Stay Current, Stay Compliant: Contract Audit Review Updates

Lori Cantrell and Sue Ann Odom
Division of Local Government Audit

10.22.26

TENNESSEE COMPTROLLER OF THE TREASURY

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Disclaimer

The opinions expressed during this presentation are our own. They do not necessarily represent the views of the Tennessee Comptroller of the Treasury, his representatives, or the Division of Local Government Audit.

TENNESSEE COMPTROLLER OF THE TREASURY

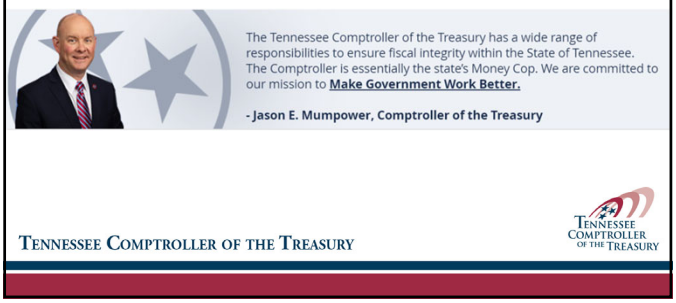
2

Today's Topics

- Comptroller's Office
- CMFO/CCFO Reporting
- Written Attestation
- TAG Website
- Manual Updates
  - Audit Manual
  - Internal Control Manual

TENNESSEE COMPTROLLER OF THE TREASURY

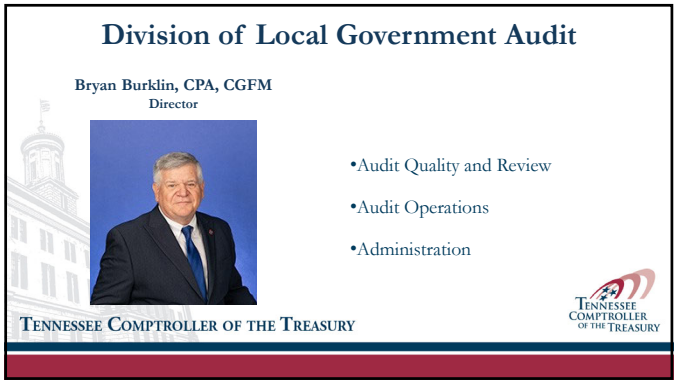
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The Tennessee Comptroller of the Treasury has a wide range of responsibilities to ensure fiscal integrity within the State of Tennessee. The Comptroller is essentially the state's Money Cop. We are committed to our mission to Make Government Work Better.
- Jason E. Mumpower, Comptroller of the Treasury
TENNESSEE COMPTROLLER OF THE TREASURY
TENNESSEE COMPTROLLER OF THE TREASURY

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Make Government Work Better

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Division of Local Government Audit
Bryan Burklin, CPA, CGFM
Director
•Audit Quality and Review
•Audit Operations
•Administration
TENNESSEE COMPTROLLER OF THE TREASURY
TENNESSEE COMPTROLLER OF THE TREASURY

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Division of Local Government Audit

Lee Ann West, CPA, CGFM
Principal of Audit Operations



- County Field Auditors
- Information System Auditors
- Contract Audit Review Team

TENNESSEE COMPTROLLER OF THE TREASURY

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Division of Local Government Audit

Jean Suh, CPA, CFE, CGFM
Contract Audit Review Manager



- Contract Approval
- Workpaper Review Determination
- Strategic Goal Monitoring
- Research/Consulting

TENNESSEE COMPTROLLER OF THE TREASURY

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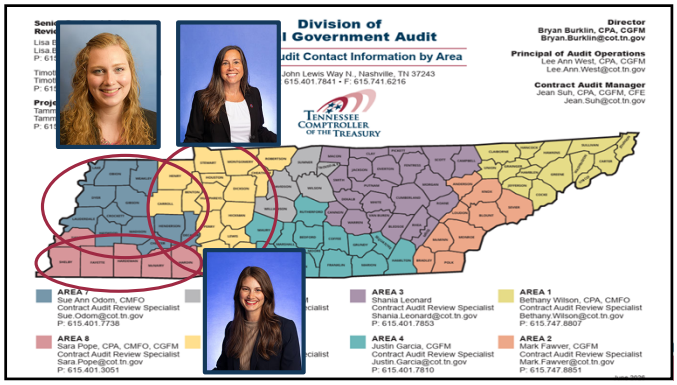
Contract Audit Review Specialists

