



**A Report to the
Audit Committee**

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**Audit Recommendations Follow-up –
Audit of the Department of Finance
Treasury Collections Office
(Initial Report Issued September 3, 2020)**

February 3, 2022

EXECUTIVE SUMMARY

February 3, 2022



Why We Did This Audit

To evaluate management's implementation of previous audit recommendations as of December 31, 2021.

What We Recommend

Management should continue efforts to implement the remaining recommendations.

Audit Recommendations Follow-Up - Audit of the Department of Finance Treasury Collections Office

BACKGROUND

On September 3, 2020, the Office of Internal Audit issued an audit of the Department of Finance Treasury Collections Office. The audit report included 13 recommendations for improving the operations of the Treasury Collections Office. All recommendations were accepted by management for implementation. Office of Internal Audit guidelines require monitoring and follow-up to ensure that the recommendations assessed as high or medium risk are appropriately considered, effectively implemented, and yield intended results.

OBJECTIVES AND SCOPE

The objective of this follow-up audit is to determine whether management's action plans for the prior audit report recommendations are completed.

The audit scope covers the status for the 13 accepted recommendations included in the September 3, 2020, Audit of the Department of Finance Treasury Collections Office.

WHAT WE FOUND

Of the initial 13 recommendations made, the Department of Finance Treasury Collections Office has implemented 6 recommendations, partially implemented 3 recommendations, and not implemented 3 recommendations. One recommendation was no longer applicable due to a change in the process.

The Treasury Collections Office has made significant steps to remediate the risks identified in the audit. Implementation of an online payment system and the use of a lockbox to receive mailed in payments decreased manual entry processes. Treasury Collections is working to stop all payments received by their office, and with that change, three open recommendations will be closed. Details of the implementation status can be seen in **Appendix A**.

AUDIT FOLLOW-UP STATUS

The initial audit report encompassed all operations by the Treasury Collections Office during fiscal years 2017, 2018, and 2019. The audit report included 13 recommendations, all of which were accepted by management for implementation.

The Office of Internal Audit will close a recommendation only for one of the following reasons:

- The recommendation was effectively implemented.
- An alternative action was taken that achieved the intended results.
- Circumstances have so changed that the recommendation is no longer valid.
- The recommendation was not implemented despite the use of all feasible strategies or due to lack of resources. When a recommendation is closed for these reasons, a judgment is made on whether the objectives are significant enough to be pursued later in another assignment.

The scope of the follow-up audit included all 13 accepted recommendations that management implemented and reported to our office. Of the 13 accepted recommendations, the Department of Finance Treasury Collections Office has implemented 6 recommendations, partially implemented 3 recommendations, and not implemented 3 recommendations. One recommendation is no longer applicable. Details of the implementation status and updated implementation dates can be seen in **Appendix A**.

METHODOLOGY

To achieve the audit objectives, auditors performed the following steps:

- Reviewed the documentation provided by management as evidence of completion.
- Interviewed key personnel within the Department of Finance Treasury Collections Office and the Information Technology Services department.
- Performed test work on a sample of payments received in iReceivables.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

AUDIT TEAM

Mary Cole, CPA, CISA, CFE, CGFM, In-Charge Auditor

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APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

The following table shows the guidelines followed to determine the status of implementation.

Table 1

Recommendation Implementation Status	
Implemented / Closed	The department or agency provided sufficient and appropriate evidence to support the implementation of all elements of the recommendation and the recommendation's implementation caused or significantly influenced the benefits achieved.
Partially Implemented /Open	The department or agency provided some evidence to support implementation progress but not of all elements of the recommendation were implemented.
Not Implemented or No Longer Applicable	The department or agency did not implement a recommendation because: a) of lack of resources; b) an alternative action was taken that achieved the intended results; c) circumstances have so changed that the recommendation is no longer valid.

The following are the audit recommendations made in our original audit report dated September 3, 2020, and the current implementation status of each recommendation based on our review of information and documents provided by the Department of Finance Treasury Collections Office.

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>A.1 – Implement an online taxpayer system that allows taxpayers to set up accounts, input tax form information, pay taxes due, and receive a receipt upon payment.</p> <p>Assessed Risk Level: High</p>	<p>This recommendation was implemented with the adoption of iReceivables tax software, to allow taxpayers to set up accounts, input tax information, pay taxes due, and receive receipts upon payment.</p>	<p>None</p>	<p>Implemented/ Closed</p>
<p>A.2 – Perform periodic checks of taxpayer account information and payments to ensure they are properly recorded.</p> <p>Assessed Risk Level: High</p>	<p>Management performs a monthly reconciliation and does random transaction reviews to monitor recording of payments. However, since the original audit and follow-up noted instances of multiple incorrect applications of payments to accounts, a review specifically looking for this type of error is needed.</p>	<p>Implement a method to review payments for incorrect account application such as a report noting multiple payments to one account within a period.</p> <p>Revised Date/Comments: 4/15/2022</p>	<p>Partially Implemented</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>A.3 – Implement procedures to ensure numbered receipts are issued to taxpayers for all payments received.</p> <p>Assessed Risk Level: High</p>	<p>iReceivables produces numbered receipts for tax payments received both online and via mail or lockbox.</p>	<p>None</p>	<p>Implemented/ Closed</p>
<p>B.1 – Implement a collections system that has the capabilities to limit user access, create an audit log, and provide validation checks on data entered.</p> <p>Assessed Risk Level: High</p>	<p>iReceivables provides the capabilities to limit user access, create an audit log, and provide some validation checks on data entered.</p>	<p>None</p>	<p>Implemented/ Closed</p>
<p>B.2 – Work with the Information Technology Services department to review the Microsoft Access database user list and remove users that do not need to review or write to the database. Determine read-only users that may request reports and data as needed instead of having direct access.</p> <p>Assessed Risk Level: High</p>	<p>Removed access to this database for all users that do not need to see it. This database is no longer used for customer payments. It is used for historical reference only.</p>	<p>None</p>	<p>Implemented/ Closed</p>
<p>B.3 – Implement policies and procedures prohibiting the deletion of transactions and requiring a void of any erroneous transactions. Routinely perform checks of transaction numbers and document the reason for any missing transactions.</p> <p>Assessed Risk Level: High</p>	<p>With the implementation of iReceivables, there is no access to delete transactions and void capabilities are limited.</p>	<p>None</p>	<p>Implemented/ Closed</p>
<p>C.1 – Document and implement procedures to properly segregate the</p>	<p>The Treasury Collections Office closed the P.O. Box allowing direct mailings to the office. A lockbox</p>	<p>For the small number of payments still manually entered, duties should be</p>	<p>Partially Implemented</p>

