

STATE OF TENNESSEE
DEPARTMENT OF AUDIT
2009 ANNUAL REPORT



JUSTIN P. WILSON
COMPTROLLER OF THE TREASURY



Department of Audit 2009 Annual Report

Comptroller of the Treasury

Justin P. Wilson

State Audit

Arthur A. Hayes, Jr., CPA, JD, MBA, CFE, CGFM
Director

County Audit

Richard Norment, CIA, CGFM
Assistant to the Comptroller for County Audit

Jim Arnette, CISA, CGFM, CCP
Director

Municipal Audit

Dennis F. Dycus, CPA, CFE, CGFM
Director

Cover photo of Stephenson Branch Falls in the North Chickamauga segment of Justin P. Wilson Cumberland Trail State Park by Ranger Andy Wright. Special thanks to Fran Wallas, Department of Environment and Conservation.

Comptroller of the Treasury, Authorization No. 307161.
This public document was promulgated at a cost of \$1.65 per copy.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

Justin P. Wilson
Comptroller

December 29, 2009

The Honorable Phil Bredesen, Governor
The Honorable Ron Ramsey, Speaker of the Senate
The Honorable Kent Williams, Speaker of the House of Representatives
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

The 2009 annual report of the Department of Audit is submitted herewith in accordance with Section 4-3-304 of *Tennessee Code Annotated*.

The Department of Audit conducts audits or ensures that audits are conducted of state, county, and municipal governments; utility districts; internal school funds; and other local government authorities and agencies. Audits are also performed of state grants to nongovernmental organizations and of numerous federal programs for state and local governments.

In submitting this report, I would like to express my appreciation to all those who made possible the results reported, particularly the members of the General Assembly and the staff of this office.

Respectfully submitted,

Justin P. Wilson
Comptroller of the Treasury

JPW/ab





Table of Contents

Department of Audit	1
Auditing Standards	3
Peer Review	3
Comptroller of the Treasury Strategic Plan Framework	4
State Audit	5
Financial and Compliance	5
Performance	8
TennCare	10
Special Investigations	12
Information Systems	12
American Recovery and Reinvestment Act	13
County Audit	14
Financial and Compliance	14
The Audit Process	14
Scope of Activity: Post-Audit of County Governments	14
Results of Audits	15
Recurring Findings	16
Investigations	17
Contract Audits	17
Scope of Activity: Monitoring and Review of Contract Audits	17
Information System Reviews	17
Scope of Activity: Information System Reviews	17
Other Services	18
Technical Assistance	18
Reviews of Funds Administered by District Attorneys General	18
Reviews of County Correctional Incentive Program (CCIP)	18
The American Recovery and Reinvestment Act	19
GASB 34 Compliance	19
Municipal Audit	20
Audit Review Process	20
Division of Municipal Audit	20
Investigative Audits	21
Audits and Investigative Audits	21
The American Recovery and Reinvestment Act	22
Comptroller's Hotline	23
Results of Hotline Calls	23
Analysis of Substantive Hotline Calls	25
Department Staff	26
Professional Development	26
Financial Information	29
Contact Us	30

The General Assembly created the Department of Audit in 1937. Authority to audit state and county governmental entities is contained primarily in Section 4-3-304, *Tennessee Code Annotated*. The department is required to:

- perform currently a post-audit of all accounts and financial records of the state government . . . in accordance with generally accepted auditing standards and . . . such procedures as may be established by the comptroller . . .
- make annually, and at such other times as the general assembly shall require, a complete report on the post audit . . .
- certify to the fund balance sheets, operating and other statements, covering the condition of the state's finances, as prepared by the department of finance and administration, or by the state treasurer, before publication of such statements . . .
- serve as a staff agency to the general assembly, or to any of its committees, in making investigations of any phase of the state's finances . . .
- make annually an audit of all the records of the several counties of the state . . .
- perform economy and efficiency audits, program results audits and program evaluations . . .
- require that audits to be performed by the internal audit staffs of grantees or the internal audit staffs of state departments, boards, commissions, institutions, agencies, authorities or other entities of the state shall be coordinated with the office of the comptroller of the treasury and . . . be prepared in accordance with standards established by the comptroller . . .
- require that all persons, corporations or other entities who receive grants from or through this state shall cause a timely audit to be performed, in accordance with auditing standards prescribed by the comptroller . . .

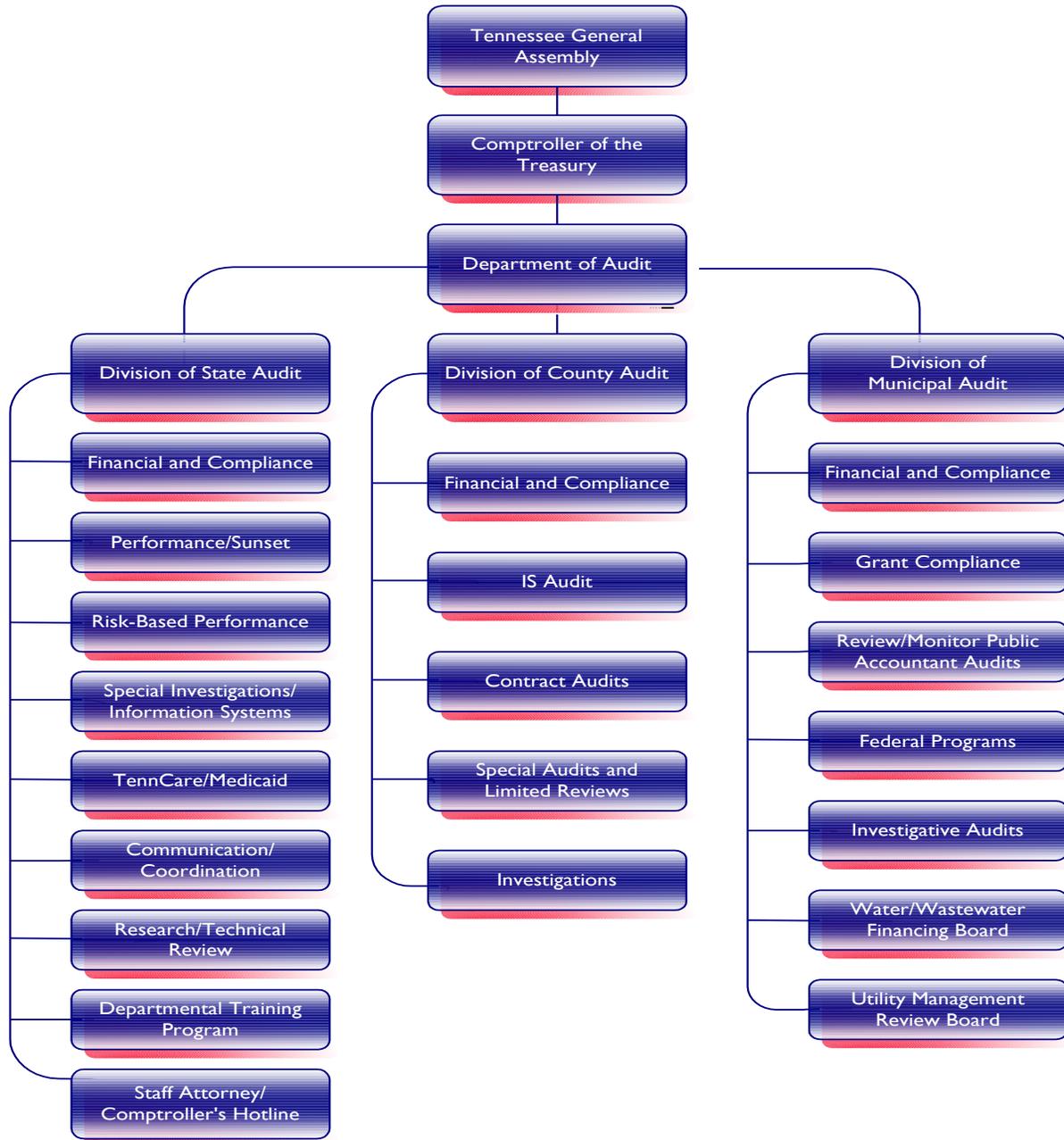
The Department of Audit comprises three divisions—State Audit, County Audit, and Municipal Audit—and employs approximately 300 people. Each division is administered by a director. The three directors are responsible for coordinating the audit function within the department and for addressing concerns and issues in auditing.

