



JASON E. MUMPOWER  
*Comptroller*

January 25, 2023

**Memorandum**

**To:** All Contract CPA Firms

**From:** Jason Mumpower, Tennessee Comptroller of the Treasury

A handwritten signature in blue ink that reads "Jason E. Mumpower".

**Subject: Mandatory Use of Uniform Chart of Accounts Crosswalk by Municipal Governments Effective for Audit Years Ending June 30, 2023**

The Comptroller's Office has developed a process that will result in a uniform means of capturing municipal financial data. A uniform chart of accounts (COA) has been in place for county governments since the mid-1980s. The county COA has provided for consistency and transparency as well as allowed for the analysis and comparison of county financial data through our "Transparency and Accountability for Governments in Tennessee" (TAG) website. Until now, this has not been possible for municipalities.

**Beginning with the audit year ending June 30, 2023, incorporated municipalities will be required to convert their audited accounting information into a standard format and then transmit that data to the Comptroller's Office.** We plan to use the municipal data to build an application like TAG that will promote transparency, comparability of financial data across municipalities, and data analysis.

Our office frequently receives requests for public, municipal financial information from entities such as the State Legislature, Governor's Office, Tennessee Advisory Commission on Intergovernmental Relations (TACIR), researchers, citizens, and the U.S. Census Bureau. To respond to those requests, we must refer the requesting entity to the 342 municipal audit reports on our website that are currently in PDF format. The requested data in those reports must be extracted manually. That is time consuming and an archaic process for the 21st century. It is time that municipal financial data be more readily available and accessible.

The Comptroller has statutory authority to prescribe a uniform system of bookkeeping and accounting for local governments; however, rather than mandating a municipal COA, we have chosen to work through CPA firms and the audit contract process to convert municipal financial data into a standard format based on a COA previously maintained by the Municipal Technical Advisory Service (MTAS). We have modified that chart to bring it up to date with generally accepted accounting principles (GAAP) and have developed a condensed

crosswalk COA in Microsoft Excel that you will be required to use to convert municipal account balances. The crosswalk will not be an account for an account conversion but will include audited data from the Balance Sheet and the Statement of Operations for all governmental and enterprise funds. Municipalities can choose to crosswalk their data themselves; however, you will need to verify the accuracy of their conversion. Municipalities may also choose to adopt the new municipal COA to record their financial transactions which would simplify the crosswalk process. You need to begin a conversation with each of your clients as soon as possible as to how you plan on handling their data conversion and any potential audit fee increase associated with this procedure.

You will also need to define this service for your firm. Depending on that decision, information may need to be included in the engagement letter relative to the services provided. This service could be defined as an “Agreed-Upon-Procedures” engagement or as a simple matter of filing a “regulatory report.” We do not believe this service qualifies as a non-audit service. In our judgment, the data conversion does not constitute an audit. Therefore, we do not believe any type of opinion should be issued. Some CPA firms may interpret this conversion as “Other Information” as defined by SAS 137. If so, appropriate audit procedures will apply. We will provide a generic disclaimer on converted data posted to our website that explains that readers should refer to a municipality’s actual audit report for audited information.

The new municipal COA along with the Excel crosswalk tool can be found at [Chart of Accounts \(tn.gov\)](#).

**To be clear, the Comptroller’s Office is not mandating municipalities adopt the new municipal COA nor are we requiring them to make changes to their COA they are currently using. This initiative will also not require them to change their accounting software. They will be able to keep their books, records, and funds exactly as they are now.**

Thank you for the municipal audits you perform on behalf of the Comptroller of the Treasury. Your contributions make government work better in Tennessee. We look forward to working with you on this project and are excited about the easy access and utilization of municipal financial data that will now be available. Your participation will ensure the accuracy of the converted financial data and compliance by each municipality. Providing public access to municipal financial information should provide benefits to your clients and to the citizens of Tennessee as well as to those other entities that require access to municipal data for research and policy decisions.

A separate memo along with some frequently asked questions about the conversion have been sent to all municipalities. Copies of those documents are attached.

You may contact Mr. Tim Hardy, Senior Contract Audit Review Specialist ([Timothy.Hardy@cot.tn.gov](mailto:Timothy.Hardy@cot.tn.gov)), regarding questions related to the conversion of accounts or Mr. Justin Neal, IS Specialist ([Justin.Neal@cot.tn.gov](mailto:Justin.Neal@cot.tn.gov)), concerning questions about the Excel crosswalk tool. They can also be reached by phone at 615.401.7841.

cc: Jim Arnette, Director – COT Division of Local Government Audit  
Jean Suh, Contract Audit Review Manager – COT Division of Local Government Audit

Attachments