

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. A written response from the trustee 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 SANITATION SUPERVISOR

FINDING 02.01 THE OFFICE HAD DEFICIENCIES IN MAINTAINING ACCOUNTS RECEIVABLE SUBSIDIARY RECORDS FOR THE SOLID WASTE DISPOSAL FUND
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office had deficiencies in maintaining accounts receivable subsidiary records for the Solid Waste Disposal Fund. A computerized weight scale system at the county's landfill produced a monthly list of waste received and calculated amounts owed by each customer. These amounts were then entered in a separate software package along with amounts received from customers. This package did not have sufficient capacity to maintain a complete history of all billings and payments received. To enter new transactions, the bookkeeper periodically had to delete history information, often affecting ending balances. Therefore, the receivable balances were not always accurate and had not been reconciled with the general ledger. Also, it should be noted that a policy for the write-off of delinquent accounts had not been developed and approved by the landfill committee.

RECOMMENDATION

Accounts receivable balances should be accurately maintained and reconciled with the general ledger. Also, a policy for the write-off of delinquent accounts should be developed and approved by the landfill committee.

FINDING 02.02 THE OFFICE HAD DEFICIENCIES IN INVENTORY CONTROLS OVER EQUIPMENT AND VEHICLES
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Sanitation Department maintained inventory records for most equipment and vehicles but did not maintain an inventory list for tools and maintenance equipment located in the shop/garage area. Also, we noted department vehicles and equipment that were not tagged and clearly marked as county property.

RECOMMENDATION

Inventory records should include tools and maintenance equipment located in the shop/garage area, and all county-owned vehicles and equipment should be tagged and clearly marked as county property.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.03 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Jefferson 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 Jefferson 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

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

FINDING 02.04 **DUTIES WERE NOT ADEQUATELY SEGREGATED IN THE OFFICES OF SANITATION SUPERVISOR, TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not adequately segregated in the Offices of Sanitation Supervisor, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, 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 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.

MANAGEMENT'S RESPONSE – TRUSTEE

Due to the limited number of personnel, it is not possible to properly segregate duties. As trustee, I do the bookkeeping, which includes reconciling all bank accounts and bank deposits. I have implemented internal controls and do segregate duties to the extent possible with the current staff.

FINDING 02.05 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Jefferson County 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

Jefferson 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 02.06 **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 \$2,672,464, a decrease of \$70,862 from the deficit at June 30, 2001, and a decrease of \$268,890 from the deficit at June 30, 2000. The Solid Waste Disposal Fund is an Enterprise Fund, which is required by the Solid Waste Disposal Act of 1991 to account for operations of the landfill. A liability for closure and postclosure care costs is accrued in this fund based on the capacity used. The \$2,061,688 reported as landfill closure and postclosure care liability at June 30, 2002, represents the cumulative amount reported to date based on 25 percent of the estimated capacity of the Patterson Landfill Site (\$463,126) and postclosure care costs of the Highway 92 Landfill Site (\$1,598,562). The deficit in the retained earnings

account of the Solid Waste Disposal Fund was primarily attributable to the recognition of this liability for landfill closure and postclosure care costs. However, the Solid Waste Disposal Fund would have had a retained earnings deficit of \$610,776 without the recognition of the liability for closure and postclosure care costs.

RECOMMENDATION

County officials should continue efforts to liquidate the retained earnings deficit over a period of years.