The Department of Audit is a post-audit agency. As such, it audits an entity's financial statements; an entity's compliance with applicable statutes, rules, and regulations; and/or its past record of efficiency and effectiveness at the end of a fiscal period.

Because independence is so important in a post-audit agency, the Department of Audit is in the legislative branch of state government. The department is accountable to the General Assembly and provides information to assist the legislature in overseeing the use of public funds and the efficient operation of government.

For additional information on the Department of Audit and the Comptroller, go to www.tn.gov/comptroller/.

Department of Audit



Department of Audit

The basic purpose of post-audits is to identify and report past errors and recommend future improvements. Pre-audits, in contrast to post-audits, are performed within an entity by its own employees to prevent errors, detect problems, and suggest improvements. The most important distinction between pre-audits and post-audits is that post-audits are organizationally independent of the audited entity. In this respect, a post-audit agency in government is comparable to an independent certified public accounting firm in the private or business sector.

Auditing Standards

The Department of Audit performs its audits in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards as set forth by the Comptroller General of the United States in *Government Auditing Standards* (Yellow Book).

These standards apply to financial and performance audits and attestation engagements. The Yellow Book incorporates auditing standards generally accepted in the United States of America for field work and reporting and attestation standards promulgated by the American Institute of Certified Public Accountants.

The Department of Audit conducts its Single Audit in accordance with the Single Audit Act as amended by the 1996 Single Audit Act amendments and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Peer Review

To comply with Section 8-4-102, *Tennessee Code Annotated*, the Speakers direct the Department of Audit to undergo a quality assessment review under the auspices of the National State Auditors Association. The most recent review was performed in August 2008 by certified public accountants and other professionals holding executive-level posts in federal and state governments. The purpose of the review was to ensure that the department is meeting its responsibility to perform audit work in accordance with auditing standards generally accepted in the United States of America and standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The report of the peer review for the year ended June 30, 2008, rendered an unqualified opinion on the department's system of quality control. In the opinion of the quality assessment team, "the system of quality control of the State of Tennessee Comptroller of the Treasury, Department of Audit in effect for the period of July 1, 2007, through June 30, 2008, has been suitably designed and was complied with during the period to provide reasonable assurance of conforming with applicable auditing standards." The next peer review is scheduled for July 2010.

For additional information on the National State Auditors Association, go to www.nasact.org.



Comptroller of the Treasury Strategic Plan Framework



Mission

**To improve the quality of life for all Tennesseans
by making government work better**

Purpose

To serve the people of Tennessee by:

- Contributing to the protection of the public trust and promoting the public interest
- Enhancing effective public policy decisions at all levels of government
- Fulfilling operational and oversight responsibilities as may be assigned with the highest possible degree of excellence, efficiency, and effectiveness

Goals and Objectives

**Assure public resources are used effectively, efficiently,
and in compliance with applicable law**

- Exercise an oversight role of governmental entities and agencies
- Continue to evaluate the effectiveness and efficiency of resources used by each division through a performance-based operation
- Ensure the secure, efficient, and effective use of technology solutions

**Accomplish and provide continuous improvement for the statutory
and other assigned responsibilities of the Comptroller's Office**

- Use cross-divisional teams to address office-wide themes and appropriate strategic objectives
- Continue to advance the Comptroller's Office to a performance-based operation

Provide timely, adequate, and accurate information to decision makers at all government levels

- Maintain a process to develop appropriate information for decision makers
- Maintain a process to provide decision makers with appropriate information concerning policy, resource use, and management
- Encourage cooperation and joint efforts among divisions

**Provide a diverse, competent, ethical and professional staff
and maintain continual development of such staff**

- Adhere to a uniform Code of Ethics Program
- Maintain a succession plan for management
- Maintain a training program for the continual development of all staff
- Seek a healthy and safe work environment
- Review compensation issues within the Comptroller's Office on an annual basis
- Maintain a recruiting and hiring process that promotes diversity

Provide and maintain effective communication with internal and external audiences

- Maintain and improve a program which coordinates timely communications using the best available technology for internal and external communications
- Maintain appropriate historical information
- Inform and educate the citizens of the state, the general assembly, and other government entities about the role of the Comptroller
- Maintain a pro-active presence in professional organizations and associations

Core Values

<i>Honesty and Integrity</i>	<i>Accuracy and Reliability</i>	<i>Accountability</i>
------------------------------	---------------------------------	-----------------------

The Division of State Audit conducts financial and compliance audits, performance audits, and investigations. It also performs special studies to provide the General Assembly, the Governor, and the citizens of Tennessee with objective information about the state's financial condition and the performance of the state's many agencies and programs. This division thus aids the legislature in ensuring that state government is accountable to the citizens of Tennessee. In fulfilling this audit function, the division issued 89 reports during the year ended June 30, 2009; an additional 91 audits and special investigations were in progress at June 30, 2009.

This division includes six sections: Financial and Compliance, Performance (Sunset), Risk-Based Performance, TennCare, Special Investigations, and Information Systems. Highlights of the work each section performed from July 1, 2008, through June 30, 2009, are presented in this chapter. Complete reports are available upon request or on the Internet at www.comptroller1.state.tn.us/RA_SA/.

In addition to auditing, the division reviews and comments on exposure drafts from professional organizations and conducts technical research and training. The division also assists the Comptroller in the formulation of state policy and regulations, either directly by consulting with representatives of state agencies or indirectly by submitting comments about proposed policies and procedures.

Financial and Compliance

The Financial and Compliance section conducts financial and compliance audits of all state departments, agencies, and institutions.

A major endeavor of the Financial and Compliance section was the Single Audit of the State of Tennessee for the year ended June 30, 2008, conducted in accordance with Office of Management and Budget (OMB) Circular A-133. The *Single Audit Report* reflected federal awards of over \$10 billion. The results of the audit of compliance indicated that the State of Tennessee complied, in all material respects, with the compliance requirements applicable to each of the state's major federal programs.

However, the results of auditing procedures disclosed instances of noncompliance with compliance requirements applicable to major federal programs that were required to be reported in accordance with OMB Circular A-133.

As a result of testing the state's compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs, costs of \$54,218 were questioned for the year ended June 30, 2008.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to the state's basic financial statements. The consideration of internal controls for the state's major federal programs disclosed a significant deficiency, which was not considered a material weakness.

The Single Audit included an audit of the state's basic financial statements. This audit resulted in an unqualified opinion on the basic financial statements of the State of Tennessee for the year ended June 30, 2008.

State Audit

The audit also determined that the Schedule of Expenditures of Federal Awards was fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In addition to the *Single Audit Report*, separate audit reports were issued on many departments, agencies, and institutions of state government including the Department of the Treasury, the Office of the Comptroller of the Treasury, departments administering major federal programs, and units of the government not subject to the control of the centralized accounting system: state universities, community services agencies, the Tennessee State School Bond Authority, the Tennessee Local Development Authority, the Tennessee State Veterans' Homes Board, and the Tennessee Housing Development Agency.

The separate audits of the departments, agencies, and institutions are not meant to serve as organization-wide audits as described in the Single Audit Act as amended in 1996 and Office of Management and Budget Circular A-133. Some, however, serve as segments of the organization-wide audit of the State of Tennessee; therefore, they include the necessary tests for compliance with applicable laws, regulations, contracts, and grant agreements and the required consideration of the internal control.

The Audit Process

Financial and compliance audits are conducted in accordance with generally accepted government auditing standards issued by the United States Comptroller General. The section performs the following general procedures as part of the financial and compliance audit process:

- Reviews the working papers from previous audits and applicable regulations, rules, policies, procedures, laws, and legal opinions.
- Considers the internal control at the entity, including a review of information systems, and determines the nature, timing, and extent of tests to be performed.
- Reviews the original budget and subsequent budget revisions and compares them to actual revenues and expenditures.
- Obtains and analyzes explanations for significant variances.
- Reviews the internal control in the computerized accounting and management information systems.
- Tests to determine the appropriateness of expenditures and the entity's accountability for revenues and cash receipts.
- Tests to substantiate assets, liabilities, and fund balances.
- Reviews federal and state grants to determine the entity's accountability for grant funds and compliance with applicable laws, rules, regulations, and grant agreements.
- Reviews management's representations regarding financial transactions, supporting accounting data, and other disclosure items.
- Evaluates all evidence obtained during the audit process in order to formulate an opinion on the financial transactions and to prepare findings on significant problems.

