2026 COUNTY TRUSTEE ORIENTATION

Comptroller of the Treasury

Division of Local Government Audit

Tennessee Comptroller of the Treasury

Objectives…

- Introduce you to the Comptroller's Office and the Division of Local Government Audit (LGA)
- Tell you about the annual audit process
- Talk about your transition into office
- Answer a question or two…

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Constitutional Officers

- Tennessee has three (3) Constitutional Officers:
  - Comptroller of the Treasury
  - Treasurer
  - Secretary of State
- Elected in a joint session of the General Assembly
  - Comptroller and Treasurer, every 2 years
  - Secretary of State elected every 4 years

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The "Money Cop"

Comptroller
Jason Mumpower

COT Mission:

Make Government Work Better

Core Values:

Honesty – integrity – accuracy – reliability - accountability

Comptroller Divisions

13 Divisions with over 600 employees

- Administration: (incl. **Open Records Counsel**)
- Office of Management Services
- Technology Solutions
- State Government Finance
- Office of Research and Education Accountability
- Health Provider Review

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Comptroller Divisions (cont.)

- **Local Government Finance**
- **Division of Property Assessments**
- **Office of State Assessed Properties**
- **Board of Equalization**
- Department of Audit:
  - **State Audit**
  - **Investigations**
  - **Local Government Audit (LGA)**

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Local Government Audit (LGA)

- Employs approximately 115 people
- Main Office – Cordell Hull Building, Nashville
- Regional Offices – Jackson, Cookeville, and Knoxville
- Perform audits in 91 counties, monitor 4 CPA counties
- Other duties:
  - Provide technical assistance and advice
  - Perform IS reviews
  - Review funds administered by the DA's and DTF
  - Review contract audits of over 1,600 municipal governments/nonprofits/component units
  - And more…

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TENNESSEE COMPTROLLER OF THE TREASURY

Division of Local Government Audit

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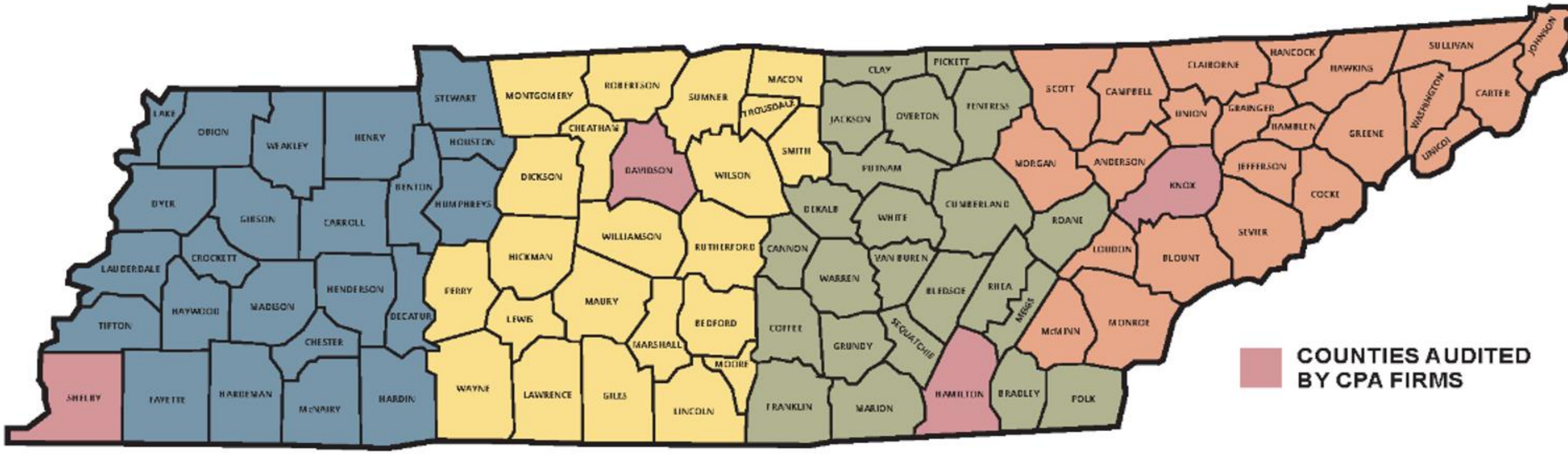

