

2018 COUNTY CLERKS ORIENTATION

Comptroller of the Treasury
Division of Local Government Audit



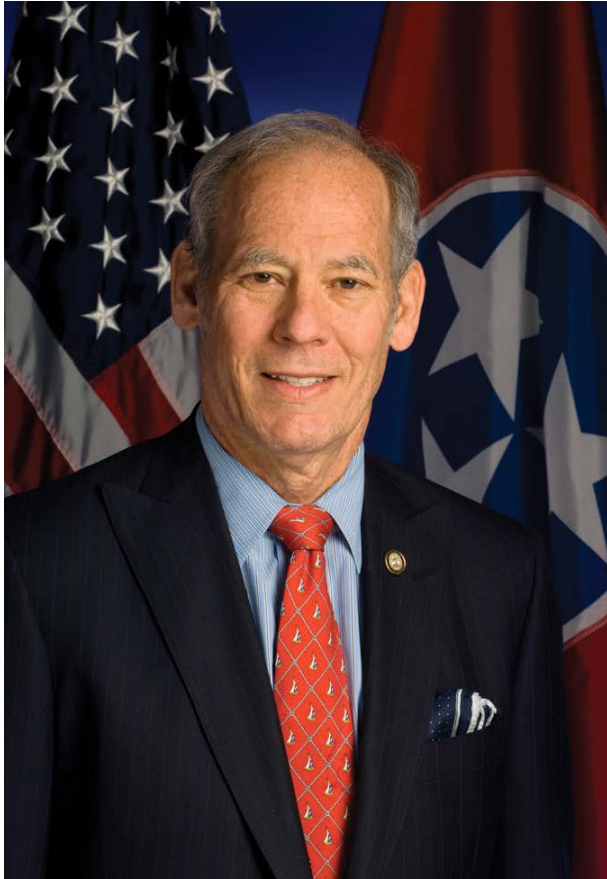
What I Want to Accomplish in this Presentation...

- ◆ Tell you about the Comptroller's Office
- ◆ Tell you about the Division of Local Government Audit
- ◆ Talk about your transition into office
- ◆ Tell you about the annual audit process
- ◆ Answer a question or two...

Constitutional Officers

- ◆ 3 Constitutional Officers:
 - Comptroller, Treasurer, Secretary of State
 - Elected by the General Assembly
- ◆ Comptroller and Treasurer elected every 2 years
- ◆ Secretary of State elected every 4 years

The "Money Cops"





Director
Local Government Audit
Jim Arnette



Needle in a Haystack



Mission

- ◆ **Mission – To make government work better**
- ◆ Core Values –
 - ◆ honesty and integrity – honest in all we do
 - ◆ accuracy and reliability – work must be relevant, correct, professional, dependable
 - ◆ accountability – accept personal responsibility

Comptroller Divisions

- ◆ Administration – provides overall direction, coordination, and supervision of all divisions
- ◆ State and Local Finance – responsible for state's debt management and assistance to local governments on budgets and debt obligations
- ◆ Open Records Counsel – contact for concerns for the accessibility of public records
- ◆ Small Business Advocate – information for businesses with 50 or fewer employees

Comptroller Divisions

- ◆ Property Assessments – provides oversight of the administration of the state’s property appraisal and assessment system
- ◆ Local Government – serves as the liaison to the U.S. Census Bureau’s Local Redistricting Data Program. Using Census data, produces local maps as well as publishes county commission district and voting precinct maps
- ◆ Research and Education Accountability – provides research and reports for the General Assembly - monitors performance of the state’s elementary and secondary school systems



Comptroller Divisions

- ◆ State Assessed Properties – conducts annual appraisals, assessments, and audits of public utility and transportation properties
- ◆ Board of Equalization – provides for reviews of property tax assessments, rates, and exemptions
- ◆ Audit – state and local government audits - composed of Local Government Audit, State Audit, and Investigations

Local Government Audit

- ◆ Employs approximately 100 people
- ◆ Main Office – Cordell Hull Building
- ◆ Regional Offices – Jackson, Nashville, Cookeville, and Knoxville
- ◆ Audit 90 counties, monitor 5 CPA counties
- ◆ Perform IS reviews, review funds administered by the DA's and the Judicial District Drug Task Forces, provide technical assistance, review contract audits of over 1,600 municipal governments/nonprofits/component units, refer utility systems to UMRB and WWFB

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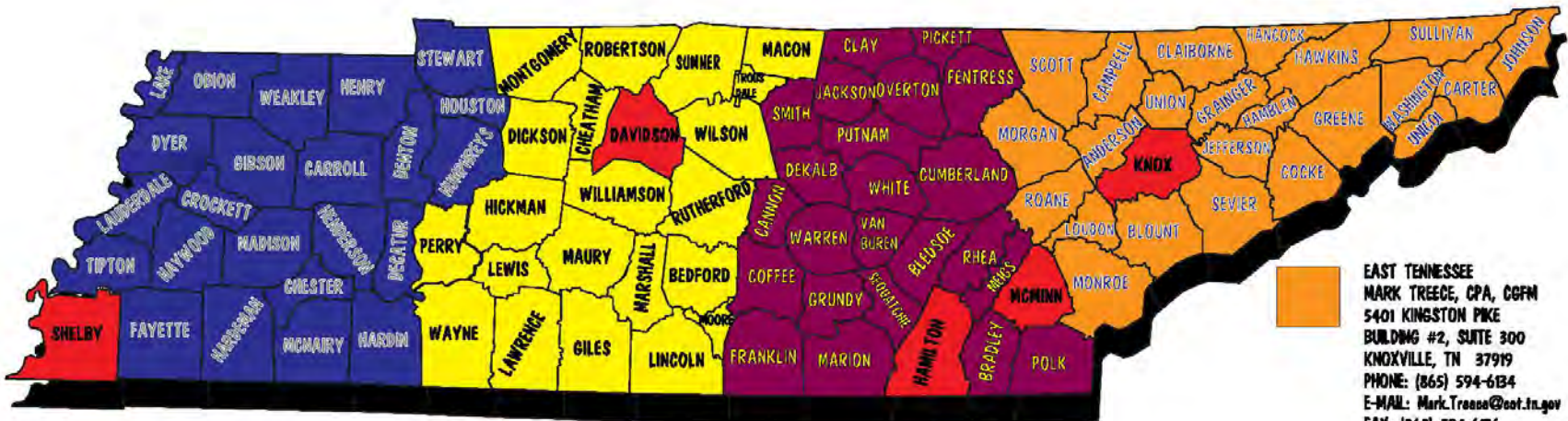
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COUNTIES AUDITED BY CPA FIRMS



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Local Government Audit

- ◆ Nashville Management Team: 1 director and 4 assistant directors (financial/compliance, IS, technical/contract audit, administration)
- ◆ Regional Office Staff: 1 manager, senior auditors, and approximately 13 auditors
- ◆ Regional Coverage: 21 to 23 counties each
- ◆ Auditors commute to work from their homes or telecommute

Audit Particulars

- ◆ Annual Audits: mayor, highways, BOE, trustee, county clerk, clerks of court, register, and sheriff
- ◆ Audit Time: varies from 600 to 2000 hours, depending upon county size and auditor experience level
- ◆ Audit Approach – risk based approach; using computers and various technologies
- ◆ Audit Cost – per capita audit fee

Statutory Requirement for Audit

- ◆ Section 4-3-304, Tennessee Code Annotated
 - Comptroller of the Treasury
 - Department of Audit
 - Required to make annually an audit of the records of the 95 counties
 - Can perform the audit or contract it out to a CPA firm

Transition of Officials - General

- ◆ Statutory requirement for the transfer of records and assets (Section 8-49-101, TCA)
- ◆ Desire a smooth transition for work to continue
- ◆ Make good staffing decisions
- ◆ May use outgoing officials records/bank accounts – change keys, locks, combinations, delete computer access
- ◆ Document cut-off of receipts, checks, financial records, inventories

Transition of Officials - Inventory

- ◆ Outgoing official - prepare an inventory of equipment, supplies, bank accounts, MVD, seized items, etc. at August 31
- ◆ Incoming official – prepare new inventory or confirm inventory of outgoing official
- ◆ Ideally both officials sign off on inventory

Transition of Officials – Bank Accounts

- ◆ May use same bank accounts as outgoing official (checking, investments, custodial) – change official’s name and obtain new signature cards effective September 1
- ◆ May open new accounts for transactions effective September 1, but old accounts would stay open for a period of time for outstanding items to clear, then closed at some point

Transition of Officials – Deputy Assistance

- ◆ Trustee, county clerks, clerks of courts, register, and sheriff – need either a court decree or letter of agreement for deputy hire (8-20-101, TCA)
- ◆ Deputies may be paid either through the fee and commission account or through the county's General Fund (preferred method)
- ◆ Ideal transition – hopefully able to retain existing experienced employees for continued uninterrupted service

Bonds/Insurance

- ◆ All elected officials must be bonded or be covered by an employee dishonesty insurance policy – see TCA for guidance and minimum amounts of bonds or insurance coverage