State Audit

Results of Audits

During the year ended June 30, 2009, the division published 65 financial and compliance audit reports containing 108 audit findings and issued opinions on 28 sets of financial statements. On June 30, 2009, another 49 audits were in progress. The section released financial and compliance audit reports for the following entities:

Commission on Aging and Disabilities
Austin Peay State University
Board of Regents System Office
Commission on Children and Youth
Department of Children's Services
(Results of CAFR and Single Audit)
Department of Children's Services (State)
Clean Water State Revolving Fund
Department of Commerce and Insurance
Comprehensive Annual Financial Report 2008
Comptroller of the Treasury
Department of Correction
East Tennessee State University
Department of Environment and Conservation
Department of Financial Institutions
Department of General Services
Department of Health
Health Services and Development Agency
Department of Human Services
Local Government Group Insurance (2007)
Local Government Group Insurance (2008)
Medicare Supplement Insurance Fund
Memphis and Shelby County Community
Services Agency
Department of Mental Health and Developmental
Disabilities
Mid-Cumberland Community Services Agency
Middle Tennessee State University
Mid-West Community Services Agency
Nashville State Technical Community College
Northeast Community Services Agency
Northeast State Technical Community College
Office of Legislative Administration
Pellissippi State Technical Community College
Roane State Community College (2008)
Roane State Community College (2009)
Roane State Community College Foundation
Department of Safety
Single Audit 2008
Southeast Community Services Agency
Southwest Tennessee Community College
Department of State
Teacher Group Insurance Fund (2007)
Teacher Group Insurance Fund (2008)
Tennessee Consolidated Retirement System
Tennessee Education Lottery Corporation
Tennessee Higher Education Commission
Tennessee Housing Development Agency
Tennessee Local Development Authority
Tennessee Regulatory Authority
Tennessee Residence Foundation (2008)
Tennessee Residence Foundation (2009)
Tennessee Sports Hall of Fame
Tennessee State School Bond Authority
Tennessee State University
Tennessee State Veterans' Homes Board
Tennessee Student Assistance Corporation
Tennessee Technological University (2007)
Tennessee Technological University (2008)
Department of Tourist Development
Department of Transportation
Department of the Treasury
University of Memphis
University of Tennessee
Veterans Affairs
Volunteer State Community College (2007)
Volunteer State Community College (2008)
Walters State Community College

State Audit

Common Themes of Financial and Compliance Findings	No.
Noncompliance with state or federal laws, regulations, policies, or procedures	23
Errors or the potential for errors in financial reporting	12
Inadequate controls over management information systems or access to the systems	8
Improper or unnecessary payments or the potential for such payments	8
Loss or potential loss of revenues	7
Inadequate controls over inventories	5
Bank reconciliations not properly prepared or not prepared timely	4
Noncompliance with established controls over payment cards	4
Lack of proper risk assessments	3

Performance

A performance audit is an independent examination of the extent to which agencies and departments of state government are faithfully carrying out their programs. The audit reports assist the General Assembly and agency management by

- assessing the extent to which state agencies have fulfilled their statutory mandate and the efficiency and effectiveness of management's organization and use of resources,
- developing recommendations for management or legislative action that might improve the efficiency and effectiveness of the agency's operations, and
- providing pertinent program and financial data about the agencies.

Most of the Performance Audit section's workload is performance auditing directed by the Tennessee Governmental Entity Review Law, commonly known as the Sunset Law (Section 4-29-101 et seq., *Tennessee Code Annotated*). This law requires that each agency, board, commission, or other entity be reviewed at least once every eight years by the legislative Joint Government Operations Committee to determine whether that entity should be continued, restructured, or terminated.

Audit staff focus their efforts on the audits of major entities. In the year ended June 30, 2009, the Performance Audit section released the following 13 reports—10 Sunset audit reports covering 23 entities, one performance audit, and 2 special reports:

State Audit

Sunset Audit Reports

Department of Agriculture
Department of Commerce and Insurance
Department of Correction
Department of Economic and Community
Development
Department of General Services
Department of Health
Department of Labor and Workforce Development
Police Officer Standards and Training Commission
and Law Enforcement Training Academy
Registry of Election Finance
Tennessee State Veterans' Homes Board

Performance Audit

Tennessee Men's Health Network

Special Reports

Marriage License Tax Allocation
Status of Plans to Reduce the Use of Petroleum
Products

Twelve Sunset projects covering 49 entities were in process at year-end. The Government Operations Committees held 25 public hearings on 88 entities in the year ended June 30, 2009. At these hearings, Performance Audit staff presented audit reports covering 23 entities. Another 64 entities submitted written responses to staff-prepared questions based on the entities' statutory authority and responsibility. One entity updated committee members on its activities, including actions taken in response to an audit presented in a prior year.

Audit Process

Performance audits are conducted in accordance with *Government Auditing Standards* issued by the United States Comptroller General. Audits progress through six phases: planning, detailed audit field work, report writing, comments from

agency management, publication of the final report, and presentation of the final report at a legislative hearing. Performance auditing includes the following activities:

- Review of relevant state and federal laws, court cases, Attorney General's opinions, executive orders, rules, and regulations.
- Review of the agency's procedures, plans, and policies.
- Examination of the agency's records, files, and correspondence.
- Interviews with staff of the audited agency and related agencies.
- Observation of the agency's operations and activities.
- Analysis of the agency's revenue and expenditure data.
- Analysis of the agency's program data, performance measures, and reported results.
- Review of comparative data from other states.
- Surveys of individuals, agencies, and organizations served or affected by the agency.
- Tests for compliance with significant legal and administrative requirements.
- Evaluation of the extent to which the agency achieved desired results at the lowest reasonable cost.
- Recommendations of possible alternatives for legislative or administrative action that may result in more efficient and effective accomplishment of the agency's legislative mandate.

State Audit

Common Themes of Performance Findings	No.
Inadequate monitoring systems	15
Inadequate policies, procedures, and processes	8
Inconsistent performance	7
Review and/or revision needed for policies, statute, or processes	4
Inadequate documentation	4
Statute noncompliance	4
Information system related deficiencies	3
Conflict of interest policy and disclosure weaknesses	2

TennCare

The TennCare section of the Division of State Audit, under an agreement with the Department of Finance and Administration, performs certain audit and rate-setting functions for the state's TennCare program.

A staff of 20 professional auditors performs the following functions:

- Reimbursable rate computation and examinations for nursing homes and Intermediate Care Mental Retardation facilities that participate in the Medicaid Program.
- Examinations of TennCare Managed Care Contractors (MCCs) that contract with the state to provide medical services under the program. The examinations are performed jointly with, and released under, the Department of Commerce and Insurance.
- Agreed-upon procedures engagement performed to compute the Certified Public Expenditures (CPE) for public hospitals. CPE is defined as unreimbursed TennCare costs. The TennCare waiver provides for additional federal funding depending on the level of CPE in public hospitals.
- Computing of reimbursement settlements and prospective rates for Federally Qualified Health Centers and Rural Health Clinics as required by the Benefits Improvement and Protection Act of 2000.
- Provide financial and budgeting support to the Bureau from nursing home paid claims extracts.
- Cost settlements for state-operated Development Centers that provide services to mentally retarded recipients.
- Clinical monitoring of the state's Mental Retardation Waiver project.

State Audit

Examinations of Nursing Facilities

In fiscal year ended June 30, 2009, the TennCare section completed nine examinations of the following Nursing Facilities:

NHC Healthcare, Knoxville
Country Place Health Care Center
Golden Living Center – Windwood
Hardin Home Nursing Home
Wayne County Nursing Home
Lexington Manor, Inc.
Rosewood Manor, Inc.
Union City Manor, Inc.
Waverly Health Care Centers

The examinations reported findings such as

- Nonallowable expenses
- Improper billing of resident hospital leave days
- Residents inappropriately charged for covered services
- Need to properly manage resident trust fund accounts
- Need to properly manage unrefunded credit balances

Examinations of TennCare MCCs

In fiscal year ended June 30, 2009, the TennCare section assisted the Department of Commerce and Insurance in performing one MCC examination. The significant findings reported included

- Deficiencies in claims processing system
- Deficiencies in provider contract language

- Failure to comply with prompt pay requirements
- Noncompliance with statutory accounting principles

Special Projects – Grier Consent Decree

The state, legislature, or federal government often requests that the Division of State Audit work on special TennCare projects. One such project is currently in progress.

