

March 4, 2009

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Air Pollution Bureau Burn Permit System Audit, 08-03

Dear Mayor Littlefield and Council Members:

On July 29, 2008, the Internal Audit Division released an audit on the Air Pollution's Burn Permit System. We performed certain procedures, as enumerated below, with respect to activities of the Air Pollution Bureau 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 Bureau 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 08-03 were that:

1. There are weaknesses in the controls for the burn permit collection process.
2. Burn permit collections are not supported properly and are not deposited within three days to the Treasurer's office.
3. Funds are not always secured.
4. Currently, there are no written procedures/policies for the Burn Permit System Collection Process.

The audit contained nine recommendations that addressed the audit's findings. Based on the review performed, we concluded that all of our recommendations were implemented by the Air Pollution Control Bureau and Finance department.

Recommendations Implemented

We recommended (Recommendation 1) that Air Pollution staff should provide supporting documentation for collection reports which verify each day's collections. This includes listing all receipts issued for each day which should match the total amount collected. All collections should follow the Accounting Collection Report procedures for submitting collection reports.

We recommended (Recommendation 2) to strengthen controls in the collection process, a daily reconciliation should be made of all funds collected by Air Pollution staff and documented accordingly. The collection report should have supporting documentation that reflects the daily collections as required by the TN Comptroller's cash receipt procedures.

We recommended (Recommendation 3) that Air Pollution staff must ensure that a receipt be issued when funds are collected as required by TN State Code and Air Pollution Bureau procedures. In addition, receipt numbers should be listed on collection reports and verified against funds collected.

We recommended (Recommendation 4) that all Air Pollution collections must be submitted to the Treasurer's office within the three day period as required by TCA 6-56-111.

We recommended (Recommendation 5) that property should always have adequate physical security, especially valuable items or high theft items such as cash. Cash should always be secured in a locked drawer. Access to valuable assets should be restricted to a limited number of people to minimize the risk of shortages.

We recommended (Recommendation 6) that Air Pollution management should invest in separate cash drawers for each employee who receives funds. Also, each employee needs to have their own individual sign on for the Access database.

We recommended (Recommendation 7) to strengthen internal controls and ensure proper handling of cash collections, Air Pollution management, should document the process and business practices for the burn permit fee (as well as other) collections. After completion, employees should be provided with and have ready access to departmental policies and procedures.

We recommended (Recommendation 8) that the Finance Officer should ensure Accounting staff are following established accounting policies and procedures as they relate to collection report documentation.

We recommended (Recommendation 9) that Air Pollution staff should reconcile each day's collection to supporting documentation and have it reviewed by an independent party before being submitted to the Treasurer's office.

Based upon discussions with the Air Pollution staff and a selected review of their collection reports since the audit, it seems that the Air Pollution staff and the Finance department have implemented all the suggested recommendations from the audit. Air Pollution staff now have written policies and procedures for their collection process. They have secured all funds and assigned separate drawers for each cashier. They have developed a daily cash report which details all of the collections for the day and they are submitting the proper documentation for their collections within the three day limit as required. In addition, they are issuing a receipt for all funds collected at the agency as stated in their policy.

We thank the personnel in Air Pollution Control Bureau for their assistance in conducting this review and all their hard work in implementing the corrective action suggested in the last six months. 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
Robert Colby, Director of Air Pollution Control Bureau
Daisy Madison, Finance Administrator
Claude Ramsey, Hamilton County Mayor