Contract Audit Review Updates

Lisa Bellar, CPA, CGFM
Matt Piland, CMFO
Division of Local Government Audit

November 5, 2025

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.

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Contract Audit Review Team

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

- Contract Approval
- Workpaper Review Determination
- Strategic Goal Monitoring
- Research/Consulting
- Assisting Upper Management and Reviewers

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Contract Audit Review Team

Tammy Steele
Project Assistant

- Sending out annual audit contract requests
- Managing Contract And Report System (CARS)
- Following-up on late contracts and audit reports

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Senior Contract Audit Review Specialists

Lisa Bellar, CPA, CGFM
Lisa.Bellar@cot.tn.gov
P: 615.401.7854

Timothy Hardy, CPA, CFE, CGFM
Timothy.Hardy@cot.tn.gov
P: 615.401.3039

Division of Local Government Audit

Contract Audit Contact Information by Area

425 Rep. John Lewis Way N., Nashville, TN 37243
P: 615.401.7841 • F: 615.741.6216

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Director
Jim Arnette, CISA, CGFM
Jim.Arnette@cot.tn.gov

Contract Audit Manager
Jean Suh, CPA, CGFM, CFE
Jean.Suh@cot.tn.gov

Project Assistant
Tammy Steele
Tammy.Steele@cot.tn.gov
P: 615.401.7909

AREA 7
Sue Ann Odom, CMFO
Contract Audit Review Specialist
Sue.Odom@cot.tn.gov
P: 615.401.7738

AREA 5
Matt Piland, CMFO
Contract Audit Review Specialist
Matt.Piland@cot.tn.gov
P: 615.401.7889

AREA 3
Ana Brantley, CPA, CGFM
Contract Audit Review Specialist
Ana.Brantley@cot.tn.gov
P: 615.747.5242

AREA 1
Bethany Wilson, CPA, CMFO
Contract Audit Review Specialist
Bethany.Wilson@cot.tn.gov
P: 615.747.8807

AREA 8
Sara Pope, CPA, CMFO, CGFM
Contract Audit Review Specialist
Sara.Pope@cot.tn.gov
P: 615.401.3051

AREA 6
Lori Cantrell, CPA
Contract Audit Review Specialist
Lori.Cantrell@cot.tn.gov
P: 615.241.6066

AREA 4
Justin Garcia
Contract Audit Review Specialist
Justin.Garcia@cot.tn.gov
P: 615.401.7810

AREA 2
Mark Fawver, CGFM
Contract Audit Review Specialist
Mark.Fawver@cot.tn.gov
P: 615.747.8851

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Audit Manual Updates

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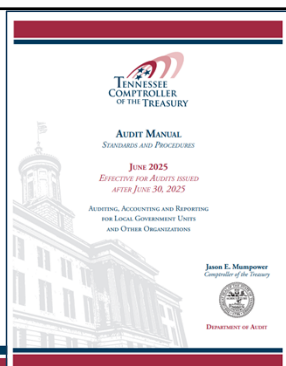

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- ★ Markup Version
- ★ Electronic Contracting and Reporting Requirements
- ★ UN Written Attestation
- ★ Revised Audit Reports
- ★ Direct Appropriation Grants
- ★ Reporting and Auditing Requirements for For-profit Organizations
- ★ Municipal Energy Authority Reporting Requirements
- ★ Schedule of Lease Obligations, Principal, and Interest Requirements
- ★ General Cleanup
- ★ Internal School Funds
- ★ New Legislation
- ★ Procurement Guide for Audit Services
- ★ Occupancy Tax Reporting
- ★ CMFO

Audit Manual Updates

TENNESSEE COMPTROLLER OF THE TREASURY

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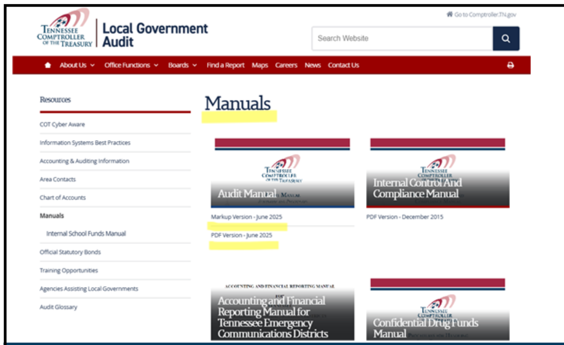

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Audit Manual Markup Copy Instructions

To assist users in locating this 2025 version of the *Audit Manual* updates, bookmarks were inserted into the markup copy to quickly navigate through the changes to the prior 2024 version. The markup copy also uses colored font to alert the user to these changes. Please use the markup copy as a tool to help locate the updates in the current version of the 2025 *Audit Manual* but not as a comprehensive guide to users in which the full version of the 2025 *Audit Manual* should be used.

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Electronic Contracting and Reporting Requirements

Guidelines and requirements for CARS are included in the Help section of the main web page for the CARS application. Selected requirements related to the types of files that may be uploaded and electronic reports are included below; however, firms and their clients are responsible for complying with all CARS requirements.

