

Office of the Comptroller of the Treasury

**For the Year Ended
June 30, 1997**

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Editor

January 9, 1998

Members of the General Assembly
and
The Honorable William R. Snodgrass
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Office of the Comptroller of the Treasury for the year ended June 30, 1997.

Since we are not independent with respect to the Office of the Comptroller of the Treasury, we do not express any assurance on internal control and on compliance. The consideration of the internal control structure and tests of compliance disclosed no major deficiencies.

Very truly yours,

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

98/014

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

Financial and Compliance Audit
Office of the Comptroller of the Treasury
For the Year Ended June 30, 1997

AUDIT SCOPE

Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, accounts receivable, expenditures, equipment, property tax relief, and state assessed properties.

The auditors are not considered independent of the audited entity because they are employees of the Comptroller of the Treasury.

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

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Audit Report
Office of the Comptroller of the Treasury
For the Year Ended June 30, 1997

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Office of the Comptroller of the Treasury For the Year Ended June 30, 1997

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Office of the Comptroller of the Treasury. 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.

BACKGROUND

The Comptroller of the Treasury is a constitutional officer elected by a joint vote of the General Assembly for a two-year term. Although no duties are prescribed through the constitution, the functions and duties of the office are assigned through various legislative enactments.

The Office of the Comptroller of the Treasury is organized into several divisions to discharge its statutory duties. The basic functions of each division are described below.

The Division of Administration provides administrative services for all divisions of the Comptroller’s Office.

The Office of Management Services provides fiscal services for all divisions.

The Capitol Print Shop provides duplicating and printing services for the General Assembly and other legislative agencies.

The Division of State Audit is responsible for the post-audits of the departments and agencies in state government, including the Single Audit of the State of Tennessee. The Medicaid/TennCare section of the division provides audit and consulting services for the Medicaid nursing facility program and the TennCare Program.

The Division of County Audit is responsible for the post-audit of the accounts and records of all county offices in each of the state's 95 counties.

The Division of Municipal Audit monitors the audits of all municipal governments, special districts, and school activity funds in the state.

The Division of Bond Finance is responsible for the management of the state debt, including the issuance of all bonds and notes and the payment of bonds and coupons.

The Division of Local Finance is responsible for the management of certain local governments' debts.

The Office of Local Government formulates policies and guidelines on issues relevant to local government and provides information and assistance to local government officials. The office maintains precinct maps, assists local governments with reapportionment and redistricting, and acts as liaison with the Bureau of the Census. The office also calculates the distribution schedule for the Tennessee Revenue Sharing Act.

The Offices of Research and Education Accountability are responsible for providing research and analyses to the General Assembly, the Comptroller, other state agencies, and the public on issues affecting state and local governments and for improving the accountability of Tennessee's education system.

The Division of Property Assessments is responsible for assisting local governments in assessing property for tax purposes throughout the state, for administering the property tax relief program, and for carrying out the statewide reassessment program.

The Tax Relief Program provides funds for refunding property taxes to qualified taxpayers, in accordance with Section 67-5-701, *Tennessee Code Annotated*.

The State Board of Equalization, a quasi-judicial body attached to the Comptroller's Office for administrative purposes, is responsible for developing policies and procedures governing property taxation and for hearing appeals from property owners.

The Office of State Assessed Properties is responsible for the annual appraisal and assessment of all public utility and transportation properties as prescribed in *Tennessee Code Annotated*. These assessments are certified to counties, cities, and other taxing jurisdictions for the billing and collection of property taxes.

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

AUDIT SCOPE

Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, accounts receivable, expenditures, equipment, property tax relief, and state assessed properties.

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OBJECTIVES, METHODOLOGIES, AND RESULTS

REVENUE

Our objectives in reviewing revenue transactions were to determine whether

- revenue transactions appeared accurate and valid,
- cash collected during the fiscal year was deposited timely and accounted for in the appropriate fiscal year,
- fees had been billed or charged and recorded at the correct amount, and
- petty cash or change funds have been authorized in accordance with state regulations.

We discussed collection and receipt controls and procedures with key management personnel to gain an understanding of the office's procedures over these areas. We reviewed supporting documentation and tested a sample of transactions to determine that the office has complied with the state's rules and regulations.

We had no findings related to revenue.

