

2023 ANNUAL APPOINTED AND ELECTED CLERK'S CONFERENCE

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
- ◆ Tell you about the annual audit process
- ◆ Review some relevant statutes
- ◆ Data Processing Fees

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"



Our Boss

Jim Arnette, Director



Mission Statements

Comptroller Mission Statement:

Make Government Work Better



Mission Statements

LGA Mission Statement:

To make government work better by providing
timely, quality audits of Tennessee local
governments and related agencies.



Our Core Values

◆ Honesty and Integrity

We must be honest in all we do and say to reflect the highest degree of integrity.

◆ Accuracy and Reliability

The work we produce must be relevant, correct, professional, objective and timely. Decision-makers and the public must be able to depend on our work.

◆ Accountability

We must accept personal responsibility for the work each of us performs and the division must take organizational responsibility for the work we perform collectively.

Comptroller Divisions

- ◆ Administration – provides overall direction, coordination, and supervision of all divisions
- ◆ Local Government Finance – responsible for assistance and approval for local governments' 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



Division of Local Government Audit

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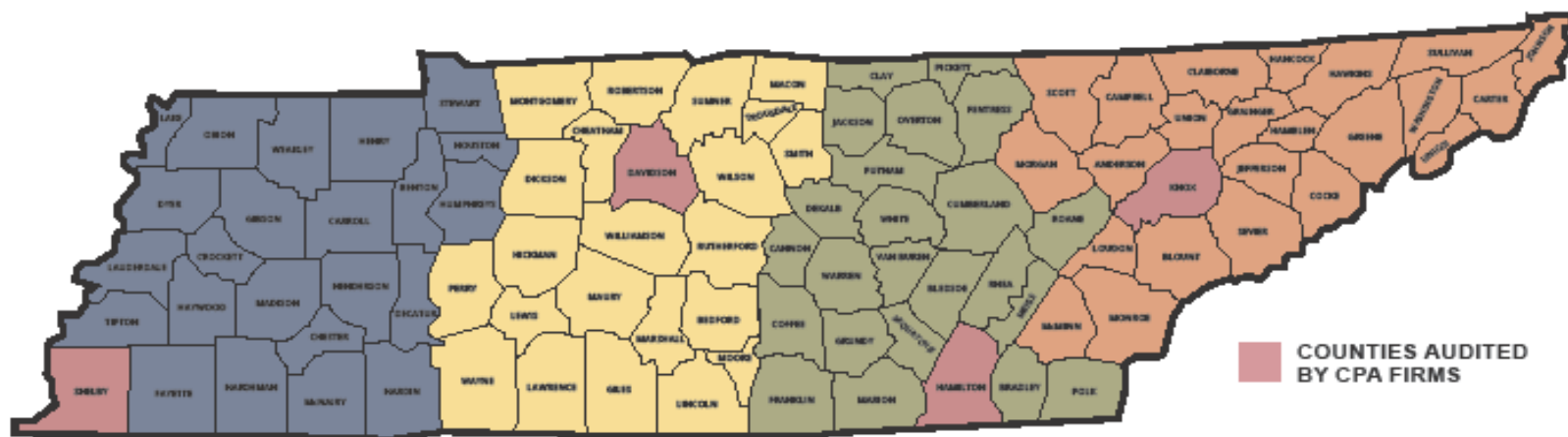
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**COUNTIES AUDITED
BY CPA FIRMS**

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Local Government Audit

- ◆ Employs approximately 110 people
- ◆ Main Office – Cordell Hull Building
- ◆ Regional Offices – Jackson, Nashville, Cookeville, and Knoxville
- ◆ Audit 91 counties, monitor 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, administration, and IS)
- ◆ Regional Office Staff: 1 manager, senior auditors, and approximately 15 auditors
- ◆ Regional Coverage: 22 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

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.
- ◆ 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 responses

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

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.

SOME RELEVANT STATUTES

- ◆ Fees properly authorized and assessed
(Various Statutes) (some specifics later)
- ◆ Excess fees properly reported
(Section 8-22-104, TCA)
- ◆ Annual financial report filed
(Section 5-8-505, TCA)

SOME RELEVANT STATUTES

(Cont.)

- ◆ OFFICIAL BANK ACCOUNT (5-8-207, *TCA*)
 - Requires the establishment of an official bank account, and
 - The account is properly collateralized, and
 - All disbursements from account are made by pre-numbered, official checks.

SOME RELEVANT STATUTES

(Cont.)

- ◆ Compensation (Salary) Statute (8-24-102, *TCA*)
- ◆ Docket Trial Balance (18-2-103, *TCA*)
- ◆ Official Bond of Official (18-2-201, *TCA*)
- ◆ Pre-numbered Receipts Required (9-2-103, *TCA*)
- ◆ Various traffic & DUI fine guidelines (Title 55, *TCA*)

SOME RELEVANT STATUTES (Cont.)

- ◆ A lot of duties specific to various court clerks contained in **TITLE 18, TCA**
 - *General provisions and duties in Chapter 1*
 - *Criminal, Circuit, Special and General Sessions in Chapter 4*
 - *Chancery Court in Chapter 5*

SOME RELEVANT STATUTES (Cont.)

- ◆ Fees and Fines are authorized throughout the entire *TCA*. Some common references:
 - Title 8, Chapter 21 authorizes several fees (commission on taxes, data entry fees, electronic filing fee, etc.)
 - Title 16 authorizes several fees (data processing fees, drug court fines, fine for G.S. Judge's salary, etc.)

SOME RELEVANT STATUTES

(Cont.)

◆ Special Commissioners

- Authorization and appointment (8-21-801, *TCA*)
- Fees limited to 3% of the amount of sales (8-21-401(i)(7), *TCA*)

SOME RELEVANT STATUTES

(Cont.)

◆ Unclaimed Property

- Definition of abandoned property (66-29-110, *TCA*)
- Requires reporting of unclaimed property (66-29-113, *TCA*)
- Requires payment of the amount reported to state treasurer (66-29-115, *TCA*)

Data Processing Fees

◆ Section 8-21-401(j)(1)(2)

- ◆ **Earmarked Funds for Computerization.**(1) Out of all the general filing fees charged by court clerks, two dollars (\$2.00) of the amount collected shall be earmarked for computer hardware purchases or replacement, but may be used for other usual and necessary computer related expenses at the discretion of the clerk. Such amount shall be preserved for these purposes and shall not revert to the general fund at the end of a budget year if unexpended.

Data Processing Fees - Usage

- ◆ Computer Hardware purchases including computers, printers, monitors, scanners, etc.
- ◆ Computer Software
- ◆ Monthly Technology Fees
- ◆ Any other computer related expenses

Data Processing Fees

- ◆ Clerks should keep up with their balances
- ◆ Work in conjunction with the Finance Department or Mayor's Office
- ◆ Purchases still need approval by the County Commission

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

THANKS!

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