

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations as a result of our examination of Greene County, Tennessee, and the Greene County School Department, a component unit of Greene County, Tennessee, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Excerpts from the schools director's written responses are included 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 DIRECTOR OF SCHOOLS

FINDING 03.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

The Greene County School Department, a component unit of Greene County, Tennessee, did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, the Greene County School Department was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, the Greene County School Department's financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the School Department's financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires counties that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. The School Department's financial statements are presented in compliance with these requirements.

RECOMMENDATION

The School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the county's capital assets and the related depreciation amounts of these assets. This information is necessary to present the School Department's financial statements in accordance with generally accepted accounting principles.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We are currently complying with the requirements of GASB Statement No. 34. This should be completed within the next three to four months. Our previous budget director was aware for the past three years that GASB Statement No. 34 was required for last fiscal year's

audit. She repeatedly informed me this would be completed by the time the auditor arrived. However, it was barely started. Since that time she has been terminated, and I have assumed responsibility for getting it completed.

OFFICE OF TRUSTEE

FINDING 03.02 THE TRUSTEE DID NOT CHARGE CHECKS TO THE APPROPRIATE FUNDS UNTIL THE CHECKS CLEARED THE FINANCIAL INSTITUTION
(Noncompliance Under Government Auditing Standards)

Greene County elected to use a checking system for disbursing county funds, as provided by Section 5-8-210, Tennessee Code Annotated. This statute requires the county trustee to certify that funds are available for checks issued by the various departments and to charge those checks against the appropriate fund upon certification. The trustee certified the availability of funds for the checks issued; however, the trustee did not charge the checks to the fund on which they were drawn until the checks were cleared or paid by the financial institution.

RECOMMENDATION

The trustee should charge all checks against the appropriate funds after certifying that funds are available.

FINDING 03.03 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF TRUSTEE
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Office of Trustee. Officials and employees responsible for maintaining the accounting records of these offices were also involved in receipting, depositing, and/or disbursing funds. 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.