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May 2026

Director
Local Government Audit
Bryan Burklin

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LGA - Makeup

- Nashville Management Team: director, one assistant director, 2 principals (audit operations, audit quality and review), 2 review managers
- Regional Office Staff: each region has 1 manager, 4 senior auditors, and 15 auditors
- Regional Coverage: 22 to 23 counties each
- Auditors commute to work from their homes or telecommute

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Audits

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Audits – statutes and standards

- **Section 4-3-304**, *Tennessee Code Annotated (TCA)*
  - Comptroller's Department of Audit is required to make <u>annually</u> an audit of 95 counties
  - Auditors are a part of your office
- Governmental accounting and auditing are governed

  American Institute of CPAs (AICPA)

  Government Auditing Standards (GAS)

  Governmental Accounting Standards Board (GASB)

  Office of Management and Budget (OMB) - Single Audit

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Purpose of an Audit

To express an opinion about whether financial statements are materially misstated based upon work performed

Audit Particulars

- Post audit of the prior fiscal year – July 1 to June 30
- Offices Audited:
  - All elected officials, director of schools, and C/M
  - Exceptions: assessors and judges
- Audit Time: 600 to 2,000 hours (3 to 5 days/trustee)
- Audit Approach: Risk-based approach; test and sample
- Audit Assurance : reasonable assurance, not absolute
- Audit Cost: set by 9-3-210, *TCA* ($.47/capita)

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The Audit Process

- Mid-February through June:
  - Planning and preliminary fieldwork
  - Entrance Conference
    - Meet, exchange information, expectations, time frame, etc.
- July 1 through mid-February is “audit season”
- Auditors will spend several weeks in the county
- Finished work is reviewed and exits prepared
- Exit conferences – last thing done on-site

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The Audit Process - Exit

- The Exit Conference
  - A confidential, face-to-face meeting to review results
  - A formal confidential document is shared
    - Findings, recommendations, and discussion points
    - Exit conducted even if no findings are noted
  - Signed by official as evidence topics were discussed – not evidence of agreement
  - When findings occur, officials…:
    - …are encouraged to provide written responses
    - …<u>**must**</u> provide corrective action plans

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The Audit Process - Exit

- When disagreements arise:
  - We will have our documentation for the finding.
  - If shown we are wrong, the finding will be removed.
  - If the official and auditor cannot agree:
    - Official should write a response to be included in the final report (may be paraphrased for volume/clarity)
  - The auditor reserves the right to rebut or comment on the officials' written responses
    - "The power of the pen" belongs to us

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The Audit Process – Report Distribution

- A draft report is compiled and reviewed by area manager then sent to Nashville and subjected to several reviews
- About 2 days before public release:
  - PDF report emailed to mayor, director of schools, highway official, and finance director(s)
  - Summary of Audit Findings sent 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 COT website www.comptroller.tn.gov

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Transition into Office

Transition of Officials - General

- Section 8-49-101, *TCA*
  - Requires the transfer of records and assets to create a smooth transition for work to continue
- Document cut-off of receipts, checks, financial records, inventories
- May change keys, locks, combinations, but **must** delete computer access for outgoing personnel
- Audits **<u>are not</u>** performed on demand
- **Make prudent staffing decisions**

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Transition of Officials – Bank Accounts

- May use same bank accounts as outgoing official
  - Obtain new signature cards effective 9/1
- If new accounts are opened on 9/1, make sure not to close old accounts until outstanding items have cleared

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Transition of Officials - Inventory

