

Audit Highlights

Annual Financial Report
Carter County, Tennessee
For the Year Ended June 30, 2003

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Carter County as of and for the year ended June 30, 2003.

Results

Our report on Carter County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in ten findings and recommendations, which we have reviewed with Carter County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

The following are summaries of the audit findings:

CARTER COUNTY:

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF FINANCE DIRECTOR:

- ◆ The County Financial Management System of 1981 was not fully implemented. Although most of the operations were centralized after June 30, 2003, deficiencies were noted in the implementation of the plan.
- ◆ A refunding capital outlay note was issued prior to receiving approval from the state director of Local Finance. Additionally, the note was signed by the finance director instead of the county executive and county clerk, in violation of a County Commission resolution.
- ◆ There were deficiencies in purchasing procedures relating to awarding and soliciting bids for various supplies and equipment.
- ◆ The two county-operated convenience centers only issued receipts for collections at customers' requests, violating the state statute requiring receipts for all collections.
- ◆ Duties were not segregated adequately in the Finance Office.

OFFICE OF TRUSTEE:

- ◆ The office's depository deducted warrants from the office's bank account before the bank presented the warrants to the trustee for payment, violating a state statute.
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OFFICE OF COUNTY CLERK:

- ◆ Our audit of the County Clerk's Office revealed numerous material internal control deficiencies relating to cash collections and deposits. The daily cash book did not reference the receipt numbers for miscellaneous collections, receipts for miscellaneous collections did not reflect the method of payment, weaknesses were noted in controls over daily renewal and title application forms, prenumbered receipts were not issued for some collections, and controls over business tax collections and probate dockets were weak. Because of these internal control weaknesses, we could not determine if all collections had been accounted for properly.
 - ◆ The clerk did not determine if delinquent businesses filed tax returns and did not issue distress warrants to collect delinquent business taxes, as required by state statute.
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OTHER FINDING:

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Clerk and Master, Register, and Sheriff.