

FINANCIAL ISSUES FOR COUNTY HIGHWAY OFFICIALS



COUNTY OFFICIALS ORIENTATION PROGRAM 2024

OVERVIEW

Budgeting

Purchasing

Internal Controls



LEGAL AUTHORITY FOR BUDGETING

General Law

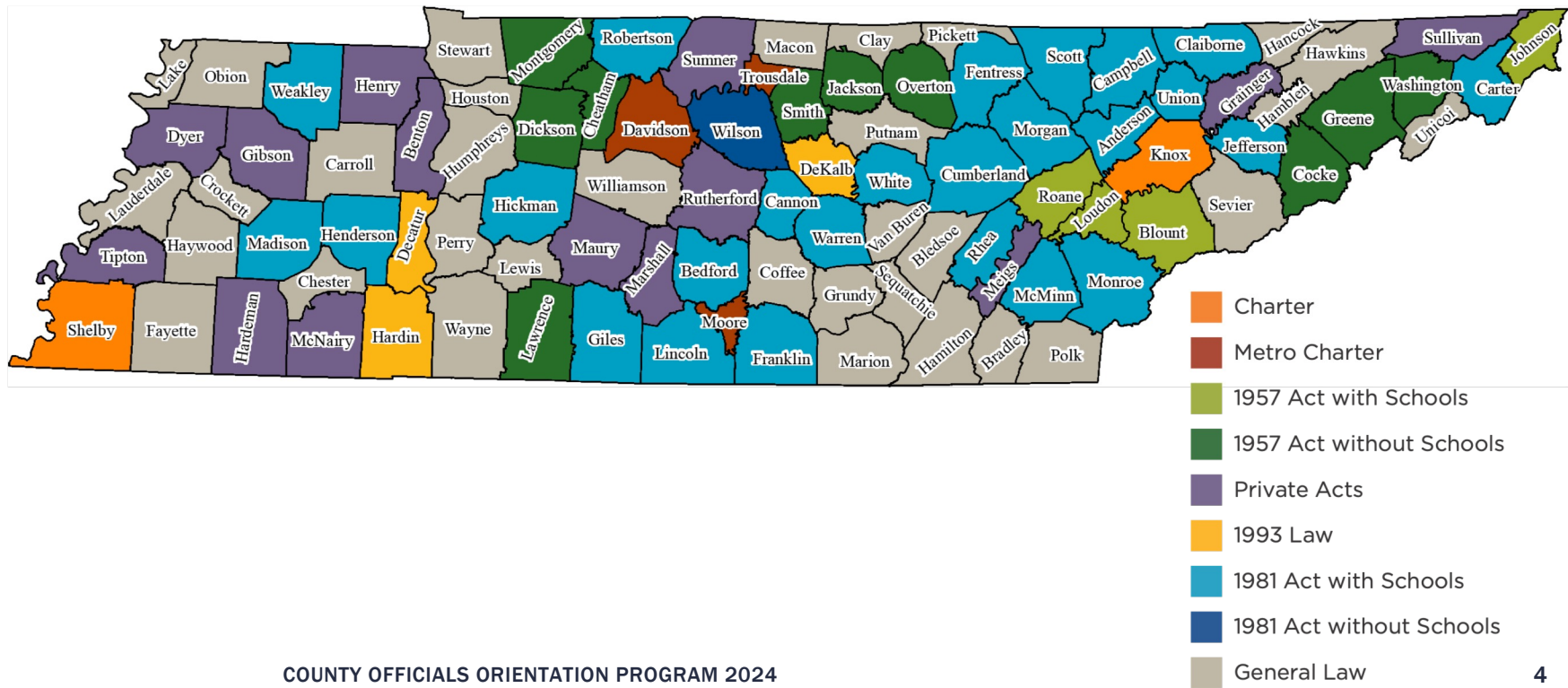
Private Act

'81 Act
'57 Act
'93 Law

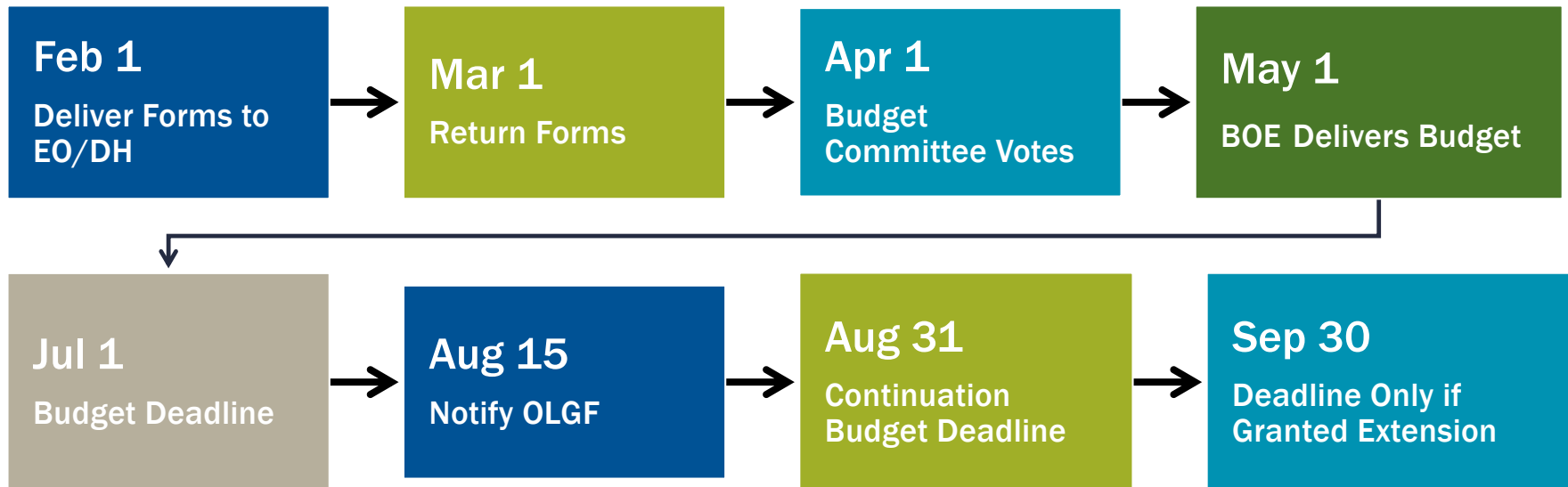
Charter/Metro

Tennessee

County Budget Laws



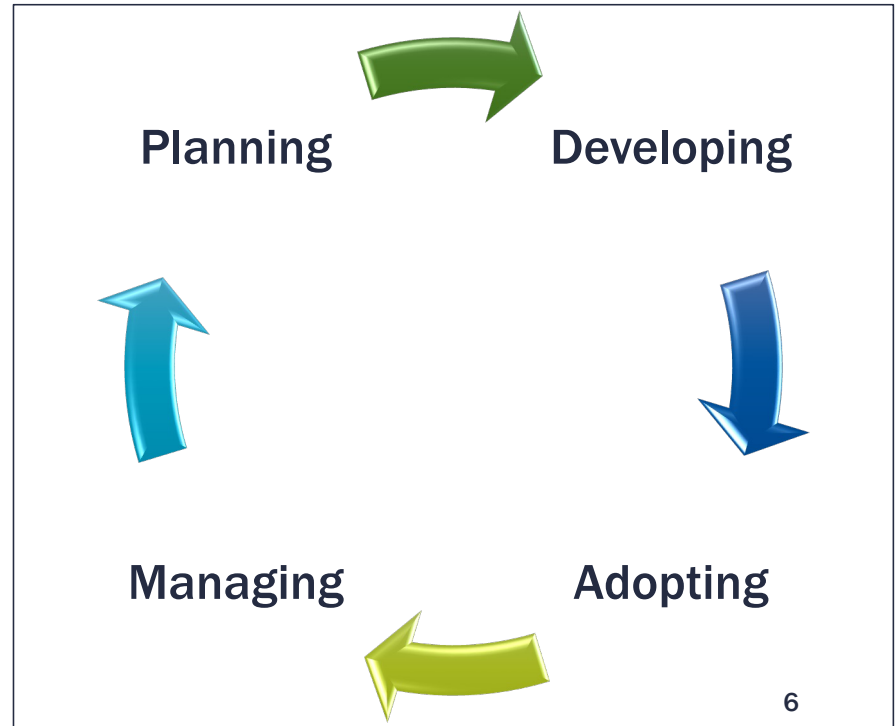
BUDGET CALENDAR





COUNTY OFFICIALS ORIENTATION PROGRAM 2024

BUDGET PROCESS



BUDGET AMENDMENTS



COUNTY OFFICIALS ORIENTATION PROGRAM 2024

- Made prior to any expenditure of funds, unless there is a health or safety emergency.
- Instruction of how and when the budget can be amended needs to be understood.
 - **Three methods:**
 - **County Legislative Body**
 - **County Mayor (Except Personnel Costs) – Reported to CLB**
 - **Budget Committee – Reported to CLB**
 - **Alternative methods cannot be used to approve amendment previously rejected by the CLB.**
- **Local laws/resolutions may provide for additional alternatives.**

