

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. 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 COUNTY EXECUTIVE

FINDING 02.01 **THE COUNTY EXECUTIVE’S OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive’s Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.

RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 02.02 **THE HIGHWAY DEPARTMENT HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.

RECOMMENDATION

The department should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 02.03 **THE OFFICE OF GENERAL SESSIONS COURT CLERK HAD A CASH SHORTAGE OF \$250**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of General Sessions Court Clerk had a cash shortage of \$250 on June 30, 2002. This cash shortage resulted from the clerk's erroneously paying a litigant twice in August 2001. The clerk was unable to recover the overpayment from the litigant and liquidated the cash shortage from personal funds subsequent to June 30, 2002.

RECOMMENDATION

Checks should be reviewed closely before issuance, and any payments made in error should be corrected promptly.

OFFICE OF SHERIFF

FINDING 02.04 **THE OFFICE HAD A CASH SHORTAGE OF \$1,372 AT AUGUST 31, 2002**
(Internal Control – Material Weakness Under Government Auditing Standards)

The Sheriff's Office had a cash shortage of \$525 at June 30, 2002. Subsequent to June 30, 2002, an additional cash shortage of \$847 occurred and increased the cash shortage to \$1,372 on August 31, 2002. It should be noted that the Sheriff's Office did not reflect any fees received between November 2001 and August 31, 2002. Therefore, it appears that the Sheriff's Office has collections in addition to the cash shortage of \$1,372 that were not brought into accounting. However, we have not charged the sheriff with any additional cash shortage since we are unable to determine the additional amount of funds not brought into accounting. Due to the office's failure to properly receipt collections, failure to deposit funds in compliance with the three-day deposit law, and other irregularities detailed in this report, we were unable to determine the proprietary of all transactions of the Sheriff's Office for the year ended June 30, 2002, and subsequent period of July 1, 2002, through August 31, 2002.

The details of the cash shortage are as follows:

- A. On February 26, 2002, we performed a cash count in the office. The bookkeeper presented 36 checks totaling \$525 that dated as far back as July 26, 2001, that had not been receipted into the office and had not been deposited to the office bank account. It should be noted that Section 9-2-103, Tennessee Code Annotated (TCA), requires that official, prenumbered receipts be issued for all collections of the office. Also, Section 5-8-207 TCA, requires that all collections of the office be deposited within three days. After the cash count, we instructed the office staff to receipt and deposit the collections presented to us during the cash count. However, a subsequent

review of the office receipts, bank statements, and cash journal disclosed that the checks that were presented to us during the cash count on February 26, 2002, had never been receipted, deposited, or otherwise accounted for. The sheriff liquidated this portion of the cash shortage by remitting personal funds of \$525 to the Sheriff's Office on December 13, 2002.

- B. The office issued a receipt for a cash bond of \$847 in July 2002. As of August 31, 2002, the date the sheriff left office, this cash bond was not in the office and had never been deposited to the office bank account or otherwise accounted for. The sheriff liquidated this portion of the cash shortage by remitting personal funds of \$847 to the Sheriff's Office on September 11, 2002.

RECOMMENDATION

The office should ensure that all collections are properly brought into accounting by issuing official, prenumbered receipts for all collections and depositing all collections within three days of receipt, as required by state statutes.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.05 **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.

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

Union County and the discretely presented Union 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 Union 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

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

FINDING 02.07 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Union 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

Union 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.