



City of Chattanooga

INTERNAL AUDIT

City Hall

Chattanooga, Tennessee 37402

Stan Sewell
Director

Ron Littlefield
Mayor

August 16, 2011

Mayor and City Council
City of Chattanooga
Chattanooga, TN 37402

RE: Post Audit Review of Returned Checks, Audit 10-05

Dear Mayor Littlefield and Council Members:

On December 23, 2010, the Internal Audit Division released an audit on the process for handling returned checks. We performed certain procedures, as enumerated below, with respect to activities of the Finance department in order to render a conclusion on the status of the recommendation 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 10-05 were that:

1. The returned checks list prepared and maintained by the Treasurer's Office agreed to the returned checks listed on the City's bank statements.
2. The majority of the returned checks were properly accounted for and follow-up was completed in a timely manner to satisfy the outstanding debt/payment.

The audit contained one recommendation that addressed the audit's findings. Based on the review performed, we concluded that recommendation one was partially implemented.

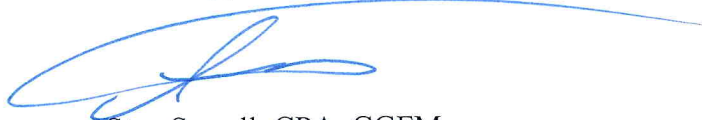
Recommendations Partially Implemented 1

We recommended (**Recommendation 1**) the Finance Department work with the different City departments to ensure that each area has a comprehensive written policy/procedure in place to provide detailed guidance related to the process of returned checks. Alternately, the Finance Department could establish a City-wide policy that addresses minimum procedures all departments must follow. This would include but not be limited to: Proper accounting procedures, documenting notification to the payor, and re-collection efforts. This policy should be posted on the Intranet once established and distributed to all departments.

The Finance Office updated the Returned Check Procedures to the City's Intranet in January 2010 and distributed the updated procedures to the appropriate personnel. However, the updated policy does not seem comprehensive in that it lacks detailed instructions to the departments on how to handle the recollection of return checks and documenting this process. Further, Finance has not ensured the departments have developed their own comprehensive policies addressing return check procedures.

We thank the personnel in Finance 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
Vickie Haley, Assistant Finance Officer
Brian Smart, Financial Operations Manger
Audit Committee