- Review Audited Financial Statements
- Assist Municipalities
- Monitor CMFO Compliance
- Update Manuals
- Provide Professional Development
- Manage CPA Firm Contracts
- Process Written Attestations
- Provide CARS Support



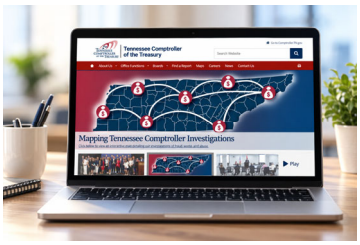
TENNESSEE COMPTROLLER OF THE TREASURY

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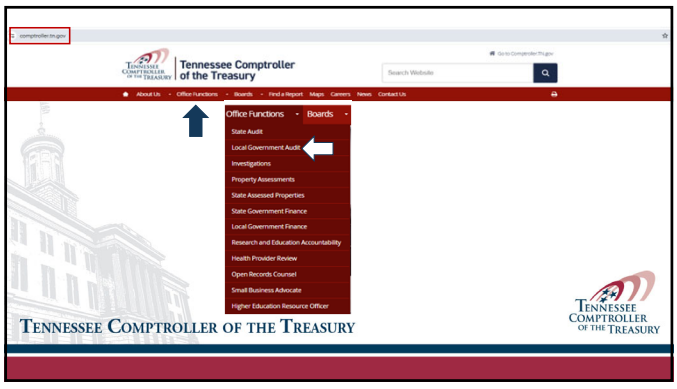


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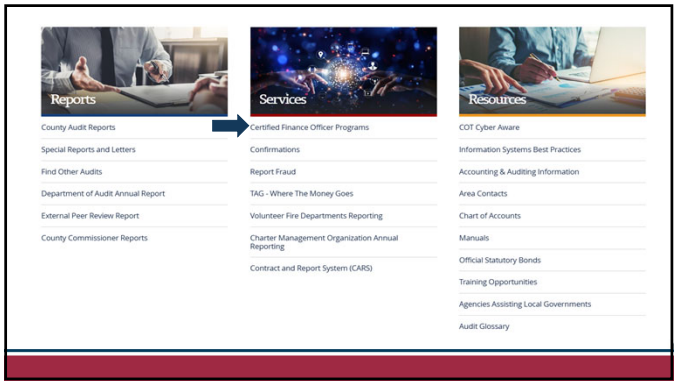
Navigating the Comptroller's Website



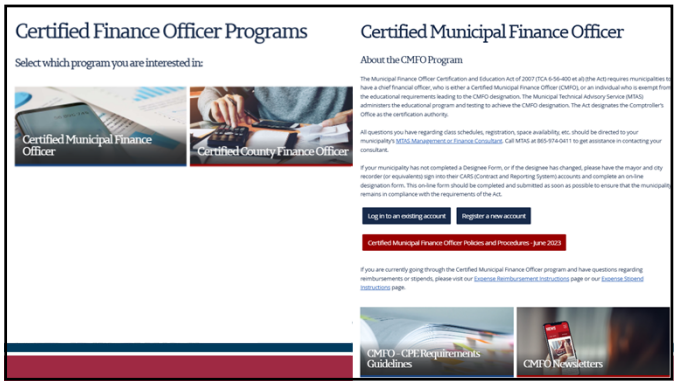
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Reports
Services
Resources
County Audit Reports
Special Reports and Letters
Find Other Audits
Department of Audit Annual Report
External Peer Review Report
County Commissioner Reports
Certified Finance Officer Programs
Confirmations
Report Fraud
TAG - Where The Money Goes
Volunteer Fire Departments Reporting
Charter Management Organization Annual Reporting
Contract and Report System (CARS)
COT Cyber Aware
Information Systems Best Practices
Accounting & Auditing Information
Area Contacts
Chart of Accounts
Manuals
Official Statutory Bonds
Training Opportunities
Agencies Assisting Local Governments
Audit Glossary

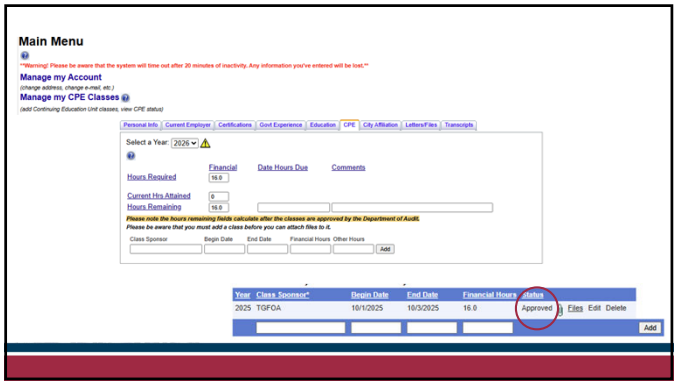
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Certified Finance Officer Programs
Select which program you are interested in:
Certified Municipal Finance Officer
Certified County Finance Officer
Certified Municipal Finance Officer
About the CMFO Program
Log in to an existing account
Register a new account
Certified Municipal Finance Officer Policies and Procedures - June 2023
CMFO - CPE Requirements Guidelines
CMFO Newsletters

