



County Technical Assistance Service
INSTITUTE FOR PUBLIC SERVICE

INTERNAL CONTROLS

ASSESSOR OF PROPERTY

2016

CTAS.TENNESSEE.EDU

INTERNAL CONTROLS

April 2016

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INTRODUCTION

As governmental entities across the county have seen an increase with waste, fraud and abuse the Tennessee General Assembly took proactive steps this legislative session by passing Public Chapter 112 which amended T.C.A. 9-18-102(a). The amendment provides the following:

Whether obligations and costs of the operation are in compliance with applicable law; (II) Whether county funds, property and other assets that are designated/assigned to the assessor of property are safeguarded against waste, loss, unauthorized use or misappropriation and (III) Whether revenues and expenditures in the assessor of property's fee account and county general fund (as it relates to the assessor of property) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

To assist TN counties with compliance CTAS has worked diligently to prepare an Internal Controls toolbox. The toolbox consists of the following tools: (1) internal controls questionnaire, (2) internal controls assessment, and (3) sample internal controls risk assessment. In addition to the tool box CTAS has prepared a 4-hour internal control class. Beginning January 7, 2016, CTAS will begin the internal controls training on a statewide basis and concluding in March.

We at CTAS hope each elected official and their staff take advantage of our training and our tool box to prepare their internal controls that will allow them to comply with PC 112 and to provide a better system of financial management.

ASSESSOR OF PROPERTY
SAMPLE INTERNAL CONTROLS QUESTIONNAIRE
April 2016

Sample Internal Controls Questionnaire: Assessor of Property

General:

1. Does the office have a written organizational chart?
2. Do the office employees have written job descriptions?
3. Does the office have a written, updated personnel policy and is this provided to the office employees?
4. Does the office have a copy of the adopted county ethics policy available for the official and the office employees?

Physical security of the office:

1. Who all has a key to the office?
2. How often are the locks changed?
3. Is the office monitored with surveillance cameras?
4. Is there a vault in the office?
5. When is it locked?
6. Who has access to the vault?

Purchasing:

1. What is the adopted county purchasing policy/purchasing law that the office operates under?

Purchase orders:

1. Who fills out purchase order requisitions for the office?
2. Who coordinates with the mayor's office for purchase orders?
3. How is it known whether funding is available in the budget for the requested expenditure and which object code to encumber with the purchase order?
4. Who maintains a list of approved vendors?
5. Who authorizes purchase orders (county finance/mayor)?
6. Who in the assessor's office places orders for goods?
7. Who verifies that the goods are received?
8. Who signs the invoice?
9. Who gets the invoice after it is signed by the office?
10. Are charge accounts allowed at local stores?

Store cards:

1. Does the assessor's office have a store card?
2. If not, does the office have access to a store card maintained by another office (county finance/mayor)? Is there a written store card policy under which the office operates?
3. What forms must be filled out and signed before the card is checked out?

4. Who is authorized to use the store card in the Assessor of Property's office?
5. How does the Assessor verify that only legitimate purchases are made with the store card?
6. How is unspent money on the purchase order dealt with?
7. Who ensures that the purchase order is closed out?

Contracts:

1. Who is authorized to sign all county contracts (e.g. software, user agreements, copiers) dealing with purchasing for the Assessor of Property office?
2. Are there certain contracts that require county legislative body approval (longer than a year in length)?
3. Is there a requirement for the county attorney to review proposed contracts (including lease agreements) before signing?
4. If there are capital leases for equipment (copiers), does the county commission and Office of Local Finance approve these prior to signing?
5. Who serves as the contract monitor for the Assessor of Property's office?
6. How is the contract monitored for vendor compliance?

Emergency Purchases:

1. Who in the assessor's office coordinates with the county finance department/mayor in the event of emergency purchases?
2. Is there a written policy that addresses emergency purchases?
3. Who in the assessor's office is responsible to ensure documentation of emergency purchases to verify compliance with county purchasing

Payroll:

1. How is payroll authorized and processed for the Assessor's office?
2. What type of accounts in the budget is used to pay employees? Does all pay for employees come from payroll line items (not vendor checks)?
3. Has the Assessor received a copy of the adopted budget? Is the actual adopted budget posted correctly to the month to date reports that the Assessor receives from county finance/mayor's office?
4. How does the Assessor's office keep up to date in terms of the budget and expenditures for the office? Monthly reports from finance/mayor's office?
5. Does the Assessor of Property provide comp or overtime? Is the amount of accrued compensatory time within wage and hour and personnel policy limits?

