

## **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. 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      **CONTROLS OVER INVENTORY WERE NOT ADEQUATE****  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The county's controls over inventory were inadequate. The County Executive's Office maintained inventory records of county-owned assets; however, these records were not updated regularly. In addition, equipment was not tagged or clearly marked as county property. Generally accepted accounting principles require accountability for all county assets, such as vehicles, furniture, and equipment.

#### **RECOMMENDATION**

The office should update the county's inventory records regularly and should ensure that all county-owned assets are tagged or clearly marked as property of Unicoi County.

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### **OFFICE OF COUNTY CLERK**

**FINDING 02.02      **THE OFFICE HAD DEFICIENCIES IN BUSINESS TAX COLLECTIONS****  
(Noncompliance Under Government Auditing Standards)

Our examination disclosed deficiencies in business tax collections. Several businesses did not have a business tax application on file in the County Clerk's Office, and other businesses were delinquent in paying their business taxes. The county clerk did not issue distress warrants for the collection of delinquent business taxes, as provided in Section 67-4-719, Tennessee Code Annotated. The clerk's failure to collect all business taxes resulted in a loss of revenue for the county.

#### **RECOMMENDATION**

The county clerk should ensure that all businesses have business tax applications on file in the office and should issue distress warrants to collect delinquent business taxes, as provided by state statute.

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 02.03      **A DEPOSITORY WAS NOT REQUIRED TO ADEQUATELY COLLATERALIZE LITIGANT FUNDS THAT EXCEEDED FDIC COVERAGE****

(Internal Control – Reportable Condition Under Government Auditing Standards)

The circuit court clerk did not require a depository to pledge securities to protect litigant funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2002, the clerk had one litigant account of \$157,733 that exceeded the FDIC coverage limit of \$100,000. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of the funds exceeding FDIC coverage.

**RECOMMENDATION**

For litigant accounts that exceed \$100,000, the clerk should either obtain collateral for the amount exceeding FDIC coverage or invest the amount exceeding FDIC coverage in a different bank.

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**FINDING 02.04      **THE COURT SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS****

(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not have sufficient controls over the software application for General Sessions Court. The 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 the 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 FINDINGS AND RECOMMENDATIONS

FINDING 02.05      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Unicoi 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

Unicoi 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.

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FINDING 02.06      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Unicoi 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 Unicoi 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

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

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FINDING 02.07      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Clerk and Master and Sheriff. The officials and employees responsible for maintaining the 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.