Types of Files that Must be Uploaded if Applicable

File Content	File Type
Annual Audit Report/ Annual Financial Report	PDF
Audit Conclusions – Comptroller's Referral Letter	PDF
Chart of Accounts Crosswalk	Excel
Compliance Examination Engagement	PDF
Federal Form 990 (Specialty License Reporting)	PDF
Management Letter	PDF
Schedule of Cash Shortages and Other Thefts	PDF
Separate Single Audit	PDF
Specialty License Plate Annual Accounting	PDF
Unaudited Financial Information	PDF
Written Attestation TCA 4-1-422	PDF

Electronic Reports:

With the exception of the written attestation form required for compliance with TCA Section 4-1-422 and certain agencies that file unaudited information or that file a courtesy report with our office (See guidance in *Section K*), electronic reports, related management letters, ~~and~~ letters to those charged with governance, and other required files may only be filed by the audit firm.

Electronic audit reports are posted to our website upon receipt. When a report revision is required, the report is removed from our website. The revised report is posted to our website upon receipt. ~~revised reports are submitted, the original file is replaced with the revised one.~~

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UN Written Attestation Reporting

Written Attestation: Tennessee Code Annotated (TCA) Section 4-1-422

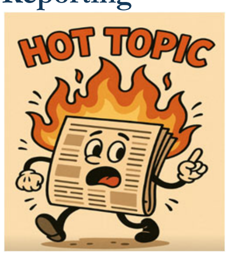
I, ______________________________

certify that the ______________________________

has not sought or received a grant in intentional pursuit of a policy described under subsection (b) of Tennessee Code Annotated, Section 4-1-422 for the fiscal year ended ______________

Tennessee Code Annotated, Title 4, State Government, Chapter 1, General Provisions, Part 4, Miscellaneous

4-1-422. Protection of private property rights in implementation of United Nations policies.



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4-1-422. Protection of private property rights in implementation of United Nations policies.

TN - Tennessee Code Annotated | Tenn. Code Ann. § 4-1-422

Title 4 State Government > Chapter 1 General Provisions > Part 4 Miscellaneous > 4-1-422. Protection of private property rights in implementation of United Nations policies.

(a) As used in this section, "political subdivision" means a local governmental entity, including, but not limited to, a municipality, metropolitan government, county, utility district, school district, public building authority, and development district created and existing pursuant to the laws of this state, or any instrumentality of government created by any one (1) or more of the named local governmental entities. (b) This state and its political subdivisions shall not adopt or implement policy recommendations that deliberately or inadvertently infringe or restrict private property rights without due process, as may be required by policy recommendations originating in, or traceable ...

... Tenn. Code Ann. § 4-1-422 4-1-422. Protection of private property rights in implementation of United Nations policies. (a) As used in this section, "political subdivision" means a local governmental entity, including, but not limited to, a municipality, metropolitan government, county, utility district, school district, public building authority, and development...

... Actual damages; and (B) Punitive damages. Acts 2023, ch. 479, § 1; 2024, ch. 877, § 1. Title 4 State Government Chapter 1 General Provisions Part 4 Miscellaneous 4-1-422. Protection of private property rights in implementation of United Nations policies...

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Purpose of TCA §4-1-422

1. Protecting State and Local Sovereignty

The law is rooted in concern over **outside influence from international organizations**, especially the **United Nations**, over local policy decisions. Specifically, it targets programs like:

- **Agenda 21**
- **United Nations 2030 Agenda for Sustainable Development**
- **Net-zero emissions initiatives**
- **Any grant promoting policies described in subsection (b)** of the law

The Tennessee legislature expressed a belief that these types of programs could steer local decision-making away from **state-determined priorities and values.**

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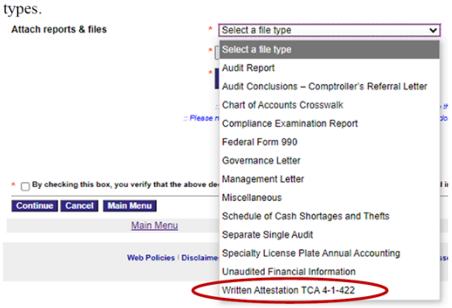
Attach reports & files: Select **"Written Attestation TCA 4-1-422"** from the drawdown of file types.



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Audit Report Revisions

Electronic audit reports are posted to our website upon receipt. When a report revision is required, the report is removed from our website. The revised report is posted to our website upon receipt. ~~revised reports are submitted, the original file is replaced with the revised one.~~

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Direct Appropriation Grants

A specific allocation of state funds authorized by the Tennessee General Assembly.

Characteristics of Direct Appropriation Grants:

- Legislative Authorization
- Specificity
- Non-Recurring Nature
- Compliance Requirements

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For-Profit Organizations

- New section added (Section F)
- May receive state grants or federal funds under subrecipient grant contracts
- If these state and/or federal funds exceed the threshold, an audit contract is required

TENNESSEE COMPTROLLER OF THE TREASURY

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Municipal Energy Authorities

Clarified additional items required by the Comptroller's Office

- Auditor opinion on combining and individual financial statements, detailed utility schedules, and grant schedule
- Supplementary Schedules (as applicable)
  - Schedule of Expenditures of Federal and State Awards
  - Schedule of Long-Term Debt, Principal and Interest Requirements by Fiscal Year
  - Schedule of Changes in Long-Term Debt by Individual Issue
  - Schedule of Changes in Lease Obligations
  - Detailed schedules, if several utility services are accounted for in one fund
  - Telecommunication schedules to demonstrate compliance with state law

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Schedule of Lease Obligations, Principal and Interest Requirements by Fiscal Year

