

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. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

FINANCE DEPARTMENT

FINDING 01.01 EXPENDITURES EXCEEDED APPROPRIATIONS IN THE GENERAL AND CENTRAL CAFETERIA FUNDS
(Material Noncompliance Under Government Auditing Standards)

General Fund expenditures exceeded appropriations in the County Buildings major appropriation category by \$246,298. Also, expenditures exceeded appropriations approved by the County Commission in the Central Cafeteria Fund by \$99,564.

RECOMMENDATION

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

FINDING 01.02 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS WERE NOT DETERMINED AND RECORDED ON THE ACCOUNTING RECORDS OF THE SOLID WASTE DISPOSAL FUND
(Material Noncompliance Under Government Auditing Standards)

County officials did not determine and record landfill closure and postclosure care costs of \$652,259 on the accounting records of the Solid Waste Disposal Fund. Auditors established this amount from information obtained from records on file and discussions with county officials and the county's landfill engineer. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although these closure and postclosure care costs will be paid near or after the date that the landfill stops accepting waste, generally accepted accounting principles require county officials to accrue and report a portion of these closure and postclosure care costs as a liability and as an operating expense in each year of operation based on the estimated landfill capacity used.

RECOMMENDATION

County officials should determine and record landfill closure and postclosure care costs on the accounting records of the Solid Waste Disposal Fund, in accordance with generally accepted accounting principles.

**FINDING 01.03 DEFICIENCIES WERE NOTED IN TRAVEL DISBURSEMENTS
(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)**

We noted the following deficiencies in the payment of officials’ and employees’ travel expenses:

- A. The County Commission had not adopted a formal travel policy for county officials and employees.

- B. Travel payments to officials and employees were not made uniformly. Some individuals were reimbursed for actual expenses for meals, while others were paid a per diem rate. Also, mileage reimbursements were made at various rates of 24 cents to 34 cents per mile.

- C. Several of the travel payments that we examined were made without any supporting documentation. Section 8-26-109, Tennessee Code Annotated, requires an itemized account of all travel payments.

RECOMMENDATION

The County Commission should adopt a formal travel policy, which should provide uniform reimbursement rates for all officials and employees. Furthermore, all travel payments should be documented properly.

**FINDING 01.04 PURCHASE ORDERS WERE NOT ISSUED PROPERLY
(Internal Control – Reportable Condition Under Government Auditing Standards)**

In several instances, purchase orders were issued after the invoice date, and in other instances, invoices exceeded the purchase order limits. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. Issuing a purchase order after the purchase has been made or allowing purchases to exceed purchase order limits defeats the purpose of the purchase order and makes the purchase order an approval of payment rather than an approval of the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before purchases are made and by ensuring purchases orders do not exceed their established limits.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 01.05 RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS
(Internal Control – Material Weakness Under Government Auditing Standards)

Cumberland 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 Cumberland County for the year ending June 30, 2003. Statement 34 places an even greater emphasis on the need to maintain general fixed asset records.

RECOMMENDATION

Cumberland County should maintain adequate property records and establish a self-balancing group of accounts for all general fixed assets.

FINDING 01.06 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Circuit and General Sessions Courts Clerk, 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.