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COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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January 10, 2006

Henry County Mayor and
Board of County Commissioners
Henry County, Tennessee

To the County Mayor and County Commissioners:

In conjunction with the annual audit of Henry County, we have performed a limited review of the information systems in the Offices of County Mayor, County Road Supervisor, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff as of December 21, 2005. This letter transmits the results of our review.

Our audit of Henry County is required to be conducted in accordance with standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards specify that we perform general and application control reviews of computer-based accounting and information systems to determine whether an entity's existing procedures and controls provide adequate assurance of data accuracy and financial and operating statement reliability.

Because of inherent limitations in any internal control structure, errors, irregularities, or control weaknesses may exist and may not be detected. However, our information system reviews performed in the Offices of County Road Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register did not reveal any matters that we considered to be a reportable condition. Reportable conditions, however, were identified in the Offices of County Mayor, Director of Schools, and Sheriff. These reportable conditions may be included in the annual financial report of Henry County. These matters are also presented in detail in the enclosed Review of Internal Controls Regarding Information Systems Operations – Findings and Recommendations.

A brief summary of the reportable conditions by office is presented below:

COUNTY MAYOR

1. The office had deficiencies involving its check-signing machine.

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DIRECTOR OF SCHOOLS

1. The office had deficiencies in computer system back-up procedures.
2. The office had deficiencies involving its check-signing machine.

SHERIFF

1. Adequate inventory records were not maintained.
2. The office did not have formal policies and procedures for computer operations.

Please contact Penny Austin, Information Systems Audit Manager, or me if you have any questions regarding our review of the information systems in the aforementioned offices of Henry County, Tennessee.

Sincerely,



Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable Ray Norwood, County Road Supervisor
The Honorable Rick Kriesky, Director of Schools
The Honorable Judy McClanahan, Trustee
The Honorable Jerry Bomar, County Clerk
The Honorable Rondall Myers, Circuit and General Sessions Courts Clerk
The Honorable Mary Burns, Clerk and Master
The Honorable Alice D. Webb, Register
The Honorable David Bumpus, Sheriff
Mr. Norm Norment, West Tennessee Audit Manager

HENRY COUNTY, TENNESSEE
REVIEW OF INTERNAL CONTROLS REGARDING INFORMATION
SYSTEM OPERATIONS — FINDINGS AND RECOMMENDATIONS
AS OF DECEMBER 21, 2005

The review of controls over the information systems in the Offices of County Mayor, Director of Schools, and Sheriff indicated a need for improvement. It should be noted that this was the first information systems review to be performed in the Office of Sheriff. The following findings and recommendations have been made to aid these offices in the implementation of controls to better secure their computer systems and the information contained therein. We reviewed these matters with management to provide an opportunity for their response. The written responses of the county mayor and director of schools are paraphrased in this report. The sheriff offered oral responses we did not include in this report.

OFFICE OF COUNTY MAYOR

THE OFFICE HAD DEFICIENCIES INVOLVING ITS
CHECK-SIGNING MACHINE

1. FINDING

The office used a mechanical check-signing machine to affix the official's signature. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all checks.

RECOMMENDATION

Adequate internal controls should be maintained over the use of the mechanical signature device. The machine should have a counter that cannot be reset indicating the total number of checks processed.

MANAGEMENT'S RESPONSE

We concur. However, until the current machine becomes inoperable and the county commission commits funds for the purchase of a new machine, we will continue to use this machine.

OFFICE OF DIRECTOR OF SCHOOLS

THE OFFICE HAD DEFICIENCIES IN COMPUTER
SYSTEM BACK-UP PROCEDURES

1. FINDING

System backups were not stored off site. In the event of a disaster, all back-up data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Weekly backups should be rotated off site on a weekly basis. Year-end backups should be stored off site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

MANAGEMENT'S RESPONSE

We will update our documentation and procedures in order to comply with this finding.

**THE OFFICE HAD DEFICIENCIES INVOLVING ITS
CHECK-SIGNING MACHINE**

2. FINDING

The office used a mechanical check-signing machine to affix the official's signature. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all checks.

RECOMMENDATION

Adequate internal controls should be maintained over the use of the mechanical signature device. The machine should have a counter that cannot be reset indicating the total number of checks processed.

MANAGEMENT'S RESPONSE

We will replace our existing check-signing machine, provided that the ability to purchase is within the constraints of our current budget. We will prioritize a new machine into the budget for next year if purchase is not possible during the current fiscal year.

OFFICE OF SHERIFF

RECOMMENDATIONS

1. ADEQUATE INVENTORY RECORDS SHOULD BE MAINTAINED

Inventory records should be established and maintained to properly account for all computer equipment. Furthermore, personnel who are independent of maintaining the inventory records should periodically verify inventories.

2. **MANAGEMENT SHOULD FORMALLY DOCUMENT POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system startup/shutdown, application access, system access security, system backup and retention schedules, output distribution, hardware/software maintenance, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

PRIOR AUDIT RECOMMENDATIONS IMPLEMENTED
(Ref: Review of Internal Controls Regarding
Information System Operations as of March 5, 2003)

OFFICE OF COUNTY ROAD SUPERVISOR

| Finding Number | Page Number | Subject |
|-----------------------|--------------------|---|
| 1 | 1 | The office did not implement adequate controls to protect its information resources |