

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. Management did not offer written responses to the findings and recommendations. Officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF ROAD SUPERINTENDENT

FINDING 02.01 PURCHASES WERE NOT MADE IN COMPLIANCE WITH STATE STATUTES

(Material Noncompliance Under Government Auditing Standards)

Subsequent to June 30, 2002, the following purchasing deficiencies were noted:

- A. The road superintendent purchased asphalt at a cost of \$28,933. A purchase order had been issued for these purchases; however, the purchase order only authorized purchases of asphalt up to \$5,000.
- B. The road superintendent negotiated with a vendor to stripe county roads at a cost of \$17,778. This purchase had not been authorized by a purchase order issued by the purchasing agent and had not been competitively bid.

Section 5-14-105, Tennessee Code Annotated (TCA), states that it is the duty of the purchasing agent to contract for and purchase all supplies, materials, equipment, and contractual services required by each department. Also, the provisions of the Uniform Road Law, Section 54-7-113, TCA, require that all Highway Department purchases of \$5,000 or more are to be competitively bid. These purchases were made by the Highway Department without regard to purchase order limits, thereby rendering the purchase order process useless. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. It should be noted that on October 17, 2002, the County Commission approved the payment of the asphalt purchases that exceeded the purchase order amount and directed the county attorney to notify the striping vendor that the county will not pay for those services.

RECOMMENDATION

Purchase orders should be issued for all purchases, and purchase amounts should not exceed the amount authorized by the purchase order. Also, all purchases should be made by the purchasing agent and should comply with state statutes, including obtaining competitive bids in all applicable instances.

OFFICE OF REGISTER

**FINDING 02.02 THE OFFICE DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)**

Funds were not deposited to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated. During the period under examination, up to a week lapsed between the date funds were received and the date funds were deposited to the bank.

RECOMMENDATION

All funds should be deposited to the office bank account within three days of collection, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

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

Johnson 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 Johnson 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

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

**FINDING 02.04 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, 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, 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.