

**EDUCATION, ARTS & CULTURE  
DEPARTMENT  
TIVOLI RENTAL FEES  
AUDIT 09-01  
June 3, 2009**



# City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell  
Director

Ron Littlefield  
Mayor

**July 8, 2009**

**Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402**

**RE: Tivoli Rental Fees, Audit 09-01**

**Dear Mayor Littlefield and City Council Members:**

**Attached is the Internal Audit report on Tivoli Rental Fees.**

**We thank the EAC Department and the Finance Department for their cooperation and assistance during this audit.**

**Very truly yours,**

**Stanley L. Sewell, CPA, CGFM  
Director of Internal Audit**

**cc: Dan Johnson, Chief of Staff  
Daisy Madison, City Finance Officer  
Missy Crutchfield, EAC Administrator**

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**Auditor**

  
\_\_\_\_\_  
**Director**

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**INTRODUCTION**

The Tivoli Theatre is a performance venue owned by the City of Chattanooga. The Education, Arts & Culture (EAC) Department charges rental fees for each event based on a rental fee schedule that is specified in Section 2-586 of the City Code.

**STATEMENT OF OBJECTIVES**

The objectives of this audit are to determine if:

1. Written policies/procedures are in place for the Tivoli rental fee collection process.
2. Tivoli rental fee revenue was properly accounted for and receipts were issued and retained for each collection.
3. Payments were received for all regularly scheduled events.
4. Tivoli rental fee revenue was submitted to the Treasurer's Office within three days of the initial receipt.

**STATEMENT OF SCOPE**

The audit period covered Tivoli Theater rentals during the Fiscal Year ending 2008 (July 01, 2007 through June 30, 2008).

**STATEMENT OF METHODOLOGY**

We met with management and staff from the EAC Department and Finance Department to obtain an understanding about the Tivoli rental fee collection process. We also reviewed the City Code, Collection Reports, and Settlement Reports (and the related supporting documentation) to obtain information about the Tivoli rental fee collection process.

## **STATEMENT OF AUDITING STANDARDS**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, we abide by the standards of professional practice established by the Institute of Internal Auditors.

## **AUDIT CONCLUSIONS**

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

1. Written policies/procedures are in place for the Tivoli rental fee collection process. However, some of these written policies/procedures are outdated and do not coincide with the City Code.
2. Tivoli rental fee revenue was properly accounted for and receipts were issued and retained for each collection.
3. Payments were received for all regularly scheduled events.
4. Tivoli rental fee revenue was submitted to the Treasurer's Office within three days of the initial receipt.

## **WRITTEN POLICIES/PROCEDURES DO NOT COINCIDE WITH CITY CODE**

Section 2-586 of the City Code sets guidelines for Tivoli Rental Fees. The EAC Department has written policies/procedures that include Tivoli Rental Fees that are not in agreement with the City Code.

## **RECOMMENDATION 1**

We recommend that the EAC Department amend their written policies/procedures related to Tivoli Rental Fees so that the written policies/procedures are in compliance with the City Code. We further recommend the EAC Department include a policy requiring annual review and update of the policy and procedure manual.

## **AUDITEE RESPONSE**

Rental fees for the Tivoli Theatre as listed in the City Code do not include all rental fee schedules which were established by the Auditorium and Tivoli Board of Directors. Staff is in the process of listing the various rental fees as established by the Auditorium and Tivoli Board of Directors to present to Council. The Department will implement a yearly review of policies and procedures to be conducted at the end of each fiscal year.



**AUDITOR COMMENT**

To eliminate the possibility of confusion, we are noting for the reader that the Auditorium and Tivoli Board of Directors mentioned in the auditee response is no longer in existence (and has not been in existence for many years). The City Council is responsible for the establishment of Auditorium/Tivoli rental fees. The Council approved fees are documented in the City Code.

**CITY CODE NOT FOLLOWED FOR TIVOLI RENTALS**

Section 2-586 of the City Code authorizes six (6) different amounts to be charged for Tivoli Rentals: \$1,100 (Resident Non Profit Ticketed); \$1,200 (Non Profit Ticketed); \$1,300 (For Profit Ticketed); \$1,300 (Resident Non Profit Non Ticketed); \$1,400 (Non Profit Non Ticketed); and \$1,500 (For Profit Non Ticketed). It appears that the rental fees charged were not in agreement with Section 2-586 of the City Code for eighteen (18) of the thirty (30) events that we selected for review.

**RECOMMENDATION 2**

We recommend that the EAC Department follow the City Code for all future Tivoli Rentals.

**AUDITEE RESPONSE**

The rental fee structure as established by the Auditorium and Tivoli Board of Directors includes items for rehearsal/set up days, various room rentals other than the main hall and takes into account fees for matinee performances. A varied rental fee structure is needed in order to continue to rent the facility to the various organizations, many of which are local non-profits. As previously stated a rental fee structure is being prepared to be presented to Council for approval.

**AUDITOR COMMENT**

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**ACCOUNT NOT IN PLACE TO REPORT TIVOLI MERCHANDISE SALES REVENUE**

The EAC Department accounts for Tivoli Merchandise Sales Commission Revenue in the same account (Tivoli Rents) that is utilized to report Tivoli rental income. This practice reduces the value and usefulness of the data reported by the City's accounting system.

### **RECOMMENDATION 3**

We recommend that the EAC Department work with the Finance Department to create a separate account to report Tivoli Merchandise Sales Commission Revenue.

### **AUDITEE RESPONSE**

Merchandise sales have traditionally been included with the rental revenue. Merchandise sales do not occur on every event. The Tivoli is in the process of having accounting establish a separate account for merchandise.

### **CENTRALIZED SYSTEM NOT UTILIZED TO TRACK TIVOLI RENTAL INFORMATION**

The EAC Department utilizes printed calendars to maintain a record of events that were held at the Tivoli over the course of each Fiscal Year. These calendars are generally developed just prior to the beginning of each month. There is no centralized real-time system (excel spreadsheet, outlook calendar, etc.) in place that is easily accessible to management that tracks information that is relevant to each Tivoli event.

### **RECOMMENDATION 4**

We recommend that the EAC Department utilize an excel spreadsheet, outlook calendar, or similar application program to track important Tivoli event data that can be reconciled to rental fees. We also recommend 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 recommend that EAC management physically observe the Tivoli (on a random basis) to check to see if any facility rentals are being held on dates that the calendar includes no events.

### **AUDITEE RESPONSE**

The booking calendar is a continuously changing process. Facility management uses the calendar to schedule support staff such as custodians, stage employees, box office staff, security, concession staff and front-of house staff. The Administrator, Deputy Administrator and various management staff have full anytime access to the booking calendar which is kept in the facility managers office. Both Administrator and Deputy Administrator attend events from time to time and are subject to dropping by the facility at any time. Administrator and/or Deputy Administrator's review of calendar vs. what is happening in the facility on any day will be added to policies and procedures. A weekly staff meeting is held each Wednesday with the Deputy Administrator to review calendar, scheduled events, bookings, ticket sales, on status of on-going projects. A public calendar is located on the department's web site. Calendar will be placed in a shared folder with Administrator and Deputy Administrator access. A more in-dept public calendar would not be time efficient as it is an often changing tool.