

AUDIT REPORT

Executive Department

April 2014



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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April 24, 2014

The Honorable Bill Haslam, Governor
and
Members of the General Assembly

Ladies and Gentlemen:

Transmitted herewith is the audit of the Executive Department for the period January 1, 2012, through December 31, 2013.

The review of internal control and compliance with laws and regulations resulted in no audit findings.

Sincerely,

Deborah V. Loveless, CPA
Director

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Audit Report
Executive Department
For the Period January 1, 2012, Through December 31, 2013

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State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Executive Department

For the Period January 1, 2012, Through December 31, 2013

Audit Scope

We have audited the Executive Department for the period January 1, 2012, through December 31, 2013. Our audit scope included a review of internal control and compliance with laws and regulations in the areas of expenditures, travel, payment cards, payroll and personnel, and appointments to boards and commissions. 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.

Audit Report
Executive Department
For the Period January 1, 2012, Through December 31, 2013

INTRODUCTION

Post-Audit Authority

This audit of the Executive Department was conducted pursuant to Section 8-4-109, *Tennessee Code Annotated*, which 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 Executive Department includes the Governor and approximately 36 other filled positions, and the annual budget of the department is approximately \$5 million. 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; considering requests for executive clemency; 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 for the period January 1, 2012, through December 31, 2013. Our audit scope included a review of internal control and compliance with laws and regulations in the areas of expenditures, travel, payment cards, payroll and personnel, and appointments to boards and commissions. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

Expenditures

The objective of our review of the controls and procedures over expenditures was to determine whether applicable purchases were from statewide contracts.

We reviewed applicable laws and regulations, interviewed key personnel, and reviewed the Department of General Services' purchasing policies to gain an understanding of the department's procedures and controls over expenditures. We tested all disbursements not paid with a payment card for the period January 1, 2012, through December 31, 2013, that were greater than \$1,000 to determine whether applicable purchases were from statewide contracts. There was \$184,725 of such disbursements.

Based on our interviews, review of supporting documentation, and testwork performed, we determined that applicable purchases were from statewide contracts, with one exception.

Travel

The objective of our review of the travel controls and procedures was to determine whether payments for travel were made in accordance with the Comprehensive Travel Regulations issued by the state's Department of Finance and Administration.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the department's procedures and controls over travel. We also tested a nonstatistical sample¹ of travel claims paid totaling \$6,803 from a population of \$464,776 during the period January 1, 2012, through November 30, 2013, to determine whether travel claims were adequately supported and complied with regulations. In addition, we performed analytical procedures to determine if amounts recorded as travel expenditures during December 2013 were consistent with amounts recorded during prior months.

¹ For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report. This sample was selected in such a manner as to permit the results to be projected to the population from which the sample was drawn.

Based on our reviews, interviews, and testwork performed, we determined that payments for travel were made in accordance with the Comprehensive Travel Regulations.

Payment Cards

The objectives of our review of the payment card controls and procedures were to determine whether

- cardholders were properly approved,
- purchases made using payment cards were adequately supported,
- payment card purchases appeared reasonable and necessary to conduct state business, and
- payment card purchases complied with the Department of General Services' purchasing policies and procedures.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the controls and procedures over payment cards. We obtained a listing of cardholders and reviewed documentation to determine if each of the two cardholders had received the required approvals to be valid cardholders. We tested a nonstatistical sample² of payment card purchases totaling \$2,994 from a population of \$89,916 for the period January 1, 2012, through December 31, 2013, for adequate documentation and compliance with the Department of General Services' purchasing policies and procedures.

Based on our interviews, review of supporting documentation, and testwork performed, we determined that

- cardholders were properly approved,
- purchases were adequately supported,
- purchases appeared reasonable and necessary to conduct state business, and
- purchases complied with the Department of General Services' purchasing policies and procedures, with certain exceptions.

Payroll and Personnel

The objectives of our review of the payroll and personnel controls and procedures of the Executive Department were to determine whether

² See footnote 1.

- payroll transactions were properly approved, adequately supported, and agreed to personnel records;
- payroll disbursements were made for work performed by an employee of the department;
- documentation indicated that newly hired employees or employees who changed positions during the audit period were qualified for their positions;
- the initial wage was correct for newly hired employees;
- terminated employees' final pay was accurate, their employment status was properly updated in the personnel system, and they did not appear on the next succeeding payroll register; and
- an employee who was a retiree of the Tennessee Consolidated Retirement System did not exceed the maximum allowable hours, and the necessary temporary employment application was filed.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the department's procedures and controls over payroll and personnel, including procedures for employees who are also retirees of the Tennessee Consolidated Retirement System (TCRS). We tested a nonstatistical sample³ of payroll transactions totaling \$65,085 from a population of \$7,252,221 for the period January 1, 2012, through November 30, 2013, to determine whether payroll transactions were properly approved, adequately supported, and agreed to personnel records. We also performed analytical procedures to determine if amounts recorded for payroll during December 2013 were consistent with amounts recorded during prior months. For newly hired employees or employees who changed positions from January 1, 2012, through December 31, 2013, we reviewed personnel files to determine if they contained documentation indicating the employees met the job qualifications. For newly hired employees, we recalculated the employees' initial pay to determine if their initial wage was correct. For terminated employees, we reviewed personnel files and payroll records to determine if the employees' final pay was accurate, their employment status was properly updated in the personnel system, and they did not appear on the next succeeding payroll register. We also reviewed documentation indicating the department's only employee who was a retiree of TCRS did not work more than the maximum number of hours allowed by TCRS. In addition, we reviewed personnel files to determine if the necessary temporary employment applications were filed for TCRS retirees.

Based on interviews, review of supporting documentation, and testwork performed, we determined that

- payroll transactions were properly approved, adequately supported, and agreed to personnel records;
- payroll disbursements were made for work performed by employees of the department;

³ See footnote 1.

- documentation indicated that newly hired employees or employees who changed positions during the audit period were qualified for their positions, except for one employee whose qualifications were not documented in her personnel file;
- the initial wage was correct for newly hired employees;
- terminated employees' final pay was accurate, their employment status was properly updated in the personnel system, and they did not appear on the next succeeding payroll register; and
- an employee who was a retiree of the Tennessee Consolidated Retirement System did not exceed the maximum allowable hours, and the necessary temporary employment application was filed.

Appointments to Boards and Commissions

The objective of our review of controls and procedures over appointments to boards and commissions was to determine whether the Governor made official appointments in a timely manner.

We reviewed applicable laws and regulations, interviewed key personnel, and reviewed supporting documentation to gain an understanding of the department's procedures and controls over the Governor's appointments to boards and commissions. To determine if the Governor was making appointments timely, we reviewed a listing of approximately 360 official appointments made during calendar year 2013, as well as a listing of 22 vacancies as of the end of February 2014, indicating that approximately 94% of appointments were made timely. Some reasons for the remaining vacant positions include appointed individuals who resigned before their term ended not allowing for advance planning, and the Executive Department not receiving recommendations from other organizations responsible for providing candidates to serve on the boards and commissions.

Based on our interviews and review of supporting documentation, we determined that there were no significant problems with the timeliness of appointments made by the Governor to boards and commissions.