The state, under a consent decree with the federal court, has agreed to comply with certain requirements with respect to TennCare enrollee grievances and appeals. The TennCare managed care contractors and their providers are also subject to the consent decree, so it has widespread implications. The agreement, commonly referred to as the “Grier Consent Decree,” became fully effective on November 1, 2000.

The Grier Consent Decree requires the state to enter into an agreement with the Comptroller’s Office to monitor all aspects of compliance with the order and to report quarterly. Quarterly reports through December 31, 2008, have been completed, and the reports for the quarters ended March 31, 2009, and June 30, 2009, are in progress.

State Audit

Special Investigations

Authority to conduct special investigations is provided in part by Sections 8-4-201 through 8-4-208, *Tennessee Code Annotated*. The Special Investigations section gathers information and evidence resulting in prosecutions and recovery of funds and coordinates the efforts of other agencies involved in the investigation. The investigators assist local district attorneys general, Tennessee's Office of the Attorney General, the Office of the United States Attorney General, and the Tennessee Bureau of Investigation.

Investigative reviews are initiated as a result of information discovered during audits by the Department of Audit and through information from individuals or other departments and agencies. The matters investigated during the fiscal year

ended June 30, 2009, ranged from embezzlement of public funds to abuse of public resources. One report was released:

Tennessee Human Rights Commission:
Review of Falsified Case Documents

Ten investigations were in progress at June 30, 2009. Investigations were completed on matters at the state level as well as matters at the local level. Investigators often found that losses were incurred as a result of weak internal control or ineffective management.

Ongoing investigative reviews resulted in the receipt of a recovery of \$7,525.87, and two resignations in lieu of termination for gross misconduct.

Information Systems

The Information Systems (IS) section provides three basic services: data retrieval, IS systems review, and computer forensic analysis.

The data retrieval staff provide information for audit field work. They write computer programs to provide information from the state's centralized accounting system, individual agency service delivery systems, and college and university transaction files.

The IS review staff are responsible for obtaining and documenting an understanding of the internal control structure in the computerized accounting and management information systems of entities undergoing financial and compliance audits. One report was released:

Department of Finance and Administration,
Enterprise Resource Planning:
Letter to Governor Bredesen – Project Edison
Human Capitol Management Survey

The IS section provides services in the area of computer forensic analysis. Evidence of fraud and abuse may be found on subjects' computers, and the IS section works in support of the special investigations section to acquire, identify, and analyze this evidence. The section utilizes specialized software and hardware to recover evidence of official misconduct by state employees and in support of civil or criminal action against persons or entities engaging in illegal activities resulting in damages to the state.

State Audit

American Recovery and Reinvestment Act

In February 2009, President Obama signed into law the \$787 billion American Recovery and Reinvestment Act of 2009 (ARRA), which will supplement 60 existing federal programs and provide funding for approximately 109 new federal programs. The State of Tennessee will receive approximately \$5.2 billion for the fiscal years 2009-2011. The Office of the Comptroller of the Treasury, Department of Audit, will be largely responsible for auditing these additional federal dollars via the Single Audit process to ensure that these public funds are expended responsibly and in a transparent manner to meet the purposes and objectives of ARRA: job creation, economic recovery, and other purposes.

The ARRA calls for rigorous and continuous oversight and accountability, and the Comptroller of the Treasury has committed to meeting that responsibility. At a base level, the Department of Audit will be performing work related to ARRA funds as part of Tennessee's statewide Single Audit. In addition, the Comptroller has called for

further oversight in the form of increased expenditure reviews and real-time reviews of internal control related to ARRA compliance. As deficiencies are identified, the Department of Audit will communicate, via interim reporting, reportable conditions identified and other noncompliance deficiencies to those charged with governance to encourage prompt corrective action.

The Comptroller of the Treasury's Office will report on the state's ability to comply with federal program requirements—both by department and by major federal program. The number and type of federal programs audited each year as part of the Single Audit is formula-driven as stipulated by the federal Office of Management and Budget (OMB). In the fiscal year ending June 30, 2009, Tennessee received approximately \$11 billion in total ARRA and non-ARRA federal funds. As a result, our office will audit approximately 16 major federal programs.

The Department of Audit, through the Division of County Audit, is responsible for the annual audits of all 95 counties in the state. The division may conduct the audit of a county or accept an audit prepared by a certified public accountant provided the audit meets minimum standards for county audits established by the Comptroller of the Treasury. However, the Division of County Audit is required to prepare an audit in each county at least once every five years or to participate with, or monitor the audit with, the certified public accountant.

Financial and Compliance

The division presently conducts audits in 89 counties. These audits are assigned to teams that audit the various offices and/or departments and entities of county government. The audit staff is divided into four geographical areas: East, Mideast, Middle, and West. Each area is under the supervision of an audit manager who is responsible for audit planning and supervision.

The Audit Process

The Division of County Audit performs the following general procedures as part of the financial and compliance audit process:

- Evaluates the entity's existing internal controls in the appropriate areas of operation.
- Confirms the accountability for receipts by examining, for example, tax rolls, state and federal revenue data, and letters of inquiry.
- Determines the appropriateness of disbursements by examining budget authorization, paid invoice files, purchasing files, payroll records, and other financial records.
- Determines the authorization for transactions by reviewing the minutes of meetings of county commissions, school boards, highway commissions, and various committees such as budget and finance, and purchasing.
- Determines compliance with federal regulations and state and local laws.
- Obtains management's representations with respect to the financial statements, as well as the supporting accounting data, and other items of disclosure.

- Evaluates financial statement presentation to determine conformity with generally accepted accounting principles.
- Evaluates the validity of all evidence obtained throughout the audit process to formulate an opinion on the financial statements.

Scope of Activity Post-Audit of County Governments

The Division of County Audit conducted audits in 89 of the state's 95 counties for the 2007-08 audit year. A minimum of ten offices or departments in each county was audited:

1. County Trustee
2. County Mayor
3. Department of Education
4. Department of Highways
5. County Clerk
6. Circuit Court Clerk
7. General Sessions Court Clerk
8. Chancery Court Clerk and Master
9. Register
10. Sheriff

The audits of all offices were for the year ended June 30, 2008. The audit field work in each county is conducted by an audit team. The size of the team is determined by the complexity of the assignment. Approximately ten weeks of field work are required, including audit review and supervision by an auditor 4 and/or audit manager. The draft audit reports are reviewed in the Nashville office, printed and released. The division also prepares audits of two special school districts and performs special audits and reviews as requested or as deemed necessary.

County Audit

Results of Audits

Financial and Compliance Audits

Audits of financial transactions for the year ended June 30, 2008, conducted by the Division of County Audit disclosed cash shortages in the following offices or funds:

1. Anderson County Trustee's Office.....	\$ 4,585
2. Bedford County Emergency Management Agency	117,603
3. Benton County Animal Shelter	370
4. Benton County General Session Court Clerk's Office	693
5. Benton County Drug Court.....	90
6. Cheatham County Highway Department.....	68,281
7. Cheatham County Landfill Office.....	13,747
8. Claiborne County Circuit/Sessions.....	28,233
9. DeKalb County Gen. Session Court Clerk's Office.....	8,501
10. Fentress County Sharp/Alticrest Volunteer Fire Department.....	2,032
11. Gibson County Office of Aging	917
12. Gibson County Juvenile Court Clerk's Office	111
13. Hardeman County EMS Department.....	2,899
14. Hardeman County Landfill Office	3,032
15. Hawkins County Laurel Run Park	710
16. Henderson County Highway Department.....	423
17. Lake County School Department	508
18. Lawrence County Sheriff's Department.....	120
19. Marshall County Ambulance Service Department.....	49,950
20. McNairy County Circuit and General Sessions Court Clerk's Office	13,528
21. Morgan County Clerk	721
22. Polk County School Department	12,499
23. Polk County Highway Department.....	1,047
24. Rutherford County Landfill Office	26,110
25. Rutherford County Landfill Office	5,119
26. Sequatchie County Clerk.....	4,249
27. Sequatchie County Sheriff.....	2,012
28. Smith County Clerk	819
29. Sumner County Sheriff.....	192
30. Tipton County Litter Control	4,325
31. Williamson County Landfill Office.....	7,352
Total Cash Shortages.....	<u>\$380,778</u>

The audits conducted by this division disclosed fund deficits of \$248,777,651 in 61 governmental fund accounts in 38 counties. Audits also reflected net asset deficits totaling \$44,521,190 in 14 enterprise funds and 5 internal service fund accounts in 10 counties. The division's examination of offices and departments in 89 counties resulted in several recurring audit findings summarized on the next page.

