



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

June 22, 2007

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

RE: Office of City Court Clerk Cash Collections, Audit 07-03

Dear Mayor Littlefield:

Attached is the Internal Audit report on cash collection policies and procedures at the Office of City Court Clerk.

We thank the management and staff of the Office of City Court Clerk 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
Ed Hammonds, City Court Clerk
Daisy Madison, City Finance Officer
Freeman Cooper, Chief of Police

**OFFICE OF CITY COURT CLERK
CASH COLLECTIONS
AUDIT 07-03
June 12, 2007**

**OFFICE OF CITY COURT CLERK
CASH COLLECTIONS
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A handwritten signature in blue ink, appearing to read "Mark Messer", written over a horizontal line.

Auditor



A handwritten signature in blue ink, appearing to read "John", written over a horizontal line.

Director

**OFFICE OF CITY COURT CLERK
CASH COLLECTIONS
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INTRODUCTION

Chattanooga City Court, also known as municipal court, has jurisdiction in cases involving violations of city ordinances; such as parking violations, traffic violations, garbage and refuse, animal cases and other City ordinance offenses. The City Court Clerk's Office operates under the direction of the City Court Clerk and supports the City Judges. The Clerk's Office is the keeper of the records for the courts and accepts payments for all violations.

STATEMENT OF OBJECTIVES

This audit was conducted due to the inherent risk associated with cash and the lack of a cash collections audit at the Office of the City Court Clerk during the last 5 years. The objectives of this audit were to determine if:

1. There are adequate written cash collection procedures for the Office of City Court Clerk.
2. Receipts are turned in to the Treasurer's office within the required 3 day period.
3. All cash collections are accounted for.
4. Unpaid citations are being monitored by management on a regular basis.

STATEMENT OF SCOPE

The audit period was from July 01, 2005 through June 30, 2006.

STATEMENT OF METHODOLOGY

Internal Audit staff reviewed City accounting records from the BANNER system, reviewed collection reports, reviewed INCODE system information, reviewed cashier sheets, reviewed citations, reviewed receipts, and made on-site visits to the Office of City Court Clerk to obtain a working knowledge of their operations. Actual collections were verified/compared to citation records.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions. 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. Adequate written cash collection procedures are partially in place for the Office of City Court Clerk.
2. Receipts are being turned in to the Treasurer's office within the required 3 day period.
3. It appears that most cash collections are being properly accounted for.
4. Management is notifying the state of Tennessee of most unpaid citations on a regular basis. However, the unpaid item reports sent to the state contain errors and there is no management review of these items on a regular basis.

RECEIPTS NOT ISSUED FOR MAILED PAYMENTS

TCA 9-2-103 states, "Each state, county and municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official...." The Office of City Court Clerk does not issue a receipt to the payer for payments that are received through the mail; therefore they are not in compliance with TCA 9-2-103.

RECOMMENDATION 1

Internal Audit recommends that the Office of City Court Clerk mail a copy of the receipt to each payer that makes a payment by mail.

AUDITEE RESPONSE

The City Court Clerk is in agreement with the IA's finding. To comply, the following statement will be printed on the next order of parking citations. If you require a receipt you must pay in person at the Clerk's Office or mail a self address stamped envelope (SASE) for a receipt to be returned to you or your canceled check, money order or cashier's check receipt may serve as proof of payment.

MISSING SUPPORTING DOCUMENTATION

TCA 16-18-310 states, "...the clerk of the municipal court shall maintain an accurate and detailed record and summary report of all financial transactions and affairs of the court. The record and report shall accurately reflect all disposed cases, assessments, collections, suspensions, waivers and transmittals of litigation taxes, court costs, forfeitures, fines, fees, and any other receipts and disbursements..." Also, TCA 9-2-103 states "Each state, county and municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official..." Ten of fifty-two citations selected for testing by IA were missing and could not be located. The corresponding receipts for those citations that were paid were also missing and could not be located.

RECOMMENDATION 2

IA recommends that the Office of City Court Clerk retain all proper case documentation in order to be in compliance with TCA 16-18-310 and TCA 9-2-103.

AUDITEE RESPONSE

The City Court Clerk is in agreement with the IA's finding. The Office of City Court Clerk will establish a review and check process for retained documents.

WRITTEN POLICIES/PROCEDURES NOT IN PLACE FOR TICKET BOOKS

Currently, police officers obtain ticket books by signing for them at the Police Services Center. After a citation is written, the completed citation documentation is deposited into a lock box at the Police Services Center. Citations turned into the lockbox at the Police Services Center are then forwarded to the Office of City Court Clerk. There are no written policies/procedures in place for the distribution of ticket books to police officers or the reconciliation process to ensure that all pre-numbered citations are accounted for.

RECOMMENDATION 3

IA recommends that the Police Department develop written policies/procedures for the handling of the ticket books from the time they are initially distributed to the time all citations have been issued. We further recommend that the Office of City Court Clerk establish written policies/procedures for the handling of all citations that are received (including provisions for reconciliation).

AUDITEE RESPONSE

The City Court Clerk is in agreement with IA's finding. The Office of City Court Clerk will establish written policies/procedures to handle all citations received (including reconciliation) from the Chattanooga Police Department.

MANAGEMENT REVIEW OF DISMISSED ITEMS

The Office of City Court Clerk management does not currently have the ability to generate a report (for their review) that shows dismissed cases. If a fine is removed or edited by a staff member, management may not know about it because they are not monitoring the dismissed items on a regular basis.

