

February 15, 2007

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

RE: Post Audit Review of Child Care Cash Collections, Audit 06-05

Dear Mayor Littlefield:

On August 2, 2006, the Internal Audit Division released an audit on the Child Care Cash Collections. We performed certain procedures, as enumerated below, with respect to activities of the Human Services Department Child Care Cash Collections 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 06-05 were:

1. There are not documented cash collection policies and procedures in place.
2. Receipts are not being turned in to the Treasurer's office within the required 3 day period.
3. Proper documentation of fee waivers does not exist.
4. Funds were missing and unaccounted for.
5. There is no centralized system that tracks fee changes.
6. Proper supervisory review relating to Accounts Receivable is not in place.

The audit contained nine (9) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 3, 4, 5 and 8 were implemented, recommendations 1, 2, 6, and 9 were partially implemented and recommendation 7 was not

implemented.

Recommendations Implemented [3, 4, 5 and 8]

We recommended (**recommendation 3**) that all supporting documentation be attached to collection reports. This support includes copies of City of Chattanooga receipts that were issued as well as copies of checks and money orders that were received.

IA pulled six collection reports that were turned in after the conclusion of our audit. The appropriate supporting documentation was attached to each collection report that we reviewed.

We recommended (**recommendation 4**) that written policies and procedures be in place to indicate what qualifies for a fee waiver. We also recommended that proof of a hardship must be submitted in order for a fee waiver to be considered. We also recommended that all fee waivers be documented and approved by the Administrator or Deputy Administrator. We also recommended that a standardized fee waiver form should be developed and utilized.

IA obtained a copy of the HSD Child Care Division Fee Waiver Request Form. The fee waiver process is outlined in the written policies and procedures of the HSD Child Care Division. We noted that suggestions in recommendation 4 have been implemented.

We recommended (**recommendation 5**) that only one and possibly a second backup should be designated to collect cash. IA also suggested that all money should be secured in the safe immediately after it is received. IA recommended that shortages should be investigated by the HSD Administrator. IA also suggested that a conspicuous sign be placed in the HSD Child Care office stating that “All money orders and/or checks should be made payable to City of Chattanooga only” These suggestions were implemented.

We recommended (**recommendation 8**) that an upgraded computer system be implemented that allows the system user to enter and track all fee changes.

IA learned that IS has worked along with the software vendor (Personalized Software) to install a major upgrade of their previous software application. The name of the software is called TURBO. This software allows the user to enter and track fee changes.

Recommendations Partially Implemented [1, 2, 6, and 9]

We recommended (**recommendation 1**) that adequate written policies and procedures be developed for cash collections. We also recommended that these written procedures be incorporated into citywide policies.

IA has learned that written policies and procedures have been developed and implemented. However, these policies have not been incorporated into the citywide policies at the time that our post audit review was conducted.

We recommended (**recommendation 2**) that all collections be submitted to the Treasurer’s

office within three working days of its receipt.

IA pulled six collection reports that were turned in after the conclusion of our audit. Two of the selected items were submitted to the treasurer's office within three working days while four of the selected items were not in compliance.

We recommended (**recommendation 6**) that written policies and procedures regarding delinquent fees be developed. It also suggested that enrollment be terminated for clients who have excessive unpaid fees. It was also suggested that detailed accounts receivable aging schedules be developed and monitored on a regular basis.

The written policies and procedures regarding delinquent fees have been developed. At the time of our review, the development and monitoring system of aged receivables was still in the process of being implemented.

We recommended (**recommendation 9**) that a policy be implemented requiring a manager above the Child Care Family Services Supervisor to review all the customer statements on a weekly basis. IA also suggested that this policy require documented management approval of any adjustments/changes made to customer accounts.

A policy is being implemented in which the Child Care Manager reviews all fee letters on a weekly or bi-weekly basis. The Child Care Manager signs off on each fee letter (before it is sent to the parent). The Child Care Manager also signs off on any fee adjustments that are made.

Recommendations Not Implemented [7]

We recommended (**recommendation 7**) that the safe be moved to a room with a door that can be locked and for the department to invest in a safe that is secured to the floor or that is less mobile.

The department did not implement our recommendation regarding their safe.

We thank the personnel in Human Services Department Child Care Division 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
Bernadine Turner, Human Services Administrator
Daisy Madison, Chief Financial Officer