2022 County Officials Orientation

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

• Three Constitutional Officers:
  • (1) Comptroller of the Treasury, (2) State Treasurer, (3) 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
Local Government Audit Director

Jim Arnette
Our Mission

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 Government Finance and 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
• Small Business Advocate – information for businesses with 50 or fewer employees
• Property Assessments – provides oversight of the administration of the state’s property appraisal and assessment system
Comptroller Divisions

• Research and Education Accountability – provides research and reports for the General Assembly - monitors performance of the state’s elementary and secondary school systems
• 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 telework
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
Transitition 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)
• Administrative Staff, deputies, and jailers paid through the county’s General Fund
• 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.
• Engagement Letter - written understanding of the terms of the audit with management
• 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

TENNESSEE COMPTROLLER OF THE TREASURY
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

TENNESSEE COMPTROLLER OF THE TREASURY
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

TENNESSEE COMPTROLLER OF THE TREASURY
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
- Debt agreements/policies
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
- Limited resources for operations
- Participate in Professional Organizations
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**
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GOOD LUCK!!!

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