RECOMMENDATION 4

IA recommends that the management of the Office of City Court Clerk work with IS to develop a weekly or monthly report that shows all dismissed items. IA also recommends that Office of City Court Clerk management review and sign off on this report on a regular basis to ensure that only appropriate items are being dismissed. IA also recommends that the Office of City Court Clerk management include their review of dismissed items in their written policies/procedures for cash collections.

AUDITEE RESPONSE

The City Court Clerk is in agreement with IA's finding. Management will work with IS to develop a weekly or monthly report for dismissed items which will be reviewed and signed off on as a part of written policies/procedures for cash collections.

UNPAID TRAFFIC CITATIONS

In some instances (mainly for unpaid moving violations), an unpaid traffic citation will negatively affect the driver's license of the violator (the violator's state will suspend their license, all convictions are placed on the violator's driving history record, etc). The Office of City Court Clerk monitors unpaid traffic citations on a regular basis and notifies the Tennessee Department of Safety of an unpaid traffic citation when a violator fails to pay a fine, fails to appear in court, or is convicted of a violation. The Office of City Court Clerk notifies the state in order to increase the likelihood that a fine will be collected because the state will take action against most violators who fail to pay their

fine. IA tested fifteen unpaid traffic citations to verify that the state was properly notified about their non-payment. Based on testwork performed by IA, the Office of City Court Clerk did not properly notify the Tennessee Department of Safety about two unpaid traffic citations (out of 15 tested) that should have resulted in license suspensions.

RECOMMENDATION 5

IA recommends that the Office of City Court Clerk always notify the state when future traffic violations (that require state notification) are not paid.

AUDITEE RESPONSE

The City Court Clerk is in agreement with IA's finding. The Office of City Court Clerk will work IS to develop a report to identify traffic violations which are not reported to the state.

MANAGEMENT REVIEW OF UNPAID ITEMS/CONVICTIONS

Failure to appear (FTA), failure to pay (FTP), and conviction lists that notify the Tennessee Department of Safety of unpaid items/convictions are automatically generated by Incode and are forwarded (by management) to the state on a regular basis (twice each month). However, Office of City Court Clerk management is not reviewing the FTA, FTP, and conviction lists on a regular basis. Management is aware that these reports sometimes contain errors. Some items that are supposed to be sent to the state are not sent, while some items that are not supposed to be sent to the state are sent.

RECOMMENDATION 6

IA recommends that management document their review (on a regular basis) of the FTA, FTP, and conviction lists in order to ensure that Incode is identifying the appropriate items (that require state notification) and management is forwarding the appropriate items (that require state notification) to the Tennessee Department of Safety. IA also recommends that Office of City Court Clerk management include their review of the FTA, FTP, and conviction lists in their written policies/procedures for cash collections.

AUDITEE RESPONSE

The City Court Clerk is in agreement with IA's finding. Management will review and document their review of FTA; FTP and conviction lists to ensure to all appropriate items have been identified by Incode and reported to the Tennessee Department of Safety. The review will be made a part of the cash collections policies/procedures.

INCODE UPDATE ACCESS

There are currently seventeen staff members at the Office of City Court Clerk that have the ability to remove and reduce fines as well as change or delete judgments. Office of City Court employees should have only the minimum necessary update capabilities needed to perform their job requirements. Major edits/changes/dismissals should only be able to be made with approval of Office of City Court Clerk management.

RECOMMENDATION 7

IA recommends that the Office of City Court Clerk management (with the help of IS and Incode) make an adjustment to their system so that non management personnel do not have the ability to make critical changes/edits/deletions to fines and judgments without prior management approval. IA also recommends that management specify who has authority to make critical changes/edits/deletions to fines and judgments in their written policies/procedures for cash collections.

AUDITEE RESPONSE

The City Court Clerk is in disagreement with IA's findings and recommendations. Appropriate security levels were established within Incode when the Clerk's Office began operating Incode's court system but management will work with IS to develop a report for management review which will track changes/edits/deletions to any fine or judgment. Security levels are based on job a duty which allows management to use non management personnel in a variety of duties. Non management personnel ability to change/edit/delete fines or judgments is limited to the security level for a particular job with no major adjustment to either a fine or judgment made without management or a judge approval. Within Incode a history is kept of all changes/edits/deletions which identifies who, when and what changes are made.

AUDITOR COMMENT

The system does not currently generate a report of deletions that is reviewed by management. Although such a report and documented management review will strengthen Internal Controls, it is a detection control (not a prevention control). Further, the proposed method relies on the diligence of management staff in reviewing the generated reports. The recommended method forces line level staff to involve management when deleting a fine. Finally, the fact that policy or law does not allow changes to judgments does not prevent line level staff from making such changes in the system.

WRITTEN CASH COLLECTION POLICIES/PROCEDURES

Written policies and procedures regarding cash collections are partially in place at the Office of City Court Clerk. Written policies/procedures exist for certain aspects of the cash collection process (for example - collection report preparation). However, written policies/procedures that cover all of the different aspects of the cash collection process are not in place.

RECOMMENDATION 8

IA recommends that Office of City Court management expand their current written policies/procedures to include all aspects of the cash collection process. Once the expanded written cash collection policies are in place, IA recommends that management provide each staff member with a copy of the policies/procedures.

AUDITEE RESPONSE

The City Court Clerk is in agreement with IA's findings. Management will expand its written cash collection policies/procedures to include all aspects of the cash collection process and provide copies to the staff.