



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

May 22, 2009

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Board of Electrical Examiners Collections, Audit 08-08

Dear Mayor and Council Members:

On October 10, 2008, the Internal Audit Division released an audit on the Board of Electrical Examiners Collections. We performed certain procedures, as enumerated below, with respect to the Board of Electrical Examiners 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 the Board of Electrical Examiners 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 08-08 were:

1. There are no written policies/procedures in place for collections.
2. Controls are not in place to ensure that all collections are properly accounted for.

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

Recommendations Implemented [1, 2, 4]

We recommended (**recommendation 1**) that detailed written policies/procedures be developed and implemented that relate to the collection process at the Board of Electrical Examiners.

Detailed written policies/procedures related to collections have been developed and were approved by the Board of Electrical Examiners during their May 2009 meeting.

We recommended (**recommendation 2**) that the Board implement changes to their database in order to retain accurate payment information in an electronic file. We recommended that a database record be created (each year) to store payment information for each license holder and it should be retained for future reference and it should not be overwritten.

During our review, we learned that the Board inquired about making adjustments to their current database and the cost was excessive. Because of the cost considerations, the Board was not able to purchase and implement a new computer system to process their collections. In order to maintain an accurate electronic record of the collections that are received and processed each fiscal year, the Board has implemented a policy to copy (on a compact disc) the entire database at the end of each fiscal year. A copy of this disc will be retained by the Board, and a copy of this disc will also be sent to the City Finance Department.

We recommended (**recommendation 4**) that a written authorization be put in place related to late fees that allows the Board to assess and collect late license fees. We also recommended that all late fee calculations be documented in writing and retained in the files to support collections.

During our review, we learned that a written authorization for late fees was put in place on September 24, 1985 by the Board of Electrical Examiners. Board staff did not discover this written authorization for late fees until after Audit 08-08 had already been completed. We also learned that late fees supporting documentation is now maintained and included with each collection report.

Recommendations Partially Implemented [5, 6]

We recommended (**recommendation 5**) that the Board implement an adequate internal control system surrounding its collections process in order to ensure that the Board properly remits all revenue to the City that is owed to the City.

During our review, we learned that the board has implemented some of our recommendations to strengthen the internal control surrounding the collection process, but some of our recommendations are still being implemented by the Board and are not yet complete.

We recommended (**recommendation 6**) that the Board report revenue in the proper accounts. We also recommended that the Board document the different revenue types and specifically what account each revenue type is to be reported under as a part of the Board's written policies and procedures.

It appears that the Board is now reporting revenue using the proper accounts. However, written policies/procedures relating to the collection process do not mandate this practice.

Recommendations Not Implemented [3, 7, 8]

We recommended (**recommendation 3**) that pre-numbered receipts be issued (and duplicate receipts retained) each time that funds are collected by the Board.

During our review, we learned that the Board has been preparing pre-numbered receipts (and retaining duplicate copies) for each collection that they receive. However, these receipts were not being prepared when funds were initially received by the board. The receipts were being completed each time a deposit slip was prepared to deposit the funds in the Board's bank account. As of the date of this post audit review, we have been advised by the Board Chairman that this practice has been halted and will not occur in the future.

We recommended (**recommendation 7**) that the Board implement a policy to prepare daily collection summary sheets and include these as supporting documentation for the Collection Reports that are remitted to the City Treasurer.

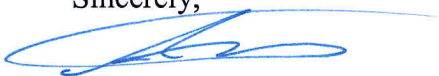
Based on our review, we found that the Board staff still does not prepare a daily collection summary sheet/reconciliation.

We recommended (**recommendation 8**) that the Board remit all collections to their official bank account within three (3) days of the initial receipt in order to be in compliance with TCA 6-56-111.

Based on our review, it appears that the Board is not always remitting collections to their official bank account within three (3) days of the initial receipt. However, as of the date of this post audit review, the Board Chairman has issued directives to management that should ensure future compliance.

We thank the staff at the Board of Electrical Examiners 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
Kenny Smith, Chairman – Board of Electrical Examiners