Office operations:

1. What system (computer/manual) does the Assessor's office use for receipting funds received in the office?
2. Who is authorized to receipt payments in the Assessor's office?
3. Does each person that receipt have a separate cash drawer or lockable bank bag assigned to them?

4. How are the cash boxes secured when the deputies are not physically at their stations (lunch, bathroom breaks)?
5. Where are the boxes stored at the end of the work day?
6. How is the computer system backed up (offsite)? How often? Is there a written disaster recovery policy?

Inventory of office equipment:

1. Who keeps an updated inventory of all State and County computer equipment?
2. Is a copy of the inventory kept in the disaster recovery plan?
3. Where is the disaster recovery plan kept?
4. Are vehicles assigned to the property assessor's office inventoried and have a permanent non-removable decal to identify that they are county property?
5. Who is involved in preparing an annual physical inventory of the computer equipment?
6. Does the office have any assets that meet capitalization thresholds for external financial reporting? Who in the Assessor's office coordinates with county finance/mayor's office to track capitalized assets?

Material Expenditure Line Items (review budget lines items for material expenditure amounts)

Payroll:

1. How does the office protect itself against payroll fraud (illegal deductions from paychecks, ghost employees, and unauthorized bonus payments)?
2. Do all employees have an updated personnel file?
3. How do employees record their time worked?
4. Are employees allowed to work off the clock? Do employees understand they cannot work off the clock?
5. Who maintains an accrual of vacation and sick time for Assessor deputies?
6. Who reviews the payroll information (time worked) prior to payroll processing to ensure accuracy and legitimate payments?

Audit Services/Data Processing Services:

1. Are contracts on file for audit/data processing services? Who in the Assessor's office review the invoices from these vendors prior to payment by the county finance/mayor's office?

Revenue and expenditures:

1. Who is responsible for coordinating with the trustee office to ensure all receipted funds are coded to the correct revenue line items (greenbelt late fees, GIS revenues, document fees) and for items purchased those expenditures are coded to the correct object code in the budget?

Qualifying and applications for a greenbelt assessment to ensure accuracy in greenbelt

1. Who in the Assessor's office is assigned to coordinate with the Register of Deed's office to review new deeds with appraisal cards to identify land splits?

2. Who in the Assessor's office is responsible for coordinating with new property owners to verify if the new property qualifies for the greenbelt program?
3. If new parcels of property do not qualify for greenbelt, who in the Assessor's office is responsible for monitoring and preparing all assessment rollback documents?
4. Who in the Assessor's office is responsible with coordinating with the County Trustee's office to be sure change of assessment forms are promptly sent to the Trustee's office?
5. Who in the Assessor's office is responsible for monitoring compliance with the greenbelt program as it relates to the parcels that qualify for the program under forestland?
6. Who in the Assessor's office is assigned to review changes on appraisal cards and new assessments as a check for keying errors?

New construction each year (for accurate county property tax revenue recognition)

1. What is the process and who in the Assessor's office is responsible for identifying new construction annually?
2. Who in the Assessor's office is assigned to do the annual field inspections of parcels for the six year reappraisal plan?
3. Who in the Assessor's office is responsible for updating the CAMA system with any changes noted during field reviews?
4. Who in the Assessor's office reviews appraisal card changes done by the field appraisers to ensure new assessments are accurate and do not contain data entry errors?

Visual inspections and errors noted by the Tennessee Division of Property Assessments

1. Who in the Assessor's office is assigned to review the DPA Assessment reports to identify any errors noted by the DPA and determine the actions items needed to correct any identified issues?
2. Who in the Assessor's office is assigned to follow up to ensure all needed corrections/identified errors noted by the DPA have been promptly addressed by the county Assessor's office?

Proration of properties transferred between tax exempt and nonexempt status

1. Who in the Assessor's office is responsible for an annual review of new deeds to identify properties that have been transferred between tax exempt and nonexempt entities?
2. Who in the Assessor's office are responsible for appraisal card changes and to coordinate with the County Trustee's office to ensure pick up of taxable amounts from these changes?

ASSESSOR OF PROPERTY
SAMPLE INTERNAL CONTROLS ASSESSMENT
April 2016

Sample Internal Controls Assessment

Assessor of Property

Purpose: To document an understanding and assess the internal controls of the Sample County Assessor of Property as it pertains to the following:

1. The obligations and costs of the operation are in compliance with applicable law.
2. To ascertain if county funds, property and other assets that are designated/assigned to the assessor of property are safeguarded against waste, loss, unauthorized use, or misappropriation.
3. Revenues and expenditures in the assessor of property's office and county general fund (as it relates to the assessor) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

Overview: Sample county assessor of property's office consists of the assessor, GIS mapper, personal property specialist, field appraiser and a data specialist. An in-depth analysis of the internal control environment for the operations of the sample assessor of property's office was performed by the assessor, his employees, and a CTAS County Government Consultant.

