

September 2, 2014

Mr. Herman Morris, Jr., City Attorney
Law Division
City of Memphis
125 N. Main, Suite 336
Memphis, Tennessee 38103

Dear Mr. Morris:

We have completed our follow-up activity for the Permits Office relative to the findings noted in the audit report dated April 12, 2013. The purpose of this activity is to provide executive management with feedback regarding the status/progress of corrective action with respect to the recommendations to address the deficiencies communicated in the noted audit report. This follow-up activity was not intended to evaluate the adequacy and effectiveness of corrective actions which would require a repeat audit. Nevertheless, we believe it is important for management to have some idea of how many recommendations have or have not been addressed since the issuance of the audit report.

Status of Corrective Action for Noted Audit Report Findings:

- 1) *Audit Report Finding #1* — Management has taken action and addressed 3 of the 6 recommendations related to the improvement of the overall permits process and operational efficiency.

Incomplete Corrective Action:

- Written policies and procedures for processing and issuing the various types of permits.
- A daily log to document applications and payments received in the mail.
- A process for identifying and contacting businesses relative to issuing renewal permits.

- 2) *Audit Report Finding #2* — Management has taken action and addressed 4 of the 6 recommendations related to the improvement of internal controls over cash items to ensure accuracy, completeness, and to safeguard revenue.

Incomplete Corrective Action:

- Written policies and procedures for cash handling and revenue reconciliation.
- Contact City Comptroller to ascertain if scrap metal, tire business, and miscellaneous fees are posted to the correct revenue account.

- 3) Audit Report Finding #3 — Management has taken action and addressed 2 of the 2 recommendations related to the efficiency of information technology to process all permits activity and provide accurate, complete, and reliable records.
- 4) Audit Report Finding #4 — Management has taken action and addressed 1 of the 3 recommendations related to the improvement of compliance with applicable laws, regulations, policies and procedures.

Incomplete Corrective Action:

- Supervisory monitoring compliance with written policies and procedures once written and implemented.
- Supervisory monitoring the quality of scanning to ensure clerks capture all the required information.

This activity was not conducted in compliance with Government Auditing Standards (GAS) and does not constitute an audit under GAS.

We appreciate the cooperation of Permits management and staff during the project. If we can be of further assistance, please advise.

Sincerely,



Marion Tucker, CFE, CICA
Auditor-In-Charge



Catrina McCollum, CFE, CICA
Project Manager

APPROVED:

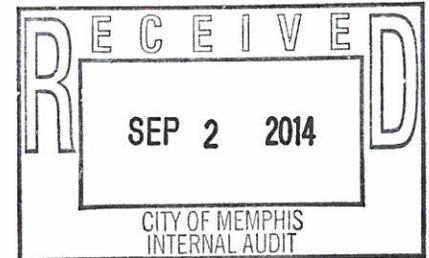


Leon Pattman, CIA, CISA, CRMA, CMFO
City Auditor

- c: A C Wharton, Jr., Mayor
George M. Little, Chief Administrative Officer
Regina Newman, Deputy Director, Law Division
Aubrey J. Howard, Permits Administrator

Attachment: Management's Response

Law Division
Permits Office
Responses to Internal Audit Follow-up
To Permits Office Report dated April 12, 2013



- 1) Audit Report Finding #1 — Management has taken action and addressed 3 of the 6 recommendations related to the improvement of the overall permits process and operational efficiency.

Incomplete Corrective Action:

- Written policies and procedures for processing and issuing the various types of permits.
Permits Office Response: The Permits Office was at one time a part of the Treasury Department of the City of Memphis. The Permits Office recently retrieved a Policy and Procedures manual from Treasury which must be significantly updated to include new and amended ordinances and services. This will be accomplished by March 31, 2015.
- A daily log to document applications and payments received in the mail.
Permits Office Response: Mail will be received and opened by an employee in a designated work area free from other work. The employee will complete the attached form which identifies the person receiving the mail; the date the mail was received; a description of the mail received; and, confirmation of the person who accepted the mail from the employee opening the mail.
- A process for identifying and contacting businesses relative to issuing renewal permits.
Permits Office Response: Except for state mandated renewal dates, renewal notices will otherwise be sent to businesses at least 45 days prior to the renewal date. The Permits Office has currently issued over 5,000 permits for various services which expire on the permit holders' birthday. It is not economically or practical to send renewal notices for these type permits.

- 2) Audit Report Finding #2 — Management has taken action and addressed 4 of the 6 recommendations related to the improvement of internal controls over cash items to ensure accuracy, completeness, and to safeguard revenue.

Incomplete Corrective Action:

- Written policies and procedures for cash handling and revenue reconciliation.
Permits Office Response: Permits Office Management is in the process of reviewing several suggested procedures and will recommend a procedure for adoption an inclusion in the to be developed Policy and Procedures Manual.
- Contact City Comptroller to ascertain if scrap metal, tire business, and miscellaneous fees are posted to the correct revenue account.

Permits Office Response: The revenue from scrap metal, tire business, and miscellaneous fees are now posted to miscellaneous revenue in the new Medallion system.

- 3) *Audit Report Finding #3* — Management has taken action and addressed 2 of the 2 recommendations related to the efficiency of information technology to process all permits activity and provide accurate, complete, and reliable records.
- 4) *Audit Report Finding #4* — Management has taken action and addressed 1 of the 3 recommendations related to the improvement of compliance with applicable laws, regulations, policies and procedures.

Incomplete Corrective Action:

- Supervisory monitoring compliance with written policies and procedures once written and implemented.

Permits Office Response: Management will modify written policies and procedures at least 30 days post approval of any relevant new and/or amended local, state and/or federal law subject to adoption by the City of Memphis. There shall be monthly random reviews of work to ensure compliance with written policies and procedures.

- Supervisory monitoring the quality of scanning to ensure clerks capture all the required information.

Permits Office Response: Management will weekly run an Account Listing report and randomly review at least one permit from each permit type (see the attached activity report) for compliance.

