

District Public Defenders Conference

June 2004

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Charles K. Bridges, CPA
Assistant Director

Kandi Thomas, CPA
Audit Manager

Bridget Carver, CFE
In-Charge Auditor

Temecha Jones, CFE
Staff Auditor

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 401-7897

Financial/compliance audits of state departments and agencies are available on-line at
www.comptroller.state.tn.us/sa/reports/index.html.
For more information about the Comptroller of the Treasury, please visit our Web site at
www.comptroller.state.tn.us.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

June 29, 2004

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Frank Drowota, Chief Justice
Tennessee Supreme Court
401 Seventh Avenue North, Suite 318
Nashville, Tennessee 37219

and

Mr. William Andy Hardin, Executive Director
211 Seventh Avenue North, Suite 320
Nashville, Tennessee 37219

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the District Public Defenders Conference for the period July 1, 2001, through February 29, 2004.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/cj
04/052



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765**

April 16, 2004

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 District Public Defenders Conference for the period July 1, 2001, through February 29, 2004.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we obtain an understanding of internal control significant to the audit objectives and that we design the audit to provide reasonable assurance of the District Public Defenders Conference's compliance with laws, regulations, and provisions of contracts or grant agreements significant to the audit objectives. Management of the District Public Defenders Conference is responsible for establishing and maintaining effective internal control and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the conference's internal control and/or instances of noncompliance to the District Public Defenders Conference's management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/cj

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
District Public Defenders Conference
June 2004

AUDIT SCOPE

We have audited the District Public Defenders Conference for the period July 1, 2001, through February 29, 2004. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of revenue, expenditures, equipment, payroll and personnel, and district offices. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT FINDINGS

The audit report contains no findings.

Financial and Compliance Audit District Public Defenders Conference

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Post-Audit Authority	1
Background	1
AUDIT SCOPE	1
PRIOR AUDIT FINDINGS	2
OBSERVATIONS AND COMMENTS	2
Audit Committee Recommended	2
Title VI of the Civil Rights Act of 1964	3
OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS	4
Revenue	4
Expenditures	4
Equipment	5
Payroll and Personnel	6
District Offices	7
APPENDIX	8
Divisions and Allotment Codes	8

Financial and Compliance Audit District Public Defenders Conference

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the District Public Defenders Conference. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which requires 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 District Public Defenders Conference is a statewide system of elected public defenders. The District Public Defenders and their staff fulfill the state’s obligation under the United States Constitution for providing legal counsel to indigent persons accused of a crime. All 31 judicial districts are served by public defenders. The District Public Defenders Conference serves all but two of these districts, the Twentieth and Thirtieth (Davidson and Shelby Counties). The conference has no administrative or financial control over the Twentieth and Thirtieth districts. However, the conference does distribute state appropriations that prior to July 1, 1991, were distributed by the Supreme Court.

The Office of the Executive Director is the central administrative support for the District Public Defenders Conference.

AUDIT SCOPE

We have audited the District Public Defenders Conference for the period July 1, 2001, through February 29, 2004. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements in the areas of revenue, expenditures, equipment, payroll and personnel, and district offices. The audit was

conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The District Public Defenders Conference is in the judicial branch of state government. The conference has chosen to follow certain executive branch policies and procedures including those prescribed by the Department of Finance and Administration and approved by the Comptroller of the Treasury. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include approving accounting policies of the state as prepared by the state's Department of Finance and Administration.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBSERVATIONS AND COMMENTS

AUDIT COMMITTEE RECOMMENDED

The District Public Defenders Conference members should establish an audit committee as a standing committee. The audit committee should be composed of at least three members. The chair of the committee should preferably have some accounting or financial management background, and each member of the committee should have an adequate background and education to allow a reasonable understanding of the information presented in the financial reports of the conference and the comments of auditors with regard to internal control and compliance findings.

The audit committee should have a written charter that addresses the committee's purpose, which should, at a minimum, be to assist the conference members in its oversight of the integrity of the conference's management and staff, the integrity of the conference's financial reports, establishment and maintenance of strong internal control, and compliance with legal requirements and applicable rules. The charter should include guidelines and policies on how the conference members will identify risks of fraud and financial reporting irregularities and monitor and control those risks.