1. Obligations and costs of the operation are in compliance with applicable law.

Human Resources: The assessor's office has an organizational chart and written job descriptions for all of the office employees. The assessor's office has an updated personnel policy and a copy of the county's ethics policy on file.

Physical Security: Each assessor's office employees and the county mayor have a key to the assessor's office. Locks are rekeyed every four years in accordance with the county policy unless the assessor requests an additional rekey between the regular changes. The office does not use any type surveillance equipment in the office, however there is a camera system that monitors the hallway outside the office door. The assessor's office has a vault that is only used by the employees in the office. The vault is locked at the end of the day.

Purchasing: The assessor's office complies with the county's purchasing policy as adopted by the county legislative body in 2003. The county has not adopted any local option general or private acts that govern purchasing. Therefore, the county departments in the general fund (including the assessor's office) falls under general county purchasing laws.

Purchase Orders: The purchasing policy requires the elected official or department head to complete the requisition form prior to receiving a purchase order number. Either the assessor or the GIS specialist requests a purchase order from the mayor's office. The bookkeeper in the mayor's office reviews the request and checks the assessor's budget for available funding. If the funds are available, the mayor's office issues the purchase order which authorizes the purchase to be made. When the goods arrive, either the assessor or GIS specialist will verify that the goods received are itemized on the invoice. The

invoice is then signed as goods received and forwarded to the mayor's office for payment by the bookkeeper. There are no charge accounts (open purchase orders) at local stores.

Store Cards: The assessor of property's office does not have an assigned store card. However, if the assessor or GIS specialist need to use the store card or the county's credit card, they have access to the card(s) through the mayor's office. When the assessor's office needs to purchase an item from Walmart, or purchase an item online the assessor or GIS specialist will go to the mayor's office and request the card and fill out a purchase order (not to exceed a certain dollar amount) with the bookkeeper. The assessor or GIS specialist will purchase the goods and bring the signed receipt and card back to the mayor's office. Any unspent amount of the purchase order is closed after the assessor or GIS specialist verifies that goods were received. The county has an adopted credit card policy and a copy of this is maintained on file in the assessor's office.

Contracts: Per the county's purchasing policy, the county mayor signs all county contracts dealing with purchasing. All vendor contracts that are over one year in length are approved by the county commission after the county attorney reviews them. The assessor of property coordinates with the mayor's office to ensure contract compliance per county purchasing policy. The assessor does not sign any vendor contracts.

Emergency Purchases: The assessor will coordinate with the mayor's office in the case of emergency purchases that arise from unforeseen events that will require normal bidding procedures to be circumvented because of the nature of the emergency at hand. The county purchasing policy addresses emergency purchases and the assessor's office complies with these policies.

County Owned Vehicles: The assessor is assigned a county-owned vehicle to use for field work and for trips to the store for supplies. The vehicle is assigned a Fuelman fuel card that is kept secured inside the vehicle. When the assessor or one of his employees uses the card, the current odometer reading has to be entered into the gas pump along with a user ID. The assessor reviews the Fuelman invoice each month to ensure that fuel usage is reasonable and matches the vehicle's odometer. After the assessor reviews the fuel card invoice, he initials the invoice and forwards it to the mayor's bookkeeper for payment.

Payroll: Payroll is authorized each fiscal year through the adoption of the county budget. The assessor receives a copy of the adopted budget after the county commission approves it then receives a monthly year-to-date expenditure vs. budget report from mayor's office each month. The mayor's office processes the assessor's office payroll after receiving the payroll sheets from the assessor. Each employee prepares their time sheet and is reviewed and approved by the assessor before submission to the mayor's office. The assessor's office does not provide compensatory time or overtime as the only employee who would work more hours than was originally budgeted for is the assessor. All payments to employees are paid through payroll accounts (not vendor accounts) in order to comply with IRS tax code for payroll taxes, state unemployment compensation, worker comp laws and TCRS requirements.

- 2. *To ascertain if county funds, property, and other assets that are designated/assigned to the county assessor are safeguarded against waste, loss, unauthorized use, or misappropriation.***

Analysis of Expenditures: The audited financial report detailed expenditure statements was reviewed to identify expenditures of material amounts. In the assessor of property's office, material expenditure amounts were found in payroll and auditing and data processing services. Internal controls over these material assets/costs were scrutinized.

