

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. The written response of the county executive is included 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 DIRECTOR OF SCHOOLS

FINDING 02.01 **THE SCHOOL EMPLOYEE INSURANCE FUND HAD A RETAINED EARNINGS DEFICIT (Material Noncompliance Under Government Auditing Standards)**

At June 30, 2002, the School Employee Insurance Fund had a retained earnings deficit of \$14,913. This fund deficit resulted from the county's incurring medical claim expenditures and liabilities that exceeded self-insurance premiums.

RECOMMENDATION

School officials should establish self-insurance premiums sufficient to liquidate the fund deficit.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.02 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS (Internal Control – Material Weakness Under Government Auditing Standards)**

Hardin 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 Hardin County for the year ending June 30, 2003. Statement 34 places an even greater emphasis on the need to maintain general fixed asset records.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

Hardin County will comply with Statement 34, as adopted by the Governmental Accounting Standards Board, by the year ending June 30, 2003.

FINDING 02.03 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Hardin 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

Hardin 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 02.04 COUNTY OFFICIALS HAD NOT HELD A DELINQUENT PROPERTY TAX SALE IN RECENT YEARS
(Noncompliance Under Government Auditing Standards)

County officials had not held a delinquent property tax sale in approximately 30 years. Section 67-5-1806, Tennessee Code Annotated, provides that all delinquent property taxes become discharged and uncollectible after ten years from the date when the delinquency originated. Table 1 of the Statistical Section of this report reflects uncollected delinquent property taxes of \$367,597 filed in Chancery Court.

RECOMMENDATION

County officials should hold a delinquent property tax sale to collect delinquent taxes, as provided by state statute.

FINDING 02.05 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to the 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.