- Outgoing official
  - Should prepare an inventory of equipment, supplies, bank accounts, etc. as of August 31
- Incoming official
  - Prepare new inventory or confirm inventory of outgoing official
- <u>Ideally</u> both officials sign off on inventory

Transition - Deputy Assistance

- **8-20-101, *TCA***
  - Requires trustee, clerks of courts, register, and sheriff – to have either a court decree or letter of agreement for employee hire
  - The agreement will show the number of deputies and the salaries
- Ideal transition – hopefully able to retain existing experienced employees for continued uninterrupted service

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Bonds/Insurance

- All elected officials **<u>must</u>** be bonded or be covered by an employee dishonesty insurance policy – see TCA for guidance and minimum amounts of bonds or insurance coverage
- CTAS can assist

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Trustees have 3 main duties:

- **8-11-104 *TCA***
  1. Collect property taxes
  2. Account for and disburse county funds (banker)
- **5-8-301 *TCA***
  3. Invest idle funds in accordance with statute
     - Safety
     - Liquidity
     - Yield

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Authority is Permissive

- Statutes are permissive – not prohibitive.
  - They tell you what you can do, not all the things you can't
  - Silence does not constitute permission
- The statutes must specifically allow an action, or it is not permitted
- **The burden of proof is yours**

Statutory Authority

- **5-8-301, TCA**
  - This statute authorizes investment and details specific investment options available to county governments.

A Guide to Investing Idle County Funds

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Common Investments

- Certificates of Deposits
- Local Government Investment Pool (LGIP)
- U.S. Government Securities
- Securities of States and Political Subdivisions

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Beware of the sales pitch…….

Check with the State Treasurer or the Comptroller's Office!

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Welcome to County Government

- You are not running a business
- You are a steward of county funds
- Statutes now guide your world – those statutes are spread throughout the *TCA*
  - Title 5 – general county operations
  - Title 8 – public officers and employees
  - Title 67 – taxes and licenses

Welcome to County Government

- You do not spend money – you collect and remit to various governments and agencies
- **All financial transactions (purchases/payroll) flow through the mayor or finance department – subject to applicable policies and procedures**
- A section of the General Fund budget is dedicated to operating your office – that budget, once passed by the commission, is the law

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Internal Controls are Required

- **9-18-102(a), *TCA***
  - Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government **shall establish and maintain internal controls**…
- Internal controls are not designed to be efficient, but to safeguard the county's assets
- LGA - ***Internal Control Manual***

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General Advice from an Auditor

- The public is watching and reporting
- Learn your craft – become an expert at it
- Hire and maintain qualified staff
- Participate in your office – be visible and lead
- Seek continuing professional education (learn)
- Participation in professional associations allow you to network and learn from your peers

You answer for your office!

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Miscellaneous Information

Tennessee requires county officials to report fraud, waste and abuse

- **T.C.A. 8-4-503(a)**
  - A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time to the office of the comptroller of the treasury.
- **T.C.A. 8-4-502**
  - Reasonable amount of time = no more than five (5) working days

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Local Government Audit Website

https://www.comptroller.tn.gov/office-functions/la

Fraud, Waste, and Abuse reporting:

Online or at 1-800-232-5454

Cyber Threats are real – be vigilant

- Information System Best Practices
- Cybersecurity Resources

https://www.comptroller.tn.gov/office-functions/la

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CCFO - Certified County Finance Officer

- Voluntary program to promote increased competency
- Funding annually appropriated by the Legislature to CTAS
  - Reimburses candidates for expenses + $1,000 stipend
- Curriculum consists of 11 courses:
  - Including - Internal Control and Audit; Budgeting; Governmental Accounting; Financial Reporting; Purchasing; etc.
- Requires 16 hours of annual CPE (provided by LGA)

https://www.comptroller.tn.gov/office-functions/la/e-services/certified-finance-officer-programs.html

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It’s always better to call the Comptroller, before the Comptroller calls you!

Congratulations and Good Luck!

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