall be signed for and on behalf of the city by the purchasing agent or the head of a department, agency or division of the city where the contract originates, or as otherwise provided by ordinance or resolution. The original of all contracts shall be delivered to and kept by the city finance officer."

- City Code Sec. 2-190 states, “An official or employee who has the duty of approving or giving permission to members of the public to do or not to do something lawfully regulated by the city, or is otherwise an employee of the office, division or agency responsible for an official city approval process, or is a fireman or policeman, shall not do any work or service outside his/her city employment without the written approval of his/her departmental supervisor.” It appears there was no written approval from the department supervisor for this Facility Manager to operate this vending service.
- City Code Sec. 2-194 states, “No city employee shall, without the consent of the city council, receive any money or gratuity or compensation in addition to his/her salary for any service he/she may render as an employee.” It appears the City council was unaware that the Facility Manger was operating these vending machines at the recreation centers.
- City code section 2-189 states, “The work of the City shall have precedence over the other occupational intersection of regular, full-time employees. All outside employment and all self-employment must be reported to an employee’s department head. The department head may restrict or prohibit outside work that is in conflict with proper performance of duties for the City or would be detrimental to the best interests of the City and the public it represents.” It appears the Facility Manager did not notify the prior department head of his ownership of these vending machines until a financial review resulted in questioning. Further, it appears the Facility Manager did not notify the current department head of his ownership of these machines until the Administrator became aware from alternate sources. In addition, the Facility Manager only gives each facility from \$20-\$25 per month of what he receives. These payment amounts were not the result of any competitive bidding or proposal process.

The Facility Manager never gives the recreation centers a copy of all sales made for the month. There are also months in which the facilities do not receive any funds. This is in violation of Parks and Recreation contract fee policy; effective July 1, 2004, independent contractors must pay 20% of revenue collected to the City of Chattanooga Parks & Recreation Department. The previous vendor paid 10% of gross revenues to the various recreation centers (in line with the contract fee policy in place prior to July 1, 2004).

RECOMMENDATION 15

The Parks and Recreation Department should ensure that a copy all vendor contracts are on file within the Department and the originals forwarded to the Finance Department (see City Code Sec. 2-548 (b)). In addition, Department Managers/Supervisors should monitor revenue submitted to the city on a periodic basis to ensure all funds are being remitted. Parks and Recreation Department Administrator, as well as Finance Department staff should review all contracts prior to finalizing (signing) to ensure there is no conflict of interest with regard to any vendor contracts. In addition, Parks and Recreation Administration (Supervision) should make periodic visits to all facilities and review financial information for anomalies.

The vending machines discussed should be immediately removed from City property and appropriate disciplinary action should be taken.

AUDITEE RESPONSE

The Department Administrator recently became aware of this issue while reviewing documents at a recreation facility. In discussions with the Facility Manager, it was the Administrators impression that a valid agreement or contract had been negotiated with the prior administrator. In this context, the Facility Manager was informed that a conflict of interest existed and the machines would have to be removed. In the absence of a negotiated or bid contract, it would appear that the employee intentionally hid his involvement (ownership) of the machines from the Department Administration. Appropriate disciplinary action will be taken.