



***LOCAL GOVERNMENT  
CORPORATION***

**INDEPENDENT SERVICE AUDITOR'S REPORT  
AND ADDITIONAL INFORMATION  
NOVEMBER 1, 2014 to NOVEMBER 1, 2015**

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## **INDEPENDENT SERVICE AUDITOR'S REPORT ON A DESCRIPTION OF A SERVICE ORGANIZATION'S SYSTEM AND THE SUITABILITY OF THE DESIGN AND OPERATING EFFECTIVENESS OF CONTROLS**

To the Board of Directors  
Local Government Corporation  
714 Armstrong Lane  
Columbia, TN 38401

### *Scope*

I have examined Local Government Corporation's description of its controls related to its owned software developed for resale throughout the period from November 1, 2014 to November 1, 2015 and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description.

### *Service organization's responsibilities*

On pages 8 and 9, Local Government Corporation, the service organization, has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Local Government Corporation is responsible for preparing the description and for the assertion, including the completeness, accuracy, and method of presentation of the description and the assertion. They are also responsible for providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

### *Service auditor's responsibilities*

My responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description based on my examination. I conducted my examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform my examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period from November 1, 2014 to November 1, 2015.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. My procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. My procedures also included testing the operating effectiveness of those controls that I consider necessary to provide reasonable assurance that the related control objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described at pages 4 to 7. I believe that the evidence I obtained is sufficient and appropriate to provide a reasonable basis for my opinion.

#### *Inherent limitations*

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become inadequate or fail.

The relative effectiveness and significance of specific controls at Local Government Corporation, and their effect on assessments of control risk at user organizations are dependent on their interaction with the controls and other factors present at individual user organizations. I have performed no procedures to evaluate the effectiveness of controls at individual user organizations.

The scope of our engagement did not include tests to determine whether control objectives not listed on pages 4 to 7 were achieved; accordingly, we express no opinion on the achievement of control objectives not included on pages 4 to 7.

### *Opinion*

In my opinion, in all material respects, based on the criteria described in Local Government Corporation's assertion on pages 8 and 9:

- a. The description fairly presents the controls that were designed and implemented throughout the period from November 1, 2014 to November 1, 2015.
- b. The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from November 1, 2014 to November 1, 2015.
- c. The controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from November 1, 2014 to November 1, 2015.

### *Description of tests of controls*

The specific controls tested and the nature, timing, and results of those tests are listed on pages 4 to 7.

### *Restricted use*

This report, including the description of tests of controls and results thereof on pages 4 to 7, is intended solely for the information and use of Local Government Corporation, user entities of Local Government Corporation during some or all of the period from November 1, 2014 to November 1, 2015, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

Joe Osterfeld, CPA  
Columbia, TN  
February 2, 2016



***LOCAL GOVERNMENT CORPORATION***  
**CONTROL OBJECTIVE, RELATED CONTROLS**  
**AND TESTS OF OPERATING EFFECTIVENESS**

Note: Local Government Corporation (the Corporation) is a service organization that provides application software to user organizations. This description includes only the following Control Objective as specified by the Corporation for such service organizations for all Local Government Corporation owned software developed for resale.

**CONTROL OBJECTIVE ONE: Changes to existing systems and applications are approved, tested, and documented to ensure data that has been recorded, processed, and reported remains complete, accurate, and valid throughout the update and storage process.**

**Control 1.1 - Computer Operations and Software Revision Control:**

Description of Control: Application software is maintained in three different versions. In the legacy development environment these versions are: develop, release, and history. In the NextGen development environment these versions are: development, production, and hot-fixes. Access to change all versions is restricted to development department personnel and contract development personnel. Copies of executable programs for the release and history versions for legacy and production and hot-fix versions for NextGen are on a separate server that is available to the support department for testing and distribution. Source code for all the software is restricted to access by development department personnel and contract development personnel. Each version is complete including source programs, executable programs, data dictionaries, and all other related software. The development version is a work in process where all changes are first made. This version is not used for distribution to customers. The release/production version is what is installed at customer sites. The history/hot-fix version is a prior general release version. In NextGen, multiple hot-fix versions are sometime maintained. The history/hot-fix version is maintained to allow for emergency changes prior to full deployment to all customers.

Test of Effectiveness: Examined software directory file listings for each of the versions of three different software applications to verify their existence and reviewed a compare report showing differences in two of the versions. Observed servers where the versions are physically located noting restricted access to room where the servers are located. See also testing of revisions for review of source code.

Test Results: No exceptions noted.