- Lease principal and interest supplementary schedule no longer required
- Still include the Schedule of Changes in Lease Obligations

2. The following schedules are required, if applicable. Certain schedules may exceed GASB's minimum requirements; however, the information provided is used by other state departments and is required to be presented in supplementary information and not the notes. The following are required schedules:

   a. Schedule(s) of Long-Term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt–by individual issue) by Fiscal Year.

   b. Schedule of Changes in Long-Term Debt by Individual Issue. (See example schedule in ***Appendix A***)

   c. Schedule of Changes in Lease Obligations (See example in ***Appendix A***)

   ~~d. Schedule of Lease Obligations, Principal, and Interest Requirements by Fiscal Year.~~

TENNESSEE COMPTROLLER OF THE TREASURY

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Other Information

Removed language as auditing standards clearly require this information

The auditor should address all supplementary information presented in the financial report. An opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole is preferred for ALL supplementary information. This does not include management's corrective action plan, for which no opinion is required. Minimum requirements for opining on the supplemental information are included in Sections B through G. ~~The auditor should address any accompanying other information presented in the financial report (e.g., introductory section, statistical section, and roster of officials) in the other information section of the Independent Auditor's Report.~~

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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Finding Titles

Audit finding titles should be clear, concise, and informative, providing an immediate understanding of the issue identified.

Example Schedules - Section APP.A

June 2024

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

Tennessee Entity
Summary Schedule of Prior Year Findings
For the Fiscal Year Ended June 30, 2024

Financial Statement Findings

Prior Year Finding Number[4]	Finding Title[3]	Status/ Current Year Finding Number[2]
2023-001	Segregation of Duties (original finding # 2015-001)	Repeated/ 2024-001
2023-002	Cash not Deposited Timely (original finding # 2020-004)	Corrected
2023-003	Lack of Computer Controls (original finding # 2018-001)	Partially Corrected/ 2024-002

Federal Award Findings and Questioned Costs

Prior Year Finding Number[4]	Finding Title[3]	Status/ Current Year Finding Number[2]
2023-004	Eligibility not Verified (original finding # 2022-001)	Partially Corrected/ 2024-003
2023-005	Unallowable Costs Claimed for Reimbursement (original finding #2019-002)	Corrected

[1] If there were no prior year findings, a note should be included such as "There were no prior findings reported."

[2] If all findings are repeated, the schedule should be prepared in the same manner as when some findings are corrected.

[3] The original titles should be carried over on the prior and current year schedule of findings each year from the year that the finding was first developed for uncorrected findings, with a subheading indicating the original finding number.

[4] The format for finding numbers (both current and prior year findings) should be consistent with the above format. That is, 4 digit year, dash, 3 digit finding number, beginning with 001, and continuing (002, 003, etc.).

TENNESSEE COMPTROLLER OF THE TREASURY

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Internal School Funds

INTERNAL SCHOOL FUNDS

Background

Section 49-2-110, Tennessee Code Annotated, is titled "Student Activity Funds". However, the text of the law references activity funds and other internal school funds in several places. ~~The accounting policy manual developed in response to that law refers to "other internal school funds" and has sections which define the three (3) accounting funds that are used: general; restricted; and cafeteria funds. However, what constituted internal school funds was not explicitly stated.~~ Section 49-2-603, Tennessee Code Annotated, though explicitly only applicable to that part, has a detailed definition and description of what internal school funds are. That definition is reproduced below:

(2) Internal school funds mean any and all money received and accounted for at individual schools, and specifically include, but are not limited to:

(A) Any donation or grant made to the school, a school club, or any academic, arts, athletic, or social activity related to a school;

(B) Funds for cafeteria services operated at the school;

(C) Fees collected by the school;

(D) Funds transferred to the local school from the school board that are to be accounted for at the local school level;

(E) Funds raised through cooperative agreements with outside organizations;

(F) Rental fees charged outside entities for use of school facilities; and

(G) Student activity funds;

Student activity funds and other internal school funds maintained by each school must be audited annually in accordance with Section 49-2-112, Tennessee Code Annotated.

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New Legislation of Interest for all Local Governments and Special Purpose Governments

Effective 3/12/2025, Public Chapter 17, as enacted, broadens certain disclosure obligations of state and local governmental entities by requiring their disclosure of covenant violations and credit rating downgrades to the comptroller of the treasury or the comptroller's designee.

Effective 7/1/2025, Public Chapter 18, as enacted, specifies penalties for a municipality that fails to timely provide the comptroller of the treasury with copies of audits of the accounts and records of all departments, boards, and agencies under the municipality's jurisdiction that receive and disburse funds. All such audits must be completed and submitted to the comptroller of the treasury no later than six (6) months following the end of the municipality's fiscal year.

Effective 3/28/2025, Public Chapter 44, as enacted, authorizes a certified municipal finance officer who is contracted with a municipality to provide financial oversight on behalf of the municipality to devote fewer than 16 hours per month to such duties, if the municipality seeks and receives written approval from the comptroller of the treasury.

Effective 3/28/2025, Public Chapter 98, as enacted, authorizes a local government to execute a cooperative purchasing agreement with other local, state, and federal governmental entities for purposes of purchasing materials, labor, and services used for maintenance, operations, component replacement, or repairs of existing facilities and grounds owned or operated by a local education agency or by a local government agency.