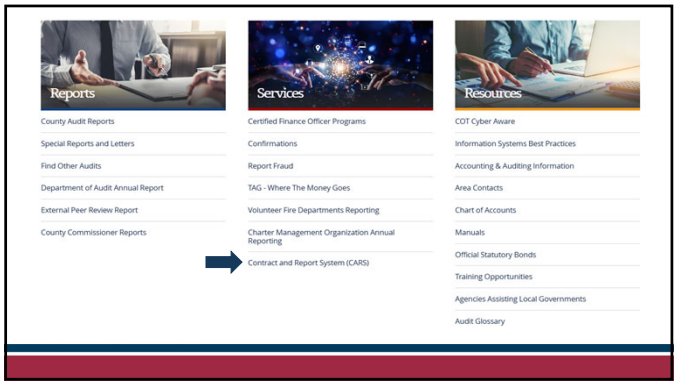
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Certified County Finance Officer
About the CCFO Program
The Comptroller of the Treasury and the University of Tennessee's County Technical Assistance Service (CTAS) have developed a program that will provide Tennessee's county financial officers an opportunity to learn about accounting and financial reporting principles, understand how county governments are structured in Tennessee, and enhance their skills in order to carry out their responsibilities for the fiscal affairs of their county or department. CTAS administers the educational program and testing to achieve the CCFO designation. The Comptroller's Office has been designated as the certification authority.
All questions regarding class schedules, registration, space availability, etc. should be directed to CTAS at 615-532-3555.
Login to an existing account
Register a new account
Certified County Finance Officer Policies
Certified County Finance Officer Newsletters

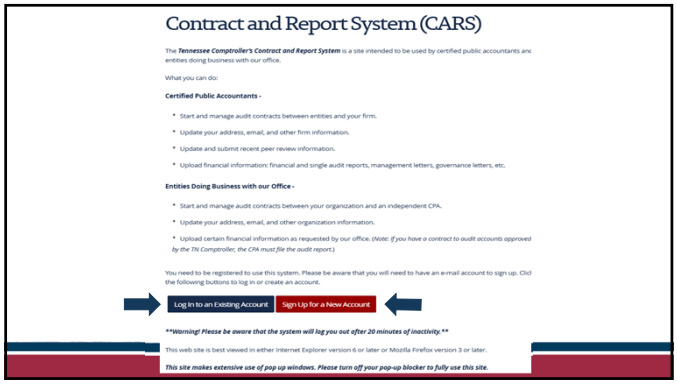
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Main Menu
Warning! Please be aware that the system will time out after 20 minutes of inactivity. Any information you've entered will be lost.
Manage my Account
(change address, change e-mail, etc.)
Manage my CPE Classes
(add Continuing Education Unit classes, view CPE status)
Personal Info
Current Employer
Certifications
Govt Experience
Education
CPE
City Affiliation
Letters/Files
Transcripts
Select a Year: 2026
Financial
Date Hours Due
Comments
Hours Required
16.0
Current Hrs Attained
0
Hours Remaining
16.0
Please note the hours remaining fields calculate after the classes are approved by the Department of Audit.
Please be aware that you must add a class before you can attach files to it.
Class Sponsor
Begin Date
End Date
Financial Hours
Other Hours
Add
Year
Class Sponsor*
Begin Date
End Date
Financial Hours
Status
2025
TGFOA
10/1/2025
10/3/2025
16.0
Approved
Files
Edit
Delete
Add

