

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 officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF DIRECTOR OF FINANCE

FINDING 02.01 **THE OFFICE HAD INTERNAL CONTROL WEAKNESSES IN MAINTAINING EMPLOYEES' TIME RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of the office's payroll functions revealed the following deficiencies in maintaining employees' time records:

- A. The payroll for Morgan County employees was paid every two weeks. However, time sheets prepared by employees documenting this payroll were based on estimates of time worked for the final week of the two-week payroll period because there was no delay between the last day of the payroll period and the date the payroll was paid. We were informed that any differences in the actual hours worked and the estimated hours filed were adjusted in the next payroll. However, we found no documentation of actual hours worked for the second week of the payroll period and no adjustments filed.
- B. Time records did not always include adequate detail for hours worked. In some cases, time sheets only reflected the total number of hours worked during the payroll period. For some individuals who worked for more than one department, time records were not sufficiently detailed to determine the specific hours worked for each department.

RECOMMENDATION

Employees' time records should document the actual hours worked on a daily basis for all employees. If individuals work for more than one department, time records should reflect the actual hours worked daily for each department.

FINDING 02.02 **PAYROLL DEDUCTION ACCOUNTS WERE NOT RECONCILED MONTHLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Payroll deduction accounts were not reconciled with supporting payroll records monthly. The failure to reconcile payroll deduction accounts regularly allowed errors to remain undetected and uncorrected for several months.

RECOMMENDATION

Payroll deduction accounts should be reconciled monthly, and steps should be taken immediately to correct any errors discovered.

FINDING 02.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

One employee performed billings and received payments for both the Ambulance Service and Solid Waste Department. This lack of segregation of duties results in a loss of internal control.

RECOMMENDATION

The director of finance should segregate duties adequately among office employees.

FINDING 02.04 **EXPENDITURES EXCEEDED APPROPRIATIONS AT THE MAJOR CATEGORY LEVEL**
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the miscellaneous major appropriation category of the General Fund by \$33,417. Expenditures in this category consisted primarily of medical insurance, unemployment compensation, and trustee's commission.

RECOMMENDATION

Expenditures should be held within appropriations approved by the Board of County Commissioners. Budget amendments should be requested if appropriations are not sufficient to fund committed expenditures.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.05 RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS
(Internal Control – Material Weakness Under Government Auditing Standards)

Morgan County and the discretely presented Morgan County School Department did not inventory, value, and record their 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 Morgan 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

Morgan County and the discretely presented Morgan County School Department should inventory, value, and record their general fixed assets in accordance with generally accepted accounting principles.

FINDING 02.06 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 officials and employees in the Offices of Trustee, County Clerk, 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.