

**Tennessee Advisory Commission on
Intergovernmental Relations**

**For the Years Ended
June 30, 2001, and June 30, 2000**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

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

John G. Morgan
Comptroller

October 10, 2002

The Honorable Don Sundquist, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

Dr. Harry Green, Executive Director
Tennessee Advisory Commission on Intergovernmental Relations
Suite 508, 226 Capitol Boulevard Building
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Advisory Commission on Intergovernmental Relations for the years ended June 30, 2001, and June 30, 2000.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/cj
03/010



**STATE OF TENNESSEE
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August 9, 2002

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Advisory Commission on Intergovernmental Relations for the years ended June 30, 2001, and June 30, 2000.

We conducted our audit in accordance with government auditing standards generally accepted in the United States of America. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Advisory Commission on Intergovernmental Relations' compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Tennessee Advisory Commission on Intergovernmental Relations is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported other less significant matters involving the commission's internal controls and/or instances of noncompliance to the Tennessee Advisory Commission on Intergovernmental Relations' management in a separate letter.

Sincerely,

Arthur A. Hayes, Jr., CPA,
Director

AAH/cj

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Tennessee Advisory Commission on Intergovernmental Relations

For the Years Ended June 30, 2001, and June 30, 2000

AUDIT SCOPE

We have audited the Tennessee Advisory Commission on Intergovernmental Relations for the period July 1, 1999, through June 30, 2001. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the Financial Integrity Act. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

AUDIT FINDINGS

The audit report contains no findings.

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

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Audit Report
Tennessee Advisory Commission on Intergovernmental Relations
For the Years Ended June 30, 2001, and June 30, 2000

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Tennessee Advisory Commission on Intergovernmental Relations For the Years Ended June 30, 2001, and June 30, 2000

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Advisory Commission on Intergovernmental Relations. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Tennessee Advisory Commission on Intergovernmental Relations was created by the General Assembly in 1978 to monitor federal, state, and local governmental relations in Tennessee, to make recommendations for their improvement. The commission serves as a forum for the discussion and resolution of intergovernmental problems.

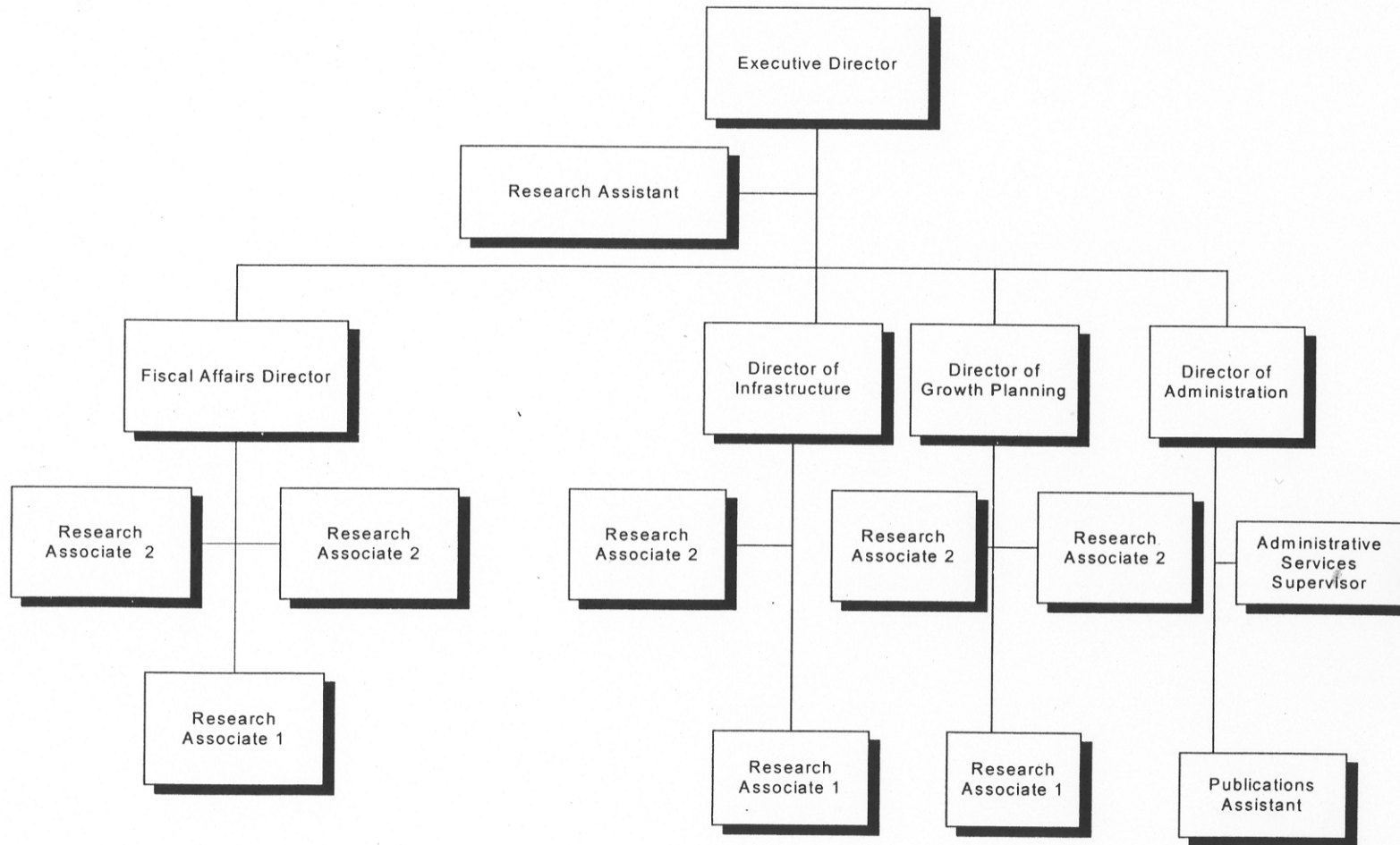
The duties of the commission involve the study of problems related to the federal, state, and local intergovernmental system. The commission may initiate studies and make recommendations for the purpose of drafting and disseminating legislative proposals and constitutional amendments necessary to implement its recommendations.