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Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
<p>duties of receiving, recording, and depositing payments received.</p> <p>Assessed Risk Level: High</p>	<p>was opened for mailed payments. However, some payees continue to mail payments to the general Finance Department P.O. Box. This causes a small number of payments to require direct entry by Treasury Collections office staff.</p> <p>Due to the COVID-19 pandemic, staffing at the Treasury Collections office is limited to one staff at a time. Thus, duties are not segregated so that work can be performed by one individual while in the office.</p>	<p>properly segregated. If Treasury Collections ends receipt of payments to the office, the recommendation will no longer be applicable.</p> <p>Revised Date/Comments: During the months of February and March, the Collections Office will be individually contacting all of the payees that send mail to the office and redirect it to the Lockbox. All mail arriving in April and thereafter will be redirected back to sender.</p>	
<p>C.2. – Maintain a daily log of payments received prepared by two staff members opening the mail, stamping it received, and initialing the log.</p> <p>Assessed Risk Level: High</p>	<p>There is currently no daily log of mail payments received or processed. The Treasury Collections Office closed the P.O. Box allowing direct mailings to the office. A lockbox was opened for mailed payments. However, some payees continue to mail payments to the general Finance Department P.O. Box. This causes a small number of payments to require direct entry by Treasury Collections office staff.</p>	<p>If payments are going to be received by the Treasury Collections Office, a mail log should be created as recommended. If payments are no longer accepted by mail to the Treasury Collections Office, the recommendation will no longer be applicable.</p> <p>Revised Date/Comments: As recommended by the GFOA, our employees who handle money pass a background check before being hired by Metro Finance. But ultimately, post March, we will not process checks in the mail.</p>	<p>Not Implemented</p>
<p>C.3 – Deposit all payments received within one business day of receipt and record all receipts into the Microsoft Access database daily.</p> <p>Assessed Risk Level: High</p>	<p>For payments made online via iReceivables and payments received in the lockbox, payments are deposited within one business day of receipt. For the small number of payments mailed, receipt date could not be determined since the mail is not date stamped. Therefore, deposit timeframe could not be</p>	<p>Mail should be stamped with receipt date to ensure deposit within one business day. If payments are no longer accepted by mail to the Treasury Collections Office, the recommendation will no longer be applicable.</p>	<p>Partially Implemented</p>

APPENDIX A – PRIOR RECOMMENDATIONS AND IMPLEMENTATION STATUS

Recommendation	Implementation Actions	Outstanding Issues	Implementation Status
	determined. However, testing of 10 deposits noted all selections were deposited either the day before or the day of documentation entry into iReceivables.	Revised Date/Comments: Collections PO Box has been closed	
<p>C.4 – Implement procedures for an independent staff member to reconcile the mail log to the daily receipts in the Microsoft Access database.</p> <p>Assessed Risk Level: High</p>	The Microsoft Access database is no longer used to record payments. The recommendation is no longer applicable.	None	No longer applicable
<p>C.5 – Count the change fund at regular intervals and maintain the complete documentation with signatures of who counted it, the amount, and have an independent person review and sign it.</p> <p>Assessed Risk Level: High</p>	Procedures have been implemented and an independent documented verification process is in place. A review the documented counts was performed, and procedures were being followed.	None	Implemented/ Closed
<p>D.1 – Coordinate with other Metropolitan Nashville agencies to obtain population listings for collections. Implement procedures to compare taxpaying entities to the full population listings on a routine basis.</p> <p>Assessed Risk Level: High</p>	Discussions between the Treasury Collections Office and other Metropolitan Nashville agencies to determine the best data sources have occurred. However, procedures and utilization of data have not been completed.	Create procedures to compare the data from other departments to ensure a full population for collections. Revised Date/Comments: Enlisted County Clerk for assistance. 4/15/2022	Not Implemented
<p>D.2 – Document and implement procedures to monitor account payments and determine procedures for notifying entities of missed payments.</p> <p>Assessed Risk Level: High</p>	There are currently no procedures in place to monitor account payments.	Document and implement procedures to monitor account payments and create notification for missed payments. Revised Date/Comments: Quarterly 4/15/22	Not Implemented