

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 county executive are 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 COUNTY EXECUTIVE

FINDING 02.01 **THE OFFICE USED AN UNAUTHORIZED SIGNATURE STAMP**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive's Office used a signature stamp to affix the county executive's signature on computer-generated disbursement warrants. Tennessee Code Annotated does not provide authority for county offices and departments to use a signature stamp in place of an individual's actual signature.

RECOMMENDATION

In the absence of statutory authority, the office should discontinue using the signature stamp.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 02.02 **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR SOME ROAD MATERIALS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of road materials, such as bridge lumber, culvert tiles, and rock, for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

OFFICE OF TRUSTEE

FINDING 02.03 **THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Trustee's Office 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 case 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 for 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.

FINDING 02.04 **THE OFFICE DID NOT DEVELOP FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Trustee's Office did not develop written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

FINDING 02.05 THE OFFICE DID NOT STORE COMPUTER SYSTEM BACKUPS OFF SITE
(Internal Control – Reportable Condition Under Government Auditing Standards)

System backups were not stored off site. In the event of a disaster, all back-up data could be destroyed, resulting in costly delays in generating and recording manual information accounted for through the automated process.

RECOMMENDATION

The two copies of weekly system backups should be rotated off site on a weekly basis. Year-end backups should also be stored off site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

OFFICE OF JUVENILE COURT CLERK

FINDING 02.06 EXECUTION DOCKETS WERE NOT MAINTAINED PROPERLY
(Noncompliance Under Government Auditing Standards)

The Office of Juvenile Court Clerk did not maintain the execution dockets properly. Juvenile Court receipts and disbursements were not posted to the execution dockets. Section 18-1-105, Tennessee Code Annotated, requires all receipts and disbursements to be posted to the execution dockets.

RECOMMENDATION

The office should post all receipts and disbursements to the execution dockets, as required by state statute.

FINDING 02.07 THE JUVENILE COURT CLERK'S CASH JOURNAL CONTAINED NUMEROUS DEFICIENCIES
(Internal Control – Reportable Condition Under Government Auditing Standards)

The cash journal for Juvenile Court contained numerous posting errors pertaining to investment transactions, and as a result, did not accurately reflect the court's investment activities. The cash journal is the court's primary cash control record summarizing all financial transactions. The failure to accurately record transactions diminishes the cash journal's usefulness as a management tool. All errors discovered during our examination were corrected in the financial statements presented in this report.

RECOMMENDATION

The office should improve accounting operations by accurately posting transactions to the cash journal.

OFFICE OF SHERIFF

FINDING 02.08 **THE SHERIFF DID NOT HAVE A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES**
(Noncompliance Under Government Auditing Standards)

The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize the number and salaries of the department's deputies. Section 8-20-101, Tennessee Code Annotated, permits the sheriff to enter into a letter of agreement with the county executive concerning the number and salaries of deputies or to file suit in Circuit Court.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county executive or petition Circuit Court for the number and salaries of the department's deputies, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.09 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Obion 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 Obion 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

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur.

FINDING 02.10 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Obion County officials 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

Obion County officials should consider adopting either 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.

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE

I concur.

FINDING 02.11 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, JUVENILE COURT CLERK, 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, Juvenile Court Clerk, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting and depositing funds, reconciling bank statements, 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.

FINDING 02.12 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 several 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. Table 1 of the Statistical Section reflects uncollected delinquent property taxes of \$259,289 filed in Chancery Court as of June 30, 2002.

RECOMMENDATION

County officials should hold a delinquent property tax sale in an effort to collect delinquent taxes, as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur.