2022 County Officials Orientation

Division of Local Government Audit

TENNESSEE COMPTROLLER OF THE TREASURY
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

- Three 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”
Needle in a Haystack
Director
Local Government Audit
Jim Arnette
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

- Local Government 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
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 110 people
- Main Office – Cordell Hull Building
- Regional Offices – Jackson, Nashville, Cookeville, and Knoxville
- Audit 91 counties, monitor audits of 4 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
Local Government Audit

- Nashville Management Team: 1 director and 3 assistant directors (financial/compliance, IS, technical/contract audit)
- Regional Office Staff: 1 manager, senior auditors, and 15 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, clerks of courts, register, and sheriff – need either a court decree or letter of agreement for employee hire (8-20-101, TCA)

• 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
The Audit Process - 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 workspace, 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 official’s 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 DA, your 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 intact, various reconciliations, personnel policies and procedures, time and attendance records, individual cash drawers, budgets, purchasing procedures
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
Information Systems and Cyber Threats

• Information System Best Practices
  tncot.cc/lga

• Cybersecurity Resources
  tncot.cc/cyberaware
The Buck Stops With You

• The public is watching and reporting
• Complexity necessitates hiring qualified staff
• Continuing professional education
• Audit committees
• Continual monitoring of staff performance
• Participate in COAT and the Clerk’s Association
CCFO

- Certified County Finance Officer – CCFO
  - Funding appropriated by the Legislature
    - Annual appropriation to CTAS
    - Reimburse eligible 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

TENNESSEE COMPTROLLER OF THE TREASURY
Local Government Audit Contacts

Bryan Burklin, CPA, CGFM, CFE  
Assistant Director-  
Financial & Compliance Audits  
Nashville, TN 37243  
Telephone: (615) 401-7841  
Bryan.Burklin@cot.tn.gov

Lee Ann West, CPA, CGFM  
Audit Manager - West  
Lowell Thomas State Office Building  
Tower A, 4th Floor, Suite 405  
Jackson, TN 38301  
Telephone: (615) 747-8843  
Lee.Ann.West@cot.tn.gov

Steve Reeder, CPA, CGFM  
Audit Manager - Mid-East  
1100 England Drive Suite 3B  
Cookeville, TN 38501  
Telephone: (615) 747-8809  
Steve.Reeder@cot.tn.gov

Greg Worley, CPA, CGFM  
Audit Review Manager  
Cordell Hull Building, 425 Rep. John Lewis Way N  
Nashville, TN 37243  
Telephone: (615) 401-7846  
Greg.Worley@cot.tn.gov

Jeff Bailey, CPA, CGFM, CFE  
Audit Manager - Middle TN  
Cordell Hull Building, 425 Rep. John Lewis Way N  
Nashville, TN 37243  
Telephone: (615) 401-7841  
Jeff.Bailey@cot.tn.gov

Mark Treece, CPA, CGFM  
Audit Manager - East  
5401 Kingston Pike  
Building #2 Suite 300  
Knoxville, TN 37919  
Telephone: (615) 747-8813  
Mark.Treece@cot.tn.gov
GOOD LUCK!!!

Penny Austin, Assistant Director

Penny.Austin@cot.tn.gov

615-401-7841