



# City of Chattanooga

Stan Sewell  
Director

INTERNAL AUDIT  
City Hall  
Chattanooga, Tennessee 37402

Ron Littlefield  
Mayor

August 26, 2010

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Memorial Auditorium/Community Theater Rental Fees, Audit 09-04

Dear Mayor and Council Members:

On December 24, 2009, the Internal Audit Division released an audit on Memorial Auditorium/Community Theater Rental Fees. We performed certain procedures, as enumerated below, with respect to Memorial Auditorium/Community Theater Rental Fees 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 Education, Arts, & Culture Department staff 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 09-04 were:

1. Written policies/procedures are in place for the Memorial Auditorium/Community Theater rental fee collection process. However, some of these written policies/procedures are outdated and do not coincide with the City Code.
2. Memorial Auditorium/Community Theater rental fee revenue was properly accounted for (for payments that were received) and receipts were issued and retained for each collection.
3. Payments were not received for all regularly scheduled events.

4. Memorial Auditorium/Community Theater rental fee revenue was submitted to the Treasurer's Office within three days of the initial receipt.

The audit contained four (4) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 2, 3 and 4 were implemented and recommendation 1 was partially implemented.

### **Recommendations Implemented [2, 3, 4]**

We recommended (**recommendation 2**) that the EAC Department follow the City Code for future Memorial Auditorium/Community Theater rentals.

As a part of our review, we examined supporting documentation related to recent Memorial Auditorium events in order to verify that the proper rental fees were charged per the City Code. Based on our review, the rental fees that were actually charged agreed to the City Council approved rental fees that were in place at the time the related rental contract was put in place. We did find one error in which the wrong rental fee was actually charged for a Memorial Auditorium event rental, but the City Council approved rental fee schedule was still being followed by EAC Management despite the occurrence of this error.

We recommended (**recommendation 3**) that the EAC Department work with the Finance Department to create an account that is used only to report Memorial Auditorium/Community Theater merchandise sales commission revenue that is separate from the Memorial Auditorium/Community Theater Rents account number.

During our review, we learned that a new account has been created (Account # 535114) that is titled "Civic Facilities Show Merchandise." We learned that this account number is utilized to report both Tivoli and Memorial Auditorium/Community Theater merchandise sales commission revenue.

We recommended (**recommendation 4**) that the EAC Department utilize an excel spreadsheet, outlook calendar, or similar application program to track important Memorial Auditorium/Community Theater event data that can be reconciled to rental fees. We also recommended that management consider having a real time (up to date) version of this calendar posted to the Internet so that interested parties outside the EAC Department could have access to the schedule. We also recommended that EAC management physically observe the Memorial Auditorium/Community Theater on a random basis to check to see if any facility rentals are being held on dates that the calendar includes no events.

During our review, we learned that the EAC Department utilizes an electronic internal shared calendar that EAC management and marketing staff have access to review. We also found that the upcoming ticketed events that are available for sale are still listed online at the EAC's website. We found that the hard copy calendars that list all events (from public events to private meetings) are still printed each month and distributed to community residents. However, management has not decided to post this monthly calendar to the Internet. We also learned that EAC management physically observes the Memorial Auditorium/Community Theater from time to time to ensure that the facilities are not being used without proper authorization.

### **Recommendations Partially Implemented [1]**

We recommended (**recommendation 1**) that the EAC Department amend their written policies/procedures related to Memorial Auditorium/Community Theater Rental Fees so that the written policies/procedures are in compliance with the City Code. We further recommended the EAC Department include a policy requiring annual review and update of the policy and procedure manual.

During our review, we learned that the City Council approved a new rental fee schedule for the Memorial Auditorium/Community Theater on March 2, 2010 as a part of Ordinance 12362. Based on our review, it appears that the written policies/procedures were updated in January 2010. It did not appear that the EAC included a written policy in the updated policy/procedure manual that requires an annual review and update of their policy and procedure manual.

We thank the EAC 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  
Daisy Madison, City Finance Officer  
Vickie Haley, Assistant City Finance Officer  
Missy Crutchfield, EAC Administrator  
Audit Committee Members