MAINTENANCE OF EFFORT

- Board of Education
- Sheriff's Office, Including the Jail
- **Highway Department**
- Administrator of Elections
- Public Library
- Assessor of Property
- 911 Board



HIGHWAY SOURCES OF REVENUE

FY22-23 Highway Fund Revenue: \$448,859,401

- **Property Taxes: 17.44%**
- **Local Option Sales Tax: 2.81%**
- **Wheel Tax: 6.54%**
- **Mineral Severance Tax: 1.44%**
- **Bridge Program: 4.12%**
- **State Aid Program: 3.94%**
- **Gasoline and Motor Fuel/Petroleum Special Tax: 55%**
- **All Others: 8.70%**



TAKING OFFICE - BUDGET RECOMMENDATIONS

1

Review Adopted Budget

2

**Review Five-Year Average
(Highway MOE)**

3

Perform Cash Flow Analysis

THREE PRINCIPLES OF PURCHASING

Maximization of Competition

- Specifications are written to allow the purchasing process to be as open as possible to a number of qualified vendors.

Equal and Fair Competition

- Each vendor is provided the same information regarding product or service needs/specifications.

Best Value at the Lowest Price

- The purchase must be made at the lowest price for the product or service that best meets the needs of the requisitioner.



PURCHASING PROCESS

Need

Requisition

Purchase
Order

Material
Receiving
Report



PURCHASING AUTHORITY

General Law

Private Act

1981/1957
Acts

Charter/Metro

County
Uniform
Highway Law



METHODS OF PURCHASING



Informal Quotes

Competitive Sealed Bids/Proposals – ITB/IFB/RFP

General Law - \$25,000

CUHL - \$25,000

Centralized w/ Full-Time Purchasing Agent - \$50,000

Request for Qualification (RFQ) – Professional Services

SPECIFIC PURCHASING ISSUES

Secondhand Purchases

- Private Purchase
- Government Entity

Cooperatives

- Joint-Bid
- Piggyback

Emergency Purchases

Sole Source

Disposition of Surplus Property

Purchase of Fuel



WHAT ARE INTERNAL CONTROLS?

A process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.



T.C.A § 9-18-102(A)

Comply

Obligations and costs are in compliance with applicable law

Safeguard

Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;

Record

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.



COUNTY OFFICE OF THE CLERK OF SUPERIOR COURT

Law went into effect June 30, 2016!

WHY DO COUNTY GOVERNMENTS NEED INTERNAL CONTROLS?

