

State of Tennessee
Comptroller of the Treasury
Department of Audit

External Peer Review
For the Period July 1, 2005 through June 30, 2006
REPORT



National State Auditors Association

August 2, 2006

Mr. John G. Morgan
Comptroller of the Treasury
State of Tennessee

Dear Mr. Morgan:

We have reviewed the system of quality control of the State of Tennessee Comptroller of the Treasury, Department of Audit (Department) in effect for the period July 1, 2005 through June 30, 2006. A system of quality control encompasses the Department's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with applicable auditing standards. These standards include Government Auditing Standards for the Department's financial and performance audits and attestation standards issued by the American Institute of Certified Public Accountants for attestation engagements. The design of the system of quality control and compliance with it are the responsibility of the Department. Our responsibility is to express an opinion on the design of the system, and the Department's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the Department's system of quality control for engagements conducted in accordance with the applicable auditing standards. In addition, we tested compliance with the Department's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Department's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the State of Tennessee Comptroller of the Treasury, Department of Audit in effect for the period July 1, 2005 through June 30, 2006 has been suitably designed and was complied with during the period to provide reasonable assurance of conforming with applicable auditing standards.

Karen Helderman
Team Leader
National State Auditors Association
External Peer Review Team

Bryan Naab
Concurring Reviewer
National State Auditors Association
External Peer Review Team