APP.B-8

Tennessee Comptroller of the Treasury

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New Legislation of Interest for all Local Governments and Special Purpose Governments

Effective 7/1/2025, Public Chapter 18, as enacted, specifies penalties for a municipality that fails to timely provide the comptroller of the treasury with copies of audits of the accounts and records of all departments, boards, and agencies under the municipality's jurisdiction that receive and disburse funds. All such audits must be completed and submitted to the comptroller of the treasury no later than six (6) months following the end of the municipality's fiscal year.

Effective 3/28/2025, Public Chapter 44, as enacted, authorizes a certified municipal finance officer who is contracted with a municipality to provide financial oversight on behalf of the municipality to devote fewer than 16 hours per month to such duties, if the municipality seeks and receives written approval from the comptroller of the treasury.

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Tennessee Comptroller of the Treasury

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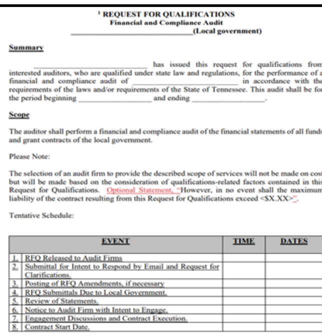
Procurement Guide for Audit Services



[1] **REQUEST FOR QUALIFICATIONS**
Financial and Compliance Audit
_______________________(Local government)

Summary

_______________________ has issued this request for qualifications from interested auditors, who are qualified under state law and regulations, for the performance of a financial and compliance audit of _____________________ in accordance with the requirements of the laws and/or requirements of the State of Tennessee. This audit shall be for the period beginning _______________ and ending _______________.

Scope

The auditor shall perform a financial and compliance audit of the financial statements of all funds and grant contracts of the local government.

Please Note:

The selection of an audit firm to provide the described scope of services will not be made on cost but will be made based on the consideration of qualifications-related factors contained in this Request for Qualifications. Optional Statement, "However, in no event shall the maximum liability of the contract resulting from this Request for Qualifications exceed <$X.XX>".

Tentative Schedule:

	EVENT	TIME	DATES
1.	RFQ Released to Audit Firms		
2.	Submittal for Intent to Respond by Email and Request for Clarifications.		
3.	Posting of RFQ Amendments, if necessary		
4.	RFQ Submittals Due to Local Government.		
5.	Review of Statements.		
6.	Notice to Audit Firm with Intent to Engage.		
7.	Engagement Discussions and Contract Execution.		
8.	Contract Start Date.		

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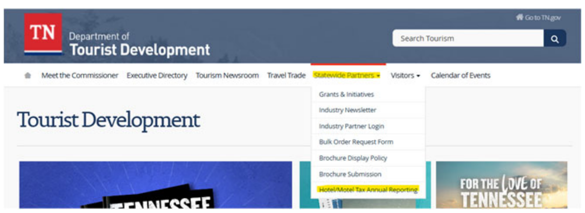
Occupancy Tax Annual Reporting



TENNESSEE COMPTROLLER OF THE TREASURY

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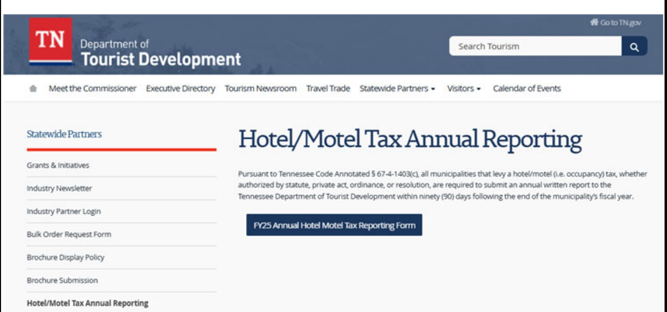

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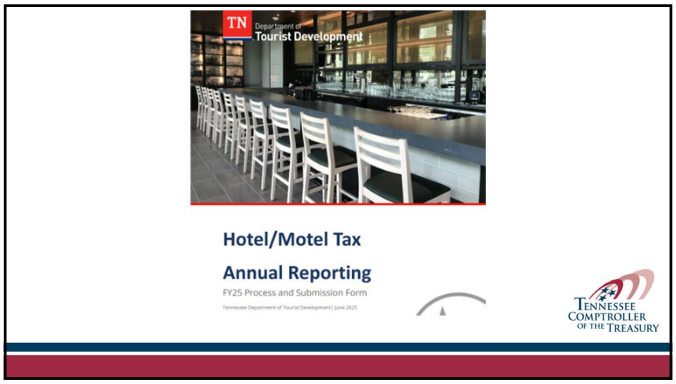
TN Department of Tourist Development
Hotel/Motel Tax
Annual Reporting
FY25 Process and Submission Form
Tennessee Comptroller of the Treasury

