
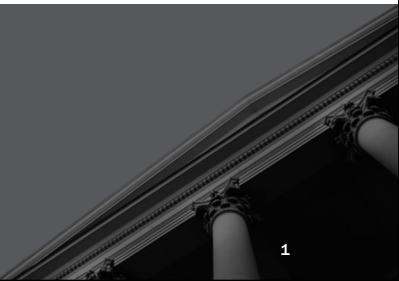


# FINANCIAL ISSUES FOR COUNTY HIGHWAY OFFICIALS



COUNTY OFFICIALS ORIENTATION PROGRAM 2024



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# OVERVIEW

- Budgeting
- Purchasing
- Internal Controls



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# LEGAL AUTHORITY FOR BUDGETING

General Law

Private Act

'81 Act  
'57 Act  
'93 Law

Charter/Metro



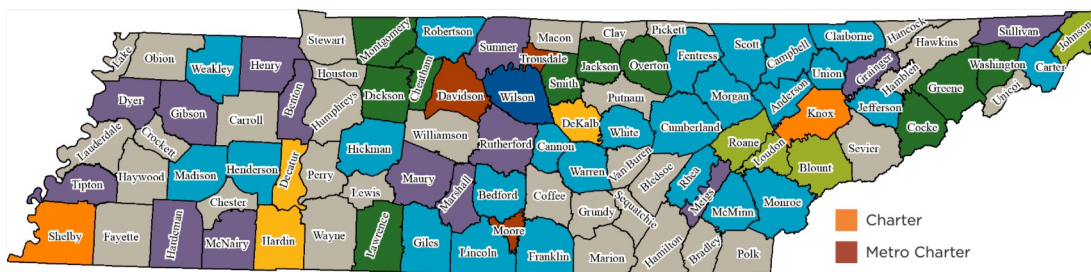
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Tennessee

