



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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May 16, 2006

Rhea County Executive and
Board of County Commissioners
Rhea County, Tennessee

To the County Executive and Board of County Commissioners:

In conjunction with the annual audit of Rhea County, we have performed a limited review of the information systems in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Finance Director as of April 7, 2006. This letter transmits the results of our review.

Our audit of Rhea 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 Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, Sheriff, and Finance Director did not reveal any matters that we considered to be a reportable condition. Reportable conditions, however, were identified in the Office of Trustee. These reportable conditions may be included in the annual financial report of Rhea 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 is presented below:

TRUSTEE

1. The office did not have formal policies and procedures for computer operations.
2. Sufficient user documentation for computer hardware, the operating system, and software applications was not maintained.
3. The office did not develop a disaster recovery plan.
4. The office maintained a duplicate set of accounting records.

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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 Rhea County, Tennessee.

Sincerely,



Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable Freddie Morgan, Trustee
The Honorable Linda Shaver, County Clerk
The Honorable Regina Metts, Circuit and General Sessions Courts Clerk
The Honorable John Fine, Clerk and Master
The Honorable Gladys Best, Register
The Honorable Mike Neal, Sheriff
Mr. Brad Harris, Finance Director
Mr. Carl Lowe, Mid-East Audit Manager

RHEA COUNTY, TENNESSEE
REVIEW OF INTERNAL CONTROLS REGARDING INFORMATION
SYSTEM OPERATIONS — FINDINGS AND RECOMMENDATIONS
AS OF APRIL 7, 2006

The review of controls over the information system in the Office of Trustee indicated a need for improvement. The following findings and recommendations 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 these matters with management to provide an opportunity for their response. Management offered oral responses to these items but did not submit written responses. The oral responses have not been included in this report.

OFFICE OF TRUSTEE

THE OFFICE DID NOT HAVE FORMAL POLICIES AND
PROCEDURES FOR COMPUTER OPERATIONS

1. FINDING

The office did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

SUFFICIENT USER DOCUMENTATION FOR COMPUTER
HARDWARE, THE OPERATING SYSTEM, AND SOFTWARE
APPLICATIONS WAS NOT MAINTAINED

2. FINDING

The office did not maintain formal user documentation pertaining to the accounting software, operating system, and computer hardware components. This documentation is necessary to provide users with information regarding system maintenance, system inputs, application processing requirements, output definitions, and system recovery. Inadequate documentation may result in inaccurate and inefficient processing of applications.

RECOMMENDATION

The office should maintain user documentation pertaining to all software applications, the operating system, and computer hardware components. Management should contact their vendor and obtain current user documentation for all components of their computer system.

THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN

3. FINDING

The office did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired or a back-up facility could be found and made operational.

RECOMMENDATION

Management 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 operations 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.

THE OFFICE MAINTAINED A DUPLICATE SET OF ACCOUNTING RECORDS

4. FINDING

As of the date of our information system review, the office maintained both manual and automated accounting records. The manual posting, totaling, and tracking of accounting records is not only inefficient but increases the likelihood of errors.

RECOMMENDATION

The office should discontinue maintaining a duplicate set of accounting records. Accounting records should be maintained electronically giving consideration to the costs associated with the acquisition and on-going maintenance of the computer system and additional labor costs for maintaining manual accounting records.

PRIOR AUDIT RECOMMENDATIONS IMPLEMENTED

(Ref: Review of Internal Controls Regarding
Information System Operations as of June 15, 2004)

OFFICE OF REGISTER

| Finding Number | Page Number | Subject |
|---------------------------|------------------------|---|
| 1 | 1 | The office had deficiencies in computer system back-up procedures |