



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**



**OFFICE OF THE EXECUTIVE DIRECTOR OF THE
DISTRICT ATTORNEYS GENERAL CONFERENCE**

Financial and Compliance Audit Report

November 2017

Justin P. Wilson, Comptroller



**Division of State Audit
Financial and Compliance Section**

Deborah V. Loveless, CPA, CGFM, CGMA
Director

Edward Burr, CPA, CGFM
Assistant Director

David Cook, CPA
Audit Manager

Randy A. Salt
In-Charge Auditor

**DeLayne Davenport
Mac Ruderer, CPA**
Staff Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
Suite 1500, James K. Polk State Office Building
Nashville, TN 37243-1402
(615) 401-7897

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

PHONE (615) 401-7897
FAX (615) 532-2765

SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402

November 22, 2017

The Honorable Bill Haslam, Governor
Members of the General Assembly
Mr. Jerry Estes, Executive Director
Office of the Executive Director
of the District Attorneys General Conference

Ladies and Gentlemen:

Transmitted herewith is the audit of the Office of the Executive Director of the District Attorneys General Conference for the period January 1, 2015, through December 31, 2016.

The review of internal control and compliance with laws, regulations, and provisions of contracts or grant agreements resulted in an audit finding that is detailed in the Objectives, Methodologies, and Conclusions section of this report.

Sincerely,

Deborah V. Loveless, CPA
Director

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Audit Report
Office of the Executive Director of the District Attorneys
General Conference
For the Period January 1, 2015, Through December 31, 2016

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Office of the Executive Director of the District Attorneys General Conference

For the Period January 1, 2015, Through December 31, 2016

Audit Scope

We have audited the Office of the Executive Director of the District Attorneys General Conference for the period January 1, 2015, through December 31, 2016. Our audit scope included a review of internal control and compliance in the areas of payroll and personnel; cash receipts; travel; and equipment. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Audit Finding

Internal control in one specific area did not consistently operate as designed by management
Internal control did not operate as designed in one specific area. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 4).

Audit Report
Office of the Executive Director of the District Attorneys
General Conference
For the Period January 1, 2015, Through December 31, 2016

INTRODUCTION

Post-Audit Authority

This audit of the Office of the Executive Director of the District Attorneys General Conference 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 Tennessee District Attorneys General Conference was created by the General Assembly in 1961. Conference membership consists of all district attorneys general of the state whose salaries are paid in whole or in part out of the state treasury. It is the conference's duty to consider and establish rules of procedure that may be necessary to suppress crime more effectively and to promote peace and good order.

The Office of the Executive Director of the District Attorneys General Conference was created by the General Assembly in 1972. The executive director is elected by a simple majority of the membership of the conference for a term of four years and works under the supervision and direction of the conference's executive committee. The executive director assists the state's 31 district attorneys general in coordinating efforts against criminal activity throughout the state. In addition, the office serves as the central administrative office for the state's district attorneys general.

AUDIT SCOPE

We have audited the Office of the Executive Director of the Tennessee District Attorneys General Conference for the period January 1, 2015, through December 31, 2016. Our audit scope included a review of internal control and compliance in the areas of payroll and personnel; cash receipts; travel; and equipment. 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

Payroll and Personnel

The objectives of our review of the controls and procedures over payroll and personnel were to determine whether the Office of the Executive Director of the District Attorneys General Conference

- paid the correct amount of initial wages for newly hired employees;
- maintained documentation indicating that newly hired employees were qualified for their positions;
- accurately calculated terminated employees' final paychecks;
- established appropriate controls in specific areas; and
- limited payroll disbursements to actual central office employees.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the office's procedures and controls over payroll and personnel.

We tested a nonstatistical¹ sample of 25 new hires from a population of 270 for the period January 1, 2015, through December 31, 2016, to determine whether the salaries in Edison agreed with the salaries documented in the office's personnel files. For the newly hired employees tested, we also reviewed personnel files to determine if the files contained documentation indicating the employees possessed the qualifications for their jobs.

We tested a nonstatistical² sample of 25 terminated employees from a population of 173 for the period January 1, 2015, through December 31, 2016, to determine if final payroll payments were calculated accurately and agreed with supporting documentation. In addition to the sample of 25 terminated employees noted above, we tested 17 additional terminated employees' final payroll payments.

¹For our sample design, we used nonstatistical 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 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.

²See footnote 1.

To meet our objectives regarding controls in specific areas, we reviewed the adequacy of specific controls.

To determine whether payroll disbursements were limited to actual employees of the central office, we verified the employment of all central office staff in person.

Based on interviews, reviews, and testwork, we determined that the office

- paid the correct amount of initial wages for newly hired employees;
- maintained documentation indicating that newly hired employees were qualified for their positions;
- accurately calculated terminated employees' final paychecks;
- as stated in the finding below, had internal control in one specific area that did not consistently operate as designed by management; and
- limited payroll disbursements to actual central office employees.

As stated in the finding below, internal control in one specific area did not consistently operate as designed by management.

Finding - Internal control in one specific area did not consistently operate as designed by management

Condition

There was an internal control deficiency in one specific area. Although management established internal controls in this specific area, the controls did not consistently operate as designed by management. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided management with detailed information regarding the specific condition we identified, as well as our recommendation for improvement.