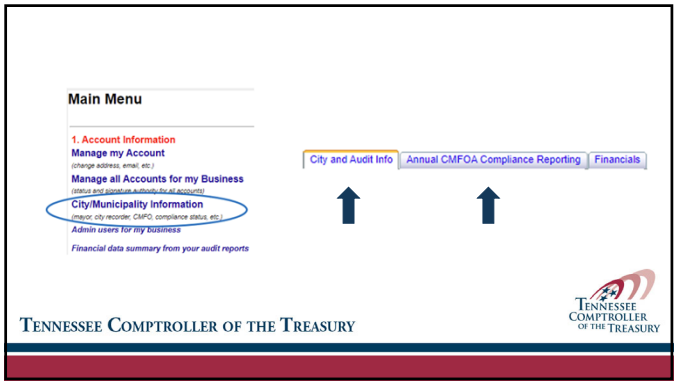
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Reports
County Audit Reports
Special Reports and Letters
Find Other Audits
Department of Audit Annual Report
External Peer Review Report
County Commissioner Reports
Services
Certified Finance Officer Programs
Confirmations
Report Fraud
TAG - Where The Money Goes
Volunteer Fire Departments Reporting
Charter Management Organization Annual Reporting
Contract and Report System (CARS)
Resources
COT Cyber Aware
Information Systems Best Practices
Accounting & Auditing Information
Area Contacts
Chart of Accounts
Manuals
Official Statutory Bonds
Training Opportunities
Agencies Assisting Local Governments
Audit Glossary

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Contract and Report System (CARS)
The Tennessee Comptroller's Contract and Report System is a site intended to be used by certified public accountants anc entities doing business with our office.
What you can do:
Certified Public Accountants -
Start and manage audit contracts between entities and your firm.
Update your address, email, and other firm information.
Update and submit recent peer review information.
Upload financial information: financial and single audit reports, management letters, governance letters, etc.
Entities Doing Business with our Office -
Start and manage audit contracts between your organization and an independent CPA.
Update your address, email, and other organization information.
Upload certain financial information as requested by our office. (Note: If you have a contract to audit accounts approved by the TN Comptroller, the CPA must file the audit report.)
You need to be registered to use this system. Please be aware that you will need to have an e-mail account to sign up. Clicl the following buttons to log in or create an account.
Log In to an Existing Account
Sign Up for a New Account
Warning! Please be aware that the system will log you out after 20 minutes of inactivity.
This web site is best viewed in either Internet Explorer version 6 or later or Mozilla Firefox version 3 or later.
This site makes extensive use of pop up windows. Please turn off your pop-up blocker to fully use this site.

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CMFO Penalties

Tennessee Code Annotated 6-56-407(a)

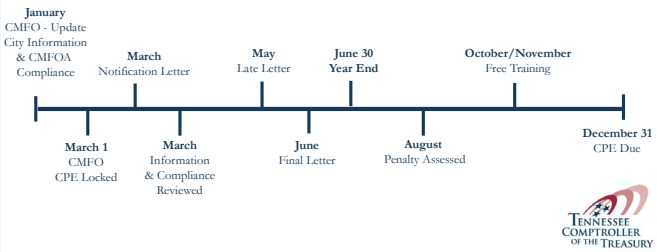
- Sales tax revenue collected and distributed by the state to the municipality shall be reduced by an amount mutually agreed upon by the comptroller of the treasury and the commissioner of revenue. The sales tax revenue reduction shall not exceed fifteen percent (15%) of the total amount due to the municipality in a fiscal year, until the municipality is in compliance with § 6-56-402;
- The amounts reduced as a penalty pursuant to this section shall be held in reserve by the department of revenue and allocated to the municipality after the municipality complies with § 6-56-402 as determined by the comptroller of the treasury.

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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CMFO Timeline



TENNESSEE COMPTROLLER OF THE TREASURY

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Written Attestation

Written Attestations

Tennessee Code Annotated Sections 4-1-422, 5-1-135, 6-54-150, and 7-3-107

I _____ _____
(Printed Name) (Printed Title – Must be Executive Head of Political Subdivision)

attest that the _____
(Name of Political Subdivision)

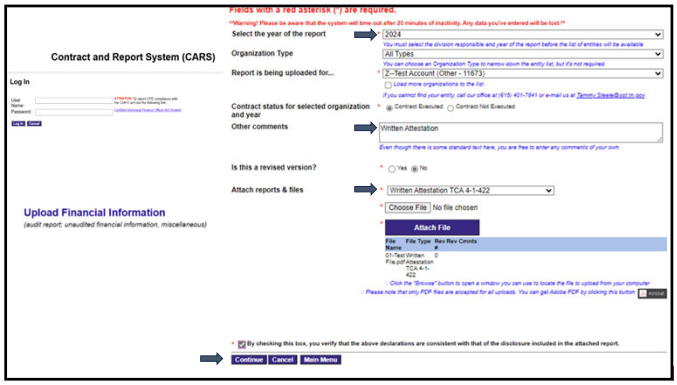
(a) has not sought or received a grant in intentional pursuit of a policy described under subsection (b) of Tennessee Code Annotated, § 4-1-422 for the fiscal year ended June 30, 2026; and

(b) has not used a discriminatory preference in an effort to increase diversity, equity, or inclusion or established or maintained an office, division, or department for such purposes in violation of Tennessee Code Annotated § 5-1-135, § 6-54-150, or § 7-3-107, as applicable to the political subdivision, from May 22, 2026, through the date of this attestation.

