



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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December 2, 2005

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

To the County Mayor and County Commissioners:

In conjunction with the annual audit of Morgan County, we have performed a limited review of the information systems in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Register, and Director of Finance as of November 1, 2005. This letter transmits the results of our review.

Our audit of Morgan 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 Trustee, Circuit and General Sessions Courts Clerk, and Register did not reveal any matters that we considered to be a reportable condition. A reportable condition, however, was identified in the Office of Director of Finance. This reportable condition may be included in the annual financial report of Morgan County. This matter is also presented in detail in the enclosed Review of Internal Controls Regarding Information Systems Operations – Findings and Recommendations.

A brief summary of the reportable condition is presented below:

DIRECTOR OF FINANCE

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

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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 Morgan County, Tennessee.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard V. Norment", with a long horizontal flourish extending to the right.

Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable Joyce Northrup, Trustee
The Honorable Rachel Smith, Circuit and General Sessions Courts Clerk
The Honorable Sandy L. Dalton, Register
Mr. Gary Howard, Director of Finance
Mr. Clifford Tucker, East Tennessee Audit Manager

**MORGAN COUNTY, TENNESSEE
REVIEW OF INTERNAL CONTROLS REGARDING INFORMATION
SYSTEM OPERATIONS — FINDINGS AND RECOMMENDATIONS
AS OF NOVEMBER 1, 2005**

The review of controls over the information system in the Office of Director of Finance indicated a need for improvement. The following finding and recommendation have been made to aid this office in the implementation of controls to better secure its computer system and the information contained therein. We reviewed this matter with management to provide an opportunity for their response. The written response of the director of finance is paraphrased in this report.

OFFICE OF DIRECTOR OF FINANCE

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

1. FINDING

The office used a mechanical check-signing machine to affix the signatures of the director of finance and the director of schools. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all warrants. Also, officials had not obtained the approval of the comptroller of the treasury to use a mechanical signature device as required by Section 5-21-116, Tennessee Code Annotated.

RECOMMENDATION

The school system should obtain the approval of the comptroller of the treasury for the use of a mechanical signature device as required by state statute. 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

I have requested approval to use this machine and have permanently disabled the reset feature on the counter in order to allow a proper audit of checks processed.