

## **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. 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 03.01      **ACCOUNTING RECORDS WERE NOT PROPERLY MAINTAINED FOR FUNDS ADMINISTERED BY THE COUNTY EXECUTIVE'S OFFICE****  
(Material Noncompliance Under Government Auditing Standards)

Our examination revealed the following deficiencies:

- A. Cash balances of the various funds maintained by the County Executive's Office were not properly reconciled with the trustee's cash balances, as required by Section 9-2-138, Tennessee Code Annotated. The County Executive's Office had prepared fund reconciliations; however, these reconciliations did not agree with balances in the trustee's office due to several posting errors not being identified. Also, an accurate outstanding warrant list for the Drug Control Fund had not been prepared. These errors include:
1. An interfund loan transfer of \$50,000 from the General Purpose School Fund to the General Fund made in September 2002 was not posted to the General Fund accounting records.
  2. Bridge grant proceeds of \$35,737 received in October 2002 were posted to the General Fund instead of the Highway/Public Works Fund.
  3. In October 2002, trustee receipts of \$51,358 for the General Fund were posted to the county executive's accounting records twice.
  4. The list of outstanding warrants at June 30, 2003, for the Drug Control Fund included a \$1,035 warrant that the trustee had cleared in February 2003. It should also be noted that the trustee had cleared this warrant through the General Fund instead of the Drug Control Fund.

We have made audit adjustments to correct these errors and to properly reflect these transactions in the financial statements as of June 30, 2003.

- B. A detailed list of receivables and payables was not prepared. Additional audit procedures were performed to determine receivables and payables, and audit adjustments have been made to properly reflect these amounts in the financial statements of this report.

- C. Payroll deduction accounts were not reconciled with amounts withheld and paid. These accounts have been reconciled, and adjustments have been made to account balances to properly present them in the financial statements of this report.

RECOMMENDATION

Cash balances should be properly reconciled with the trustee's cash balance, and any errors should be corrected. Receivables and payables should be determined and recorded on the accounting records. Furthermore, payroll deduction accounts should be reconciled monthly with amounts withheld and paid, and any errors should be corrected.

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FINDING 03.02      **LEAVE RECORDS WERE NOT MAINTAINED FOR EMPLOYEES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive's Office had personnel policies that established work hours, annual leave, sick leave, compensatory time, etc. for office employees. However, records of employees' leave were not maintained.

RECOMMENDATION

Records of employees' leave should be maintained.

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FINDING 03.03      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACK-UP PROCEDURES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The following weaknesses regarding computer system back-up procedures in the Office of County Executive were identified:

- A. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as to possible sabotage.

- B. 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 information accounted for through the automated process.

#### RECOMMENDATION

Management should store backups in a secure, fireproof location. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These year-end backups should 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.

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#### **OFFICE OF HIGHWAY SUPERINTENDENT**

FINDING 03.04      **RECEIVABLES WERE NOT DETERMINED AND POSTED TO THE ACCOUNTING RECORDS**  
(Material Noncompliance Under Government Auditing Standards)

Receivables were not determined and recorded on the accounting records. We performed additional audit procedures to determine receivables. Adjustments totaling \$167,027 have been made to properly present these receivables in the financial statements of this report.

#### RECOMMENDATION

Receivables should be reflected on the accounting records.

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#### **OFFICE OF DIRECTOR OF SCHOOLS**

FINDING 03.05      **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT**  
(Material Noncompliance Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$49,591 at June 30, 2003. This cash overdraft resulted from issuing warrants that exceeded funds on deposit with the county trustee. It was corrected when additional federal funds were received subsequent to June 30, 2003.

RECOMMENDATION

The office should not issue warrants that exceed cash on deposit with the county trustee.

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FINDING 03.06      **INVENTORY RECORDS WERE NOT MAINTAINED ADEQUATELY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

School officials maintained inventory records of assets owned by the School Department. However, some assets were not labeled as property of the School Department. Also, these assets were not verified by personnel independent of maintaining the inventory records. Generally accepted accounting principles require accountability for all assets of the School Department, such as equipment, furniture, and fixtures. The failure to properly label assets may result in a loss of control over the assets.

RECOMMENDATION

All assets should be labeled as property of the School Department and should be periodically verified by personnel who are independent of maintaining the inventory records.

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**OFFICE OF SHERIFF**

FINDING 03.07      **THE OFFICE HAD INTERNAL CONTROL DEFICIENCIES IN MAINTAINING INVENTORY RECORDS AND SAFEGUARDING CONFISCATED WEAPONS AND OTHER SEIZED PROPERTY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following deficiencies in maintaining inventory records and safeguarding confiscated weapons and other seized property during our examination of the Sheriff's Office:

- A. The office did not maintain inventory records of confiscated weapons or other seized property. Therefore, we were unable to determine if all confiscated weapons and seized property were accounted for.

- B. We could not confirm that access to the evidence room was limited to authorized personnel in charge of receiving and releasing confiscated weapons and/or other seized property.
- C. There were no sign-in/sign-out records in the evidence room for confiscated weapons and other seized property. Therefore, we were unable to determine if only authorized personnel removed and/or returned confiscated items.

RECOMMENDATION

The office should keep inventory records of all confiscated weapons and other seized property. Access to the evidence room should be limited to authorized personnel in charge of receiving and/or releasing confiscated evidence. Furthermore, sign-in/sign-out records should be maintained in the evidence room to document that only authorized personnel have removed and/or returned confiscated items.

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FINDING 03.08     **COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**  
(Noncompliance Under Government Auditing Standards)

Collections were not always deposited to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated. County officials must deposit all public funds within three days of collection.

RECOMMENDATION

All collections should be deposited to the office bank account within three days of collection, as required by state statute.

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FINDING 03.09     **THE SHERIFF ENTERED INTO A CELLULAR TELEPHONE SERVICE CONTRACT WITHOUT PROPER AUTHORITY**  
(Noncompliance Under Government Auditing Standards)

On June 26, 2003, the sheriff signed a two-year contract for cellular telephone service. The contract was not submitted to the County Commission for their approval, as required by Sections 7-51-901 through 7-51-904, Tennessee Code Annotated.

RECOMMENDATION

The County Commission should approve all contracts, as required by state statute.

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**OTHER FINDINGS AND RECOMMENDATIONS**

FINDING 03.10      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Bledsoe 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 Bledsoe 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

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

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FINDING 03.11      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

Bledsoe County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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FINDING 03.12

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; 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 County Executive; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining 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.

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FINDING 03.13

**THE GENERAL SESSIONS JUDGE ALSO SERVED AS COUNTY ATTORNEY, CONTRARY TO OPINIONS ISSUED BY THE STATE ATTORNEY GENERAL'S OFFICE**

(Noncompliance Under Government Auditing Standards)

The county executive retained the general sessions judge to serve also as county attorney. However, the state Attorney General's Office opined (in opinions U90-120 on August 16, 1990, and 99-156 on August 19, 1999) that the Tennessee Constitution prohibits judges of the supreme or inferior courts (including General Sessions Court) from holding any other office of trust or profit, such as the position of county attorney.

RECOMMENDATION

County officials should take appropriate steps to comply with the state constitution's provisions prohibiting judges from holding another office of trust or profit.