_____
(Signature)

_____
(Date)

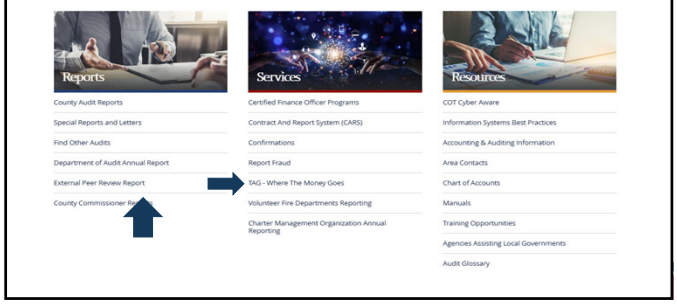
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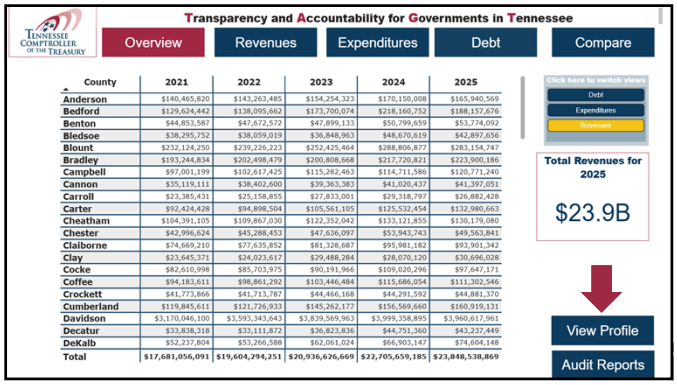
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TAG

Transparency and Accountability for Governments in Tennessee

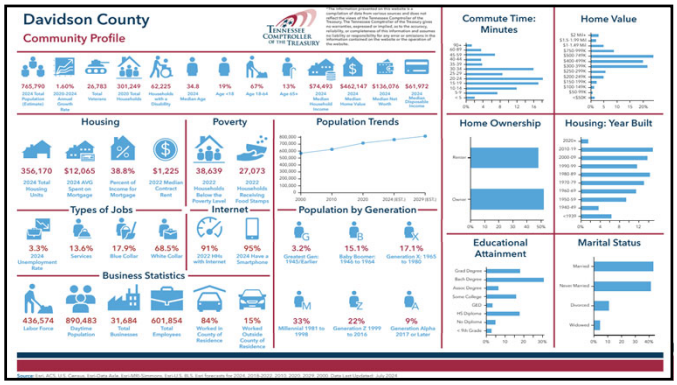


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County	2021	2022	2023	2024	2025
Anderson	$140,465,820	$143,263,485	$154,254,323	$170,150,008	$165,940,569
Bedford	$129,624,442	$138,095,662	$173,700,074	$218,160,752	$188,157,676
Benton	$44,853,587	$47,672,572	$47,899,133	$50,799,659	$53,774,092
Bledsoe	$38,295,752	$38,059,019	$36,848,963	$48,670,619	$42,897,656
Blount	$232,124,250	$239,226,223	$252,425,464	$288,806,877	$283,154,747
Bradley	$193,244,834	$202,498,479	$200,808,668	$217,720,821	$223,900,186
Campbell	$97,001,199	$102,617,425	$115,282,463	$114,711,586	$120,771,240
Cannon	$35,119,111	$38,402,600	$39,363,383	$41,020,437	$41,397,051
Carroll	$23,385,431	$25,158,855	$27,833,001	$29,318,797	$26,882,428
Carter	$92,424,428	$94,898,504	$105,561,105	$125,532,454	$132,980,663
Cheatham	$104,391,105	$109,867,030	$122,352,042	$133,121,855	$130,179,080
Chester	$42,996,624	$45,288,453	$47,636,097	$53,943,743	$49,563,841
Claiborne	$74,669,210	$77,635,852	$81,328,687	$95,981,182	$93,901,342
Clay	$23,645,371	$24,023,617	$29,488,284	$28,070,120	$30,696,028
Cocke	$82,610,998	$85,703,975	$90,191,966	$109,020,296	$97,647,171
Coffee	$94,183,611	$98,861,292	$103,446,484	$115,686,054	$111,302,546
Crockett	$41,773,866	$41,713,787	$44,466,168	$44,291,592	$44,881,370
Cumberland	$119,845,611	$121,726,933	$145,262,177	$156,569,660	$160,919,131
Davidson	$3,170,046,100	$3,593,343,643	$3,839,569,963	$3,999,358,895	$3,960,617,961
Decatur	$33,838,318	$33,111,872	$36,823,836	$44,751,360	$43,237,449
DeKalb	$52,237,804	$53,266,588	$62,061,024	$66,903,147	$74,604,148
Total	$17,681,056,091	$19,604,294,251	$20,936,626,669	$22,705,659,185	$23,848,538,869

