

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 responses of the finance director and circuit court clerk are paraphrased 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 FINANCE DIRECTOR

FINDING 02.01 **AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED TO AN ESCROW ACCOUNT (Noncompliance Under Government Auditing Standards)**

The office did not deposit \$239,999 withheld from contractor payments into a separate escrow account; instead, the county trustee deposited these funds into a bank account containing other county funds. Section 66-11-144, Tennessee Code Annotated, requires that funds withheld from payments to contractors be deposited into a separate escrow account for contracts of \$500,000 or more.

RECOMMENDATION

Amounts withheld from contractor payments should be deposited into an escrow account in compliance with state statute.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

I concur with the finding. The Finance Department has offered to deposit retainage into an escrow account at any contractor's request; however, not all contractors have accepted the offer.

OFFICE OF TRUSTEE

FINDING 02.02 **THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN (Internal Control – Reportable Condition Under Government Auditing Standards)**

The Office of Trustee did not develop a disaster recovery plan to assist in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired or a back-up facility could be found and made operational.

RECOMMENDATION

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as the adequate backup of data files, system programs, user documentation, supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 02.03 **THE COURT SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The court software application did not provide a record of changes to previously issued receipts. Users had the capability to change information on receipts, leaving no evidence of the original receipt. This lack of application controls could allow inappropriate system activity.

RECOMMENDATION

Management should contact their software vendor concerning the removal of the capability to change receipts. Removing this capability would help to ensure the reliability and integrity of the information maintained by the system.

OTHER FINDING AND RECOMMENDATION

FINDING 02.04 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, 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 employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

We have attempted to segregate as many duties as possible with our limited number of personnel.