



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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April 5, 2004

Perry County Mayor and
Board of County Commissioners
Perry County, Tennessee

To the County Mayor and County Commissioners:

In conjunction with the annual audit of Perry County, we have performed a limited review of the information systems in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register as of March 15, 2004. This letter transmits the results of our review.

Our audit of Perry County is required to be conducted in accordance with standards contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards specify that we perform general and application control reviews of computer-based accounting and information systems to determine whether an entity's existing procedures and controls provide adequate assurance of data accuracy and financial and operating statement reliability.

Because of inherent limitations in any internal control structure, errors, irregularities, or control weaknesses may exist and may not be detected. However, our information system reviews performed in the Offices of Director of Schools, Trustee, Clerk and Master, and Register did not reveal any matters that we considered to be a reportable condition. Reportable conditions were identified in the Offices of County Mayor, Highway Superintendent, County Clerk, and Circuit and General Sessions Courts Clerk. These reportable conditions may be included in the annual financial report of Perry County. These matters are also presented in detail in the enclosed Review of Internal Controls Regarding Information System Operations — Findings and Recommendations.

A brief summary of the reportable conditions by office is presented below:

COUNTY MAYOR

1. The office had deficiencies in computer system back-up procedures.

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HIGHWAY SUPERINTENDENT

1. Adequate inventory records were not maintained.
2. The office did not have formal policies and procedures for computer operations.
3. The office had deficiencies in computer system back-up procedures.
4. The office did not develop a disaster recovery plan.

COUNTY CLERK

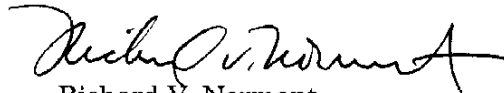
1. The office had deficiencies in computer system back-up procedures.
2. The office did not develop a disaster recovery plan.
3. The office did not have formal policies and procedures for computer operations.
4. The business tax software did not have adequate application controls.

CIRCUIT AND GENERAL SESSIONS COURTS CLERK

1. The office had deficiencies in computer system back-up procedures.

Please contact Penny Austin, our Information Systems Audit Manager, or me if you have any questions regarding our review of the information systems in the aforementioned offices of Perry County, Tennessee.

Sincerely,



Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable Dan Horner, Highway Superintendent
The Honorable David Rhodes, Director of Schools
The Honorable George Duncan, Trustee
The Honorable Jane Lewis, County Clerk
The Honorable Robert O'Guin, Circuit and General Sessions Courts Clerk
The Honorable Joyce Marshall, Clerk and Master
The Honorable Patricia Bell, Register
Mr. Joe Kimery, Middle Tennessee Audit Manager

PERRY COUNTY, TENNESSEE
REVIEW OF INTERNAL CONTROLS REGARDING INFORMATION SYSTEM
OPERATIONS — FINDINGS AND RECOMMENDATIONS
AS OF MARCH 15, 2004

The review of controls over information systems in the Offices of County Mayor, Highway Superintendent, County Clerk, and Circuit and General Sessions Courts Clerk indicated a need for improvement. It should be noted that this was the first information system review to be performed in the Offices of Highway Superintendent and County Clerk. The following findings and recommendations have been made to aid these offices in the implementation of controls to better secure their computer systems and the information contained therein. We reviewed these matters with management to provide an opportunity for their response. Management offered oral responses to these items but did not submit written responses. We did not include oral responses in this report.

OFFICE OF COUNTY MAYOR

THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACK-UP PROCEDURES

1. FINDING

The following weaknesses regarding computer system back-up procedures in the office were identified:

- A. System backups were not stored off site. In the event of a disaster, all back-up data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.
- B. A back-up log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

RECOMMENDATION

Weekly backups should be rotated off site on a weekly basis. Year-end backups should be stored off site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank. Furthermore, a current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

OFFICE OF HIGHWAY SUPERINTENDENT

RECOMMENDATIONS

1. ADEQUATE INVENTORY RECORDS SHOULD BE MAINTAINED

Inventory records should be established and maintained to properly account for assets, as required by generally accepted accounting principles. Furthermore, personnel who are independent of maintaining the inventory records should periodically verify inventories.

2. THE OFFICE SHOULD DEVELOP POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system startup/shutdown, application access, system access security, system backup and retention schedules, output distribution, hardware/software maintenance, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

3. SYSTEM BACK-UP PROCEDURES SHOULD BE IMPROVED

The following procedures regarding the system back-up process should be implemented:

1. Two copies of the weekly backup should be maintained and rotated off site on a weekly basis.
2. Year-end backups should be performed. These backups should be stored off site and retained indefinitely.
3. A secure, fireproof location should be used to store weekly and year-end backups. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.
4. A current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

4. A DISASTER RECOVERY PLAN SHOULD BE DEVELOPED

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as the adequate backup of data files, system programs, user documentation, supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

OFFICE OF COUNTY CLERK

RECOMMENDATIONS

1. SYSTEM BACK-UP PROCEDURES SHOULD BE IMPROVED

The following procedures regarding the system back-up process should be implemented:

1. System backups should be performed on a daily basis.
2. Two copies of the weekly backup should be maintained and rotated off site on a weekly basis.
3. Year-end backups should be performed. These backups should be stored off site and retained indefinitely.
4. A secure, fireproof location should be used to store weekly and year-end backups. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.
5. A current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

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Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system startup/shutdown, application access, system access security, system backup and retention schedules, output distribution, hardware/software maintenance, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

4. ADEQUATE APPLICATION CONTROLS OVER THE BUSINESS TAX SOFTWARE SHOULD BE IMPLEMENTED

Management should contact the software vendor concerning the addition of controls to the business tax software application that would provide an audit trail for any changes or deletions to business tax receipt information. The capability of removing business receipt history information should also be removed. These controls would help to ensure the reliability and integrity of the information maintained by the system.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACK-UP PROCEDURES

1. FINDING

System backups were not stored off site. In the event of a disaster, all back-up data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Weekly backups should be rotated off site on a weekly basis. Year-end backups should be stored off site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

PRIOR AUDIT RECOMMENDATIONS NOT IMPLEMENTED

(Ref: Review of Internal Controls Regarding Information System Operations as of January 18, 2002)

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
1	1	The Office Had Deficiencies in Computer System Back-up Procedures

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
1	3	The Office Had Deficiencies in Computer System Back-up Procedures

PRIOR AUDIT RECOMMENDATIONS IMPLEMENTED

(Ref: Review of Internal Controls Regarding Information System Operations as of January 18, 2002)

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
1	1	The Office Did Not Develop a Disaster Recovery Plan

OFFICE OF TRUSTEE

Finding Number	Page Number	Subject
1	2	The Office Did Not Have Formal Policies and Procedures for Computer Operations
2	2	The Office Did Not Develop a Disaster Recovery Plan

OFFICE OF REGISTER

Finding Number	Page Number	Subject
1	3	The Office Should Develop Policies and Procedures for Computer Operations
2	4	System Back-up Procedures Should Be Improved