

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations as a result of our examination are presented below. We have 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 02.01 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of County Executive did not always follow sound purchasing procedures. Our audit revealed the following deficiencies:

- A. The office did not issue purchase orders for all applicable 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. However, we extended our audit procedures and were able to determine that goods had been received and services had been rendered.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and requiring documentation that goods have been received or services rendered before invoices are paid.

OFFICE OF ROAD SUPERVISOR

FINDING 02.02 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Road Supervisor did not always follow sound purchasing procedures. Our audit revealed the following deficiencies:

- A. The office did not issue purchase orders for all applicable 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. However, we extended our audit procedures and were able to determine that goods had been received and services had been rendered.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and requiring documentation that goods have been received or services rendered before invoices are paid.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 02.03 **THE OFFICE DID NOT ALWAYS ISSUE PURCHASE ORDERS PROPERLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department did not always issue purchase orders properly. In several instances, purchase orders were issued after invoices were received. Purchase orders are necessary to control purchasing authority and document purchasing commitments.

RECOMMENDATION

To strengthen internal controls over purchasing procedures, the School Department should issue purchase orders prior to making the purchase in all applicable instances.

FINDING 02.04 **THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR THE PURCHASE OF COMPUTERS**
(Noncompliance Under Government Auditing Standards)

The office did not solicit competitive bids for ten computers costing a total of \$10,500. Section 49-2-203, Tennessee Code Annotated, requires that competitive bids be solicited through public advertisement for all purchases estimated to exceed \$5,000.

RECOMMENDATION

The office should solicit competitive bids for all purchases estimated to exceed \$5,000, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.05 RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS
(Internal Control – Material Weakness Under Government Auditing Standards)

Chester 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 Chester 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

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

FINDING 02.06 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

Chester 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 02.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and disbursing funds; posting receipts to the cash journal; and/or reconciling bank statements. 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 02.08 **AN AUDIT OF THE COUNTY LIBRARY WAS NOT PERFORMED**
(Noncompliance Under Government Auditing Standards)

Chester County officials did not require an audit to be performed for the county library in accordance with generally accepted accounting principles. An audit is necessary to ensure proper accountability of the public library funds. The lack of an audit also resulted in the omission of the Chester County Library Fund from the financial statements of this report.

RECOMMENDATION

The county should require an annual audit of the Chester County Library Fund in accordance with generally accepted accounting principles.