

## **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 PURCHASING AND FINANCE**

**FINDING 02.01      **THE BOARD OF COUNTY COMMISSIONERS DID NOT APPROVE A FORMAL BUDGET FOR THE RETIRED SENIOR VOLUNTEER PROGRAM****  
(Noncompliance Under Government Auditing Standards)

The County Commission did not adopt a formal budget for the Special Purpose Fund. This fund is used to account for operations of the Retired Senior Volunteer Program (RSVP). The RSVP director filed a grant budget with the County Commission; however, the County Commission took no steps to formally adopt a budget for the Special Purpose Fund. As a result, this fund is presented as a nonbudgeted Special Revenue Fund in the financial statements. Section 5-9-401, Tennessee Code Annotated, states that “all funds ... to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

### **RECOMMENDATION**

The County Commission should formally appropriate expenditures of the RSVP program. The RSVP director should monitor the budgetary process to ensure that a formal budget is submitted to the County Commission for its approval.

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**FINDING 02.02      **PURCHASES FOR THE RETIRED SENIOR VOLUNTEER PROGRAM DID NOT COMPLY WITH PROVISIONS OF CHAPTER 403, PRIVATE ACTS OF 1949****  
(Internal Control – Reportable Condition Under Government Auditing Standards)

During the period under examination, the director of the Retired Senior Volunteer Program made purchases for the program and did not use purchase orders. Under provisions of Chapter 403, Private Acts of 1949, as amended, purchases for all departments of Meigs County, except the School Department, should be made by the finance director under the authority of the Purchasing and Finance Commission. This private act also requires that offices issue purchase orders for all applicable purchases. Financial transactions of the Retired Senior Volunteer Program are accounted for in the Special Purpose Fund.

## RECOMMENDATION

The finance director should make purchases for the Retired Senior Volunteer Program, and purchase orders should be issued for all purchases, as required by the private act.

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## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 02.03      **THE CASH JOURNAL WAS NOT MAINTAINED PROPERLY IN  
GENERAL SESSIONS COURT**  
(Internal Control – Reportable Condition Under Government Auditing  
Standards)

In General Sessions Court, the cash journal was not maintained properly. Our audit revealed the following deficiencies:

- A.      The cash journal contained addition errors that were not detected and corrected.
- B.      Cash journal totals from the bottom of the page were not consistently carried forward to the beginning of the next page and from month to month.
- C.      Returned checks and the subsequent collection of bad checks were not posted to the cash journal correctly.
- D.      The clerk did not accurately record miscellaneous bank charges.

The cash journal is the primary cash control record that summarizes the office's financial operations. Therefore, proper maintenance of the cash journal is imperative.

## RECOMMENDATION

The cash journal for General Sessions Court should be maintained properly. The mathematical accuracy of the cash journal should be verified on a timely basis, and totals should be carried forward from page to page and month to month. In addition, returned checks and miscellaneous charges should be properly posted to the cash journal.

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## OFFICE OF CLERK AND MASTER

### FINDING 02.04      **NUMEROUS DEFICIENCIES WERE NOTED IN RECORDS AND PROCEDURES OF THE CLERK AND MASTER** (Internal Control – Material Weakness Under Government Auditing Standards)

The clerk and master did not maintain his office's records on a current basis. During our interim audit work in February 2002, we discovered that the official had not maintained the cash journal for the period July 2001 through January 2002. In addition, bank statements had not been reconciled, and collections of county revenues had not been turned over to the county trustee. The clerk was given time to put his records in order for interim review. However, most of the deficiencies reviewed with the clerk in February 2002 remained at year-end and are discussed in the following items:

- A. At June 30, 2002, office receipts and disbursements had not been posted to the cash journal since February 2002. The cash journal is the primary cash control record that summarizes the office's financial operations. Therefore, proper maintenance of the cash journal is imperative.
- B. At June 30, 2002, bank statements had not been reconciled since February 2002.
- C. Short-term account subsidiary ledgers were not reconciled on a timely basis. The last posting to the subsidiary ledgers was made in December 2001.
- D. Collections were not turned over to the county trustee on a monthly basis. On July 29, 2002, the clerk remitted a total of \$42,480 in fees, fines, and delinquent taxes to the trustee for the period February 1, 2002, through June 30, 2002. Sections 8-22-104 and 67-4-213, Tennessee Code Annotated (TCA), require that these revenues be reported and paid to the county trustee on a monthly basis.
- E. Throughout the year, funds were not deposited to the office bank account within three days of collection, as required by Section 5-8-207, TCA. In several instances, collections were held in the office for more than nine days.

### RECOMMENDATION

All office records should be maintained and reconciled on a current basis. In addition, county revenues should be remitted to the trustee on a monthly basis in compliance with state statutes. Furthermore, the clerk and master should deposit all funds to the office bank account in compliance with state statute.

**FINDING 02.05      THE MONTHLY REPORTING AND CASH CONTROL SYSTEM DID NOT HAVE ADEQUATE APPLICATION CONTROLS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Previously entered financial transactions could be deleted or changed in the office’s computer system, and the application did not maintain a record of these deletions or changes. This lack of application control could allow inappropriate system activity.

**RECOMMENDATION**

Management should implement software controls to provide an audit trail for any transaction deletions or changes.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 02.06      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF PURCHASING AND FINANCE, DIRECTOR OF SCHOOLS, 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 the officials and employees in the Offices of Purchasing and Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The 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.

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**FINDING 02.07      COUNTY OFFICIALS HAD NOT HELD A DELINQUENT PROPERTY TAX SALE IN RECENT YEARS**  
(Noncompliance Under Government Auditing Standards)

County officials had not held a delinquent property tax sale in approximately 20 years. Section 67-5-1806, Tennessee Code Annotated, provides that all delinquent property taxes become discharged and uncollectible after ten years from the date when the delinquency originated. Therefore, at least nine years of delinquent taxes totaling \$20,538 are

discharged and uncollectible. The clerk and master's tax aggregate list (1991-99) reflects uncollected delinquent property taxes of \$40,573 filed in Chancery Court.

**RECOMMENDATION**

County officials should hold a delinquent property tax sale to collect delinquent taxes, as provided by state statute.

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**FINDING 02.08**      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Meigs 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 Meigs 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**

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

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**FINDING 02.09**      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Meigs County officials had not adopted a central system of accounting, budgeting, and purchasing covering all county departments. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

**RECOMMENDATION**

Meigs 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.