July 21, 2005

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

To the County Mayor and County Commissioners:

In conjunction with the annual audit of Lake County, we have performed a limited review of the information systems in the Offices of County Mayor, Road Superintendent, Director of Schools, Trustee, Circuit and General Sessions Courts Clerk, and Register as of July 6, 2005. This letter transmits the results of our review.

Our audit of Lake 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 Road Superintendent, Director of Schools, Trustee, and Circuit and General Sessions Courts Clerk did not reveal any matters that we considered to be a reportable condition. Reportable conditions were identified in the Offices of County Mayor and Register. These reportable conditions may be included in the annual financial report of Lake County. These matters are also presented in detail in the enclosed Review of Internal Controls Regarding Information System Operations - Findings and Recommendations.

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

COUNTY MAYOR

1. The Ambulance Service did not maintain adequate inventory records.
2. The Ambulance Service did not have formal policies and procedures for computer operations.
3. The Ambulance Service had deficiencies in computer system back-up procedures.
4. The Ambulance Service did not develop a disaster recovery plan.

To the County Mayor and
Board of County Commissioners
Lake County, Tennessee
July 21, 2005
Page 2

REGISTER

1. The office did not have formal policies and procedures for computer operations.

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

Sincerely,

Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable William Cantrell, Road Superintendent
     The Honorable Joel Hassell, Director of Schools
     The Honorable Tammie Hopper, Trustee
     The Honorable Deborah Beasley, Circuit and General Sessions Courts Clerk
     The Honorable Claudia Adcock, Register
     Mr. Norm Norment, West Tennessee Audit Manager

The review of controls over the information systems in the Offices of County Mayor and Register indicated a need for improvement. It should be noted that this was the first information system review performed in the Office of Register and the Ambulance Service, which is under the supervision of the Office of County Mayor. The following 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. Management offered oral responses to these items but did not submit written responses. Oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

RECOMMENDATIONS

1. ### ADEQUATE INVENTORY RECORDS WERE NOT MAINTAINED

   Inventory records for the Ambulance Service should be established and maintained to properly account for assets, as required by generally accepted accounting principles. 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 of the Ambulance Service 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.

3. ### SYSTEM BACK-UP PROCEDURES SHOULD BE IMPROVED

   The following procedures regarding the system back-up process at the Ambulance Service should be implemented:

   1. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off site on a weekly basis.
   2. A complete systems backup should be performed at fiscal year-end. These backups should be stored off site.
   3. A secure, fireproof location should be used to store weekly and yearly backups. 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.
   4. A current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

4.   **<u>THE OFFICE SHOULD DEVELOP A DISASTER RECOVERY PLAN</u>**

Management of the Ambulance Service should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operation site, as well as the adequate backup of data files, system programs, user documentation, supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

<u>OFFICE OF REGISTER</u>

<u>RECOMMENDATION</u>

1.   **<u>MANAGEMENT SHOULD FORMALLY DOCUMENT POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS</u>**

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.

<u>PRIOR AUDIT RECOMMENDATIONS IMPLEMENTED</u>
(Ref: Review of Internal Controls Regarding Information System Operations as of August 16, 2002)

<u>OFFICE OF COUNTY MAYOR</u>

Finding Number	Page Number	Subject
1	1	The Office Had Deficiencies in Computer System Back-up Procedures
2	1	The Office Did Not Implement Adequate Controls to Protect Its Information Resources