

## **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 findings and recommendations; however, we did not include these oral responses in this report.

### **OFFICE OF HIGHWAY COMMISSION**

**FINDING 03.01**      **GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

General ledger payroll liability accounts were not reconciled with payroll reports and payments of insurance premiums. Without this necessary reconciliation, errors and omissions in employee payroll deductions could occur and go undetected. At June 30, 2003, payroll liability accounts had accumulated unidentified amounts for insurance deductions. Audit adjustments made these unidentified balances total zero, and as a result of these audit adjustments, expenditures in the Employee Benefits major expenditure category exceeded appropriations by \$13,924.

#### **RECOMMENDATION**

The office should reconcile general ledger payroll liability accounts with payroll reports and payments of insurance premiums.

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**FINDING 03.02**      **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF ROAD MATERIALS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of 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.

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

### **FINDING 03.03      **THE EXECUTION DOCKET TRIAL BALANCE PREPARED FOR CIRCUIT COURT DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS****

(Noncompliance Under Government Auditing Standards)

The trial balance of execution docket cause balances prepared for Circuit Court did not reconcile with cash journal accounts by \$3,562 at June 30, 2003. Consequently, we were unable to determine if the clerk had complied with the provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

### **RECOMMENDATION**

The execution docket trial balance should be reconciled with cash journal accounts, as required by state statute. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office.

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### **FINDING 03.04      **SUFFICIENT USER DOCUMENTATION FOR THE OPERATING SYSTEM AND SOFTWARE APPLICATIONS WAS NOT MAINTAINED****

(Internal Control – Reportable Condition Under Government Auditing Standards)

The circuit and general sessions courts clerk did not maintain formal user documentation pertaining to the accounting software and operating system. This documentation is necessary to provide users with information regarding system maintenance, system inputs, application processing requirements, output definitions, and system recovery. Inadequate documentation may result in inaccurate and inefficient processing of applications.

### **RECOMMENDATION**

The office should maintain user documentation pertaining to all software applications and the operating system. Management should contact their vendor and obtain current user documentation for all components of their computer system.

## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 03.05**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; SHERIFF; AND DIRECTOR OF SCHOOLS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; Sheriff; and Director of Schools. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. In the Office of Director of Schools, the bookkeeper reconciled cash balances with the trustee, issued purchase orders, entered invoices into the computer system, and generated warrants. 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 03.06**      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Carroll 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**

Carroll 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.