

Executive Department

January 2003

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

**John G. Morgan
Comptroller**

March 13, 2003

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Executive Department through January 14, 2003.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/mb
03/029



**STATE OF TENNESSEE
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DEPARTMENT OF AUDIT
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January 14, 2003

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Executive Department through January 14, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Executive Department's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Executive Department is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA,
Director

AAH/mb

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Executive Department
January 2003

AUDIT SCOPE

We have audited the Executive Department through January 14, 2003. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the Financial Integrity Act. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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**Audit Report
Executive Department
January 2003**

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Executive Department January 2003

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Executive Department. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Governor is the chief executive of the state and holds the office for a four-year term. The Tennessee Constitution permits the Governor to serve two consecutive four-year terms.

The Governor’s constitutional duties, in addition to being chief executive, include serving as commander-in-chief of the Army and Navy of the state; granting reprieves and pardons; convening the General Assembly in extraordinary sessions by proclamation; reporting to the General Assembly information on the state of the government and recommending for their consideration such measures as he judges expedient; sealing and signing all grants and commissions in the name and by the authority of the State of Tennessee; and signing or vetoing bills passed by both houses of the General Assembly.

AUDIT SCOPE

We have audited the Executive Department through January 14, 2003. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the Financial Integrity Act. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards

applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUES

The objectives of our review of the controls and procedures over revenues were to determine whether

- revenue transactions were recorded accurately in accounting records and were properly documented,
- cash collected during the audit period was deposited timely and accounted for in the appropriate fiscal year,
- auditee records were reconciled with Department of Finance and Administration reports, and
- receipts were issued for all cash received.

We interviewed key personnel to gain an understanding of the department's procedures and controls over revenues. We also reviewed supporting documentation and tested revenue transactions to determine if the transactions were recorded accurately in the accounting records and were properly documented, cash collected during the audit period was deposited timely and accounted for in the appropriate fiscal year, auditee records were reconciled with Department of Finance and Administration reports, and receipts were issued for all cash received.

Based on our review of supporting documentation and our revenue transaction testwork, we determined that revenue transactions were recorded accurately in the accounting records and were properly documented, cash collected during the audit period was deposited timely and accounted for in the appropriate fiscal year, auditee records were reconciled with Department of Finance and Administration reports, and receipts were issued for all cash received.

EXPENDITURES

The objectives of our review of the controls and procedures over expenditures were to determine whether

- expenditures were for goods and services authorized and received;
- expenditures were properly recorded by account, budget category, period, and amount;
- payments were made in a timely manner;
- auditee records were reconciled with Department of Finance and Administration reports;
- payments for travel were paid in accordance with the state's Comprehensive Travel Regulations;
- funds encumbered were liquidated for the same purpose as the original encumbrance; and
- the purpose of state aircraft usage was adequately documented.

We interviewed key personnel to gain an understanding of the department's procedures and controls over expenditures. We also reviewed supporting documentation and tested a nonstatistical sample of expenditure transactions to determine whether expenditures were for goods and services authorized and received; expenditures were properly recorded by account, budget category, period, and amount; payments were made in a timely manner; auditee records were reconciled with Department of Finance and Administration reports; payments for travel were paid in accordance with the state's Comprehensive Travel Regulations; funds encumbered were liquidated for the same purpose as the original encumbrance; and the purpose of state aircraft usage was adequately documented.

Based on our interviews, reviews of supporting documentation, and testwork, we determined that expenditure transactions were for goods and services authorized and received; expenditures were properly recorded by account, budget category, period, and amount; payments were made in a timely manner; auditee records were reconciled with Department of Finance and Administration reports; payments for travel were made in accordance with the state's Comprehensive Travel Regulations; funds encumbered were liquidated for the same purpose as the original encumbrance; and the purpose of state aircraft usage was adequately documented.

EQUIPMENT

The objectives of our review of the controls and procedures over equipment were to determine whether

- equipment items were adequately safeguarded,
- the department's equipment as listed in the Property of the State of Tennessee (POST) system represented an accurate and complete listing of assets on hand,
- lost or stolen equipment was properly reported to the Comptroller's Office and deleted from POST, and
- equipment purchased during the audit period was properly recorded in POST.

We interviewed key personnel to gain an understanding of the department's procedures and controls over equipment. We reviewed supporting documentation and tested a nonstatistical sample of equipment items from POST and the State of Tennessee Accounting and Reporting System (STARS) to determine if equipment items were adequately safeguarded, the department's equipment as listed in POST represented an accurate and complete listing of assets on hand, lost or stolen equipment was properly reported to the Comptroller's Office and deleted from POST, and equipment purchased during the audit period was properly recorded in POST.

Based on our interviews, review of supporting documentation, and testwork, we determined that equipment items were adequately safeguarded, the department's equipment as listed in POST represented an accurate and complete listing of assets on hand, lost or stolen equipment was properly reported to the Comptroller's Office and deleted from POST, and equipment purchased during the audit period was properly recorded in POST.

PAYROLL AND PERSONNEL

The objectives of our review of controls and procedures over payroll and personnel were to determine whether

- payroll disbursements were made only for work authorized and performed,
- payroll disbursements were recorded correctly by amount and time period, and
- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations.

We interviewed key personnel to gain an understanding of the department's procedures and controls over payroll and personnel. We tested a nonstatistical sample of payroll transactions and personnel files to determine if payroll disbursements were made only for work authorized and performed, payroll disbursements were recorded correctly by amount and time period, and payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations.

Based on our interviews, reviews of supporting documentation, and testwork, we determined that payroll disbursements were made only for work authorized and performed, payroll disbursements were recorded correctly by amount and time period, and payroll was

computed using rates and other factors in accordance with contracts and relevant laws and regulations.

FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30 each year.

Our objective was to determine whether the department's June 30, 2002, responsibility letter was filed in compliance with Section 9-18-104, *Tennessee Code Annotated*.

We reviewed the June 30, 2002, responsibility letter submitted to the Comptroller of the Treasury and to the Department of Finance and Administration to determine adherence to the submission deadline. We determined that the Financial Integrity Act responsibility letter was submitted on time.

APPENDIX

ALLOTMENT CODES

Executive Department allotment codes:

315.01	Governor's Office
315.02	Intergovernmental Conference
315.04	Gubernatorial Transition Team
315.05	Homeland Security