County Audit

Recurring Findings	Number of AFRs with Finding	Percentage of AFRs with Finding
1. The county had accounting and/or recordkeeping deficiencies.	83	93%
2. Duties were not adequately segregated.	75	84%
3. Material audit adjustments were necessary.	56	63%
4. A system of central purchasing had not been adopted.	50	56%
5. A system of central accounting and budgeting had not been adopted.	49	55%
6. The entity did not have the financial resources necessary to prepare the financial statements.	40	45%
7. Expenditures were made in excess of major appropriation categories.	36	40%
8. Collections were not deposited in compliance with provisions of the three-day deposit law.	34	38%
9. Purchases were not made in compliance with state statutes.	33	37%
10. The entity had a cash shortage.	21	24%
11. Purchase orders were not properly issued.	19	21%
12. Loan, note, or lease-purchase agreement was not approved by the director of local finance.	18	20%
13. Fees and/or commissions were not remitted in compliance with state statutes.	17	19%
14. Inventory records were not adequately maintained.	14	16%
15. An Execution Docket Trial Balance had not been reconciled with cash journal controls.	14	16%
16. Loan, note, or lease-purchase agreement was not approved by the County Commission.	13	15%
17. Expenditures were made in excess of total appropriations.	12	13%
18. The Sheriff's Office had deficiencies in its commissary operations.	11	12%
19. Purchase orders were not utilized.	9	10%
20. County funds on deposit were not secured in compliance with state statutes.	7	8%
21. Drug Control funds were not administered in compliance with state statutes.	5	6%
22. An Execution Docket Trial Balance had not been prepared.	2	2%

County Audit

Investigations

A County Audit investigations team has been formed. The team consists of four auditors, one based out of each of the division's regional offices. An investigations supervisor sets priorities, allocates resources, and coordinates investigations with area audit managers. The investigative auditors' primary responsibility is to perform investigations in their geographic area resulting from hot line calls, fraud reporting forms, anonymous tips, significant cash shortages discovered during the routine audit process, and other reported instances of fraud, waste, and abuse. Results of investigations, such as findings and any impact on county financial statements, will be reported in the annual county audit reports. On occasion, a separate investigative report may be issued.

Contract Audits

For six counties, certified public accountants perform the financial and compliance audits. The division monitors these audits in accordance with a four-year monitoring plan which includes a review of working papers prepared by certified public accountants.

The division also approves the contracts of certified public accountants and reviews their audit reports and working papers. The objective of this review is to ensure that in addition to the standards prescribed by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the United States Comptroller General, certain standards prescribed by the Comptroller of the Treasury have been followed.

Scope of Activity Monitoring and Review of Contract Audits

The division will monitor audits of six county governments during the next four years. The audit of Shelby County was monitored for the

year ended June 30, 2008, and the audits of Davidson and Knox Counties will be monitored for the year ended June 30, 2009.

The division reviewed 288 audit reports for the year ended June 30, 2008, submitted by certified public accountants for audits of county governments, authorities, boards, commissions, agencies, and special school districts. The division anticipates it will review 293 such reports for the year ended June 30, 2009.

Information System Reviews

Most county government offices and departments in Tennessee have automated all or a portion of their daily operations. The information system (IS) review section is responsible for evaluating those computer-based accounting and information systems to determine whether an entity's existing procedures and controls provide adequate assurance of data accuracy and financial and operating statement reliability. An assistant director supervises this section's IS audit manager and seven IS auditors, who are assigned to different areas of the state.

General and application controls of a county's computer hardware and computerized accounting and information systems are evaluated. Findings resulting from this evaluation are discussed with the appropriate officials and included in the county's annual financial report.

Scope of Activity Information System Reviews

As required by the division's annual audit plan, information system related controls were evaluated in 89 counties and two special school districts during the year ending June 30, 2009.

County Audit

Other Services

Technical Assistance

In addition to the basic audit function and the monitoring and review of audits by certified public accountants, the division provides other services. These services include providing information and assistance to facilitate implementation of new auditing and accounting standards; submission of federal program data to the federal clearing house on behalf of county governments; requesting technical data for pension and other postemployment benefits note disclosures from the State of Tennessee; maintenance of the uniform chart of accounts that is used by county governments; and participation in the review of the telephone calls made to the Comptroller's Fraud Hotline. The division also provides, upon request, assistance to counties in resolving current problems with financial administration, as well as answering questions on various local governmental matters. The division provides fiscal reviews of new legislation related to county governments and works closely with the state legislature with regard to the passage of new statutes for county governments.

Reviews of Funds Administered by District Attorneys General

During 2009, the division conducted reviews of District Attorney General Funds, Judicial District Drug Task Force Funds, and other funds the district attorneys general administer in the state's 31 judicial districts. Each review covered the period July 1, 2007, through June 30, 2008. The scope of each review was limited to the transactions of the individual funds and did not include the overall operation of the district attorneys' offices.

Reviews of County Correctional Incentive Program (CCIP)

Tennessee Code Annotated, Title 41, Chapter 8, referred to as the County Correctional Incentive Act, provides counties financial incentives to house nondangerous felony offenders at local correctional facilities. The purpose of the program is to mutually benefit state and county governments by helping to alleviate overcrowding in state correctional facilities and reduce high operating costs, and to assist counties in upgrading local correctional facilities and programs. Counties participating in the program may be reimbursed at either a minimum statutory daily rate or a rate based on a county's "reasonable allowable cost" to house convicted felons.

The Division of County Audit conducts reviews of counties participating in the County Correctional Incentive Program. In performing the reviews, the division tests the county's financial records and other supporting records pertaining to the Final Cost Settlement Reports. Test work is also performed on the Correction Facility Summary Reports and State Prisoner Reports. Reviews were conducted in 28 detention facilities during the 2008-09 audit year. As a result of the reviews, it was determined that the state had overpaid \$52,821 for six facilities.

County Audit

The American Recovery and Reinvestment Act

The Division of County Audit has played a leading role in implementing the American Recovery and Reinvestment Act (ARRA) for county governments in the State of Tennessee. All county governments in the state of Tennessee either have or will receive ARRA grants. The primary goal of ARRA grants was to create jobs and promote economic recovery. Federal grantor agencies have committed that ARRA grants will be subject to an unprecedented level of transparency and accountability. Because of this commitment, many new administrative and reporting requirements apply to ARRA grants. Local governments that apply for and receive ARRA grants have entered into a contract to implement these strict requirements.

Because of the mandatory transparency and accountability provisions of ARRA, the Division of County Audit will place special emphasis on ARRA grants. The division will do this during the normal post audit process by reviewing every ARRA grant regardless of size. In addition, the division will be performing real-time reviews of ARRA grants in selected counties. The real-time review process has already begun and several matters of noncompliance have been discovered.

County Audit has made various ARRA implementation tools available on the Comptroller's website (www.tn.gov/comptroller) including directives from the Tennessee Office of Recovery Act Management and a Ten Step ARRA Compliance checklist developed by the division. The implementation guidance presented there is mandatory.

GASB 34 Compliance

The Governmental Accounting Standards Board (GASB) is responsible for establishing accounting standards for state and local governments in the United States. In June 1999, GASB issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. The purpose of Statement No. 34 was to make government financial statements more useful for people utilizing government financial information, to help make better operating decisions and to enhance comparability of financial information between governments.

The State of Tennessee implemented Statement No. 34 for the year ended June 30, 2002, as required by the standard. However, the Comptroller of the Treasury recognized many local governments in Tennessee would have difficulty complying with this standard and would not be able to present financial statements in conformity with generally accepted accounting principles (GAAP). The state legislature passed the Local Government Modernization Act of 2005. This legislation was for ensuring that local governments in Tennessee maintained adequate accounting records and complied with GAAP. This legislation directed the comptroller to develop a work plan for local governments to accomplish compliance with Statement No. 34 by no later than June 30, 2008. Initially over 50 counties were in non-compliance with Statement No. 34 as of June 30, 2004. However, through these initiatives and the desire, dedication and hard work of local government officials, all counties in Tennessee are now in compliance with this standard. Tennessee is now one of the very few states where there is 100 percent compliance by local governments with Statement No. 34!

The Division of Municipal Audit ensures that annual audits, required by state statute, are performed for all Tennessee municipalities, public school activity and noncentralized cafeteria funds, utility districts, housing authorities, charter schools, and certain nonprofit agencies receiving grants from the State of Tennessee. Also, as required by state statute, the division ensures that an agreed-upon procedures audit is performed for certain daycare providers receiving subsidy payments through the State of Tennessee. In addition, the division investigates allegations of misconduct, fraud, and waste in these entities.

Audit Review Process

Local governmental units (other than counties) and nonprofit agencies contract with independent certified public accountants to perform annual audits of Tennessee's 344 municipalities, 181 city-related entities, 82 quasi governmental entities, 48 quasi nonprofit entities, 181 utility districts, 160 public school activity and noncentralized cafeteria funds, 13 charter schools, 85 housing authorities, 3 housing authority related entities, and 308 nonprofit agencies. The entities use standard contracts, prepared by the Comptroller of the Treasury, that must be approved by the Comptroller's designee in the Division of Municipal Audit before audit work begins. These audits must be performed in accordance with generally accepted government auditing standards or agreed-upon procedures and certain other minimum requirements prescribed by the Comptroller of the Treasury. In addition, the auditor must comply with certain other federal and state provisions.

The Division of Municipal Audit reviews each audit report to verify that it adheres to applicable reporting requirements. If a local governmental unit or nonprofit agency fails or refuses to have an audit, the Comptroller may direct the Division of Municipal Audit, or may appoint a certified public accountant, to perform the audit. The division evaluates the audit working papers of certified public accounting firms that audit local governmental and nonprofit entities. If the firm's audit working papers are deemed substandard, the Comptroller of the Treasury takes appropriate

action, which might include referral to the State Board of Accountancy. The division is responsible for tracking 1,945 nonprofit organizations that have received grants from the State of Tennessee; some of these organizations are required to have an audit of their entire organization. These audits are conducted by certified public accounting firms which contract with the division.

Division of Municipal Audit

Sections 68-221-1010 and 7-82-401g(1), *Tennessee Code Annotated*, require the Comptroller to refer financially distressed municipal wastewater and public utility districts to the state's Water/Wastewater Financing Board or the Utility Management Review Board. After reviewing the audit reports, the Division of Municipal Audit refers financially distressed facilities to the appropriate board. The board then reviews the current financial condition of the facility and its proposed plan for eliminating its financially distressed condition. If the board finds the facility's plan unacceptable, the board will recommend an alternate course of action.

During the year ended June 30, 2009, 24 wastewater facilities were referred to the Water/Wastewater Financing Board, and 16 utility districts were referred to the Utility Management Review Board. As a result, several utility districts and municipal water and/or sewer systems are now operating or are on their way to operating on a financially sound basis.

Municipal Audit

Investigative Audits

The division investigates allegations of misconduct, fraud, and waste in specified local governments and other publicly funded entities. Investigative audits are performed as a result of allegations received through the Department of Audit's toll-free hotline, routine audit reviews, information received from certified public accountants, other state agencies, concerned citizens and/or officials, and requests received from local district attorney generals, the State Attorney General's Office, the FBI, and other prosecutorial and law enforcement agencies. Upon completion of each examination, the Comptroller issues a report or letter presenting documented occurrences of improper activity and recommending corrective action. The report is forwarded to the State Attorney General and the local district attorney general for any legal action deemed necessary.

The division also conducts investigative audits that include a thorough review of the internal control structures and compliance with applicable laws. Municipalities are required by statute to maintain their records, at a minimum level, in accordance with the *Internal Control and Compliance Manual for Tennessee Municipalities*, prescribed by the Comptroller of the Treasury. Utility districts are required by state statute to follow the *Uniform Accounting Manual for Tennessee Utility Districts*, compiled by the Division of Municipal Audit. State statute requires schools to follow the *Internal School Uniform Accounting Policy Manual*, compiled by the Tennessee Department of Education, the Department of Finance and Administration, and the Division of Municipal Audit. At the conclusion of an investigative audit, the division publishes a report which identifies internal control structure and compliance weaknesses and recommends corrective action. The audits point out to officials the importance of sound internal controls and compliance with applicable laws and regulations.

The division routinely provides technical assistance to local government officials and certified public accountants. This assistance often requires detailed research of financial accounting concepts and state and federal statutes.

Audits and Investigative Audits

For the year ended June 30, 2009, the Division of Municipal Audit performed 1,465 reviews of audit reports for specified local governments and other publicly funded entities. The division released 27 investigative audits during the year. The entities examined in the 27 investigative audits included 7 municipalities, 11 public schools, 2 nonprofit entities, 3 utility districts, and 4 other organizations. The majority of the investigative audits involved allegations of fraud, waste, and abuse. Most investigative audits revealed weaknesses in internal controls, absence of internal controls, or potential problem areas that created an environment conducive to fraud. During the 2009 fiscal year, investigative audits revealed losses of at least \$668,734 due to fraud. In total, approximately 6 defendants' cases were disposed of in fiscal year 2009. Approximately 17 criminal indictments and 2 misdemeanor warrants were dealt with altogether. In all, 5 entity-victims throughout the state recovered \$72,014 (including stolen amounts and audit costs) as a result of the investigation and subsequent prosecution of the criminal cases.

Municipal Audit

The Division of Municipal Audit released the following investigative audit reports during the year ended June 30, 2009:

Hohenwald Housing Authority
Maury County/City of Columbia Animal Services Facility
Maplewood High School Cafeteria – Metropolitan Nashville Public School System
Kingsbury High School – Memphis City School System
Clinton City School System
E.A. Cox Middle School – Maury County School System
City of Spring Hill
City of Eagleville
City of Collegedale
Surgoinville Utility District
Town of Surgoinville
Jefferson County High School – Jefferson County School System
City of Manchester – Public Works
East Tennessee Human Resource Agency SSI Representative Payee Program
Town of New Market
Macon Elementary School – Memphis City School System
Woodland Elementary School – Cannon County School System
Scotts Hill High School – Henderson County School System
Watauga River Regional Water Authority
Gladeville Utility District
Memphis Police Association
Southwest Human Resource Agency
Coles Ferry Elementary School – Lebanon Special School District
Whittle Springs Middle School – Knox County School System
McGavock High School – Metropolitan Nashville Public School System
Memphis Sexual Assault Resource Center

The American Recovery and Reinvestment Act

Many municipal governments and nonprofit agencies in the state of Tennessee either have or will receive ARRA grants. Please visit the State's web site at <http://www.tnrecovery.gov/plans.html> for details about the type and amount of ARRA funding going to various agencies.

The Division of Municipal Audit released an update of the *Internal Control and Compliance Manual for Tennessee Municipalities* shortly following the passage of the American Recovery and Reinvestment Act (ARRA). The manual requires each municipality to perform a risk assessment of the municipality as a whole and design and implement internal controls to address the risks identified. The manual, in conjunction with the additional ARRA specific guidelines and implementation tools posted on our web site provides significant guidance for local governments and nonprofit organizations in complying with the mandatory transparency and accountability provisions of ARRA.

In addition, the review section of the Division of Municipal Audit has structured its post audit activities to focus on ARRA requirements. Such activities are intended to ensure that noncompliance is identified, reported, and that, ultimately, corrective action is implemented on a timely basis.

The investigative section of the Division of Municipal Audit will determine how to address any ARRA deficiencies that are uncovered during its investigations on a case by case basis.

