

# ***Audit Highlights***

Annual Financial Report  
Cocke 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 Cocke County as of and for the year ended June 30, 2003.

## ***Results***

Our report on Cocke 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 12 findings and recommendations, which we have reviewed with Cocke County's management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

The following are summaries of the audit findings:

### **COCKE COUNTY:**

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

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### **OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF ACCOUNTS AND BUDGETS:**

- ◆ Many provisions of the Budgeting, Fiscal Procedures, and Purchasing Laws of 1957 had not been implemented as of January 30, 2004. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county executive and road superintendent.
- ◆ The General Fund had a fund deficit of \$66,936 as of June 30, 2003. This deficit resulted from appropriating nearly all of the beginning fund balance, overestimating revenues for the year, and failing to adequately monitor the budget and make adjustments when the estimated revenues did not materialize.
- ◆ The office did not have procedures in place to ensure that newly acquired assets were added to the inventory lists, items disposed of were deleted from the inventory lists, and personnel independent of maintaining the inventory verified these records.

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### **OFFICE OF ROAD SUPERINTENDENT:**

- ◆ Several deficiencies were noted in the office's purchasing procedures. Purchase orders were not properly issued, attendance sheets and tally sheets were not maintained for bid openings, and receiving reports and/or invoices were not always signed.

- ◆ The office did not reconcile fuel tickets with the amount of fuel used and did not maintain documentation of the receipt, usage, and storage of consumable assets, such as tires and repair parts. Also, maintenance and repair records were not maintained for Highway Department vehicles and equipment.
  - ◆ The office had deficiencies in maintaining accounting records, specifically the general ledger. These deficiencies included not maintaining documentation to support payroll deduction account balances, not properly recording receivables and payables, not adequately reconciling cash on deposit with the trustee, and not posting audit adjustments.
  - ◆ A county road list was not submitted to the County Commission for its approval in the January 2003 session, as required by state statute.
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#### **OFFICE OF TRUSTEE:**

- ◆ The trustee did not record all investment transactions. Investments on the accounting records were understated by \$27,373 on April 30, 2003, and overstated by \$199,772 on June 30, 2003. Likewise, the trustee did not record all interest earnings in the accounting records for short-term accounts, which were understated by \$13,953 on April 30, 2003, and by \$23,416 on June 30, 2003.
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#### **OFFICE OF SHERIFF:**

- ◆ Deficiencies were noted in the operation of the commissary. These deficiencies included not recording transactions on the cash journal, not performing monthly bank reconciliations, and not requiring the financial institution to provide images of the backs of cancelled checks.
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#### **OTHER FINDINGS:**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of General Sessions Court Clerk, Clerk and Master, Juvenile Court Clerk, Register, and Sheriff.
- ◆ Audited financial statements were not obtained for the Recreation Department's transactions that were channeled through an outside bank account for the period July 1, 2002, through June 30, 2003.