

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. Officials offered oral responses to the findings and recommendations; however, we did not include these oral responses in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 02.01 **DEFICIENCIES WERE NOTED IN CONTROLS OVER EMERGENCY MEDICAL SERVICES OPERATIONS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following deficiencies were noted in controls over the Emergency Medical Services (EMS) operations:

- A. Trip tickets reflecting the services provided by the EMS for each ambulance run were not forwarded to the billing clerk in a timely manner. As many as 35 days lapsed between the date of the trip and the date the trip ticket was forwarded to the billing clerk. This failure to promptly forward trip tickets resulted in unnecessary delays in posting accounting records, billing for services, and receiving payment for services.
- B. A comprehensive policy had not been adopted for the write off of delinquent accounts. The committee that the County Commission established to oversee the EMS operations adopted a write-off policy in April 2002; however, that policy covered only specific types of delinquent accounts.
- C. Delinquent accounts receivable were not periodically aged, and a detailed list of delinquent accounts receivable was not maintained.

RECOMMENDATION

All trip tickets should be forwarded to the billing clerk promptly to allow for more efficient posting and billing. The committee established to oversee EMS operations should develop a comprehensive write-off policy for delinquent accounts. Also, a detailed list of delinquent accounts should be maintained, and delinquent accounts should be aged, printed on a periodic basis, and reviewed for accuracy.

FINDING 02.02 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.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 02.03 EXECUTION DOCKET TRIAL BALANCES WERE NOT PREPARED FOR CIRCUIT AND GENERAL SESSIONS COURTS
(Material Noncompliance Under Government Auditing Standards)

As of June 30, 2002, trial balances of execution docket cause balances had not been prepared for Circuit and General Sessions Courts, as required by Section 18-2-103, Tennessee Code Annotated (TCA). Consequently, we were unable to reconcile cash journal accounts with the execution docket cause balances. Furthermore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer’s Office.

RECOMMENDATION

Trial balances of execution docket cause balances should be prepared for Circuit and General Sessions Courts and reconciled with cash journal accounts, as required by state statute. Any funds the clerk is unable to identify or any unclaimed funds that the clerk has held for one year or more should be reported and paid to the state Treasurer’s Office in compliance with state statutes.

FINDING 02.04 THE OFFICE HAD ACCOUNTING AND INTERNAL CONTROL DEFICIENCIES
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following accounting and internal control deficiencies in the Office of Circuit and General Sessions Courts Clerk:

- A. Bank statements for Circuit and General Sessions Courts’ bank accounts were not reconciled with cash journal accounts.
- B. Some receipts and disbursements were not recorded in the cash journals for both Circuit and General Sessions Courts. In addition, ending balances were not carried forward to the following month.
- C. In some instances, receipts and disbursements were not posted to the execution dockets. Section 18-2-101, Tennessee Code Annotated, requires clerks to maintain a cash book “in which they shall enter, under each case, all sums of money received or disbursed by them, showing the date of receipt or disbursement, on what account received or disbursed, and to or from whom received or disbursed.”

RECOMMENDATION

The office should reconcile the bank statements for the courts’ bank accounts with cash journal accounts each month. All receipts and disbursements should be recorded in the cash journal, and all balances should be carried forward to the following month. Furthermore, the official should post all receipts and disbursements to the execution dockets, 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)

Hancock 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 Hancock 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

Hancock 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 WAS NOT ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Hancock 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

Hancock County officials should consider adopting either 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 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 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.