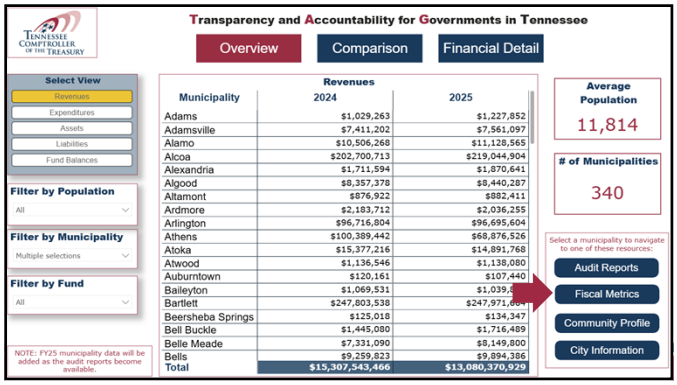
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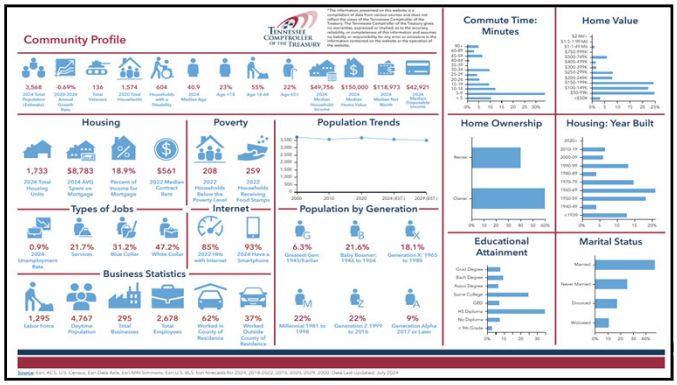
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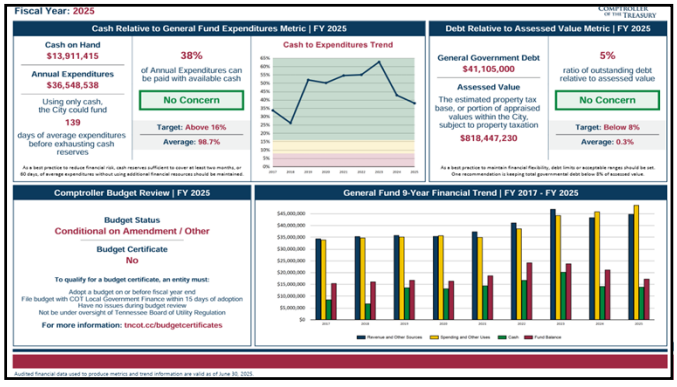
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Transparency and Accountability for Governments in Tennessee
Overview
Comparison
Financial Detail
Select View
Revenues
Expenditures
Assets
Liabilities
Fund Balances
Filter by Population
Filter by Municipality
Filter by Fund
Revenues
Municipality
2024
2025
Adams $1,029,263 $1,227,852
Adamsville $7,411,202 $7,561,097
Alamo $10,506,268 $11,128,565
Alcoa $202,700,713 $219,044,904
Alexandria $1,711,594 $1,870,641
Algood $8,357,378 $8,440,287
Altamont $876,922 $882,411
Ardmore $2,183,712 $2,036,255
Arlington $96,716,804 $96,695,604
Athens $100,389,442 $68,876,526
Atoka $15,377,216 $14,891,768
Atwood $1,136,546 $1,138,080
Auburntown $120,161 $107,440
Baileyton $1,069,531 $1,039,3
Bartlett $247,803,538 $247,971,
Beersheba Springs $125,018 $134,347
Bell Buckle $1,445,080 $1,716,489
Belle Meade $7,331,090 $8,149,800
Bells $9,259,823 $9,894,386
Total $15,307,543,466 $13,080,370,929
Average Population
11,814
# of Municipalities
340
Select a municipality to navigate to one of these resources:
Audit Reports
Fiscal Metrics
Community Profile
City Information
NOTE: FY25 municipality data will be added as the audit reports become available.

