

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. The written response of the assessor of property is 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 COUNTY ENGINEER

FINDING 02.01 **PURCHASE ORDERS WERE NOT COMPLETED PROPERLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on purchase orders until the invoices were received from the vendors. The dollar amount and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

RECOMMENDATION

The office should improve purchasing procedures by listing the dollar amounts and descriptions of items on purchase orders.

FINDING 02.02 **A LIST OF COUNTY ROADS WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

The county engineer did not submit a list of county roads to the County Commission for approval, as required by Section 54-10-103, Tennessee Code Annotated. This statute requires that a list of county roads be submitted to the County Commission for approval at its January session each year and that the list be maintained in the County Clerk's Office. Highway Department officials need a current, approved list of county roads to determine roads on which the department is authorized to work.

RECOMMENDATION

The office should submit a list of county roads to the County Commission for approval, as required by state statute. Once approved, the list should be maintained in the County Clerk's Office.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 02.03 **PURCHASE ORDERS WERE NOT ISSUED PROPERLY (Internal Control – Reportable Condition Under Government Auditing Standards)**

In several instances, purchase orders were not issued properly. Some purchase orders were issued after the purchase was made, and on other purchase orders, the dollar amount was completed after receipt of the invoice. Also, purchase orders occasionally were not dated. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. The practice of issuing a purchase order after the purchase is made defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase. Furthermore, dollar amounts on purchase orders are necessary to quantify purchasing commitments.

RECOMMENDATION

To strengthen internal controls over the purchasing process, the office should issue purchase orders before purchases are made and should include on the purchase orders the date and dollar amounts.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 02.04 **ASSESSMENT RECORDS WERE CHANGED DURING THE YEAR AS PROPERTY TRANSFERS WERE MADE (Noncompliance Under Government Auditing Standards)**

The assessor updated the assessment records as property transfers were made during the year to reflect the current property owners. Section 67-5-502, Tennessee Code Annotated (TCA), requires all property to be assessed “to the person or persons owning or claiming to own the same on January 1 for the year for which the assessment is made.”

RECOMMENDATION

Property should be assessed to the person or persons owning the property as of January 1 in compliance with state statute.

MANAGEMENT’S RESPONSE – ASSESSOR OF PROPERTY

Updating assessment records as the sale of property occurs accommodates bankers, realtors, appraisers, lawyers, and property owners. When property owners’ sales are updated on a regular basis, they receive the assessment notice and have the option to appeal the value for the current year. Also, the new owner receives the current-year tax notice.

REBUTTAL

As stated above, updating the assessment records as property transfers are made violates the provisions of Section 67-5-502, TCA, which requires all property to be assessed to the person owning the property as of January 1 for the year the assessment is made.

OFFICE OF SHERIFF

FINDING 02.05 **THE SHERIFF ENTERED INTO AN UNAUTHORIZED CONTRACT FOR INMATE TELEPHONE SERVICES** (Noncompliance Under Government Auditing Standards)

The sheriff entered into a four-year contract with Evercom Systems, Inc., for inmate telephone service. The contract provides for the Sheriff's Department to receive 30 percent of the gross telephone revenue. After the 48 months have expired, this contract also provides for an automatic renewal for the same terms as the original contract. Our audit revealed the following deficiencies involving the contract with Evercom Systems, Inc.:

- A. This contract had not been approved by the Stewart County Commission, as required by Section 7-51-904, Tennessee Code Annotated.
- B. Documentation was not on file to indicate that the sheriff had competitively bid for this type of telephone service.

RECOMMENDATION

The County Commission's approval should be obtained for all contracts, as required by state statute. Also, good business practice requires the county to publicly advertise its intention to have a new telephone system installed at the jail. Without public advertisement and competitive bidding, the county cannot ensure that it has entered into a contract that most benefits the county.

FINDING 02.06 **THE SHERIFF DID NOT PREPARE AN ANNUAL FINANCIAL REPORT** (Noncompliance Under Government Auditing Standards)

The sheriff did not prepare an annual financial report. Section 5-8-505, Tennessee Code Annotated, states, "All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ..."

RECOMMENDATION

The office should prepare an annual financial report, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.07 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Stewart 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 Stewart 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

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

FINDING 02.08 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Stewart 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

Stewart 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.

FINDING 02.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE 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 Trustee; County Clerk; Circuit, General Sessions, and Juvenile 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, 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.