Standards

- ◆ Governed by Audit Standards set by:
- ◆ American Institute of CPAs
- ◆ Government Auditing Standards (GAS)
- ◆ Governmental Accounting Standards Board (GASB)
- ◆ Single Audit – Office of Management and Budget (OMB) – March 31 deadline
- ◆ Purpose of an Audit – the expression of an opinion based upon test work

The Audit Process

- ◆ Annual Audit (9-3-211, TCA) July through June
- ◆ Entrance Conference – meet the auditors/auditee’s staff, exchange information, learn what is to be expected by each, discuss time frame, discuss work space, etc.
- ◆ Letter of Representation – letter from client making certain representations to the auditor
- ◆ Auditors perform a risk assessment, develop audit plans, IS reviews, conduct field work

The Audit Process - Exit

- ◆ Exit Conference – with management, a formal written document noting any findings, recommendations, and discussion points
- ◆ Signed by official as evidence the topics have been discussed – should sign it whether you agree or disagree
- ◆ Everything on the exit may not be published
- ◆ Officials are encouraged to provide written responses to audit findings and must provide corrective action plans for all findings

The Audit Process - Exit

- ◆ Disagreement – provide auditor evidence the finding is wrong – if wrong the finding will be removed
- ◆ Disagreement – if official and auditor cannot agree – written response of official may be paraphrased in the final report
- ◆ Disagreement – auditor reserves the right to rebut or comment on the officials written response

The Audit Process – Time Frame

- ◆ Preliminary Work- F/C usually begins after Feb 1; last few weeks – IS reviews may be earlier
- ◆ After July 1 - books closed and auditor returns
- ◆ Field work completed – takes several weeks
- ◆ Draft report compiled, reviewed by area manager
- ◆ Report emailed to Nashville to the audit review manager

Report Distribution

- ◆ PDF report emailed to mayor, director of schools, highway official, and finance director(s)
- ◆ Summary of Audit Findings mailed/emailed to county commissioners, BOE, other local officials, local press, local library, local DA, applicable state senators and representatives, certain other state officials
- ◆ Audits are public documents posted to the Internet at www.comptroller.tn.gov



Review of Internal Control Framework

- ◆ Hire competent staff
- ◆ Policies and procedures designed to assist management to achieve goals and objectives
- ◆ Control environment – tone at the top, discipline, and structure
- ◆ Risk assessment – continual analysis of what can go wrong and how to mitigate deficiencies
- ◆ Control procedures – policies to ensure management directives are carried out

Review of Internal Control Framework

- ◆ Communications – how to enable people to carry out their responsibilities
- ◆ Monitoring – assess the quality of performance
- ◆ Examples of IC: segregation of duties, depositing in tact, various reconciliations, personnel policies and procedures, time and attendance records, individual cash drawers, budgets, purchasing procedures

KEY POINT – Authority is Permissive

- ◆ Remember – your authority to do almost anything is permissive – not prohibitive. The statutes must specifically allow an action on your part or you cannot do it.

Review of Compliance – Examples

- ◆ Salary authorizations (8-24-102, 8-24-104 TCA)
- ◆ Fees properly assessed (TCA)
- ◆ Excess fee reporting (8-22-104, TCA)
- ◆ Three-day deposits (5-8-207, TCA)
- ◆ Annual financial reports (5-8-505, TCA)
- ◆ Fraud reporting forms (8-4-501, TCA)
- ◆ Purchasing law compliance
- ◆ Debt agreements/policies

The Buck Stops With You

- ◆ The public is watching and reporting
- ◆ Complexity necessitates hiring qualified staff
- ◆ Complex accounting issues (investments, OPEB, retirement, debt instruments)
- ◆ Continuing professional education
- ◆ Audit committees
- ◆ Continual monitoring of staff performance
- ◆ Limited resources for operations
- ◆ Participate in COAT and the County Clerk's Association



CCFO

- ◆ Certified County Finance Officer – CCFO
 - Funding appropriated by the Legislature
 - ◆ Annual appropriation to CTAS
 - ◆ Reimburse CCFO candidates for expenses
 - ◆ \$1,000 stipend
 - **Voluntary program**
 - Curriculum consists of 11 courses:
 - ◆ Budgeting; Internal Control and Audit; Government Accounting; Financial Reporting; Cash Management; Debt Management; Payroll; Benefits and Pensions; Purchasing, Risk Management and Enterprise Resource Planning
 - 16 hours of annual CPE required

GOOD LUCK!!!

◆ Questions?

