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 Finance – responsible for 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/components units, refer utility systems to UMRB and WWPB
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

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, etc. at August 31
- Incoming official – prepare new inventory or confirm inventory of outgoing official
- Ideally both officials sign off on inventory

Highway Officials - Inventory

- 54-7-112, TCA, requires a new highway official to file an inventory of equipment, supplies, etc., with the county governing body within 60 days of taking office, and annually thereafter.
- This inventory is subject to audit each year.
- Take this inventory seriously and document all additions and disposals as they occur.

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
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

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

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

- 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

County Uniform Road Law
Title 54 Chapter 7 Tennessee Code Annotated

- Duties
- Salary
- Bidding Requirements

Information Systems and Cyber Threats

- Information System Best Practices
tncot.cc/iga
- 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
- Limited resources for operations
- Participate in TCSA

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

Local Government Audit Contacts

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WORDS OF CAUTION

• Don't work on or place county materials on private property
• Maintain a County Road List in compliance with state statute and approved by commission each year. Don't work on roads not on this list.
• Follow all applicable purchasing statutes (including bidding requirements)
• Keep privately owned vehicles out of the garage area

GOOD LUCK!!!

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