

## 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. The written response of the director of schools has been paraphrased in this report. Other 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      **A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive's Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

### RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

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FINDING 02.02      **THE OFFICE DID NOT MAINTAIN ADEQUATE INVENTORY CONTROLS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following weaknesses in inventory controls:

- A.      The county executive's list of county-owned assets was not updated regularly for all departments.
- B.      The office did not tag or clearly mark all equipment as county property. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment.

### RECOMMENDATION

County officials should improve inventory controls by maintaining current records and tagging all assets as county property.

## **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 02.03      THE OFFICE PAID INVOICES WITHOUT DOCUMENTATION  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

In some instances, invoices were paid without documentation that goods had been received or that services had been rendered. The failure to document that goods have been received or that services have been rendered could result in the department's making improper payments.

### **RECOMMENDATION**

To strengthen controls over the purchasing process, the office should not pay invoices without documentation that goods have been received or services have been rendered.

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## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 02.04      UNDISBURSED CHILD SUPPORT BALANCES WERE NOT DETAILED ON THE TRIAL BALANCE OF EXECUTION DOCKETS  
(Noncompliance Under Government Auditing Standards)**

A trial balance of execution docket cause balances was prepared for Circuit and General Sessions Courts as of June 30, 2002, as required by Section 18-2-103, Tennessee Code Annotated. However, the trial balance for Circuit Court did not include a detailed list of amounts held for child support.

### **RECOMMENDATION**

The office should include a detailed list of all undisbursed cause balances on the trial balance of execution dockets.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 02.05      THE BUDGET FOR THE 2002-03 YEAR WAS NOT PUBLISHED BEFORE APPROVAL  
(Noncompliance Under Government Auditing Standards)**

The budget for the 2002-03 fiscal year did not appear in the local newspaper until after it was adopted by the County Commission. Section 5-8-507, Tennessee Code Annotated, provides that the proposed annual budget must be published in a newspaper of general circulation at least ten days prior to final adoption by the County Commission.

RECOMMENDATION

The County Commission should not adopt the annual budget until all publication requirements have been satisfied.

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FINDING 02.06      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Grainger County and the discretely presented Grainger County School Department did not inventory, value, and record 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 Grainger 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

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

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We will begin this process.

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FINDING 02.07      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF 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 in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records of 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.

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**FINDING 02.08      A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Grainger 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**

Grainger 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.

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**FINDING 02.09      THE SOLID WASTE DISPOSAL FUND HAD A RETAINED EARNINGS DEFICIT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

At June 30, 2002, the Solid Waste Disposal Fund had a retained earnings deficit of \$2,047,911, an increase of \$51,761 from the deficit at June 30, 2001. The Solid Waste Disposal Fund is an Enterprise Fund that is required by the Solid Waste Disposal Act of 1991 to account for operations of the landfill. The deficit in the retained earnings account of the Solid Waste Disposal Fund was partially attributable to the recognition of the liability for landfill postclosure care costs of \$1,110,000. However, the Solid Waste Disposal Fund would have had a retained earnings deficit of \$937,911 without the recognition of these liabilities for closure and postclosure care costs.

**RECOMMENDATION**

Grainger County should ensure that adequate funding is available for the postclosure care costs of the landfill and to eliminate the retained earnings deficit in the Solid Waste Disposal Fund.