

## **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 circuit and general sessions courts clerk's written response is 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 FINANCE DIRECTOR**

#### **FINDING 03.01      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)**

Our examination revealed the following deficiencies in budget operations:

- A. Appropriations approved by the County Commission exceeded estimated available funds by \$10,914 in the county's Ambulance Service Fund.
- B. Highway/Public Works Fund expenditures exceeded appropriations in the Capital Outlay (\$144,498) major appropriation category.

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 of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

### **RECOMMENDATION**

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the commission should not approve such appropriations. Expenditures should be held within appropriations approved by the County Commission, as required by state statute.

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#### **FINDING 03.02      **THE SOLID WASTE DISPOSAL FUND HAD A RETAINED EARNINGS DEFICIT** (Internal Control – Reportable Condition Under Government Auditing Standards)**

At June 30, 2003, the Solid Waste Disposal Fund had a retained earnings deficit of \$162,555, an increase of \$11,861 from the deficit at June 30, 2002. The Solid Waste Disposal Fund is an Enterprise Fund, which is required by the Solid Waste Disposal Act of 1991 to account for operations of the landfill. A liability for closure and postclosure care

costs is accrued in this fund based on the capacity used. The \$178,206 reported as landfill closure and postclosure care liability at June 30, 2003, represents the cumulative amount reported to date based on the estimated capacity of the landfill. The deficit in the retained earnings account of the Solid Waste Disposal Fund was primarily attributable to the recognition of this liability for landfill closure and postclosure care costs and long-term debt.

#### RECOMMENDATION

County officials should continue efforts to liquidate the retained earnings deficit over a period of years.

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### **OFFICE OF DIRECTOR OF SCHOOLS**

FINDING 03.03      **AN EMPLOYEE AT CENTERVILLE INTERMEDIATE SCHOOL STOLE \$4,171 IN CAFETERIA FUNDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

School cafeteria personnel discovered a cash shortage of \$4,171, and on March 20, 2003, school officials notified our office that an employee admitted taking cash from collections and resigned her position. After a review of the cafeteria's records, we verified that cash was missing during November 2002 through March 2003 and that because of internal control weaknesses in the computerized coding system, officials did not have the necessary reports to reconcile their bank balance with student account balances. On July 17, 2003, the employee who committed the theft liquidated the cash shortage from personal funds. We have reviewed this cash shortage with the district attorney general.

#### RECOMMENDATION

Internal controls over the cafeteria's coding system should be improved to provide monthly reports for reconciling the bank balance with student accounts.

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### **OFFICE OF COUNTY CLERK**

FINDING 03.04      **THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access

security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

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**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

FINDING 03.05      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**  
(Noncompliance Under Government Auditing Standards)

At June 30, 2003, the circuit and general sessions courts clerk had prepared trial balances of execution docket cause balances, as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances did not reconcile with cash journal accounts by substantial amounts. We were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

Execution docket trial balances should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statutes.

**MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

I am working with my software vendor to correct this deficiency as soon as possible. Any identified unclaimed property will be forwarded to the state.

## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 03.06**      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Hickman 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 Hickman 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**

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

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**FINDING 03.07**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE AMBULANCE SERVICE; SOLID WASTE DEPARTMENT; AND THE OFFICES OF TRUSTEE, COUNTY CLERK, AND CLERK AND MASTER**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Ambulance Service; Solid Waste Department; and the Offices of Trustee, County Clerk, and Clerk and Master. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds.

### **RECOMMENDATION**

To strengthen internal controls over operations, officials in these departments and offices should segregate duties adequately among employees.