The audit committee should meet regularly. These meetings may take place during dates for other conference meetings, but the committee should meet separately from those other meetings. At one of the meetings, the audit committee should review the financial audit of the

conference by the Comptroller's Office and consider what actions are necessary in response to any findings of the audit.

The audit committee should also meet, as appropriate, to review any other audit or investigate reports issued by the Comptroller's Office relative to the conference. The audit committee should seek to resolve any disagreements between the auditors and management such as restrictions on the scope of the activities of the auditors or access to requested information.

The audit committee should reiterate in its charter that the Executive Director and senior management are primarily responsible for assessing the conference's exposure to risks of fraud and financial reporting irregularities, and those responsibilities should be regularly restated to top management of the conference.

The audit committee should establish policies and procedures for encouraging management and staff of the conference who have knowledge of questionable actions of any employee of the conference or conference member, relating to fraud or abuse of conference assets or funds or financial reporting irregularities, to report that information to the audit committee. The audit committee should immediately inform the Comptroller's Office of any such information it receives.

The audit committee should develop a written code of conduct to recommend to the full conference for communication to management and staff which reminds all employees of the public nature of the conference and the need to protect conference assets from waste, abuse, and fraud and to avoid engaging in activities which bring dishonor to the conference.

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30 each year. The District Public Defenders Conference filed its compliance reports and implementation plans on June 26, 2003, and June 27, 2002.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds. The Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI. A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

The objectives of our review of the revenue controls and procedures in the District Public Defenders Conference were to determine whether

- revenue transactions were reasonable and valid,
- revenue collected during the audit period was deposited timely and accounted for in the appropriate fiscal year,
- the petty cash fund was appropriately authorized by the Department of Finance and Administration, and
- auditee records were reconciled with Department of Finance and Administration reports.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over revenue. Testwork on revenue collected during the period July 1, 2001, through December 31, 2003, consisted of transactions nonstatistically selected from all revenue sources except FICA credits. The selected revenue transactions were traced to deposit slips and journal vouchers and were reviewed for adequate support, timeliness of the deposit, proper coding and recording, and reasonableness. We compared the conference's petty cash amount with the Department of Finance and Administration authorized petty cash amount. We discussed reconciliation procedures for revenue records with the auditee, and we reviewed the supporting documentation.

Based on our interviews, reviews of supporting documentation, and testwork, the conference's revenue controls and procedures appeared to be adequate. Revenue transactions were reasonable, valid, deposited timely, and accounted for in the appropriate fiscal year. Petty cash was appropriately authorized, and the auditee's records were reconciled with Department of Finance and Administration reports.

EXPENDITURES

The objectives of our review of expenditure controls and procedures were to determine whether

- expenditure transactions were reasonable and valid,
- recorded expenditures were for goods or services authorized and received,

- the object code and amount of expenditures for goods and services had been recorded correctly,
- payments had been made in a timely manner,
- contracts had been established in accordance with regulations,
- contract payments were in compliance with contract terms and were properly approved and recorded against the contract,
- payments for travel had been paid in accordance with the Comprehensive Travel Regulations, and
- auditee records were reconciled with Department of Finance and Administration reports.

We reviewed the applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over expenditures. A nonstatistical sample of expenditures for the period July 1, 2001, through December 31, 2003, was selected and tested to determine if expenditures had been properly recorded and approved and were for goods or services authorized and received. Expenditures were also tested to determine if the object code and amount had been recorded correctly and payment had been made timely. Contract expenditure transactions were tested to determine if the contract was established in accordance with regulations, and contract payments were in compliance with contract terms, properly approved, and recorded against the contract. Travel expenditure transactions were tested for compliance with the Comprehensive Travel Regulations. Reconciliation procedures were discussed with management. The reconciliation of voucher registers with the Department of Finance and Administration's State of Tennessee Accounting and Reporting System (STARS) reports was reviewed.

Based on our reviews, interviews, and testwork, the conference's procedures and controls over expenditure transactions appeared adequate. The expenditure transactions were reasonable, valid, and recorded correctly and were for goods and services authorized and received; and payments were made timely. Contracts were established in accordance with regulations, and contract payments were in compliance with contract terms and were properly approved and recorded. Travel expenses were in compliance with the Comprehensive Travel Regulations, and auditee records reconciled with Department of Finance and Administration reports.

