



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

October 6, 2008

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Inspections Office Cash Collections, Audit 07-13

Dear Mayor and Council Members:

On March 20, 2008, the Internal Audit Division released an audit on the Inspections Office Cash Collections. We performed certain procedures, as enumerated below, with respect to the Inspections Office 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 07-13 were:

1. There are no written policies/procedures in place for Inspections Office cash collections.
2. Controls are not in place to ensure that all collections are properly accounted for and receipts are not always being turned into the Treasurer's office within the required three (3) day period.
3. Licenses/Permits were issued without any fees being received.

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

Recommendations Implemented [2, 3, 4, 7, 8, 9]

We recommended (**recommendation 2**) that the daily receipt reconciliation and Collection Report preparation only be completed by an employee that is independent of receiving/processing payments that are received from customers.

During our review, we learned that a permit clerk has been assigned the responsibility and now regularly prepares each collection report. Once completed, management then reviews each report prior to submitting the report to the Treasurer's office.

We recommended (**recommendation 3**) that the Inspections Office retain all supporting documentation related to licenses/permits.

During our review, we judgmentally selected thirty-six (36) payments received/processed to ensure that the proper supporting documentation was retained in the files. We were able to successfully locate the hard copy supporting documentation for all thirty-six (36) payments that we examined.

We recommended (**recommendation 4**) that the Inspections Office collect all appropriate fees prior to issuing any licenses/permits in order to be in compliance with the City Code sections related to license/permit fees.

During our review, we learned that Section 32-64 of the City Code was amended by Ordinance 12122 since Audit 07-13 was completed. Ordinance 12122 allows seven (7) companies (Electric Power Board, Tennessee American Water Company, Chattanooga Gas Company, AT&T, Comcast, Hixson Utility District, and Eastside Utility District) to be invoiced on a monthly basis for permit fees that are owed to the Inspections Office. Since the City Code was amended, the Inspections Office is now in compliance with the City Code in relation to their allowance of certain utility companies to remit their permit fees to the City on a monthly basis.

We recommended (**recommendation 7**) that the Inspections Office submit all funds received to the Treasurer's office within three (3) working days of the initial receipt in order to strengthen internal control and be in compliance with TCA 6-56-111.

During our review, we judgmentally selected thirty-six (36) payments received/processed by the Inspections Office to ensure that these payments were submitted to the Treasurer's office within three working days of the initial receipt. All thirty-six (36) payments that we reviewed were submitted to the Treasurer's office within three (3) working days of the initial receipt.

We recommended **(recommendation 8)** that the Inspections Office implement a policy that prohibits customers from leaving their blank checks with permit clerks.

During our review, we learned that the Inspections Office no longer allows customers to leave their blank checks with permit clerks.

We recommended **(recommendation 9)** that the Inspections Office obtain and utilize a separate cash drawer for each cashier in order to improve internal control and be in compliance with Title 3, Chapter 1, Section 6 of the "Internal Control and Compliance Manual for Tennessee Municipalities."

During our review, we learned that the Inspections Office implemented a policy to only accept checks, money orders, and credit cards (for license and permit fees) effective June 1, 2008. We also learned that each cashier has been assigned their own money pouch to hold checks and money orders that are collected each day during operating hours.

Recommendations Partially Implemented [1, 5]

We recommended **(recommendation 1)** that adequate written policies and procedures be developed for cash collections.

During our review, we learned that written policies and procedures are currently being developed but are not yet completed.

We recommended **(recommendation 5)** that future licenses/permits be issued only after the appropriate fees have been received by the Inspections Office in order to be in compliance with Section 32-64 and Section 3-8 of the City Code. We also recommended that the Inspections Office recover the funds related to any licenses/permits that they have issued in which no payment was received.

During our review, we learned that Section 32 and Section 3 of the City Code were amended by Ordinance 12122 and Ordinance 12124 to address the issues noted in recommendation 5 and the related finding. At the time of this review, no funds had been recovered that related to licenses/permits that were previously issued in which no payment was received.

Recommendations Not Implemented [6]

We recommended **(recommendation 6)** that management implement a policy that requires the initial receipt date for each payment that is received to be documented in Accela.

During our review, we learned that the initial receipt date is currently not documented in Accela.

We thank the personnel at the Inspections Office 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: Gary Hilbert, Director of Land Development
Dan Johnson, Chief of Staff
Daisy Madison, City Finance Officer
Steve Leach, Public Works Administrator