



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

DEPARTMENT OF THE TREASURY

Financial and Compliance Audit Report

For the Year Ended June 30, 2015

Justin P. Wilson, Comptroller



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COMPTROLLER OF THE TREASURY
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February 4, 2016

Members of the General Assembly
Members of the Board of Trustees of the
Baccalaureate Education System Trust
Members of the Board of Trustees of the
Chairs of Excellence Trust
Members of the Board of Claims
Members of the State Funding Board
Members of the Board of Trustees of the
Tennessee Promise Scholarship
Endowment
The Honorable David H. Lillard, Jr., Treasurer

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Department of the Treasury for the year ended June 30, 2015.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

Deborah V. Loveless, CPA
Director

15/083

Audit Report
Department of the Treasury
For the Year Ended June 30, 2015

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Department of the Treasury

For the Year Ended June 30, 2015

Opinions on the Financial Statements

The opinions on the financial statements of the Baccalaureate Education System Trust-Educational Services Plan, the TN Stars College Savings 529 Program, the Chairs of Excellence Trust, the Criminal Injuries Compensation Fund, the Flexible Benefits Plan, the Intermediate Term Investment Fund, the Risk Management Fund, the State Pooled Investment Fund, and the Tennessee Promise Scholarship Endowment Fund are unmodified. Our independent auditor's reports on these financial statements are included in the *State of Tennessee Treasurer's Report* for the year ended June 30, 2015.

Audit Findings

The audit report contains no findings.



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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Members of the General Assembly
Members of the Board of Trustees of the
Baccalaureate Education System Trust
Members of the Board of Trustees of the
Chairs of Excellence Trust
Members of the Board of Claims
Members of the State Funding Board
Members of the Board of Trustees of the
Tennessee Promise Scholarship
Endowment
The Honorable David H. Lillard, Jr., Treasurer

We have audited the financial statements of the Baccalaureate Education System Trust-Educational Services Plan, the TN Stars College Savings 529 Program, the Chairs of Excellence Trust, the Criminal Injuries Compensation Fund, the Flexible Benefits Plan, the Intermediate Term Investment Fund, the Risk Management Fund, the State Pooled Investment Fund, and the Tennessee Promise Scholarship Endowment Fund, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2015. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of the Treasury's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a

deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Treasury's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Deborah V. Loveless, CPA
Director
December 22, 2015

Observations and Comments

The operations of the Department of the Treasury are accounted for in the general fund of the State of Tennessee. The department administers the Baccalaureate Education System Trust – Educational Services Plan, a private-purpose trust fund; the TN Stars College Savings 529 Program, a private-purpose trust fund; the Chairs of Excellence Trust, a permanent fund; the Criminal Injuries Compensation Fund, a special revenue fund; the Flexible Benefits Plan, an employee benefit trust fund; the Risk Management Fund, an internal service fund; the Intermediate Term Investment Fund, an external investment pool; the State Pooled Investment Fund, an external investment pool (which includes the Local Government Investment Pool); the Tennessee Promise Scholarship Endowment Fund, a special revenue fund; and the Tennessee Consolidated Retirement System, pension trust funds. This audit included all of the above funds except for the Tennessee Consolidated Retirement System, which is reported on in a separate audit report. Our independent auditor's reports on these financial statements are included in the *State of Tennessee Treasurer's Report* for the year ended June 30, 2015.

In addition to our audit of the financial statements of the funds noted above, we also performed certain limited procedures at the Department of the Treasury as a part of our audit of the *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2015. For the complete results of our audit of the State of Tennessee, please see the *Tennessee Comprehensive Annual Financial Report* for the year ended June 30, 2015, and the *State of Tennessee Single Audit Report* for the year ended June 30, 2015.