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November 30, 2005

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

To the County Mayor and County Commissioners:

In conjunction with the annual audit of Lauderdale County, we have performed a limited review of the information systems in the Offices of County Mayor, Highway Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, and Register as of October 20, 2005. This letter transmits the results of our review.

Our audit of Lauderdale 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 Mayor, Highway Commissioner, County Clerk, Circuit and General Sessions Courts Clerk, and Register did not reveal any matters that we considered to be a reportable condition. Reportable conditions; however, were identified in the Offices of Director of Schools and Trustee. These reportable conditions may be included in the annual financial report of Lauderdale 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:

DIRECTOR OF SCHOOLS

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

To the County Mayor and
Board of County Commissioners
Lauderdale County, Tennessee
November 30, 2005
Page 2

TRUSTEE

1. The office did not implement adequate controls to protect its information resources.
2. The office had deficiencies in computer system back-up procedures.

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 Lauderdale County, Tennessee.

Sincerely,



Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable Roland Henderson, Highway Commissioner
The Honorable Phillip Jackson, Director of Schools
The Honorable Steve Carmack, Trustee
The Honorable Carolyn McBroom, County Clerk
The Honorable Richard Jennings, Circuit and General Sessions Courts Clerk
The Honorable Annie Laura Jennings, Register
Mr. Norm Norment, West Tennessee Audit Manager

**LAUDERDALE COUNTY, TENNESSEE
REVIEW OF INTERNAL CONTROLS REGARDING INFORMATION
SYSTEM OPERATIONS-FINDINGS AND RECOMMENDATIONS
AS OF OCTOBER 20, 2005**

The review of controls over system operations involving the information systems in the Offices of Director of Schools and Trustee indicated a need for improvement. 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 director of school's written response is included in this report. The other official offered oral responses but we did not include them in this report.

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

Backups should be rotated off site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These 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 - DIRECT QUOTE

Backup tapes are created each workday. The tapes are stored in a fire-proof cabinet onsite or in a safe deposit box offsite. There is no order to storing offsite. A backup tape will be stored offsite in the safe deposit box on a weekly basis. The year-end backup tapes and payroll W-2 diskettes are stored offsite.

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

2. FINDING

A mechanical signing machine was used to affix the official's signature. The mechanical counter on the machine could be reset; therefore, we could not ensure that all warrants were accounted for or not.

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 warrants processed.

MANAGEMENT'S RESPONSE – DIRECT QUOTE

No action is planned at this time regarding the recommendation. A new machine with a counter would add some degree of control. However, it is difficult financially to buy a new machine to replace one that is operational.

OFFICE OF TRUSTEE

THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES

1. FINDING

The office did not implement adequate controls to protect its information resources. The failure to provide such controls increases the risk that individuals could inappropriately access and manipulate the county's computer system, software applications, and sensitive information.

This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented. Also, the office should take steps to establish or improve any compensating controls until these conditions are remedied.

**THE OFFICE HAD DEFICIENCIES IN COMPUTER
SYSTEM BACK-UP PROCEDURES**

2. FINDING

The following weaknesses regarding computer system back-up procedures in the office were identified:

- A. 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.
- B. A back-up log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

RECOMMENDATION

Backups should be rotated off site on a weekly basis. 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. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

PRIOR AUDIT RECOMMENDATIONS IMPLEMENTED

(Ref: Report on Internal Controls Regarding Information
System Operations as of January 24, 2003)

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
1	1	The office did not implement adequate controls to protect its information resources
2	1	Sufficient user documentation for the operating system and software application was not maintained
3	2	The office did not use its automated accounting system
4	2	The office did not implement adequate controls to protect its information resources