EQUIPMENT

The objectives of our review of the equipment controls and procedures in the District Public Defenders Conference were to determine whether

- the equipment on the Property of the State of Tennessee (POST) property listing was on the auditee's equipment listing,
- the information on the POST property listing was properly recorded,

- lost and stolen equipment was properly reported to the Comptroller's Office and was removed from the equipment listings, and
- equipment was adequately safeguarded.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over equipment. The conference's equipment listing and POST's equipment listing for the audit period were compared to determine if the information recorded on the lists agreed. A review of equipment items nonstatistically selected from the property listing was conducted, and the description and tag number were verified. Also, equipment items nonstatistically selected from the conference's office were traced to the conference's equipment listing to determine if the items were appropriately identified on the list. Lost and stolen equipment was tested to determine if the equipment was reported to the Comptroller's Office and removed from the equipment listings. We observed and discussed the safeguarding of equipment with the auditee.

Based on the reviews, interviews, and testwork, the conference's procedures and controls over equipment appeared adequate. The conference's equipment listing was complete, information was properly recorded on POST, lost and stolen equipment was properly reported to the Comptroller's Office and was removed from the equipment listings, and the equipment items were adequately safeguarded.

PAYROLL AND PERSONNEL

The objectives of our review of the payroll and personnel controls and procedures in the District Public Defenders Conference were to determine whether

- payroll (wages, salaries, and benefits) disbursements and deductions were proper and agreed with supporting documentation,
- leave was accrued and taken in accordance with applicable guidelines, and
- terminated employees' final pay was accurate.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the conference's procedures and controls over payroll and personnel. A nonstatistical sample of payroll transactions for the period July 1, 2001, through December 31, 2003, was tested. We traced the payroll transactions to the payroll registers, personnel files, and leave and attendance records to determine whether payroll disbursements and deductions were proper and agreed with supporting documentation and leave was accrued and taken in accordance with applicable guidelines. For terminated employees in the sample, we reviewed their personnel file, leave and attendance records, and final payroll register to determine if the final pay was accurate.

Based on our interviews, reviews, and testwork, the conference's controls over payroll and personnel appeared adequate. Payroll disbursements and deductions were proper and agreed with supporting documentation. Leave was accrued and taken in accordance with applicable guidelines. Final pay for terminated employees was accurate.

DISTRICT OFFICES

The objectives of our review of the controls and procedures at the district offices we visited were to determine whether

- controls over leave and attendance were adequate and in accordance with applicable policy,
- employees paid with grant funds actually performed work for the grant program,
- controls were adequate to ensure that assets purchased by the state were adequately safeguarded,
- controls over purchasing at district offices were adequate,
- controls over travel expenses claimed for reimbursement were proper, and
- controls over petty cash were in place.

We interviewed key personnel at each district office visited and reviewed supporting documentation to gain an understanding of the district offices' procedures and controls over leave and attendance, equipment, purchasing, travel, and petty cash.

Leave and attendance policies and procedures for each district office visited were reviewed to determine compliance with conference policies. For employees in each district office visited who were paid with grant funds during the audit period, we obtained the grant from the conference and interviewed key personnel in the district office to determine if the work for the grant program was actually performed.

We interviewed key personnel to determine how each office safeguarded the state's equipment. We reviewed equipment items nonstatistically selected from each office's equipment listing for the audit period, and the description and tag number were verified. Also, a nonstatistical selection of equipment items located in each district office was traced to the corresponding office's equipment listing.

The controls over purchasing at district offices were discussed with management, and files at the districts were reviewed to determine whether the purchasing procedures were followed during the audit period. A nonstatistical selection of travel claims filed with the state during the audit period was reviewed for proper authorization, accuracy, and supporting documentation. A petty cash count was completed, and supporting documentation was reviewed.

Based on our interviews, reviews, and testwork, the district offices' procedures and controls over leave and attendance, equipment, purchasing, travel, and petty cash appeared to be adequate. Leave and attendance policies were in accordance with applicable policy, employees paid with grant funds actually performed work for the grant program, state equipment was adequately safeguarded, claims for travel expenses were proper, and there were controls over purchasing. Procedures for petty cash were in place.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

District Public Defenders Conference Divisions and Allotment Codes:

- 306.01 District Public Defenders
- 306.03 Executive Director of the Public Defenders Conference
- 306.10 Shelby County Public Defender
- 306.12 Davidson County Public Defender