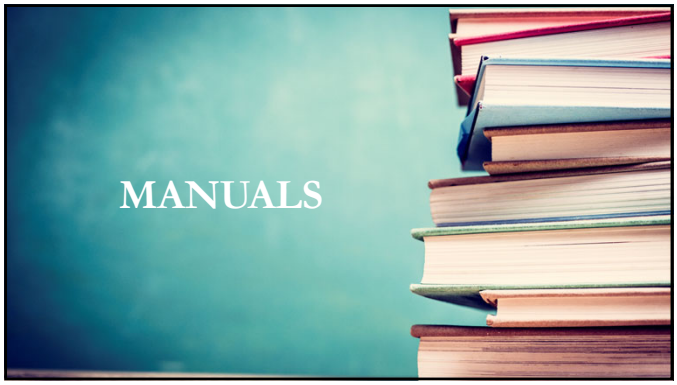
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Community Profile
Housing
Poverty
Population Trends
Types of Jobs
Internet
Population by Generation
Business Statistics
Commute Time: Minutes
Home Value
Home Ownership
Housing: Year Built
Educational Attainment
Marital Status

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Fiscal Year: 2025
Cash Relative to General Fund Expenditures Metric | FY 2025
Cash on Hand
$13,911,415
Annual Expenditures
$36,548,538
Using only cash, the City could fund
139
days of average expenditures before exhausting cash reserves
38%
of Annual Expenditures can be paid with available cash
No Concern
Target: Above 16%
Average: 98.7%
Cash to Expenditures Trend
Debt Relative to Assessed Value Metric | FY 2025
General Government Debt
$41,105,000
Assessed Value
The estimated property tax base, or portion of appraised values within the City, subject to property taxation
$818,447,230
5%
ratio of outstanding debt relative to assessed value
No Concern
Target: Below 8%
Average: 0.3%
Comptroller Budget Review | FY 2025
Budget Status
Conditional on Amendment / Other
Budget Certificate
No
To qualify for a budget certificate, an entity must:
Adopt a budget on or before fiscal year end
File budget with COT Local Government Finance within 15 days of adoption
Have no issues during budget review
Not be under oversight of Tennessee Board of Utility Regulation
For more information: tncot.cc/budgetcertificates
General Fund 9-Year Financial Trend | FY 2017 - FY 2025

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Manuals



- County Audit Reports
- Special Reports and Letters
- Find Other Audits
- Department of Audit Annual Report
- External Peer Review Report
- County Commissioner Reports



- Certified Finance Officer Programs
- Contract And Report System (CARS)
- Confirmations
- Report Fraud
- TAG - Where The Money Goes
- Volunteer Fire Departments Reporting
- Charter Management Organization Annual Reporting



- COT Cyber Aware
- Information Systems Best Practices
- Accounting & Auditing Information
- Area Contacts
- Chart of Accounts
- Manuals
- Training Opportunities
- Agencies Assisting Local Governments
- Audit Glossary

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Manuals

- **Audit Manual**
- **Internal Control Manual**
- Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts
- Confidential Drug Funds Manual
- School Support Organizations
- Internal School Funds Manual
- Volunteer Fire Department Manual

TENNESSEE COMPTROLLER OF THE TREASURY



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Audit Manual - Updates

Introduction

- Updated *Internal Control Manual* References

Section A: General Information

- Auditor Rotation
- Delinquent Filing
- Schedule of Cash Shortages and Thefts
- Schedule of Federal and State Awards
- Schedule of Prior Year Findings
- ADA

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ADA Web Accessibility

New Compliance Deadline:

- April 26, 2027: Communities with 50,000+
- April 26, 2028: Communities under 50,000

Tennessee Comptroller of the Treasury

Tennessee Comptroller of the Treasury

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Section B: Counties

- Accounting, Books, and Records
- Supplementary and Other Information

Section C: Municipalities

- Tennessee Board of Utility Regulation
- Supplementary and Other Information

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Section D: Special Purpose Government

- Housing Authority
  - Additional Requirements
- Municipal Energy Authorities
  - Supplemental and Other Information
- Public Utility Districts
  - Tennessee Board of Utility Regulation
- Public Charter Schools
  - Additional Requirements
- Other Special Purpose Governments
  - Additional Requirements