ACCOUNTS RECEIVABLE

Our objectives in reviewing accounts receivable transactions were to determine whether

- revenue amounts uncollected at the end of the fiscal year were recorded as receivables,
- receivables were stated at the net realizable amount,

- management performed adequate collection efforts, and
- receivables shown on the books were actual receivables, and cash had not already been received to reduce the amounts.

We discussed recording and collection controls and procedures with key management personnel to gain an understanding of the office's procedures over these areas. We reviewed supporting documentation and tested a sample of transactions to determine that the office has complied with the state's rules and regulations.

We had no findings related to accounts receivable; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

EXPENDITURES

Our objectives in reviewing expenditure transactions were to determine whether

- expenditures were for goods and services authorized and the goods or services were received,
- payments were made in a timely manner,
- records were reconciled with reports from the state's accounting system,
- payments for travel were made in accordance with the Comprehensive Travel Regulations,
- funds encumbered were liquidated for the same purpose as the original encumbrance, and
- procedures regarding year-end cutoff of encumbrances and accounts payable were adequate to reflect proper amounts and all material outstanding obligations.

We discussed disbursement, contract, and reconciliation controls and procedures with key management personnel to gain an understanding of the office's procedures over these areas. We reviewed supporting documentation and tested a sample of transactions to determine that the office has complied with the state's rules and regulations.

We had no findings related to expenditures.

EQUIPMENT

Our objectives in reviewing equipment were to determine whether equipment

- is properly safeguarded,
- is properly recorded on the property listing, and
- can be located.

We discussed controls and procedures over equipment with key management personnel to gain an understanding of the office's procedures over these areas. We tested a sample of equipment on the property listing to ensure that the information on the listing agreed with the actual item.

We had no findings related to equipment; however, other minor weaknesses came to our attention which have been reported to management in a separate letter.

PROPERTY TAX RELIEF

Our objectives in reviewing property tax relief transactions were to determine whether

- property tax relief payments were made to eligible individuals, and
- property tax relief payments made to ineligible individuals were collected.

We discussed payment and collection controls and procedures with key management personnel to gain an understanding of the office's procedures over these areas. We reviewed supporting documentation and tested a sample of transactions to determine that the office has complied with the state's rules and regulations.

We had no findings related to property tax relief.

STATE ASSESSED PROPERTIES

Our objectives in reviewing state assessed properties transactions were to determine whether

- property assessments were performed within the appropriate time frames, and
- property tax rolls and billing statements were produced by their respective deadlines.

We discussed assessment and billing controls and procedures with key management personnel to gain an understanding of the office's procedures over these areas. We reviewed supporting documentation and tested a sample of transactions to determine that the office has complied with the state's rules and regulations.

We had no findings related to state assessed properties.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

APPENDIX

DIVISIONS AND ALLOTMENT CODES

Office of the Comptroller of the Treasury divisions and allotment codes:

307.01	Division of Administration
307.02	Office of Management Services
307.03	Capitol Print Shop
307.04	Division of State Audit
307.05	Division of County Audit
307.06	Division of Municipal Audit
307.07	Division of Bond Finance
307.08	Office of Local Government
307.09	Division of Property Assessments
307.10	Tax Relief Program
307.11	State Board of Equalization
307.12	Division of Local Finance
307.14	Offices of Research and Education Accountability
307.15	Office of State Assessed Properties

The Comptroller is a member of the following:

- Advisory Committee on Intergovernmental Relations
- Baccalaureate Education System Trust
- Board of Claims
- Board of Equalization
- Board of Standards

Building Commission
Child Care Facilities Corporation
Commodity Producers Indemnity Corporation
Competitive Export Corporation
Consolidated Retirement System Board of Trustees
Council on Pensions and Insurance
Funding Board
Governor's Council on Health and Physical Fitness
Health Facilities Commission
Higher Education Commission
Housing Development Agency
Information Systems Council
Library and Archives Management Board
Local Development Authority
Local Education Insurance Committee
Local Government Insurance Committee
Public Records Commission
Publications Committee
School Bond Authority
Security for Public Deposit Task Force
Sports Festivals, Inc.
State Capitol Commission
State Insurance Committee
State Trust of Tennessee Board of Directors
Student Assistance Corporation
Task Force on Not-for-Profit Accountability
Tuition Guaranty Fund Board
Utility Management Review Board
Wastewater Financing Board
Workers' Compensation Insurance Fund Board