1

Reduce fraud
& waste

2

Ensure legal,
regulatory, &
policy
compliance

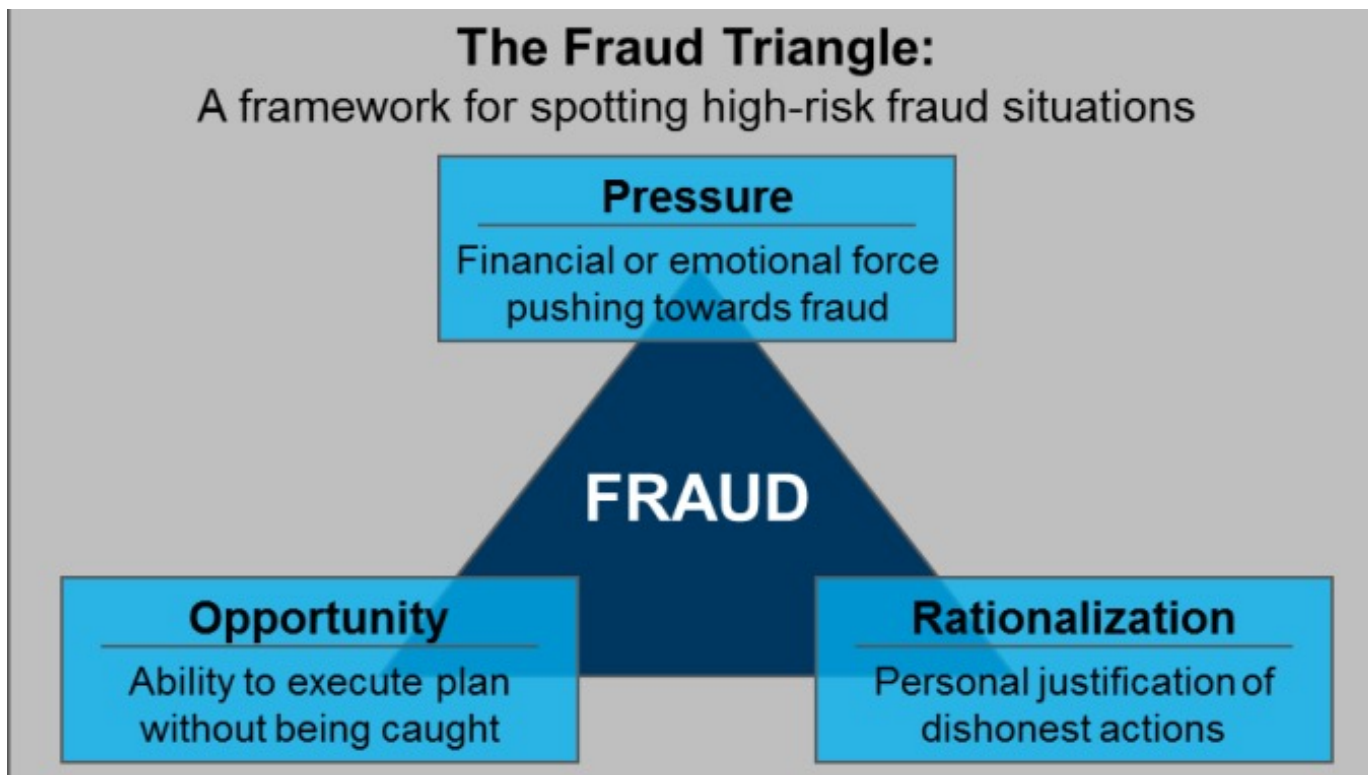
3

Protect county
assets

4

Promote
transparency
&
accountability

THE FRAUD TRIANGLE



FRAUD DETECTION



External auditors (performing routine annual audits) detect **less than 5%** of identified occupational fraud.

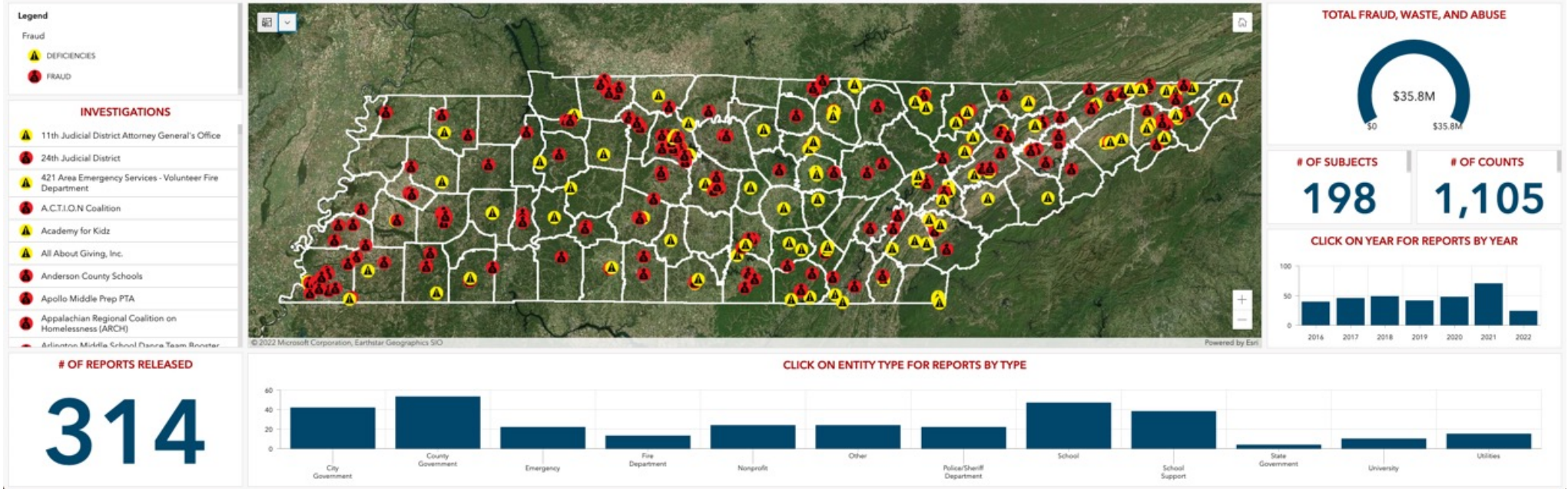
More fraud is identified by **accident or through anonymous tips** than by the external annual financial and compliance auditors.

