

Audit Highlights

Comprehensive Annual Financial Report
Houston County, Tennessee
For the Year Ended June 30, 2002

Scope

We have audited the general purpose financial statements and the combining, individual fund, and account group financial statements of Houston County as of and for the year ended June 30, 2002.

Results

Our report on Houston County's financial statements was qualified because the statements did not include a General Fixed Assets account group. Also, due to cash shortages, lack of internal controls and documentation, and numerous deficiencies and weaknesses in procedures in the General Fund and the Solid Waste/Sanitation Fund, we are unable to express, and we do not express, an opinion on the financial statements of these funds.

Our audit resulted in 21 findings and recommendations, which we have reviewed with Houston County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE:

- ◆ The General and Solid Waste/Sanitation Funds had cash shortages of \$1,079.50 and \$7,157.62, respectively, at June 30, 2002. The General Fund had an additional cash shortage of \$2,053.24 for the period July 1, 2002, through August 31, 2002.
- ◆ The county executive and other employees filed fraudulent travel claims totaling \$1,379.50.
- ◆ The county made a \$2,500 disbursement from the Solid Waste/Sanitation Fund that was not owed, and documentation for this disbursement was falsified. Also, a \$2,210 disbursement was made in advance from the Solid Waste/Sanitation Fund for work that was never performed, and the county executive retained \$1,500 cash from this disbursement.
- ◆ Improper payments were made to two employees by vendor checks instead of through the payroll system. One of these employees received \$4,800, which was \$2,147.62 more than his normal rate of compensation.
- ◆ Two employees received unauthorized pay raises of \$1,250 and \$100 for the period July 1, 2002, through August 31, 2002.
- ◆ The bookkeeper and an employee received overpayments of \$303.44 and \$399.80, respectively, for vacation leave.
- ◆ Records were falsified for a \$400 contribution to a civic organization.
- ◆ The office had numerous payroll deficiencies. Payments to the state Department of Employment Security for unemployment insurance were incorrectly calculated, which resulted in insufficient tax payments. Employees' federal income and social security taxes were not reported correctly or on time to the Internal Revenue Service (IRS), which resulted in the county's incurring penalty and interest charges.

As a result of an error noted in the reports for the year 2000, the IRS may assess additional taxes, penalty, and interest charges. Penalty and interest charges were overpaid to the IRS due to paying the same invoice twice. General ledger payroll deduction accounts were not reconciled with subsidiary payroll records monthly. Several weaknesses were noted involving employees' time, attendance, and leave records. In addition, the salaries of several employees were paid from four different expenditure accounts in the General and Solid Waste/Sanitation Funds.

- ◆ Numerous deficiencies were revealed in the office's purchasing operations. We were unable to verify the propriety of disbursements totaling \$34,401 from the General and Solid Waste/Sanitation Funds. Adequate documentation was not on file to support some disbursements. The office did not issue purchase orders for most purchases. Also, due to inadequate bid files, we could not determine if competitive bids were solicited for a courthouse roof and fencing and for paving at the jail.
- ◆ Budget amendments posted to the accounting records of the General and General Debt Service Funds did not agree with amendments approved by the County Commission. Salary expenditures of the General Fund exceeded several line-item appropriations. Appropriations of the General Fund exceeded estimated available funds by \$46,771.
- ◆ The office had numerous deficiencies in its accounting records. In attempting to reconcile the General Fund's cash balance with the trustee's cash balance, office personnel did not attempt to correct the differences noted. Several expenditures were misclassified on the accounting records of the General Fund. Transactions pertaining to some capital projects were not accounted for through the appropriate capital projects funds. Receivables were not reflected on the accounting records of the General and Solid Waste/Sanitation Funds. Cities were billed incorrectly for their share of the costs of the county's convenience center and landfill. Also, the cities paid \$1,400 to the county for a reimbursement of a service that was not performed.
- ◆ The county executive made numerous personal calls on a county-issued cellular telephone and did not reimburse the county, as required by county policy.
- ◆ The final cost settlement report for the reimbursement of housing for state prisoners had not been filed in accordance with the guidelines established by the Tennessee Department of Correction.
- ◆ The county executive did not obtain approval from the County Commission and the state director of Local Finance to extend the maturity date of a capital outlay note.
- ◆ The county executive did not make contributions to nonprofit organizations as directed by the County Commission.

OFFICE OF COUNTY CLERK:

- ◆ The clerk did not deposit collections intact; i.e., funds collected during a specific period of time were not deposited together.
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OFFICE OF SHERIFF:

- ◆ The office had deficiencies in the inmate and commissary account operations. Profits from commissary operations were not remitted to the county in accordance with state statute. Collections of the commissary and inmate account operations were not deposited intact. We were unable to account for all receipt numbers since prenumbered receipts were issued for collections, disbursements, and checking the balance of prisoner accounts. Adequate documentation was not maintained to support some disbursements from the account, and a general ledger summarizing account transactions was not maintained.
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OTHER FINDINGS:

- ◆ The county did not inventory, value, and record its general fixed assets, as required by generally accepted accounting principles.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Executive; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
- ◆ At the Ambulance Service, prenumbered trip tickets were not used, and the control account for patient accounts receivable did not accurately reflect accounts receivable.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*