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Section E: Nonprofits

- Audit Threshold
- Additional Requirements

Section F: For-Profit

- Grant Funding

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Section G: Internal School & Cafeteria Funds

- Internal School Accounting Act
- Financial Reporting
- Additional Requirements

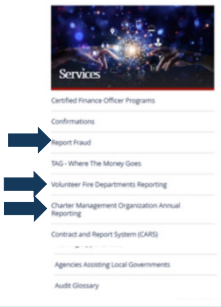
Section I: Program Specific Audits

- Clarification

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Section K: Regulatory Reporting & Required Filing

- Specialty License Plate Funds
- Charter Management Organization
- Volunteer Fire Departments



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Section L: Quick Reference Links

- Updates

Appendix A: Example Schedules

- Schedule of Interfund Transfers
- Summary Schedule of Prior Year Findings

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Summary Schedule of Prior Year Findings [1, 2, 3, 4, 5, 6]

Tennessee Entity Letterhead[2]
Summary Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 20XX

Financial Statement Findings

Prior Year Finding Number[4]	Original Finding Number[4]	Title of Finding[3]	Status and Current Year Finding Number if not Corrected
2025-001	2015-001	Segregation of Duties	Not Corrected (2026-001) – See Footnote[5]
2025-002	2024-002	Cash not Deposited Timely	Partially Corrected (2026-002) - See Footnote[5]
2025-003	2025-003	Inadequate Computer Password Controls	Corrected

Federal Award Findings and Questioned Costs

Prior Year Finding Number[4]	Original Finding Number[4]	Title of Finding[3]	Status and Current Year Finding Number if not Corrected
2025-004	2025-004	Unallowable Costs Claimed for Reimbursement	Corrected
2025-005	2025-005	Noncompliance with Eligibility Requirements	Corrected

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Appendix B: Current Developments and Other Matters

- Internal Audit Staffs/Audit Firms and the use of Internal Audit Staffs
- New Legislation

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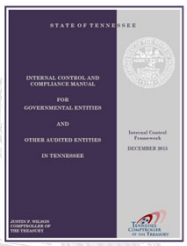
Internal Control Manual

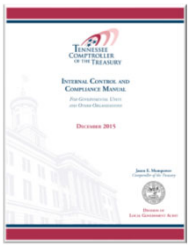
- GAO issued new Standards for Internal Control in the Federal Government (Green Book) in May 2025 effective beginning fiscal year 2026.
- Old Internal Control and Compliance Manual was originally released in 2015 but included a partial update in 2021.

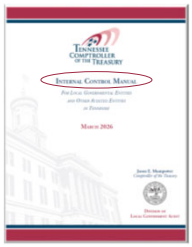


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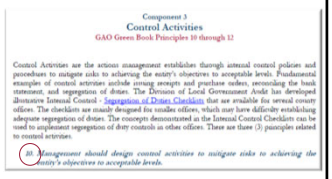
COMPONENT 3

CONTROL ACTIVITIES

GAO Green Book Principles 10 through 12

Control Activities are the actions management establishes through internal control policies and procedures to achieve objectives and manage risks. Fundamental examples of control activities include issuing receipts and purchase orders, reconciling the bank statement, and segregation of duties. The Division of Local Government Audit has developed illustrative Internal Control - Segregation of Duties Checklists that are available for several county offices. These can be found at our website http://comptroller.tn.gov/la/InternalControl.asp. The checklists are mainly designed for smaller offices, which sometimes have difficulty adequately segregating duties. The concepts demonstrated in the Internal Control Checklists can be used to implement segregation of duty controls in other offices. There are three (3) principles related to control activities.

10. *Management should design control activities to achieve objectives and respond to risks.*



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Preface

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Control Environment

- Commitment to Integrity and Ethical Values
- Oversight of the Internal Control System
- Organizational Structure, Responsibility, and Authority
- Commitment to Recruit, Develop, and Retain Competent Individuals
- Accountability for Internal Control Responsibilities

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Risk Assessment

- Define Objectives and Risk Tolerances
- Identify, Analyze, and Respond to Risks
- Consider Fraud, Improper Payments, and Information Security Risks
- Identify, Analyze, and Respond to Significant Changes



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Control Activities

- Design Control Activities to Mitigate Risk
- Design General Control Activities over Information Technology
- Implement Control Activities through Policies and Procedures



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Information and Communication

- Use Quality Information
- Communicate Internally
- Communicate Externally



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Monitoring

- Establish and Operate Monitoring Activities
- Evaluate and Remediate Deficiencies



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Questions?



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