2024 ACFE REPORT TO THE NATIONS STATISTICS:

- Just 5% of fraudsters had prior criminal convictions for fraud-related crimes.
- Median duration of frauds in the study was 12 months.
- 9% of employees committed fraud in their first year of employment.
- Largest frauds were perpetrated by individuals employed over 10 years.
- Majority of all frauds committed by individuals employed over 5 years.
- Males committed 74% of reported cases with a median loss of \$158,000
- Females committed 25% of reported frauds with median losses of \$100,000
- 67% of fraudsters had a BS or higher university degree – Average loss \$215,000



COMPTROLLER'S OFFICE INVESTIGATIONS



COMPONENTS & PRINCIPLES OF INTERNAL CONTROLS

Components

Principles

Control Environment

1. Demonstrate Commitment to Integrity and Ethical Values
2. Exercise Oversight Responsibility
3. Establish Structure, Responsibility, and Authority
4. Demonstrate Commitment to Competence
5. Enforce Accountability

Risk Assessment

6. Define Objectives and Risk Tolerances
7. Identify, Analyze, and Respond to Risk
8. Assess Fraud Risk
9. Analyze and Respond to Change

Control Activities

10. Design Control Activities
11. Design Activities for the Information System
12. Implement Control Activities

Information & Communication

13. Use Quality Information
14. Communicate Internally
15. Communicate Externally

Monitoring Activities

16. Perform Monitoring Activities
17. Remediate Deficiencies



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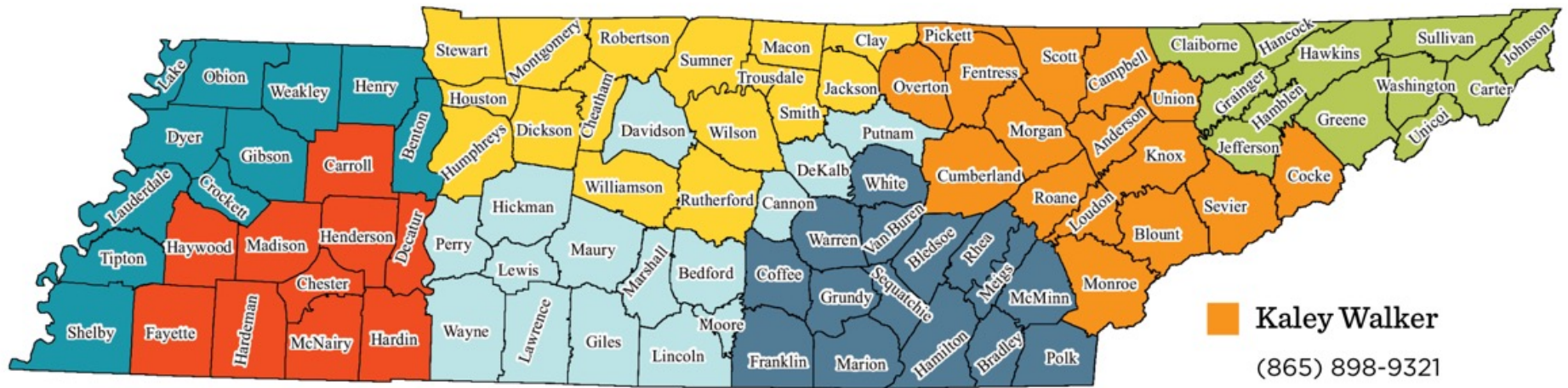
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WRAP UP

Congratulations!

Welcome to county government!