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Executive Summary
Pursuant to Tennessee Code Annotated § 67-4-1403(c), all municipalities that levy a hotel/motel (i.e. occupancy) tax, whether authorized by statute, private act, ordinance, or resolution, are required to submit an annual written report to the Tennessee Department of Tourist Development within ninety (90) days following the end of the municipality's fiscal year.
Due Date
"Not later than ninety (90) days after the end of a municipality's fiscal year" - Tenn. Code Ann. § 67-4-1403
Reporting Period
Report covers revenues and expenditures from most recent fiscal year.
Purpose
To fulfill requirements of Tenn. Code Ann. § 67-4-1403. Specifically, to understand how expenditures, when applicable, have been designated and used for tourism promotion and tourism development pursuant to this part.
How to Submit the Report
Use this link below to access and complete the online form:
https://stateoftennessee.formstack.com/forms/fy25_annual_hotel_motel_tax_reporting
Please contact tdtd.research@tn.gov for questions about completing this form, technical issues, or to request special accommodations.
Important Notes
Tennessee Comptroller of the Treasury

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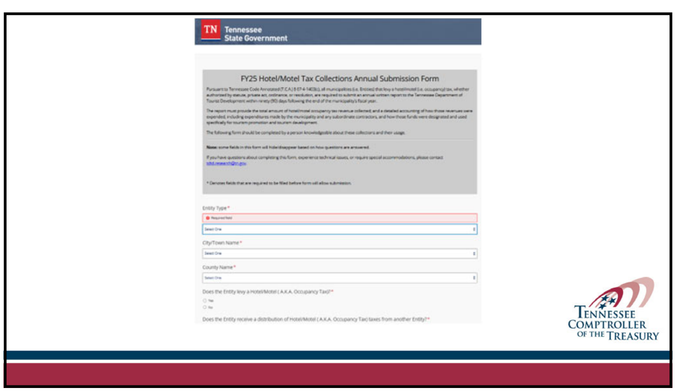
TN Tennessee State Government
FY25 Hotel/Motel Tax Collections Annual Submission Form
Entity Type *
City/Town Name *
County Name *
Does the Entity levy a Hotel/Motel (A.K.A. Occupancy Tax)? *
Does the Entity receive a distribution of Hotel/Motel (A.K.A. Occupancy Tax) taxes from another Entity? *
Tennessee Comptroller of the Treasury

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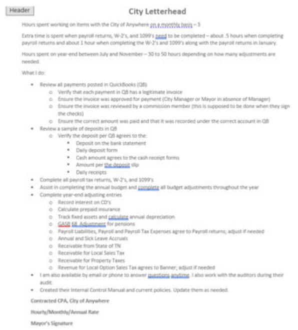
CMFO Waiver Request



Header

City Letterhead

Hours spent working on items with the City of Anywhere on a monthly basis – 3

Extra time is spent when payroll returns, W-2's, and 1099's need to be completed – about .5 hours when completing payroll returns and about 1 hour when completing the W-2's and 1099's along with the payroll returns in January.

Hours spent on year-end between July and November – 30 to 50 hours depending on how many adjustments are needed.

What I do:

- Review all payments posted in QuickBooks (QB)
  - Verify that each payment in QB has a legitimate invoice
  - Ensure the invoice was approved for payment (City Manager or Mayor in absence of Manager)
  - Ensure the invoice was reviewed by a commission member (this is supposed to be done when they sign the checks)
  - Ensure the correct amount was paid and that it was recorded under the correct account in QB
- Review a sample of deposits in QB
  - Verify the deposit per QB agrees to the:
    - Deposit on the bank statement
    - Daily deposit form
    - Cash amount agrees to the cash receipt forms
    - Amount per the deposit slip
    - Daily receipts
- Complete all payroll tax returns, W-2's, and 1099's
- Assist in completing the annual budget and complete all budget adjustments throughout the year
- Complete year-end adjusting entries
  - Record interest on CD's
  - Calculate prepaid insurance
  - Track fixed assets and calculate annual depreciation
  - GASB 68 Adjustment for pensions
  - Payroll Liabilities, Payroll and Payroll Tax Expenses agree to Payroll returns; adjust if needed
  - Annual and Sick Leave Accruals
  - Receivable from State of TN
  - Receivable for Local Sales Tax
  - Receivable for Property Taxes
  - Revenue for Local Option Sales Tax agrees to Banner; adjust if needed
- I am also available by email or phone to answer questions anytime. I also work with the auditors during their audit.
- Created their Internal Control Manual and current policies. Update them as needed.

Contracted CPA, City of Anywhere

Hourly/Monthly/Annual Rate

Mayor's Signature

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Questions?

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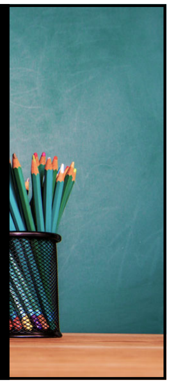
Internal School Funds Manual



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Available on our website
https://comptroller.tn.gov/office-functions/la/resources/manuals.html

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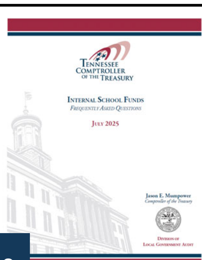
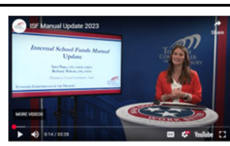


FAQ



Available on our website
https://comptroller.tn.gov/office-functions/la/resources/manuals.html

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School Support Organizations (SOS)

Available on our website
https://comptroller.tn.gov/office-functions/la/resources/manuals.html

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Innovative School Districts

Innovative School Districts

The Innovative School District Act is contained in TCA Title 49, Chapter 8. This statute allows a public university that operates a training school compendium that serves any grades pre-kindergarten through twelve (pre-K-12) to operate an innovative school district. An innovative school district is considered a Local Education Agency. The governing body for the university serves as the local board of education. Internal school funds received by the district are required to be audited in accordance with TCA Section 49-2-112(a). Innovative school districts must follow the *Manual*.

