

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 did not offer written responses to the findings. Officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 02.01 **INVENTORY RECORDS WERE NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials did not maintain inventory records for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment. The failure to maintain inventory records results in a loss of control over the assets.

RECOMMENDATION

County officials should maintain inventory records for all county-owned assets.

FINDING 02.02 **PURCHASE ORDERS WERE NOT ISSUED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders for items purchased. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable county purchases.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 02.03 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES (Internal Control – Reportable Condition Under Government Auditing Standards)**

Our examination revealed the following purchasing deficiencies:

- A. Purchase orders were not issued for some purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

The department should issue purchase orders for all applicable purchases. Documentation should be obtained indicating that goods have been received or services have been rendered before invoices are paid.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.04 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS (Internal Control – Material Weakness Under Government Auditing Standards)**

Cannon 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 for Cannon 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

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

FINDING 02.05 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

Cannon 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 02.06 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 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.