



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

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MEMORANDUM

To: Municipal Governments

From: Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

Subject: Accounting for Fees for Administrative Costs (fees) Received under *Tennessee Code Annotated* §40-39-201 et seq., Updated for Legislative Changes Effective July 1, 2008.

State statutes governing the sexual offender registry permit municipal governments to charge a fee not to exceed \$150 for registration. One hundred dollars (\$100) of which shall be retained by the designated law enforcement agency to be used for the purchase of equipment, to defray personnel and maintenance costs, and any other expenses incurred as a result of the implementation of the requirements under the Tennessee Sexual Offender and Violent Sexual Offender Registration, Verification, and Tracking Act of 2004. The remaining fifty dollars (\$50.00) shall be submitted by the registering agency to the TBI for maintenance, upkeep and employment costs, as well as any other expenses incurred.

Accounting for such fees may be handled in one of two ways: 1) the fees may be accounted for in the general fund; 2) the fees may be accounted for in a separate restricted fund. If the fees are accounted for in the general fund, a separate revenue account must be established to account for the revenue. Expenditures for the registry may be allocated or a reasonable composite cost may be calculated, as long as the municipality maintains the documentation to support the cost and the basis for allocation is reasonable. Any excess fees remaining at the end of the year would result in a reservation of fund balance. If the fees are accounted for in a separate fund, only eligible expenditures should be recorded in the fund.

Our office has received several questions regarding which municipal employee is responsible for collecting the fee, and the collection procedures to be followed. The law requires that the law enforcement agency having jurisdiction must have a secure connection to the registry database in order to enter registry data. However, this law does not mandate special collection procedures. Therefore, the municipality should follow normal operating procedures when collecting these fees. Should the governing body or the chief financial officer consider that a deviation from standard procedures is necessary, the alternative collection procedures must be constructed so that they comply with state and local laws and regulations and any additional requirements of the Comptroller's Office.