Office Cash Operations (receipt/disburse/deposit/reconcile/segregation of duties over cash): The assessor's office utilizes an official pre-numbered receipt book to receipt all funds received in the office. The assessor's office receives revenues for greenbelt application late fees, GIS maps and document copies. GIS specialist is assigned to receipt funds at the counter and in her absence, the assessor will receipt funds. All receipted funds are stored in a lockable bank bag that is placed in GIS specialist's desk. At night, all receipted funds are placed in the office's locked vault. Every Tuesday and Thursday afternoon, the assessor deposits all receipted funds with the county trustee's office and verifies that the deposit equals the total of receipts. He brings the trustee office receipt back to the office and the paperclips the trustee receipt to the assessor office receipts that make up the deposit. The assessor maintains no cash on hand or petty cash in his office.

Inventory of Office Equipment: The assessor keeps an updated inventory list of all computer equipment and the vehicle that is assigned to his office. The assessor completes an annual capital assets report with the State Division of Property Assessments for all state operated equipment in his office. The assessor also reviews his county owned asset inventory once a year with the mayor's office.

Internal controls over material expenditure line items:

Payroll: To protect against fraud (ghost employees, unauthorized bonus payments, etc.), all assessor of property employees have a personnel file maintained by the county mayor's office. The assessor does not allow employees to perform any work off the clock. The assessor maintains an accrual of vacation and sick time for all his employees. The assessor reviews each employee's manual time sheet for the pay period and signs off on the time sheet for payment by the mayor's office. The assessor reviews the end of year vacation and sick leave accrual for his office to ensure accuracy.

Auditing and Data Processing Services Contract: The assessor has a contract with Government Services Administration (GSA) for personal property audits and a memorandum of understanding with the Division of Property Assessment (DPA) on data processing services. The assessor reviews the invoices from GSA and DPA before the invoices are submitted to the mayor's office for payment to ensure billing accuracy for work performed. The contract is approved by the Sample County Commission and a copy of the contract is on file in the assessor's office.

3. Revenues and expenditures in the assessor's fee account and county general fund (as it relates to the assessor) are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

The assessor is responsible for coordinating with the county trustee's office to ensure that all receipted funds are coded to the correct revenue line items (greenbelt late application fee/ GIS mapping and document copies.). The assessor reviews the month end revenue and expenditure report for his office to ensure that revenues and expenditures are properly recorded.

Qualifying and applications for a greenbelt assessment to ensure accuracy in greenbelt assessments (for accurate county property tax revenue recognition):

Currently, the field appraiser downloads and prints the new deed copies from the register of deed's office. Appraisal cards are prepared that match the new deeds with the updated deed information. Those that required map changes such as land splits are given to GIS specialist to be mapped and new appraisal cards created where needed. The assessor reviews all new deeds and approves all deed transfers. The GIS specialist would enter those deed updates and would key the other deed updates. During the process of updating the assessments with the new deeds, properties that qualify for the greenbelt assessment program are noted. These notes generate letters sent to the new owners explaining the greenbelt assessment program and the application process. The letters are prepared by either the field appraiser or the GIS specialist then reviewed and signed by the assessor. Each letter states the deadlines for applications as established under Tennessee law.

The GIS specialist monitors and prepares all greenbelt assessment rollback documents. Letters are sent to both the previous and new owner concerning the rollback tax in situations where it would apply. The letter explains the greenbelt assessment rollback program and specifies the amount of the rollback tax that would be due. This information is reviewed by the assessor and signed. Change of assessment forms are prepared for the trustee with the rollback information, reviewed and signed by the assessor, and hand delivered to the trustee's office.

The GIS specialist also monitors the forest management plans to insure full compliance with the forest greenbelt assessment. The property owner files a forest greenbelt application by March 1 in the current year. The property owner has until March 1 of the following year to have the forest management plan completed and filed with the office. Failure to do so results in removal of a greenbelt assessment and a greenbelt assessment rollback tax.

The GIS specialist reviews the changes on the appraisal cards and new assessments as a check for keying errors. If errors are found, they are corrected and re-entered. The Tennessee Division of Property Assessment also provides oversight of greenbelt assessments through their annual monitoring of the assessor of property offices.

New construction each year (for accurate county property tax revenue recognition):

Each year, the assessor and field appraiser drive the county by assessment maps to review all parcels for new construction. Review of the six year reappraisal plan parcels for each year is also done during this process. The county has not adopted countywide zoning and does not have county building permits. Either through personal knowledge, property owner statements, state electrical permits, or recorded notices of completion, certain parcels are noted to be reviewed. If necessary, other staff members assist the assessor in the field reviews. The field appraiser enters the field review information into the CAMA system. The field appraiser would review the appraisal card changes and new assessments as a check for data entry errors. If errors are found, they are corrected and re-entered.