## County Budget Laws

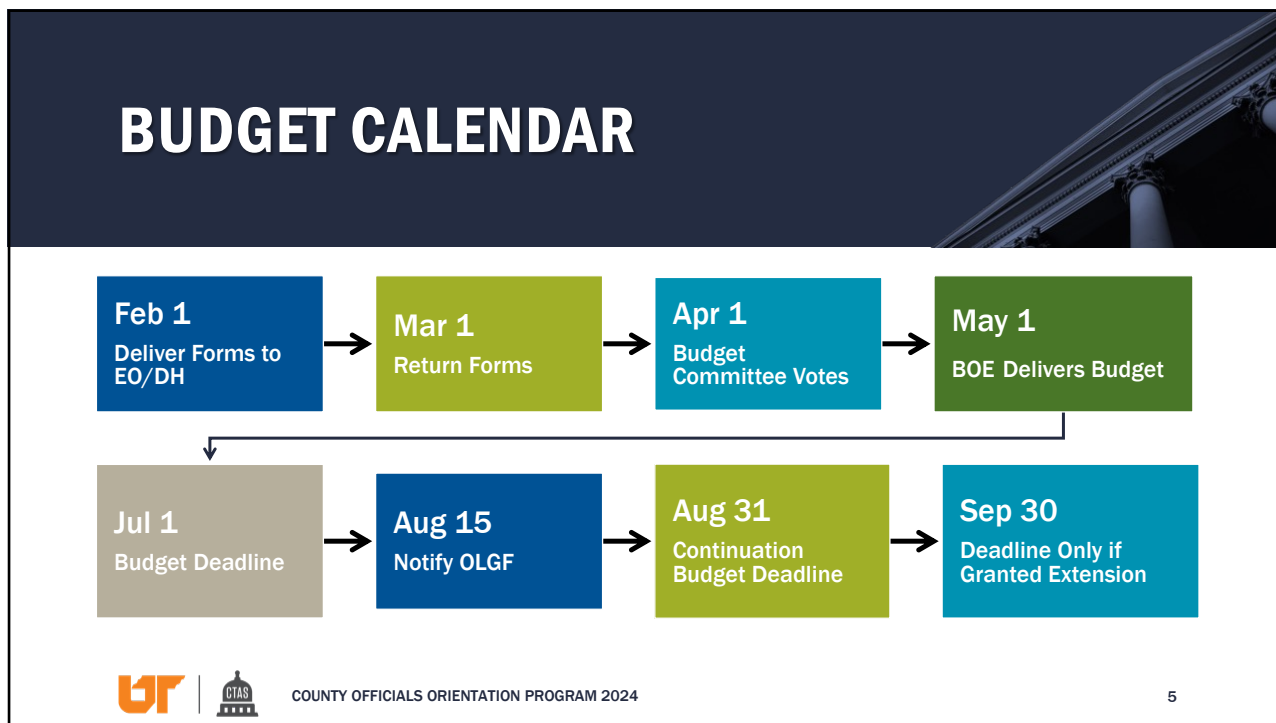


- Charter
- Metro Charter
- 1957 Act with Schools
- 1957 Act without Schools
- Private Acts
- 1993 Law
- 1981 Act with Schools
- 1981 Act without Schools
- General Law

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# BUDGET AMENDMENTS



- 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.**

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# MAINTENANCE OF EFFORT

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



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# 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%



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# TAKING OFFICE - BUDGET RECOMMENDATIONS

1

Review Adopted Budget

2

Review Five-Year Average (Highway MOE)

3

Perform Cash Flow Analysis



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# 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.

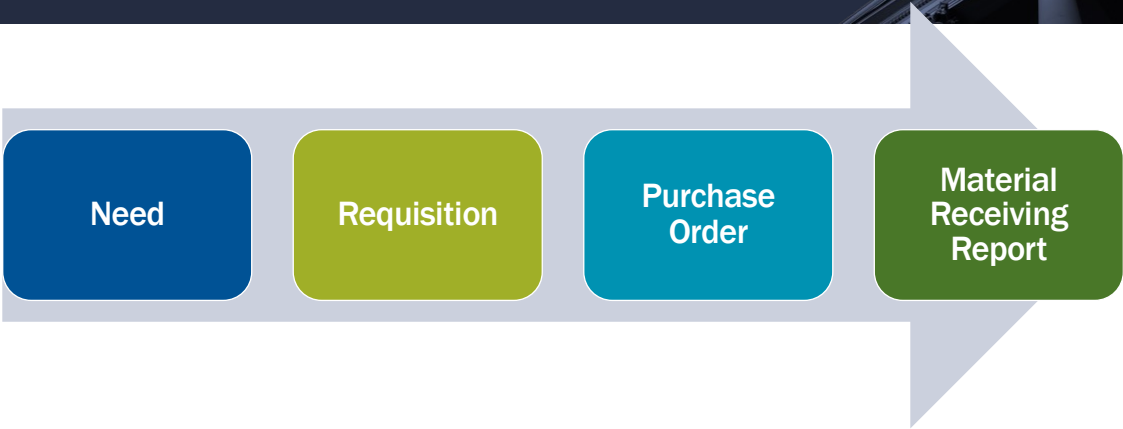
**Best Value at the Lowest Price**

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



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# PURCHASING PROCESS



**Need**      **Requisition**      **Purchase Order**      **Material Receiving Report**

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# PURCHASING AUTHORITY


General Law

Private Act

1981/1957 Acts

Charter/Metro

County Uniform Highway Law




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# 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**





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# SPECIFIC PURCHASING ISSUES


<b>Secondhand Purchases</b> <ul style="list-style-type: none"><li>• Private Purchase</li><li>• Government Entity</li></ul>	<b>Cooperatives</b> <ul style="list-style-type: none"><li>• Joint-Bid</li><li>• Piggyback</li></ul>	<b>Emergency Purchases</b>
<b>Sole Source</b>	<b>Disposition of Surplus Property</b>	<b>Purchase of Fuel</b>



