

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations as a result of our examination are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county executive's written responses are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 01.01 **THE OFFICE HAD BUDGET DEFICIENCIES (Material Noncompliance Under Government Auditing Standards)**

During our examination, we noted the following budget deficiencies:

- A. Expenditures exceeded appropriations approved by the County Commission in the General Fund (\$85,415), Solid Waste/Sanitation Fund (\$16,934), and Drug Control Fund (\$7,319).
- B. Salaries exceeded numerous line-item appropriations in the General Fund by a total of \$157,314. The budget resolution approved by the County Commission states, "The salary, wages, or remuneration of each officer, employee, or agent of the county shall not be in excess of the amounts authorized by existing law or as set forth in the estimate of expenditures which accompanies this resolution." Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The county executive stated:

- A. The General Fund budget was overspent in part because of the failure of the Sheriff's Department to control its budget and because of an audit of the Sheriff's Department by the U.S. Department of Labor that resulted in additional labor costs of approximately \$40,000. Also, the Drug Control Fund received two grants that were not included in the budget approved by the County Commission. It should be noted that the County Commission approved all of the Sheriff's Department overspent budget line-items that were to be paid from fund balance.
- B. All salary increases resulting from the 2000 U.S. Census were approved by the County Commission.

REBUTTAL

In regard to A., on September 4, 2001, the County Commission approved the payment of certain Sheriff's Department bills for the 2000-01 year from fund balance. However, since the County Commission's approval was subsequent to the close of the fiscal year (June 30, 2001), the budget for the Sheriff's Department for the 2000-01 year has not been amended.

In regard to B., none of the officials' salary increases as a result of the 2000 U.S. Census were included in the amount presented in the finding as salaries exceeding line-item budget appropriations.

FINDING 01.02 **THE OFFICE HAD DEFICIENCIES IN ITS PURCHASING PROCEDURES** (Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following deficiencies in purchasing procedures during our examination of the County Executive's Office:

- A. Purchase orders were not issued for some purchases. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments.
- B. The office paid invoices without stamping the invoices paid or otherwise canceling the invoices. The failure to cancel invoices could result in the office's paying an invoice more than once.
- C. In several instances, the office incurred late fees and penalties for failing to pay invoices promptly and file reports on time.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases, should stamp paid or otherwise cancel invoices at the time of payment, and should pay invoices and file reports on a current basis.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

In regard to A., purchase orders were not issued for numerous purchases made by the Sheriff's Department. These purchases were made by the Sheriff's Department without the prior approval of our office.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 01.03 **INVENTORY RECORDS WERE NOT MAINTAINED ADEQUATELY
(Internal Control – Reportable Condition Under Government Auditing Standards)**

School officials maintained inventory records of assets owned by the School Department. However, some assets were not labeled as property of the School Department. Also, these assets were not verified by personnel independent of those maintaining the inventory records. Generally accepted accounting principles require accountability for all assets of the School Department, such as equipment, furniture, and fixtures. The failure to properly label assets may result in a loss of control over the assets.

RECOMMENDATION

All assets should be labeled as property of the School Department and should be periodically verified by personnel who are independent of maintaining the inventory records.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 01.04 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS
(Internal Control – Material Weakness Under Government Auditing Standards)**

Bledsoe County did not inventory, value, and record its general fixed assets (buildings, equipment, etc.), as required by generally accepted accounting principles. The Governmental Accounting Standards Board has adopted Statement 34, which will become effective in Bledsoe County for the year ending June 30, 2004. Statement 34 places an even greater emphasis on the need to maintain general fixed asset records.

RECOMMENDATION

Bledsoe County should inventory, value, and record its general fixed assets in accordance with generally accepted accounting principles.

FINDING 01.05 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Bledsoe County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 01.06 DUTIES WERE NOT ADEQUATELY SEGREGATED IN THE OFFICES OF COUNTY EXECUTIVE; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of County Executive; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

FINDING 01.07 THE GENERAL SESSIONS JUDGE ALSO SERVED AS COUNTY ATTORNEY, CONTRARY TO OPINIONS ISSUED BY THE STATE ATTORNEY GENERAL'S OFFICE
(Noncompliance Under Government Auditing Standards)

The county executive retained the general sessions judge to serve also as county attorney. However, the state Attorney General's Office opined (in opinions U90-120 on August 16, 1990, and 99-156 on August 19, 1999) that the Tennessee Constitution prohibits judges of the supreme or inferior courts (including General Sessions Court) from holding any other office of trust or profit, such as the position of county attorney.

RECOMMENDATION

County officials should take appropriate steps to comply with the state constitution's provisions prohibiting judges from holding another office of trust or profit.