Since its inception, the hotline has received over 13,000 calls, including 1,115 calls between July 1, 2008, and June 30, 2009. Of the 1,115 calls, 266 concerned allegations of fraud, waste, or abuse. The substantive calls—those relating to fraud, waste, or abuse—concerned a wide range of entities, including municipalities, counties, state agencies and departments, and federal agencies and departments. A more detailed analysis is below. Substantive calls are investigated by the Department of Audit or referred to the appropriate state agency or program.

Of the 266 calls referred for action, responses have been received on 195, and these are considered closed. The remaining 71 continue to be considered open.

The remaining 849 calls have not been acted on because they were either repeat calls or were not relevant to the purpose of the hotline. Calls in the latter group include wrong numbers, hang-ups, general inquiries about the hotline, and requests for service provided by other agencies, such as tax assistance. Where applicable, the callers are referred to the appropriate agency or department that can provide assistance.

Results of Hotline Calls

The following summaries are the results of hotline calls upon which corrective action was taken by the subject agency for the year ending June 30, 2009.

Education – Use of State Equipment for Personal Purposes

The caller alleged that an employee has used state equipment to print materials for her personal use. The allegation was found to be true. Due to the slight volume of use, the employee was given an oral warning and was required to review the Tennessee Acceptable Use Policy.

Environment and Conservation – Inappropriate Conduct by Employee

The caller alleged that an employee had failed to follow procedures for cutting hay on park property and allowed employees to swim after hours in the park swimming pool. The allegations were found to be true. The employee was instructed to properly document future agreements for cutting hay. A memorandum was sent to park employees that after-hours swimming at the pool was prohibited.

Environment and Conservation – Use of State Equipment for Personal Purposes

The caller alleged that an employee was using park equipment for personal purposes. The allegation was found to be true. The employee was issued a written warning and was verbally counseled that future violations would subject the employee to further disciplinary action up to and including termination.

General Services – False Invoices

The caller alleged that a contractor was purposely overbilling the state for services provided. The review determined that the state had been overbilled \$7,525.87. It was determined that the overbilling was due to poor recordkeeping by the contractor and insufficient oversight by the department. The contractor reimbursed the state the overpayment. The department developed a plan for the contractor and department to follow for future requests for payment.

Comptroller's Hotline

Human Services – False Invoices

The caller alleged falsification of food program invoices by a day care center. The allegation was found to be true. The department terminated the center from the associated program.

Human Services – Food Stamp Fraud (1)

The caller alleged an individual was receiving food stamp benefits for which that individual was not eligible. The allegation was found to be true. The recipient was removed from the program and the department is seeking recovery.

Human Services – Food Stamp Fraud (2)

The caller alleged an individual was receiving food stamp benefits for which that individual was not eligible. The allegation was found to be true. The recipient was removed from the program and the department is seeking recovery.

Labor – Inappropriate Conduct by Employee

The caller alleged that an employee told him not to come back to an unemployment office after a verbal altercation. The allegation was found to be true. The employee was reprimanded for this behavior.

Mental Health and Developmental Disabilities – Refusal to Provide Records

The caller alleged that he was refused his medical records from a facility he attended. The allegation was found to be true. A Notice of Non-Compliance was issued to the facility.

Mental Health and Developmental Disabilities – Rule Violation

The caller alleged that a facility removed a television as punishment to the service recipients. The allegation was found to be true. The removal

of a television as punishment is in violation of departmental rules. The department issued a Notice of Non-Compliance to the facility.

Revenue – Excessive Wait

The caller alleged that he was required to wait an excessive amount of time to receive a license. Although the allegation could not be verified, as a result of the call the department implemented new procedures aimed at reducing the amount of time customers must wait.

Safety – Failure to Follow Licensing Procedures

The caller alleged that a driver's license testing examiner had failed to provide the caller with proper documents to receive a license. The allegation was found to be true. The matter was turned over to the Director of Driver Services for further evaluation.

Safety – Excessive Wait

The caller alleged that an examiner was not seeing customers, resulting in a long wait. The allegation was found to be true. The matter was turned over to the Director of Driver Services for further evaluation.

Transportation – Reckless Driver

The caller alleged that a van driver was arguing on her cell phone, speeding, and driving erratically with clients in the van. The allegation was found to be true. The driver was orally warned and reminded of the importance of customer safety.

Comptroller's Fraud, Waste and Abuse Hotline (800) 232-5454

Comptroller's Hotline

Analysis of Substantive Hotline Calls Fiscal Year Ended June 30, 2009

Reviewing Agency	Calls	Closed	Open
<u>Local Government</u>			
Municipal Audit	12	8	4
<u>County Government</u>			
County Audit	18	12	6
<u>State Government</u>			
Board of Probation and Parole	7	7	0
Board of Regents	7	1	6
Children's Services	21	13	8
Comptroller – Property Assessments	2	2	0
Correction	2	1	1
Division of Intellectual Disabilities Services	7	3	4
Education	2	2	0
Environment and Conservation	4	4	0
Finance and Administration	5	4	1
Financial Institutions	1	1	0
General Services	6	2	4
Health	25	23	2
Human Services	30	28	2
Labor and Workforce Development	19	7	12
Mental Health and Developmental Disabilities	17	17	0
Military Department	1	0	1
Northwest TN Econ. Development Council	1	1	0
Revenue	3	3	0
Safety	38	30	8
State Audit	5	3	2
TennCare	3	3	0
Tennessee Bureau of Investigation	2	0	2
Tennessee Historical Commission	1	1	0
Tennessee Student Assistance Corporation	1	1	0
Transportation	14	11	3
University of Tennessee	4	3	1
<u>Federal Government</u>			
Agriculture	1	1	0
Housing and Urban Development	4	2	2
Internal Revenue Service	1	1	0
Social Security	2	0	2
Total	266	195	71

The department's professional staff perform a wide variety of audit work requiring different types of training and experience. Therefore, members of the staff have degrees in fields such as accounting, public administration, information systems, law, political science, criminal justice, education, and nursing. More than 60 of the professional staff have advanced degrees. The department encourages its employees to pursue professional certifications such as Certified Public Accountant, Certified Information Systems Auditor, Certified Fraud Examiner, and Certified Government Financial Manager.

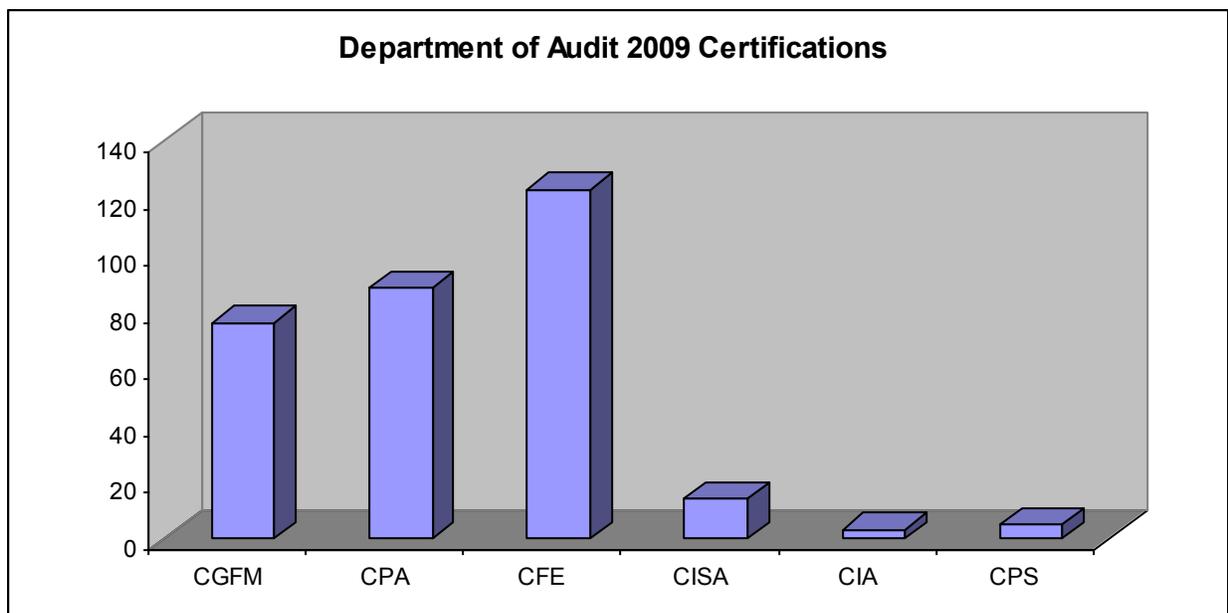
Professional Development

As of June 30, 2009, 198 employees of the department had received one or more professional certifications. This range of experience gives a broad perspective to the department's audit work.