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

AUDIT SCOPE

We have audited the Tennessee Advisory Commission on Intergovernmental Relations for the period July 1, 1999, through June 30, 2001. Our audit scope included a review of management’s controls and compliance with policies, procedures, laws, and regulations in the areas of revenue, expenditures, equipment, payroll and personnel, and compliance with the

TENNESSEE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS



Financial Integrity Act. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee Advisory Commission on Intergovernmental Relations filed its report with the Department of Audit on March 1, 2000. A follow-up of the prior audit finding was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the Tennessee Advisory Commission on Intergovernmental Relations has corrected its previous audit finding concerning maintaining documentation of the evaluation of internal control.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

REVENUE

Our objectives in reviewing revenue were to

- obtain and document an understanding of management controls relevant to the revenue process,
- obtain an extract of the commission's revenues using Audit Command Language (ACL) and analyze data for unusual activity using selected Computer Assisted Audit Techniques,
- determine whether the commission has any unusual revenue items,
- determine whether the petty cash fund has been authorized by the Department of Finance and Administration, and
- determine whether the auditee records are reconciled with the Department of Finance and Administration reports.

We discussed management controls and procedures with key personnel to gain an understanding of the commission's policies and procedures over revenue. We also reviewed supporting documentation for these procedures and controls. We obtained an extract of the commission's revenues using ACL to analyze data for unusual activity. The petty cash count was counted and agreed to the Department of Finance and Administration's authorizations. We reviewed budgets and performed analytical procedures to determine whether the commission's records reconciled with the Department of Finance and Administration.

We determined that the commission did not have any unusual revenue items, petty cash funds were authorized, and the commission's records reconciled with the Department of Finance and Administration reports. Although we had no findings related to revenue, minor weaknesses were reported to management in a separate letter.

EXPENDITURES

Our objectives in reviewing expenditures were to

- obtain and document an understanding of management controls relevant to the expenditure process,
- determine whether expenditures for goods or services are authorized and in accordance with the budget and other regulations or requirements,
- review the commission's activities and determine the types of expenditures the commission makes,
- obtain an extract of the commission's expenditures using Audit Command Language (ACL) and analyze data for unusual activity using selected Computer Assisted Audit Techniques,
- determine whether auditee records were reconciled with Department of Finance and Administration reports,
- determine whether payments for travel were paid in accordance with the Comprehensive Travel Regulations,
- determine whether contracts were established in accordance with regulations, and
- determine whether contract payments are in compliance with contract terms and purchasing guidelines and were properly approved and recorded against the contract.

We interviewed key personnel to gain an understanding of the commission's procedures and controls over expenditures. We reviewed supporting documentation and, using the extract

obtained from ACL, a nonstatistical sample of expenditures for goods and services was tested for proper authorization and compliance with budget and other regulations.

We determined that expenditures for goods and services were authorized and procured in accordance with applicable regulations and requirements, travel payments were paid in accordance with Comprehensive Travel Regulations, contract payments complied with contract terms and were properly approved and recorded, and records were reconciled with Department of Finance and Administration reports. Although we had no findings related to expenditures, minor weaknesses were reported to management in a separate letter.

