

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. 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 02.01 PURCHASE ORDERS WERE NOT ISSUED
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive's Office did not issue purchase orders. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The county executive should ensure that purchase orders are issued for all applicable purchases.

FINDING 02.02 COMPETITIVE BIDS WERE NOT SOLICITED IN ACCORDANCE WITH STATE STATUTES
(Noncompliance Under Government Auditing Standards)

Our examination revealed the following bidding deficiencies:

- A. The office solicited bids for the purchase of an ambulance for the Crockett County Ambulance Service; however, the bid specifications were limited to a 2001 Ford ambulance. Limiting bid specifications to a particular make, model, or manufacturer violates the intent of the competitive bid law, which requires obtaining the best price for a product.
- B. Competitive bids were not solicited for the purchase of air conditioning units for the technology center (\$5,150). Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, require competitive bids for all purchases exceeding \$5,000.

RECOMMENDATION

The office should follow competitive bid requirements and should not limit bid specifications to a particular manufacturer. Competitive bids should be solicited for all purchases estimated to exceed \$5,000, as required by state statute.

OFFICE OF ROAD SUPERVISOR

FINDING 02.03 DEFICIENCIES WERE NOTED IN THE ISSUANCE OF PURCHASE ORDERS
(Internal Control – Reportable Condition Under Government Auditing Standards)

In most instances, dollar amounts were not assigned to purchase orders until after the purchase was made and the invoice was received. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment.

RECOMMENDATION

The office should ensure that purchase orders are issued and completed properly before purchases are made.

FINDING 02.04 COMPETITIVE BIDS WERE NOT SOLICITED IN ACCORDANCE WITH STATE STATUTES
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of hot mix asphalt for nonstate-aid projects. Chapter 26, Private Acts of 1933, as amended, and the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, require competitive bids for all purchases in excess of \$5,000.

RECOMMENDATION

Competitive bids should be solicited for all purchases estimated to exceed \$5,000, as required by state statutes.

OFFICE OF TRUSTEE

FINDING 02.05 THE OFFICE OF TRUSTEE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Trustee did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing concerns. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

OFFICE OF SHERIFF

FINDING 02.06 RECEIPTS WERE NOT ISSUED AT THE TIME OF COLLECTION
(Noncompliance Under Government Auditing Standards)

Receipts were not issued at the time collections were received. Instead, receipts were issued for collections at the time bank deposits were prepared. As a result of this practice, we could not determine if funds were deposited to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated.

RECOMMENDATION

Receipts should be issued for collections at the time funds are received.

FINDING 02.07 FEES WERE NOT REPORTED ON A CURRENT BASIS
(Noncompliance Under Government Auditing Standards)

Fees were not reported and paid to the county trustee by the fifteenth day of the month, as required by Section 67-4-213, Tennessee Code Annotated. In some instances, fees were reported and paid from 30 to 60 days after the due date.

RECOMMENDATION

Sheriff's fees should be remitted to the trustee by the fifteenth day of the month, as required by state statute.

FINDING 02.08 DEFICIENCIES WERE NOTED IN THE HANDLING OF CASH BONDS
(Noncompliance Under Government Auditing Standards)

In two instances, cash bonds were paid to the General Sessions Court in cash. Section 5-8-207, Tennessee Code Annotated, requires all collections to be deposited to the official bank account and all disbursements to be made by official prenumbered checks.

RECOMMENDATION

All collections should be deposited in the office bank account, and all disbursements should be made by prenumbered checks, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.09 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Crockett 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 Crockett 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

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

FINDING 02.10 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Crockett 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

Crockett 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 02.11 THE AMBULANCE SERVICE DID NOT TAKE ADEQUATE STEPS TO COLLECT DELINQUENT PATIENT ACCOUNTS RECEIVABLE

(Internal Control – Reportable Condition Under Government Auditing Standards)

The ambulance service did not take adequate steps to collect unpaid accounts receivable. Patients were billed for unpaid charges each month for a twelve-month period. After this, the ambulance service stopped billing patients and no further efforts were made to collect any unpaid accounts. Any unpaid accounts that were two years old were written off in accordance with the ambulance service policy providing for the write-off of uncollectible accounts. The policy does not provide for further collection procedures, such as turning the accounts over to a collection agency or collections through other legal action.

RECOMMENDATION

The ambulance service should include in its written policy procedures for collecting delinquent accounts receivable and should attempt to collect any unpaid charges prior to writing them off.

FINDING 02.12 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF 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 in the Offices of 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 issuing receipts, preparing bank deposits, taking deposits to the bank, posting receipts to the cash journal, and/or reconciling bank statements. These same employees also performed the daily reconciliation of receipts with cash. 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 02.13 THE CROCKETT COUNTY MEMORIAL LIBRARY MAINTAINED
AN OUTSIDE BANK ACCOUNT**
(Noncompliance Under Government Auditing Standards)

Certain financial transactions of the Crockett County Memorial Library were not channeled through the county's General Fund. The Library Board maintained a small outside bank account for late book fines. In addition, the Library Board maintained a \$22,000 certificate of deposit for the library's building program. Section 5-8-210, Tennessee Code Annotated, designates the county trustee as the custodian of all county funds.

RECOMMENDATION

The outside bank account and certificate of deposit the Library Board maintained should be closed and the balance transferred to the Trustee's Office and reserved in the General Fund for the maintenance and/or construction of the Crockett County Memorial Library.