

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.

OFFICE OF COUNTY EXECUTIVE

FINDING 01.01 **THE AMBULANCE SERVICE FUND HAD A FUND DEFICIT AT JUNE 30, 2001**

(Material Noncompliance Under Government Auditing Standards)

The Ambulance Service Fund had a fund deficit of \$51,433 at June 30, 2001. This fund deficit resulted from overstating accounts receivable in the current and prior years. This overstatement of accounts receivable was primarily due to the official's failure to reduce the accounts receivable balance by the amount of uncollectibles.

RECOMMENDATION

County officials should ensure that the accounts receivable balance is reduced by the amount considered to be uncollectible. County officials should also take steps to liquidate the fund deficit.

FINDING 01.02 **THE OFFICE HAD PURCHASING DEFICIENCIES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Purchase orders were not issued for some purchases. Also, in several instances in which purchase orders were issued, the purchase orders were issued after the purchases were made. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. The practice of issuing purchase orders after the purchase has been made defeats the purpose of the purchase order and makes the purchase order an approval of payment rather than an approval of the purchase.

RECOMMENDATION

County officials should improve purchasing procedures by issuing purchase orders for all applicable purchases before the purchases are made.

FINDING 01.03 DEFICIENCIES WERE NOTED IN AMBULANCE SERVICE OPERATIONS

(A. Internal Control – Reportable Condition Under Government Auditing Standards, B. Noncompliance Under Government Auditing Standards)

We noted the following deficiencies during our examination of Ambulance Service operations:

- A. Bank statements were not reconciled with general ledger accounts for 11 months of the year examined. The reconciliation of bank statements with general ledger accounts is a necessary procedure to ensure that all collections and disbursements are recorded properly on accounting records.
- B. Funds were not deposited to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit all public funds to the office bank account within three days of collection.

RECOMMENDATION

Bank statements should be reconciled monthly with general ledger accounts. Also, collections should be deposited within three days of receipt, as required by state statute.

FINDING 01.04 CONTROLS OVER INVENTORY WERE INADEQUATE
(Internal Control – Reportable Condition Under Government Auditing Standards)

The county did not have policies and procedures to ensure that persons independent of inventory recordkeeping verified the inventory lists. Also, the county did not have policies and procedures to ensure that newly acquired assets were added to the inventory lists and that surplus or destroyed items were removed from the lists. Generally accepted accounting principles require accountability for all county-owned assets.

RECOMMENDATION

The County Executive’s Office should improve controls over inventory by establishing policies and procedures for the addition and deletion of assets in the records and for verification of the inventory lists by personnel independent of recordkeeping.

OTHER FINDINGS AND RECOMMENDATIONS

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

Van Buren 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 Van Buren 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

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

FINDING 01.06 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Van Buren 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

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

FINDING 01.07

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS 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 and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices 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.