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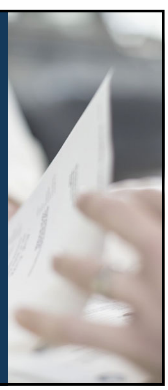
Audit Fee

Clarified the fee is the responsibility of the Board



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Internal Controls

- Removed repetitive controls
- Combined controls
- Clarified language

5. ~~Merchandise~~ Goods received should be opened immediately, physically inspected and counted, and documented on a receiving report to verify that goods were actually received in good condition and in the quantities ordered. ~~Likewise~~Similarly, services performed should be approved, ~~and~~ accepted, and documented on the invoice to verify the service was performed as requested.

~~6. Invoice prices should be compared to prices shown on purchase authorizations, and invoices should be checked for mathematical accuracy.~~

~~7.~~6. Invoices should be compared to purchase authorizations and matched with receiving reports before payment is approved. Invoices should be checked for mathematical accuracy.

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Debit and Credit Card Controls

18\. A listing of all issued debit and credit cards and authorized users should be maintained.

(a) ~~When multiple employees use one debit or credit card, A~~a separate log should be maintained for each card. This log should include columns for (1) printed name of user, (2) signature of user, (3) proof of prior written authorization, such as purchase order number, (4) date checked out, ~~and~~ (5) date returned, and (6) confirmation that an invoice/receipt was provided when the card was returned. The bookkeeper should initial the entry twice: at the time the card is checked out and when the card is turned in.

(b) The listing of issued cards should be checked before final paychecks are issued to departing employees to ensure the debit or credit cards are turned in.

(c) The debit or credit card company should be notified to remove a departing employee's name as an authorized user, and school records should be updated accordingly.

19\. Actual (original) invoices/receipts that support each debit or credit card purchase should be submitted ~~timely~~when the card is turned in and must have the following supporting documentation:

(a) Description of the school's purpose for the purchase;

(b) ~~Nature~~ Cost and description of individual items purchased, if not clearly apparent from the invoice/receipt; and

(c) The name of the person who made the purchase.

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Internal Controls and Example Forms

- Ensured terminology was consistent between the written procedures in the *Manual* and the example forms in Appendix A
- Added references throughout the *Manual* to any applicable Appendix A exhibit

Authorization should include the following information:

1\. Proposed fundraising activity;

2\. Method~~type~~ of fundraising activity (e.g., in-person, crowdfunding, etc.);

~~3. purpose of the fundraising activity;~~

~~4.~~3. Proposed uses of funds raised; and

4\. Expected student involvement in fundraising activity (school-wide or individual class or club).

~~5.~~ Refer to Appendix A – Exhibit 1 for an example Fundraiser Authorization Form.

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Fundraising for Noneducational Purposes

Added TCA Section 49-2-134, which provides that teachers or school employees may raise funds for noneducational purposes

Policy must be established which addresses:

- Receipt, disbursement, and accounting of all funds
- Sources from which these funds may be derived (e.g., vending, donations)
- How the funds must be used (e.g., bereavement, employee morale, etc.)

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Removed Section 4, Title 5 – Property Acquisition and Management

- Procedures are still applicable, however, felt the section was repetitive.
- Majority of items were already covered by Capital Asset or Inventory cycles within Section 4, Title 2.
- We ensured all items were covered elsewhere in the Manual and removed the separate Title.

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Cooperative Activities

Old

Proceeds

The school shares directly in a percentage of the proceeds of a cooperative activity or receives a commission. These proceeds should be accounted for within the general fund.

Accounting for Proceeds

If all proceeds from the event are collected by the school, the proceeds should be receipted by the school and a distribution made to the outside group based on the prior written agreement. If proceeds are collected by the outside group, a designated individual from the school should verify that the division of the collections was based on the written agreement and a prenumbered receipt should be issued for the school's share.

New

Accounting for Proceeds

Proceeds should be accounted for within the general fund.

1. If the school collects all proceeds, the school should receipt the proceeds and distribute the outside group's share based on the written agreement.
2. If the outside group collects the proceeds, the school should verify the collections received by the school were based on the written agreement. A prenumbered receipt should be issued for the school's share.

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Tennessee Investment in Student Achievement

- TCA Section 49-3-359
- Amounts unexpended at year-end should be transferred to TISA pooled funds

TENNESSEE COMPTROLLER OF THE TREASURY

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Typical School System
Central Middle School - Internal School Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis
For the Year Ended June 30, 20x2

