

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.

FINDINGS AND RECOMMENDATIONS

FINDING 03.01 **THE DECATUR COUNTY LIBRARY MAINTAINED AN OUTSIDE BANK ACCOUNT**

(Material Noncompliance Under Government Auditing Standards)

Certain financial transactions of the Decatur County Library were not channeled through the county's General Fund. The Library Board maintained an outside bank account for late book fines and maintained two certificates of deposit totaling \$102,604 for the library's building program. Section 58-210, Tennessee Code Annotated, designates the county trustee as the custodian of all county funds.

RECOMMENDATION

The outside bank account and certificates of deposit the Library Board maintains should be closed and the balance transferred to the Trustee's Office and reserved in the General Fund for the maintenance and/or construction of the Decatur County Library.

FINDING 03.02 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Decatur 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 Decatur 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

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

FINDING 03.03

A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED

(Internal Control – Reportable Condition Under Government Auditing Standards)

Decatur 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

Decatur 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.

FINDING 03.04

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, 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, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting funds, issuing checks, depositing funds, posting the cash journal, and/or reconciling bank statements. 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.