

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 FINANCE DIRECTOR

FINDING 02.01 COMPETITIVE BIDS WERE NOT SOLICITED FOR THE LEASE-PURCHASE OF A TELEPHONE SYSTEM
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the lease-purchase of a courthouse telephone system totaling \$17,625. The County Financial Management System of 1981 provides for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$5,000, as required by the County Financial Management System of 1981.

FINDING 02.02 PURCHASE ORDERS WERE NOT ALWAYS ISSUED
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not always issue purchase orders. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The office should issue purchase orders for all applicable purchases.

OFFICES OF FINANCE DIRECTOR AND DIRECTOR OF SCHOOLS

FINDING 02.03 SCHOOL FEDERAL PROJECTS FUND RESERVES WERE SIGNIFICANTLY MISSTATED
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department significantly miscalculated the Reserves for the School Federal Projects Fund at June 30, 2002. These inaccurate reserve calculations were provided to the

Finance Department for posting to the accounting records. We have properly presented these reserves in the financial statements of this report.

RECOMMENDATION

The School Department should take steps to correctly calculate the reserves in the School Federal Projects Fund, and the Finance Department should verify the accuracy of these calculations before posting them to the general ledger accounts.

OFFICE OF ROAD SUPERINTENDENT

FINDING 02.04 **THE OFFICE HAD DEFICIENCIES IN PAYROLL PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following deficiencies in payroll procedures were noted:

- A. In several instances, overtime pay was calculated using holiday time to determine the 40-hour workweek. The Federal Fair Labor Standards Act (FLSA) only requires overtime compensation for hours worked over 40 in a workweek. This benefit is not addressed in the Highway in the Highway Department’s personnel policy.
- B. In some instances, employees were paid for hours that exceeded the hours documented by the time clock.
- C. On rainy days, employees were paid for two hours if they showed up at the shop, regardless of whether they actually performed any work that day. This benefit is not addressed in the Highway Department’s personnel policy.

RECOMMENDATION

Overtime should be based on hours actually worked in excess of 40 each workweek in accordance with the FLSA. If the Highway Commission wishes to base overtime pay on something other than the FLSA policy, then the commission should formally adopt another policy. Also, the number of hours worked each week should be calculated based on employee’s timecards. In addition, employees should not be paid for hours not worked unless there is a policy to pay employees for showing up on rainy days.

OFFICE OF CLERK AND MASTER

FINDING 02.05 **DEPUTY CLERK AND MASTER DID NOT DEPOSIT CERTAIN FUNDS OF THE OFFICE RESULTING IN A CASH SHORTAGE OF \$810**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The office had a cash shortage of \$810 on March 19, 2002. The clerk and master notified auditors on March 20, 2002, that an office employee had admitted taking cash from an office bank deposit. After a review of the clerk's records, we were able to determine that this employee had taken cash from the October 29, 2001, deposit (\$105) and the November 26, 2001, deposit (\$555). This employee also lost a litigant's check from the November 26, 2001, deposit (\$150).

In addition to the missing funds, it appears that this employee used cash from two other office deposits. Collections for September 24, 2001, totaling \$1,119.07 were not deposited until November 27, 2001. Also, collections for October 5, 2001, totaling \$1,360.61 were not deposited until November 1, 2001.

This employee liquidated the cash shortage of \$810 by depositing personal funds to the office bank account on March 19, 2002 (\$560), March 26, 2002 (\$100), and April 1, 2002 (\$150). The clerk dismissed this employee on March 20, 2002. We have reviewed this cash shortage with county officials and the district attorney general.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.06 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Hickman 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 Hickman 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

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

FINDING 02.07

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE
AMBULANCE SERVICE; SOLID WASTE DEPARTMENT; AND
THE OFFICES OF TRUSTEE, COUNTY CLERK, CLERK AND
MASTER, AND REGISTER**

(Internal Control – Reportable Condition Under Government Auditing
Standards)

Duties were not segregated adequately among the officials and employees in the Ambulance Service; Solid Waste Department; and the Offices of Trustee, County Clerk, Clerk and Master, and Register. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, officials in these departments and offices should segregate duties adequately among employees.