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# 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.**





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## 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 OFFICIALS ORIENTATION PROGRAM 2024 **Law went into effect June 30, 2016!**

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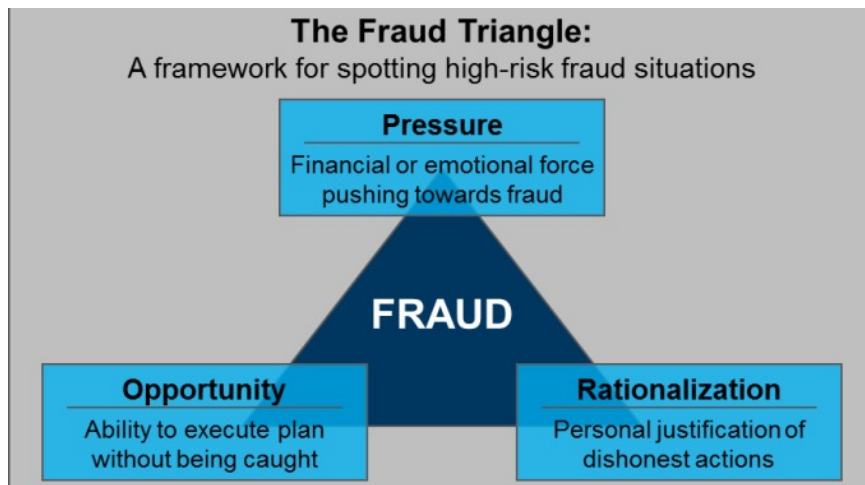
## WHY DO COUNTY GOVERNMENTS NEED INTERNAL CONTROLS?

- 1**  
Reduce fraud & waste
- 2**  
Ensure legal, regulatory, & policy compliance
- 3**  
Protect county assets
- 4**  
Promote transparency & accountability

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# THE FRAUD TRIANGLE



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# 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.

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# 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




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# COMPTROLLER'S OFFICE INVESTIGATIONS

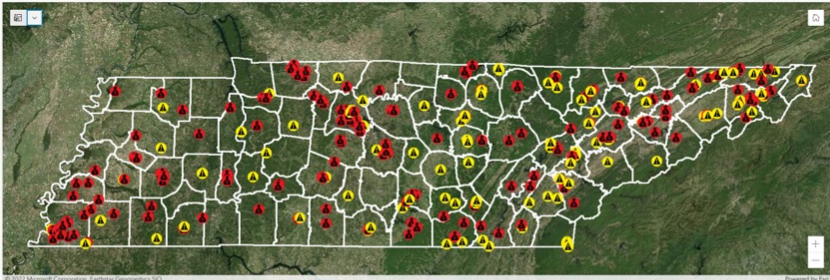
**Legend**

Fraud

- 🚩 DEFICIENCIES
- 🚩 FRAUD

**INVESTIGATIONS**

- 🚩 11th Judicial District Attorney General's Office
- 🚩 24th Judicial District
- 🚩 421 Area Emergency Services - Volunteer Fire Department
- 🚩 A.C.T.I.O.N Coalition
- 🚩 Academy for Kids
- 🚩 All About Giving, Inc.
- 🚩 Anderson County Schools
- 🚩 Apollo Middle Prep PTA
- 🚩 Appalachian Regional Coalition on Homosexuality (ARCOS)
- 🚩 Antietam Middle School Drama Team Booster



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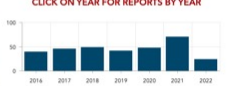
**TOTAL FRAUD, WASTE, AND ABUSE**