	Fund Balances 7/1/20X1 as Previously Reported	Error Correction	Fund Balances 7/1/20X1 as Adjusted	Revenues	Expenditures	Other Financing Sources (Uses) Transfers In	Transfers Out	Change (Increase (Decrease)) in Inventory	Fund Balances 6/30/20X2
General Fund:									
Fundraisers				$ 5,215	$ 4,800				
Resale Items				8,312	4,050				
Fines, Fees and Dues				185	-				
Administration				-	1,467				
Instruction				-	204				
Operation and Maintenance				-	132				
Total General Fund	$ 10,645	$ -	$ 10,645	$ 13,712	$ 10,653	$ 500	$ -	$ (80)	$ 14,124
Restricted Fund:									
Athletic Accounts:									
Basketball	$ 5,982	$ -	$ 5,982	$ 27,958	$ 33,657	$ 83	$ -	$ -	$ 366
Cheerleading	964	-	964	502	467	-	(83)	-	916
Club Accounts:									
Beta Club	172	-	172	931	458	-	-	-	645
Biology Club	137	-	137	395	381	-	-	-	151
FFA	838	-	838	733	801	-	-	-	770
Home Economics	195	-	195	203	198	-	-	-	200
Other Accounts:									
Band	255	-	255	18,364	17,893	-	-	-	726
TISA	-	-	-	1,523	1,490	-	(33)	-	-
TISA Pooled	133	-	133	-	30	33	-	-	136
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Student Council	891	-	891	2,001	1,497	-	(500)	-	895
Total Restricted	$ 9,623	$ -	$ 9,623	$ 53,760	$ 57,885	$ 116	$ (616)	$ -	$ 4,998
Total General & Restricted Funds	$ 20,268	$ -	$ 20,268	$ 67,472	$ 68,538	$ 616	$ (616)	$ (80)	$ 19,122

TENNESSEE COMPTROLLER OF THE TREASURY

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Exhibit 15

Journal Entries for TISA Receivable

1. If expenditures must occur prior to receipt of TISA funds from the board of education, a journal entry for estimated TISA funding should be recorded:

	Debit	Credit
Due from board of education	*$2,600.00*	
Teachers' Materials and Supplies (TISA) account		*$2,600.00*

2a. TISA funds are subsequently received from the board of education. The amount received agreed with the amount estimated:

	Debit	Credit
Cash	*$2,600.00*	
Due from board of education		*$2,600.00*

2b. TISA funds are subsequently received from the board of education. The amount received was greater than the amount estimated:

	Debit	Credit
Cash	*$3,000.00*	
Due from board of education		*$2,600.00*
Teachers' Materials and Supplies (TISA) account		*$ 400.00*

TENNESSEE COMPTROLLER OF THE TREASURY

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Money Collected on Behalf of Board of Education

- Clarified accounting requirements.
- Previously only stated "must be accounted for in the school's accounting records."
- Update is clear this activity should not impact revenue or expenditure accounts. Instead, a liability account should be established.

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Electronic Business Systems

TCA Section 4-30-103

- Applies to new electronic technology related to disbursements or receipts
  - Requires a plan to be submitted 30 days prior to implementation

TCA Section 47-10-119

- Applies to electronic records and signatures
  - Requires a statement to be filed 30 days prior to offering the services
  - Requires a post-implementation review to be conducted and submitted 12 to 18 months following the initial filing

LGA.WEB@cot.tn.gov

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Revenues and Receipts

Overarching Collection Internal Control Policies and Procedures

1. Daily collections from any source may never be used for the purpose of providing change for events. When additional money is needed for the purpose of providing change for events, a check should be written to the individual responsible for the change. The change received should be recorded in the "Cash on Hand Account." The exact amount of the change should be redeposited as soon as feasible and the deposit slip marked "Redeposit." Refer to Appendix A – Exhibit 12 for illustrative journal entries.
2. Collections may never be turned over (such as leaving money on the cashier's desk) without receiving a receipt.

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Athletic Events

Added a reference to TCA Section 49-6-316

- A school cannot take part in an athletic event if the event's organizer does not allow students from participating schools to purchase tickets with cash – either before the event, at the event, or both.

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Purchasing

Old

Purchasing Procedures for Bookkeeper

When the bookkeeper receives or originates a purchase requisition, the bookkeeper should review the account balance to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should sign and date the form, and, if the purchase is over $100, or if it is an online payment or purchase *regardless of the amount*, forward it to the
principal for approval. After the prenumbe
principal, it becomes a **purchase authoriza**
order, if one is needed for the purchase. The
be filed in the outstanding purchase requisitio
should be given to the individual initiating the

When requisitions are used for purchases that
than $100, the bookkeeper should review th
money is available. If sufficient money is ava
(or follow alternate procedures established
requisition should be filed in the outstanding
(unless a purchase order is needed for the ve
individual initiating the purchase request.

New

Purchasing Procedures for Bookkeeper

When the bookkeeper receives or originates a purchase requisition, the bookkeeper should review the account balance to be charged to determine if sufficient money is available. If sufficient money is available, the bookkeeper should sign and date the form, and follow appropriate procedures below based on the amount and type of purchase.

1. If the purchase is an online payment **or** over $100, forward the prenumbered purchase requisition form to the principal for approval. After the form is signed by the principal, it becomes a **purchase authorization**.
2. If the purchase is not an online payment **and** less than $100, the bookkeeper should initiate the purchase (or follow alternate procedures established by the principal).

The original purchase requisition/purchase authorization should go to the vendor as a purchase order, if needed. One copy should be filed in the outstanding purchase requisition/purchase authorization folder, and the remaining copy should be given to the individual initiating the purchase request.

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Capital Assets

- The Board of Education is responsible for purchasing all capital assets
- Capital assets should **NOT** be recorded within the internal school funds financial statements
- Capital assets **should still be tracked** by the individual schools for safekeeping and for insurance

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TITLE 5: REFUNDS AND TRAVEL

Refunds

Refunds ~~in excess of $10~~ should be disbursed by check or other approved payment method and should not be paid from a petty cash account. Refunds are reductions of revenue, rather than new expenditures.

