

Audit Highlights

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

Scope

We have audited the general purpose financial statements and the combining, individual fund, and account group financial statements of Grundy County as of and for the year ended June 30, 2003.

Results

Our report on Grundy County's financial statements was qualified because the statements did not include a General Fixed Assets account group and did not account for the operations of the county-owned sewer system in an Enterprise Fund in accordance with state statutes.

Our audit resulted in 15 findings and recommendations, which we have reviewed with Grundy County management. Detailed findings and recommendations are included in the Single Audit Section of this report.

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE:

- ◆ The county allowed a nonprofit ambulance service to use a county-owned building and vehicles without the County Commission's approval or a contract concerning the use of the property and equipment.
- ◆ The office accounted for transactions of the county-owned sewer system through the county's General Fund instead of an Enterprise Fund.
- ◆ The office did not issue official, prenumbered receipts for Sewer Department collections. Also, the County Commission had not established a formal, written policy for the write-off of uncollectible accounts receivable.

OFFICE OF HIGHWAY SUPERINTENDENT:

- ◆ Purchase orders were not issued for some applicable purchases.
- ◆ The highway superintendent did not submit a road list to the County Commission, as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS:

- ◆ The School Federal Projects Fund had a cash overdraft of \$109,573 at June 30, 2003.
- ◆ Expenditures exceeded appropriations in ten of 24 major appropriation categories of the General Purpose School Fund and three major appropriation categories of the School Federal Projects Fund. Salaries exceeded line-item appropriations in 22 accounts in the General Purpose School Fund and five accounts in the School Federal Projects Fund. Budget amendments were posted to the General

Purpose School Fund that had not been approved by the County Commission. Also, the School Federal Projects Fund budget was not posted to the accounting records until February 2003.

- ◆ Purchase orders were not issued for some applicable purchases and in some instances were not issued properly. In several instances, invoices were paid without the original invoice on file, and several invoices were paid without documentation that goods were received and/or services were rendered. Expenditures were not classified properly in the accounting records. The School Department paid sales tax on several items even though the department is exempt from sales tax. Also, the keys to the check-signing machine were kept in the machine when it was not in use.
- ◆ Inventory records maintained by teachers and librarians were not verified by personnel independent of the recordkeeping process. Also, the School Department had not established any procedures to ensure that new assets were added to the inventory or that assets were removed from the inventory when sold as surplus property or destroyed.
- ◆ Time and attendance records were not maintained for all employees.
- ◆ Several deficiencies were noted in the operations of the Little Jackets Daycare Center. Duties were not adequately segregated. Receipts were not deposited with the county trustee within three days of collection, as required by state statute. Official, prenumbered receipts were not issued for all collections. Several altered receipts were issued, as well as receipts that were issued twice for the same collection. Receipt books were not maintained intact. Collections were not adequately safeguarded, and an adequate audit trail was not maintained. Collections were not reconciled with deposits made to the county trustee. Prenumbered checks were not issued for all disbursements. Also, the daycare center did not maintain adequate accounts receivable records.

OFFICE OF SHERIFF:

- ◆ The office did not deposit collections to the office bank account within three days, as required by state statute.

OTHER FINDINGS:

- ◆ The county did not inventory, value, and record its general fixed assets, as required by generally accepted accounting principles.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*