EQUIPMENT

Our objectives in reviewing equipment were to determine whether

- information on the Property of the State of Tennessee (POST) property listing is accurate,
- lost and missing equipment is properly reported to the Comptroller's office and is removed from the equipment listings, and
- property and equipment are adequately safeguarded.

We interviewed key management personnel to gain an understanding of the commission's procedures and controls over equipment. We reviewed supporting documentation and tested a nonstatistical sample of equipment from the POST equipment listing and equipment purchased recorded on the State of Tennessee Accounting and Reporting System (STARS). For the equipment items tested that were purchased during the audit period, the cost recorded in POST was traced to supporting documentation. A nonstatistical sample of equipment items located in the offices was traced back to the POST listing for agreement to supporting documentation. A review of procedures was performed for lost, stolen, and surplused equipment.

We determined that the information on the commission's equipment listed in POST was substantially accurate and complete. Equipment purchased during the audit period was properly recorded in POST with only minor exceptions. Also, we determined that lost, stolen, and surplused items had been properly removed from POST and that property and equipment were adequately safeguarded. Although we had no findings related to equipment, minor weaknesses were reported to management in a separate letter.

PAYROLL AND PERSONNEL

Our objectives in reviewing payroll and personnel were to determine whether

- payroll disbursements were made only for work authorized and performed;

- payroll was computed using rates and other factors in accordance with contracts and relevant laws and regulations; and
- temporary employees who are retirees of the Tennessee Consolidated Retirement System (TCRS) were employed in accordance with Section 8-36-805, *Tennessee Code Annotated*.

We interviewed key management personnel to gain an understanding of the commission's procedures and controls over payroll and personnel. We reviewed supporting documentation and tested nonstatistical samples of payroll and personnel transactions to ensure that the information agreed with the employees' personnel files. Payroll transactions were tested for proper supporting documentation, approval, correct calculation in accordance with contracts and relevant laws, and to ensure that disbursements were made only for work performed. Personnel transactions were tested to determine if employee qualifications were appropriate for the position, evaluations were performed annually when applicable, employees were hired from appropriate listings, terminated employees' final pay was calculated correctly, and terminated employees were not on the succeeding payroll register. Employment records and payroll files for temporary employees who were retirees of TCRS during the audit period were tested for compliance with Section 8-36-805, *Tennessee Code Annotated*.

We determined that payroll calculations were proper and in accordance with applicable laws and procedures; payroll disbursements were made only for work authorized and performed with one minor exception; and retired temporary employees were employed in accordance with Section 8-36-805, *Tennessee Code Annotated*. Although we had no findings related to payroll and personnel, minor weaknesses were reported to management in a separate letter.

FINANCIAL INTEGRITY ACT

Section 9-18-104, *Tennessee Code Annotated*, requires the head of each executive agency to submit a letter acknowledging responsibility for maintaining the internal control system of the agency to the Commissioner of Finance and Administration and the Comptroller of the Treasury by June 30 each year. In addition, the head of each executive agency is also required to conduct an evaluation of the agency's internal accounting and administrative control and submit a report by December 31, 1999, and December 31 of every fourth year thereafter.

Our objectives were to determine whether

- the commission's June 30, 2001, and June 30, 2000, responsibility letters and December 31, 1999, internal accounting and administrative control report were filed in compliance with Section 9-18-104, *Tennessee Code Annotated*;
- documentation to support the commission's evaluation of its internal accounting and administrative control was properly maintained; and

- procedures used in compiling information for the internal accounting and administrative control report were in accordance with the guidelines prescribed under Section 9-18-103, *Tennessee Code Annotated*.

We interviewed key employees responsible for compiling information for the internal accounting and administrative control report to gain an understanding of the commission's procedures. We also reviewed the supporting documentation for these procedures. We obtained and reviewed the December 31, 1999, internal accounting and administrative control report from the commission and followed up with the Department of Finance and Administration and the Comptroller of the Treasury to determine whether the report was filed in compliance with Section 9-18-104, *Tennessee Code Annotated*.

We determined that the Financial Integrity Act responsibility letters and the internal accounting and administrative control report were prepared and received by the Department of Finance and Administration and the Comptroller of the Treasury. Support for the internal accounting and administrative control report was properly maintained and procedures used were in compliance with *Tennessee Code Annotated*.

APPENDIX

ALLOTMENT CODE

The Tennessee Advisory Commission on Intergovernmental Relations' allotment code is 316.12.