

Office of the Attorney General and Reporter

June 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**

June 26, 2003

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Frank F. Drowota, III
Chief Justice of the Supreme Court
307 Supreme Court Building
Nashville, Tennessee 37243
and

The Honorable Paul G. Summers
Attorney General and Reporter
114 John Sevier Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Office of the Attorney General and Reporter for the period July 1, 2000, through April 30, 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/th
03/074



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

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May 28, 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 Office of the Attorney General and Reporter for the period July 1, 2000, through April 30, 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 Office of the Attorney General and Reporter's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Office of the Attorney General and Reporter is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings. We have reported other less significant matters involving the office's internal controls to management in a separate letter.

Sincerely,

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

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Office of the Attorney General and Reporter
For the Period July 1, 2000, Through April 30, 2003

AUDIT SCOPE

We have audited the Office of the Attorney General and Reporter for the period July 1, 2000, through April 30, 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, tax refund reviews, and computer system security. 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, please contact

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Audit Report
Office of the Attorney General and Reporter
For the Period July 1, 2000, Through April 30, 2003

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Office of the Attorney General and Reporter For the Period July 1, 2000, Through April 30, 2003

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Office of the Attorney General and Reporter. 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

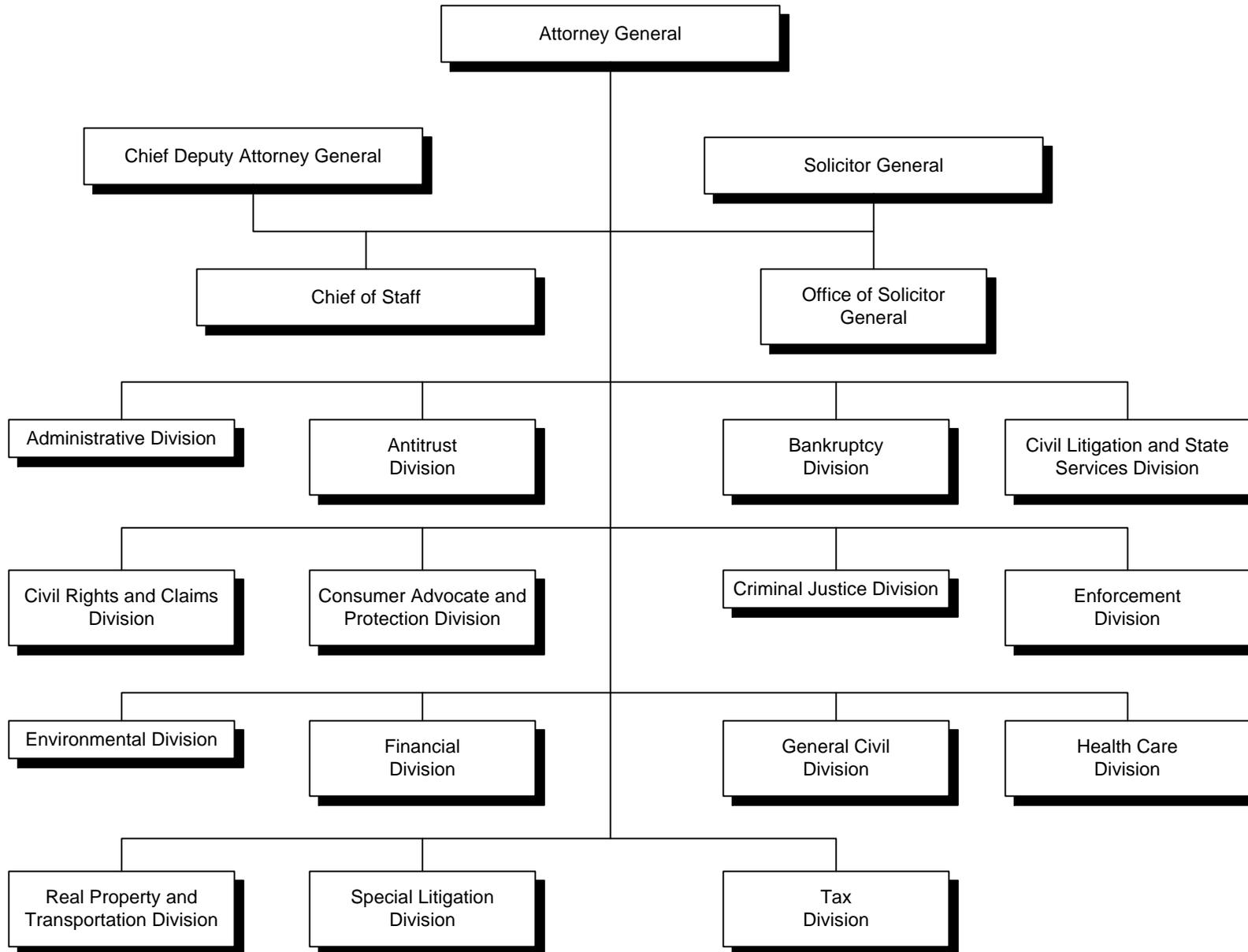
The Attorney General and Reporter provides legal representation for the State of Tennessee. Through the exercise of his common law and statutory powers, the Attorney General oversees all civil litigation in which the State of Tennessee is interested, handles all appellate matters involving the state, and advises the General Assembly and all state constitutional officers and state officials. In addition, the Attorney General and Reporter carries out other duties and attends to other interests of the state as required by law and the public interest.

