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DIVISION OF COUNTY AUDIT
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June 7, 2004

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

To the County Mayor and County Commissioners:

In conjunction with the annual audit of Pickett County, we have performed a limited review of the information systems in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, and Circuit and General Sessions Courts Clerk as of May 11, 2004. This letter transmits the results of our review.

Our audit of Pickett 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 Highway Superintendent, Director of Schools, and Trustee did not reveal any matters that we considered to be a reportable condition. Reportable conditions were identified in the Offices of County Mayor and Circuit and General Sessions Courts Clerk. These reportable conditions may be included in the annual financial report of Pickett 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.

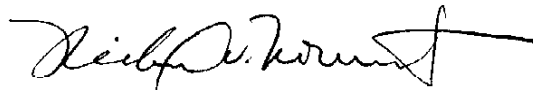
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CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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 Pickett County, Tennessee.

Sincerely,



Richard V. Norment
Assistant to the Comptroller

RVN: pa

Attachment

cc: The Honorable Amos Nicholas, Highway Superintendent
The Honorable Carolyn Cope, Director of Schools
The Honorable Jennifer Anderson, Trustee
The Honorable Larry Brown, Circuit and General Sessions Courts Clerk
Mr. Carl Lowe, Mid-East Tennessee Audit Manager

**PICKETT COUNTY, TENNESSEE
REVIEW OF INTERNAL CONTROLS REGARDING INFORMATION SYSTEM
OPERATIONS — FINDINGS AND RECOMMENDATIONS
AS OF MAY 11, 2004**

The review of controls over the information systems in the Offices of County Mayor and Circuit and General Sessions Courts Clerk indicated a need for improvement. The following findings and recommendations have been made to aid the 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. The written responses from the county mayor and circuit and general sessions courts clerk are paraphrased 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. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as to possible sabotage.
- B. 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.
- C. 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

Management should store daily backups in a secure, fireproof location. 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.

MANAGEMENT'S RESPONSE

We are going to purchase a fireproof safe for the Solid Waste Department so the daily backups can be placed in a secure location. Both the County Mayor's Office and the Solid Waste Department will back up each Friday and store these back-up tapes at a secure, off-site location. Both of these offices have begun maintaining a log of all backups.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

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. Weekly and fiscal year-end backups were not performed. These backups would ensure the restoration of system data if problems occurred.
- B. 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.
- C. 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

In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These 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.

MANAGEMENT'S RESPONSE

This office has acquired a safe deposit box for storage of weekly and year-end backups.

PRIOR AUDIT RECOMMENDATIONS IMPLEMENTED

(Ref: Review of Internal Controls Regarding Information System Operations as of March 28, 2002)

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
1	1	The Office Did Not Use a Computerized Software Package to Generate Vendor Disbursement Warrants