\$35.8M

**# OF SUBJECTS**  
**198**

**# OF COUNTS**  
**1,105**

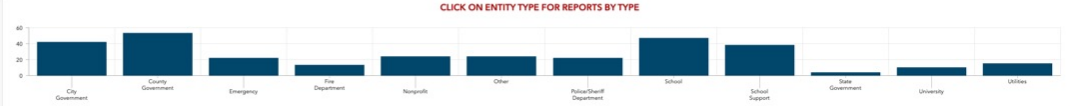
**CLICK ON YEAR FOR REPORTS BY YEAR**





**# OF REPORTS RELEASED**

# 314

**CLICK ON ENTITY TYPE FOR REPORTS BY TYPE**



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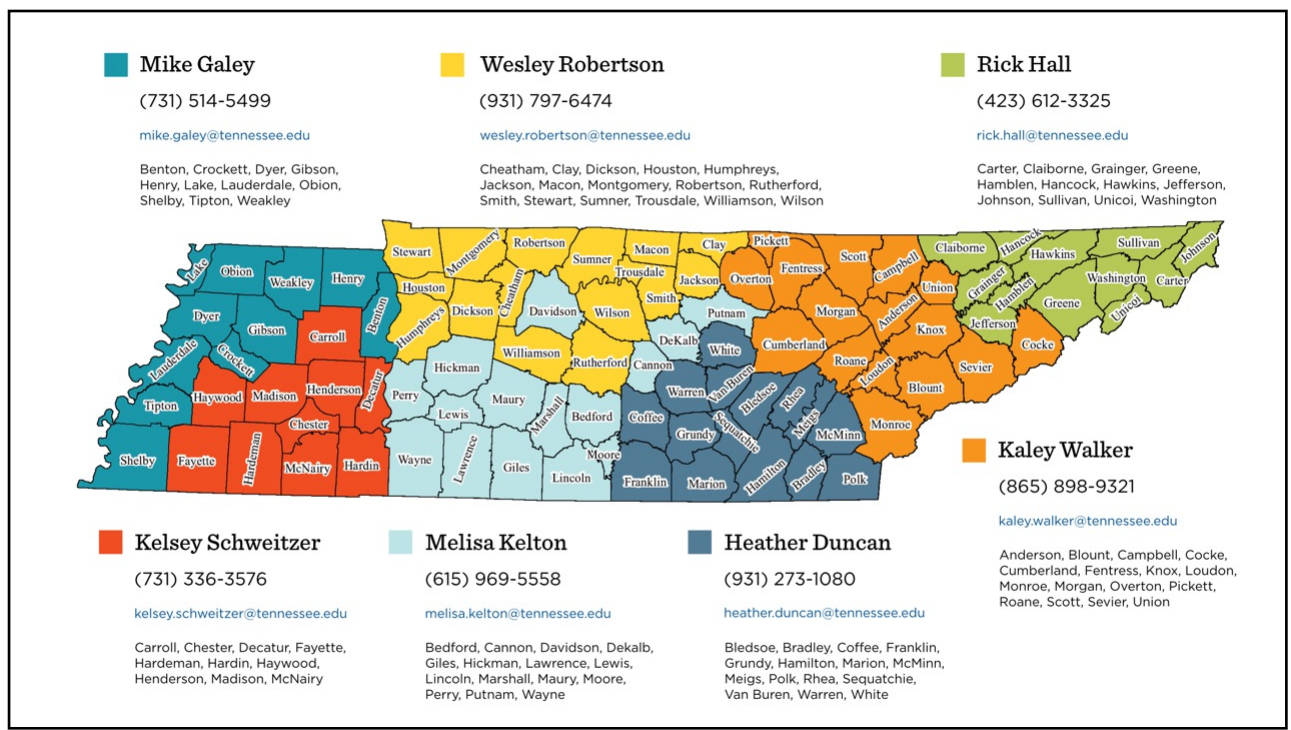
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# COMPONENTS & PRINCIPLES OF INTERNAL CONTROLS



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**WRAP UP**

*Congratulations!*

**Welcome to county government!**

**UF** |  **COUNTY OFFICIALS ORIENTATION PROGRAM 2024** 26

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