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Bank Reconciliations

General

Bank statements must be reconciled with the cash balances presented in the accounting records (general ledger) as of the end of each month. Bank reconciliations should be prepared on a timely basis, but no later than the end of the following month. ~~within 10 days after the bank statements are received from the bank.~~ Canceled checks and deposit slips must be retained on file with the applicable bank statements for future reference and audit purposes and should not be filed with paid invoices or purchase authorizations. If deposit slips are not returned with the bank statement, validated duplicate deposit slips (or duplicate deposit slips with deposit receipt attached) must be retained.

TENNESSEE COMPTROLLER OF THE TREASURY

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Deficit Fund Balances

Added disclosure requirement

The general fund consists of separate revenue accounts and expenditure accounts. Total general fund expenditures (including unpaid obligations as of June 30 each year) must not exceed the beginning fund balance plus current year revenue. A deficit balance in the general fund (representing the net total of all account balances in the general fund) is never~~not~~ allowable. If a deficit fund balance exists at year end, the deficit must be disclosed in the notes to the financial statements as an instance of noncompliance.

The restricted fund consists of accounts which include both revenues and expenditures, and each account maintains its own identity. Expenditures in each restricted fund account must not exceed the beginning balance plus current year revenue. A deficit balance in a restricted fund account is never~~not~~ allowable. If a deficit restricted fund account balance exists at year end, the deficit must be disclosed in the notes to the financial statements as an instance of noncompliance, if significant.

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB Statement No. 100:
Accounting Changes and Error Corrections

"Prior period adjustment" language is **NO** longer used.

Typical School System – Internal School Funds
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances – Regulatory Basis – All Schools
For the Year Ended June 30, 20x2

	Central High School	Central Middle School	Central Elementary School	Total
Fund balances, July 1, 20X1, as previously reported	$ 8,111	$20,268	$ 2,000	$ 30,379
~~Prior period adjustment~~Error correction (Note 8~~7~~)	-	-	233	233
~~Adjusted F~~fund balances, July 1, 20X1, as adjusted	$ 8,111	$20,268	$ 2,233	$ 30,612

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GASB Statement No. 100:
Accounting Changes and Error Corrections

"Prior period adjustment" language is **NO** longer used.

Note 8 – ~~Prior Period Adjustment~~Error Correction

Central Elementary School's beginning fund balance was adjusted by $233 ~~in order~~ to properly reflect fund balance at July 1, 20X1. It was discovered during the current fiscal year that ~~R~~revenue from Fines, Fees and Dues of $233 was not ~~recorded~~ reported in the prior year's financial statements~~.,~~ This caused ~~resulting in last year's~~ revenue, change in fund balance, and ending fund balance ~~being~~ to be understated by $233 for the fiscal year ended July 1, 20X1.

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GASB Statement No. 100:
Accounting Changes and Error Corrections

Be aware of possible changes in reporting entity, as these will require a note disclosure.

Example scenarios:

- New middle school - students were attending other schools within the same district **YES**
- City high school closed – students will now attend County high school **NO**
- School serving grades 1-9 divided into two schools (grades 1-5 and 6-9) **YES**

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Schedule of Transfers

Clarified information required to be included on the schedule:

- Transferring fund account
- Receiving fund account
- Amount
- Purpose (new)

Typical School System – Internal School Funds
Schedule of Transfers – By School
For The Year Ended June 30, 20x2

Central High School

Transfer From	Transfer To	Amount	Purpose
Student Council	General	$1,488	Donation
Class of 20X2	General	1,185	Closing account
Cheerleading	Football	636	Donation
TISA	TISA Pooled	246	Moving remaining balance
	Total	$3,555	

Central Middle School

Transfer From	Transfer To	Amount	Purpose
Student Council	General	$500	Donation
Cheerleading	Basketball	83	Donation
TISA	TISA Pooled	33	Moving remaining balance
	Total	$616	

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Typical School System – Internal School Funds
Schedule of Salary Supplements – By School
For The Year Ended June 30, 20x2

School	Gross Amount	Source of Funds	Board Approved	Proper Withholding
Central High School				
D. Moody	$ 50	Cheerleading	Yes	Yes
J. Hyde	340	Football	Yes	Yes
J. Wesley	210	Football	Yes	Yes
G. Whitfield	85	Football	Yes	Yes
H. Taylor	55	Cheerleading	Yes	Yes
G. Mueller	80	Football	Yes	Yes
S. Morris	80	Football	Yes	Yes
C. Finney	100	Football	Yes	Yes
Total	$1,000			

Schedule of Salary Supplements

Updated column heading to indicate "Gross" amount

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Appendix A Example Forms and Journal Entries

- Updated headings to be consistent across all forms
- Added clarification to certain forms
- Removed unnecessary pages
- Added example journal entries for TISA receivable

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Questions?

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Matt Piland, CMFO
Contract Audit Review Specialist
Comptroller of the Treasury
Division of Local Government Audit
Matt.Piland@cot.tn.gov
615.401.7889

Lisa Bellar, CPA, CGFM
Senior Contract Audit Review Specialist
Comptroller of the Treasury
Division of Local Government Audit
Lisa.Bellar@cot.tn.gov
615.401.7854

Thank You!

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