### **Control 1.2 – Software Request Number Control:**

Description of Control: All software requests are entered into a software tracking system by authorized Corporation employees. During the current testing period, the Corporation transitioned from the Customer Service System (CSS) to Test Track Pro (TTP). Both software tracking systems generate a unique tracking number that can be given to the customer for follow-up. Both software tracking systems generate an e-mail to the Development Director or the Development Manager. High priority requests (sprint overrides) are assigned to a developer for immediate attention. All other software requests are reviewed by a team from Support at regularly scheduled meetings to determine the priorities.

Test of Effectiveness: I examined listings of open and completed software requests for both software tracking systems for the period from November 1, 2014 to November 1, 2015. There were a total of 2,224 request numbers assigned. The reports indicated that there were 731 software completed requests. A haphazard sample of twenty-six other numbers was selected to verify that the other numbers were for open requests or voided.

Test Results: No exceptions noted.

### **Control 1.3 – Software Request Programming Controls:**

Description of Control: Software changes made as a result of a request are documented inside the program noting the software request number and the code that was changed, if practical. In some cases the change is so extensive that it is not practical to document every line of code that was changed. When the programmer is finished the job status is changed to submitted, the programming changes are documented in the job, and the request is ready for testing.

Test of Effectiveness: I examined a random sample of sixty completed software requests and source code for documentation of software changes as applicable from November 1, 2014 to November 1, 2015.

Test Results: No exceptions noted.

#### **Control 1.4 – Software Request Testing Controls:**

Description of Control: All software changes made as a result of a request are unit tested by the developer to make sure it executes to completion, user interface functions work properly and the output format is correct and that the data is correct, reasonable, and updates files as expected. The developer then indicates that the job status is submitted.

In the legacy environment, if the request is an enhancement, then it stays in the development version of the software and is tested with the next major release. If the request is a high priority ‘bug’ that needs to go to affected customers, then it is copied to the release directory and testing personnel are notified of the change.

In the NextGen environment, all changes are made to both the development and production version. The production changes are not released for testing until the next scheduled release. If the request is a ‘sprint override’ that needs to go to affected customers, then it is copied to a hot-fix version and made available for testing personnel. All further testing is performed by someone other than the developer of the change. The tester creates a new workflow event in TTP that is attached to the request to document testing. Testing includes software integration testing with the whole system. If there are concerns about speed of processing and large data bases, performance and load testing is performed. Beta testing at one or more selected customers using live data is performed before it is distributed to all customers. Once testing is completed, it is documented in the software request, the status is changed to accepted, and the customers affected are sent updates.

Test of Effectiveness: Examined a random sample of sixty completed software requests for documentation of software change testing as applicable from November 1, 2014 to November 1, 2015.

Test Results: No exceptions noted.

#### **Control 1.5 - Records Management – Back-up Procedures Control:**

Description of Control: All development applications are backed up each night using an automated back-up procedure. Six sets of daily back-up disk drives are maintained and are rotated weekly. A back-up copy is maintained off-site in Columbia. A second back-up is maintained on a local area network, a third back-up is maintained on a back-up server.

Test of Effectiveness: Observed the back-up procedures, documentation and back-up servers.

Test Results: Back-ups procedures were performed. No exceptions noted.



***LOCAL GOVERNMENT CORPORATION***  
**ASSERTION RELATED TO CONTROL OBJECTIVE  
AND RELATED CONTROLS**

We have prepared the description of Local Government Corporation's control objective for user entities of Local Government Corporation owned software developed for resale during some or all of the period from November 1, 2014 to November 1, 2015. The description is also for user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities of the Local Government Corporation's owned software developed for resale, when assessing the risks of material misstatements of user entities' financial statements.

We confirm, to the best of our knowledge and belief, that:

1. The description fairly presents the controls of Local Government Corporation owned software developed for resale made available to user entities of the system during some or all of the period from November 1, 2014 to November 1, 2015 for their use of Local Government Corporation owned software developed for resale.
2. The criteria we used in making assertion in item 1 is that the description presents how Local Government Corporation owned software developed for resale has controls to assure that changes to existing systems and applications are approved, tested, and documented to ensure data that has been recorded, processed, and reported remains complete, accurate, and valid throughout the update and storage process.
3. The control objective is relevant to processing and reporting transactions of user entities of the Local Government Corporation owned software developed for resale.
4. The control objective does not omit or distort information relevant to the scope of the Local Government Corporation owned software developed for resale.
5. We acknowledge that the description is prepared to meet the common needs of a broad range of user entities and the independent auditors of those user entities, and may not, therefore, include every aspect of the Local Government Corporation owned software developed for resale system that each individual user

- entity of the system and its auditor may consider important in its own particular environment.
6. The controls related to the control objective stated in the description were suitably designed and operated effectively throughout the period from November 1, 2014 to November 1, 2015.
  7. The criteria we used in making the assertion in item 6 were that the risks that threaten the achievement of the control objective stated in the description have been identified by the service organization; the controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.