

**INTERNAL AUDIT**



April 6, 2017

Audit Committee Members  
Mayor McMillan and City Council  
City of Clarksville  
Clarksville, Tennessee 37040

Dear Audit Committee, Mayor McMillan and City Council Members:

The Internal Audit department has performed a follow up assessment of the following audit:

<b>Audit Title</b>	<b>Audit Period</b>
Building and Codes Abatement Process	April 2011 – June 2012

Our assessment included an evaluation of actions taken by management to address findings and recommendations identified in the original audit, as well as other steps as deemed necessary to substantiate those actions. The scope of this assessment was significantly less than an audit performed in accordance with generally accepted government auditing standards. If a full audit had been performed in this situation, we may have found other issues which would require further reporting or modification of our conclusions.

Based on our assessment, appropriate steps have been taken to address all findings and recommendations from the original audit. At this time, the Internal Audit department has determined that no further actions should be taken in relation to this audit.

If you have any questions regarding this assessment, please contact the Internal Audit department at 648-6106.

Respectfully,

Rodney Wright, CPA, CIA, CFSA  
Director of Internal Audit

cc: Charlie Gentry, Chief of Administration  
Laurie Matta, Chief Financial Officer  
Mike Baker, Building and Codes, Director

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## Internal Audit Follow Up Assessment Results

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### Findings Completely Addressed

Finding (F) or Other Recommendation (OR)	Summary of Actions Taken
F1 Weak control environment: Policies and procedures regarding certain aspects of the abatement process are lacking.	Policies and procedures related to the abatement process have been updated. Language regarding exceptions has been clarified, as recommended in the audit. Abatement team members have been trained on these procedures.
F2 Internal control weakness: Documentation in case files is missing or insufficient.	Policies and procedures have been updated. A checklist is now used to confirm that all appropriate documentation is included in each abatement file. The checklist includes information regarding the complaint, work performed, and billing among other fields. Abatement files tested as part of this follow up assessment were noted as being complete and including proper documentation.
F3 Internal control weakness: Some key elements of internal control are missing or flawed in design.	An integrated software system is now used to manage all code enforcement and abatement functions. Work orders are filed appropriately in associated abatement files for documentation, regardless of whether deficiencies were corrected by owners. Pertinent information, including work order numbers, is sent to the finance department for bill or lien processing.
F4 Lack of a formalized method of collecting outstanding abatement billings has resulted in delayed receipt of revenue for the City.	The City has implemented a process whereby abatement billings are appropriately aged and re-billed by revenue collections. Uncollected tax bills are added to property tax bills where appropriate. Additionally, the legal department is involved in the collections process. Since implementing changes to the abatement billing process, the accounts receivable balance for abatement has decreased from \$550,332 noted in the audit, to \$195,285 as of 12/31/16.

<b>Finding (F) or Other Recommendation (OR)</b>	<b>Summary of Actions Taken</b>
F5 Abatement revenue has been prematurely recognized in the financial statements.	A journal entry was made by the finance department on 9/21/12 to properly record abatement receivables as deferred revenue. Based on the auditor's review of subsequent journal entries, it appears that deferred revenue is now being properly recorded.
F6 Weak control environment: Distrust and poor communication between employees and management create a weak control environment.	Leadership positions at Building and Codes have changed since the audit. The former director left the City and was replaced by another employee. The department has worked to improve the relationship between management and employees. Some policies have been changed to address concerns specifically noted by employees. Internal audit interviewed three current Building and Codes employees to assess the current work environment. Based on those interviews, it appears that improvements were made and the issues noted in the audit have been resolved.
OR1 Develop a clearly defined mission statement.	The Building and Codes department has a mission statement which is available on the department's website. As recommended, the mission statement was reviewed and approved by the Public Safety Committee on 10/17/12.
OR2 Proactively educate the public about Code requirements relating to grass, debris, property maintenance, etc.	Information about code requirements is available on the department's website. Additionally, the department has developed handouts/brochures that are given to the public. Building and Codes employees also occasionally attend home related events to publicize code requirements.
OR3 Improve the letter mailed to notify property owners of a violation.	Per the department, various improvements were made to the abatement letter including clarified wording, state and local ordinances as attachments, and a check box option for an appeals hearing.
OR4 Use alternative sources to identify the correct addresses of property owners when letters are returned.	Per the department, it seems that Building and Codes makes several attempts to locate property owners, including checking with CDE and Clarksville Gas & Water.