The Department of Audit ensures its auditors receive the required continuing professional education to meet certification standards and Government Auditing Standards. Auditors participate in the department's in-house training

program as course developers, presenters, and participants. Over 14,000 hours of training were completed during the fiscal year ended June 30, 2009.

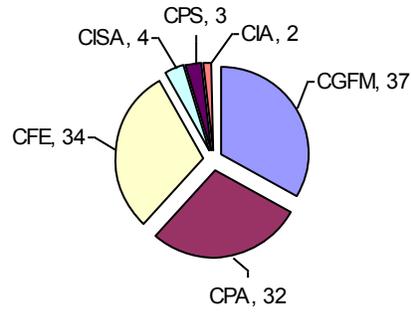
The Department of Audit fully supports its staff's active participation in local professional organizations, recognizing that these organizations contribute to the staff's continued growth.



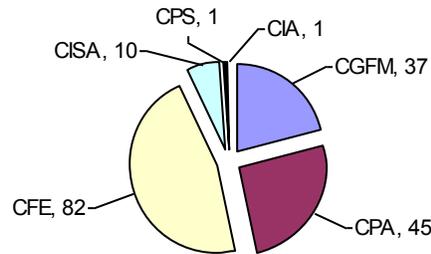
Certified Government Financial Manager (CGFM), Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), Certified Information Systems Auditor (CISA), Certified Investigations Auditor (CIA), and Certified Professional Secretary (CPS).

Department Staff

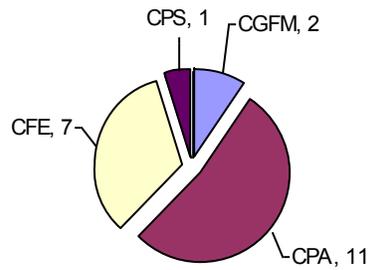
**County Audit 2009 - 112 Certifications Held
(85 Employees)**



**State Audit 2009 - 176 Certifications Held
(179 Employees)**

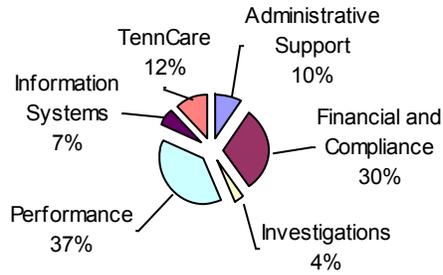


**Municipal Audit 2009 - 21 Certifications Held
(19 Employees)**

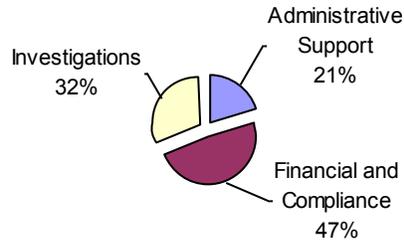


Department Staff

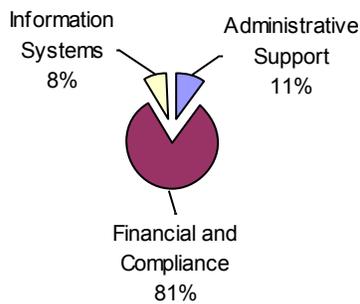
**State Audit 2009
Employees by Category**



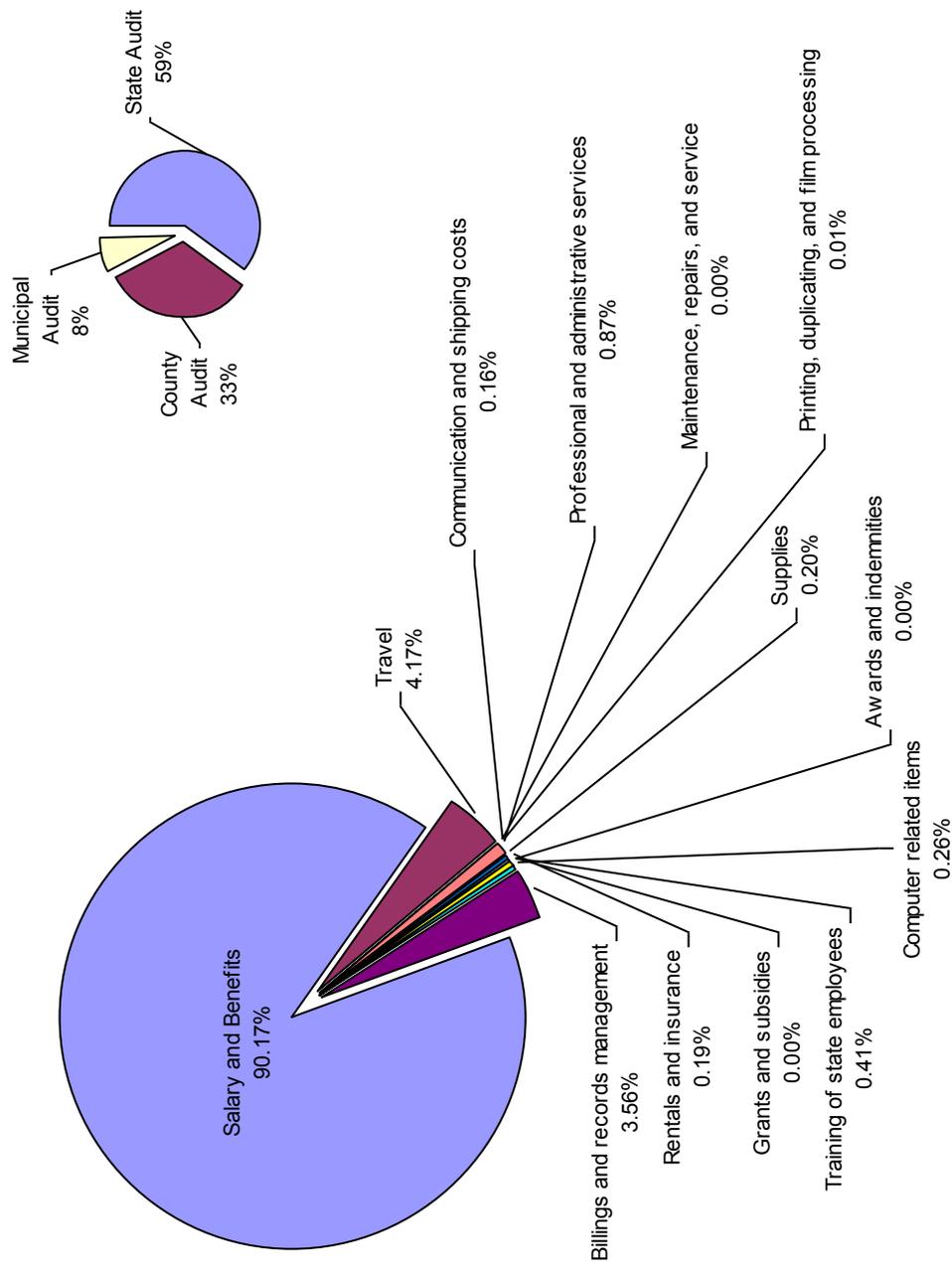
**Municipal Audit 2009
Employees by Category**



**County Audit 2009
Employees by Category**



Department of Audit Expenditures \$24,592,172.07 for Fiscal Year Ended June 30, 2009





Contact Us



Office of the Comptroller of the Treasury

First Floor, State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

Division of State Audit

James K. Polk Building, Suite 1500
505 Deaderick Street
Nashville, Tennessee 37243-1402
(615) 401-7897

Division of County Audit

James K. Polk Building, Suite 1500
505 Deaderick Street
Nashville, Tennessee 37243-1402
(615) 401-7841

Division of Municipal Audit

Bank of America Plaza, Suite 1100
414 Union Street
Nashville, Tennessee 37243-1402
(615) 532-4460

**Comptroller's Fraud, Waste and Abuse Hotline
(800) 232-5454**

**Comptroller of the Treasury Website
www.tn.gov/comptroller/**