

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. The written responses of the county executive are paraphrased in this report. Other officials offered 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 **THE OFFICE ENTERED INTO A LEASE-PURCHASE AGREEMENT WITHOUT THE COUNTY COMMISSION'S APPROVAL**

(Noncompliance Under Government Auditing Standards)

The county executive entered into a lease-purchase agreement in the amount of \$105,055 for five patrol cars for the Sheriff's Department without the approval of the County Commission. Section 7-51-904, Tennessee Code Annotated, requires such contracts, leases, or lease-purchase agreements to be approved by a resolution adopted by the County Commission.

RECOMMENDATION

Lease purchase agreements should be approved by the County Commission as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

This lease was approved by the proper committees; however, we failed to present the lease to the Board of County Commissioners for their approval. This lease will be presented to the County Commission for their approval on February 9, 2004.

FINDING 03.02 **THE GENERAL FUND HAD BUDGET DEFICIENCIES**

(Noncompliance Under Government Auditing Standards)

Our audit revealed the following budgeting deficiencies in the General Fund:

- A. Expenditures exceeded appropriations approved by the County Commission in six major categories of the General Fund by amounts ranging from \$188 to \$163,265. Section 5-9-401, Tennessee Code Annotated, states that "all funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

- B. Salary expenditures of the General Fund exceeded seven line-item appropriations by amounts ranging from \$133 to \$926. The budget resolution approved by the County Commission states that the salary, wages, and remuneration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission, as required by state statute. Salary expenditures should be held within line-item appropriations, as required by the budget resolution.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

In response to item B., the county executive stated the following:

The account director in the County Mayor's Office was not notified by the various office holders that their salary line-items needed to be amended. However, in the future the account director will review the month-end reports for any salary line-items exceeding appropriations in order to correct this deficiency.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.03 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Dyer 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

Dyer 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.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

At the present time, the Dyer County Commission does not wish to adopt a central system of accounting, budgeting, and purchasing.

FINDING 03.04

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND SHERIFF

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk and Sheriff. Employees responsible for maintaining the accounting records in each of these offices were also involved in receipting, preparing bank deposits, depositing funds, and/or reconciling monthly 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.