An organization chart of the office is on the following page.

AUDIT SCOPE

We have audited the Office of the Attorney General and Reporter for the period July 1, 2000, through April 30, 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, tax refund reviews, and computer system security. 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.

Office of the Attorney General and Reporter Organization Chart



PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

The objectives of our review of the controls and procedures for revenue were to determine whether

- revenue received was properly deposited in a timely manner and was properly recorded;
- revenue records were reconciled with the State of Tennessee Accounting and Reporting System (STARS);
- billings were initiated promptly and were properly authorized and approved; and
- contingent revenue withdrawals or payments were consistent with court orders.

Key personnel were interviewed to gain an understanding of the office's procedures and controls over revenue. A nonstatistical sample of revenue transactions was selected and tested. Journal vouchers were obtained and reviewed for reasonableness and adequate support.

Based on our interviews, review of supporting documentation, and testwork, we determined that revenue received was properly deposited in a timely manner and was properly recorded; revenue records were reconciled with STARS; billings were initiated promptly and were properly authorized and approved; and contingent revenue withdrawals or payments were consistent with court orders.

EXPENDITURES

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

- recorded expenditures for goods or services were properly authorized, adequately supported, and correctly recorded in the State of Tennessee Accounting and Reporting System (STARS);
- payments were made timely;
- payments for travel were made in accordance with applicable policies; and
- expenditure records were reconciled with STARS.

Key personnel were interviewed to gain an understanding of the office's procedures and controls over expenditures. A nonstatistical sample of expenditures was selected and tested for the appropriate attributes. Supporting documentation was reviewed.

Based on our interviews, review of supporting documentation, and testwork, we determined that expenditures were properly authorized, adequately supported, and correctly recorded in STARS; payments were made timely; payments for travel were made in accordance with applicable policies; and expenditure records were reconciled with STARS.

EQUIPMENT

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

- equipment has been properly accounted for in the Property of the State of Tennessee (POST) system;
- equipment purchased during the audit period was correctly added to POST; and
- equipment was adequately safeguarded.

Key personnel were interviewed to gain an understanding of the office's procedures and controls over equipment. A nonstatistical sample of equipment was selected and tested to determine the accuracy of the POST listing.

Based on interviews, review of supporting documentation, and testwork, we determined that equipment had been properly accounted for in POST and that equipment purchased during the audit period had been correctly added to POST. We also determined that equipment was adequately safeguarded.

TAX REFUND REVIEWS

The Office of the Attorney General and Reporter reviews all state tax refunds over \$50,000 before the Department of Revenue remits payment to the taxpayer. The state is allowed a 45-day grace period from the date a taxpayer files a claim before interest begins to accrue on the refund. The objective of our review of procedures governing tax refund reviews was to determine whether the office reviewed tax refund claims in a timely manner.

Key personnel were interviewed to gain an understanding of the office's procedures and controls over tax refund reviews. A nonstatistical sample of tax refund claims was selected and tested for timeliness of review.

Based on our testwork, we determined that the Office of the Attorney General and Reporter reviewed tax refund claims in a timely manner.

COMPUTER SYSTEM SECURITY

The Office of the Attorney General and Reporter uses the State of Tennessee Accounting and Reporting System (STARS) to account for its financial activities, the State Employee Information System (SEIS) to record payroll and personnel activity, and the Property of the State of Tennessee (POST) system to maintain accountability over its equipment. Our objectives in reviewing this area were to determine whether

- access to these applications was revoked timely when employees were terminated;
- access is limited to those employees whose job duties require it; and
- the level of access creates an adequate segregation of duties.

To accomplish these objectives, we interviewed key employees to gain an understanding of internal controls. We obtained from our information systems staff listings of all persons who had access to the Office of the Attorney General and Reporter allotment codes in STARS, SEIS, and POST and their level of access. We tested all users who had active access to these systems. In addition, our information systems staff conducted a test of the Novell LAN security to determine appropriate Novell network settings involving password requirements, grace logon limits, and maximum connection limits.

Based on interviews and testwork performed, we determined that access to the state's computer systems was adequately restricted and that network settings were appropriate except for minor weaknesses that were reported to management in a separate letter.

APPENDIX

ALLOTMENT CODES

Attorney General and Reporter	303.01
Publication of Tennessee Reports	303.05
Special Litigation	303.08