

**GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**

**FOR THE YEARS ENDED
JUNE 30, 1995, AND JUNE 30, 1994**

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September 23, 1996

The Honorable John S. Wilder
Speaker of the Senate
and
The Honorable Jimmy Naifeh
Speaker of the House of Representatives
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
James Davenport, Executive Director
Fiscal Review Committee
War Memorial Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the compliance audit of the Fiscal Review Committee for the years ended June 30, 1995, and June 30, 1994.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/tp
96/112

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Compliance Audit
Fiscal Review Committee
For the Years Ended June 30, 1995, and June 30, 1994

AUDIT OBJECTIVES

The objectives of the audit were to consider the committee's internal control structure; to test compliance with certain laws, regulations, contracts, or grants; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
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AUDIT REPORT
GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

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GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the compliance audit of the Fiscal Review Committee. 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.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the committee’s internal control structure to determine auditing procedures for the purpose of testing compliance with certain laws, regulations, contracts, or grants;
2. to test compliance with certain laws, regulations, contracts, or grants; and
3. to recommend appropriate actions to correct any deficiencies.

SCOPE OF THE AUDIT

The audit is limited to the period July 1, 1993, through June 30, 1995, and was conducted in accordance with generally accepted government auditing standards.

BACKGROUND AND ORGANIZATION

LEGISLATIVE HISTORY

The Eighty-fifth General Assembly established the Fiscal Review Committee in 1967 as a special, continuing committee to keep the members of the legislature informed of the fiscal matters of the State of Tennessee. The committee is composed of six senators and nine representatives elected by their respective houses; the speakers of both houses; and the chairs of the Finance, Ways and Means Committees of both houses. The Comptroller of the Treasury serves as secretary and is directed to furnish staff as required.

The Fiscal Review Committee conducts a continuing review of the fiscal operations of state government. The committee is responsible for preparing and distributing the fiscal notes required by Section 3-2-107 of *Tennessee Code Annotated*. With the Comptroller and the Commissioner of Finance and Administration, the committee is responsible for reviewing, at least annually, the organization and operation of state government to determine if changes are needed.

ORGANIZATION

The professional staff of the committee is headed by an executive director. Serving as the committee's full-time staff, in addition to the director, are an administrative assistant, an administrative assistant for accounting and research, an administrative analyst, a planning and research coordinator, a research specialist, and two research analysts.

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

The Fiscal Review Committee is part of the general fund of the State of Tennessee and is responsible for the following divisions and allotment codes:

301.50	Fiscal Review Committee
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RESOLUTION OF PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

We considered the internal control structure to determine auditing procedures for the purpose of testing compliance with certain laws, regulations, contracts, or grants. The report on the internal control structure is on the following pages. Consideration of the internal control structure disclosed no significant deficiencies.

Compliance with Laws and Regulations

The Fiscal Review Committee complied with the provisions of certain laws, regulations, contracts, or grants. The compliance report follows the report on the internal control structure.

Report on the Internal Control Structure

July 12, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied procedures to test the Fiscal Review Committee's compliance with the provisions of certain laws, regulations, contracts, or grants for the years ended June 30, 1995, and June 30, 1994, and have issued our report thereon dated July 12, 1996. We performed the procedures in accordance with generally accepted government auditing standards.

We considered the committee's internal control structure in order to determine our procedures for the purpose of testing the committee's compliance with certain laws, regulations, contracts, or grants and not to provide assurance on the internal control structure.

The Fiscal Review Committee's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

The Honorable W. R. Snodgrass
July 12, 1996
Page Two

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the committee's ability to comply with laws, regulations, contracts, or grants.

We noted certain matters involving the internal control structure and its operation that we have reported to the committee's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/tp

Compliance Report

July 12, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied procedures to test the Fiscal Review Committee's compliance with the provisions of certain laws, regulations, contracts, or grants for the years ended June 30, 1995, and June 30, 1994. We performed the procedures in accordance with generally accepted government auditing standards.

Compliance with laws, regulations, contracts, or grants applicable to the Fiscal Review Committee is the responsibility of the committee's management. Our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that the Fiscal Review Committee complied with the provisions referred to in the preceding paragraph, except for certain instances of noncompliance that we have reported to the committee's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/tp