When a new structure is assessed, the value is based on the degree of completion as of January 1 of that year. It is noted on the appraisal card the structure is under construction and not completed. The structure is reviewed again before January 1 of the next year to determine the level of completion.

Visual inspections and errors noted by the Tennessee Division of Property Assessments (for accurate county property tax revenue recognition):

While monitoring the work of the assessor of property office, the Tennessee DPA notes any assessment errors that are found. These errors are reported to the assessor of property office to be corrected. This report is reviewed by the assessor and GIS specialist to determine what actions are needed to correct assessments, if any. If necessary, visual inspections are done by the assessor and a staff member. The GIS specialist enters the corrections and reports to the DPA when the list is done. This is considered part of the annual property review.

Proration of properties transferred between tax exempt and nonexempt status (for accurate county property tax revenue recognition):

During the annual processing of new deeds, properties being transferred between tax exempt entities and nonexempt entities are noted by the field appraiser. New deed information is prepared for the assessor. The assessor prorates the values as of the date of sale. In some cases, this transfer may require a change of assessment for the trustee's office to pick up the taxable amount. These appraisal card changes are reviewed by GIS Specialist and data entry errors are corrected.

APPENDIX



State of Tennessee

PUBLIC CHAPTER NO. 112

SENATE BILL NO. 413

By Haile

Substituted for: House Bill No. 187

By Hawk

AN ACT to amend Tennessee Code Annotated, Section 9-18-102, relative to internal controls for local governments.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-18-102(a), is amended by deleting the subsection in its entirety and by substituting instead the following language:

(a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

- (1) Obligations and costs are in compliance with applicable law;
- (2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

SECTION 2. This act shall take effect June 30, 2016, the public welfare requiring it.

SENATE BILL NO. 413

PASSED: March 30, 2015



RON RAMSEY
SPEAKER OF THE SENATE



BETH HARWELL, SPEAKER
HOUSE OF REPRESENTATIVES

APPROVED this 10th day of April 2015



BILL HASLAM, GOVERNOR

Sample Risk Assessment for TN County Office and/or Department

Review, gain an understanding of, and document the internal control procedures that your office already has in place and is currently practicing. Internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. Internal controls should address specific risks associated with the day-to-day operations and transactions in the county offices that will be utilizing or accounting for public funds and assets. The objectives of your internal controls should be to provide reasonable assurance that your office can document and demonstrate the following:

- I. The obligations and costs of the operation are in compliance with applicable law
- II. To ascertain if county funds, property and other assets that are designated/assigned to the office/department are safeguarded against waste, loss, unauthorized use, or misappropriation
- III. Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets

Hold a formal meeting with key employees of the county office, if a larger office. Consider including the county finance and/or county trustee office in the sections that deal with financial reporting issues that have an impact on their offices as well.

- Obtain the county's most recent annual financial and compliance audit and review applicable audit findings that identified significant or material weaknesses in internal controls of the county office. Have these identified internal control weaknesses been corrected or has compensating internal controls been put into place to offset these identified weaknesses?
- Ask yourself (and the group if appropriate) their thoughts on how assets and funding assigned to the county office could possibly be misappropriated, wasted or abused. You, or the group, should brainstorm about the possibility of circumvention of the internal controls that are in place and discuss any needed changes to policies and procedures to eliminate/reduce significant internal control weaknesses that have been identified by the internal control assessment that was performed in-house.

- If delegating authority to make changes, determine who will be the senior level employee in your office designated for addressing internal control weaknesses identified by the external audit as well as issues that were identified by the internal control assessment that was performed in-house. Be sure to involve legal counsel to review any updates to office written policies (personnel, purchasing, etc.) prior to any official policy change.
- Based on any corrective actions and updates to policies and procedures effecting internal controls of the office, update your written internal control assessment to reflect these changes made.
- Assign senior level staff (if not yourself) to continue to monitor the updated internal control procedures to help ensure compliance with adopted policies and procedures

The group should have at least one formal "follow up" meeting in the near future to determine if all the material identified internal control risks that were identified in the first meeting have been mitigated. The group should also consider having at least an annual management meeting to ensure that any concerns that arise dealing with internal control issues are addressed, objectives of the office are being met, and proper accounting and reporting requirements are being achieved. If the office is currently receiving federal grant funding, it is recommended that the senior accounting official consult with the State or Federal department, which the grant funding is being received from, prior to each meeting to identify any new internal control or reporting issues that need to be addressed by county management at this time.