Recommendation

The executive director should ensure the condition is remedied by requiring ongoing monitoring of internal controls to ensure they are operating as designed and taking action if deficiencies occur. In addition, the executive director should ensure that the risks associated with this finding are identified and assessed in the office's documented risk assessment.

Management's Comment

We concur. This condition was identified by staff, and in May 2017 (after the audit period), upon recommendation of the executive director, the conference's executive committee adopted a policy to help remedy the condition.

Cash Receipts

The objectives of our review of the controls and procedures over cash receipts were to determine whether the office

- correctly recorded and supported cash receipts;
- deposited cash receipts in accordance with Department of Finance and Administration (F&A) Policy 25, “Deposit Practices”;
- reconciled cash receipts to recorded revenues; and
- collected revenues and fees as authorized by statute.

We interviewed key personnel, reviewed applicable laws and regulations, and reviewed supporting documentation to gain an understanding of the office’s procedures and controls over cash receipts. We tested a nonstatistical³ sample of 25 cash receipts, totaling \$69,236.87, from a population of receipts, totaling \$3,072,698.48, during the period January 1, 2015, through December 31, 2016, to determine whether the office correctly recorded and supported cash receipts and deposited them in accordance with F&A Policy 25.

To determine whether the office reconciled cash receipts to recorded revenues, we inspected and reviewed all monthly reconciliations of cash receipts to recorded revenues for the period January 1, 2015, through December 31, 2016.

We reviewed the types of revenues and fees collected by the office during the period January 1, 2015, through December 31, 2016, to determine if the revenues and fees were authorized by statute.

Based on our interviews, reviews, and testwork, we determined that the office

- correctly recorded and supported cash receipts;
- deposited cash receipts in accordance with F&A Policy 25;
- reconciled cash receipts to recorded revenues; and
- collected revenues and fees as authorized by statute.

Travel

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

- made travel payments in accordance with F&A Policy 8, “Comprehensive Travel Regulations,” and

³ See footnote 1.

- submitted reimbursement requests for travel expenses to both the county and the state (duplicate travel claims).

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the office's procedures and controls over travel.

We tested a nonstatistical⁴ sample of 25 travel claims paid, totaling \$9,484.33, from a population of claims, totaling \$2,689,061.58, submitted and paid during the period January 1, 2015, through December 31, 2016, to determine whether the office submitted and paid travel claims in accordance with F&A Policy 8. No discrepancies were found.

We tested a nonstatistical⁵ sample of 25 travel claims, totaling \$135,441.40, from a population of claims, totaling \$1,832,247.54, submitted during the period January 1, 2015, through December 31, 2016, to determine whether the office submitted travel claims for reimbursement to both the county and state. This search for duplicate claims was limited to the 91 counties audited by the Comptroller of the Treasury, Department of Audit, Division of Local Government Audit. We compared the 25 travel claims selected to the claims filed with the respective counties. No duplicate claims were found.

Equipment

Our review of equipment focused on three areas: physical inventory procedures, accuracy of the equipment list, and completeness of equipment records.

The objective of our review of the controls and procedures for physical inventory was to determine whether the office completed a physical inventory that followed procedures prescribed by the Department of Finance and Administration (F&A), Division of Accounts, Asset Management during the audit period.

We interviewed key personnel and reviewed supporting documentation to gain an understanding of the office's controls and procedures for the physical inventory process and to determine if the office followed F&A procedures.

Based on these interviews and reviews, we determined that the office completed a physical inventory following procedures prescribed by F&A, Division of Accounts, Asset Management during the audit period.

We did, however, note a minor issue related to the office's written policies and procedures for asset management. The policies should be updated to reflect F&A's latest changes.

⁴ See footnote 1.

⁵ See footnote 1.

To determine the accuracy of the information on the office's equipment list, we tested a nonstatistical⁶ sample of 25 equipment items (19 located in the central office and 6 located in the district offices) from a population of 352 items assigned to the central office. We determined whether equipment could be located and whether the tag numbers, serial numbers, and equipment descriptions agreed with the equipment list.

Based on the interviews, reviews, and testwork, we determined that equipment items selected from the central office's inventory list could be located and that the tag numbers, serial numbers, and equipment descriptions matched the equipment list.

To determine the completeness of the equipment list, we haphazardly located 25 equipment items in the central office to determine whether the tag numbers, serial numbers, and equipment descriptions agreed with the equipment list.

We determined that the equipment items we located at the central office were recorded on the equipment list and that tag numbers, serial numbers, and equipment descriptions matched the information on the equipment list.

OBSERVATION AND COMMENT

State of Tennessee Audit Committee Act of 2005

In two prior audits, we recommended the conference establish an audit committee as described in the State of Tennessee Audit Committee Act of 2005. During the current audit, we interviewed the executive director of the Office of the Executive Director of the District Attorneys General Conference and determined that, to address the prior audit recommendation, he established an audit committee consisting of office staff. In addition, we inspected evidence that the audit committee met in February 2016. However, we recommend that the conference establish an audit committee that is a standing committee of the conference members, submit an audit committee charter for approval by the Comptroller of the Treasury, and meet the additional criteria set forth in the Audit Committee Act.

⁶ See footnote 1.