

Audit Highlights

Comprehensive Annual Financial Report
Houston 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 Houston County as of and for the year ended June 30, 2003.

Results

Our report on Houston County's financial statements was qualified because the statements did not include a General Fixed Assets account group and did not include one component unit whose financial statements were not available at the date of this report.

Our audit resulted in 17 findings and recommendations, which we have reviewed with Houston County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE:

- ◆ As disclosed in the prior-year audit report, the General and Solid Waste/Sanitation Funds had cash shortages that remained unpaid at June 30, 2003. As a result of the cash shortages, the former county executive and two former county employees were indicted by the Houston County Grand Jury. Each defendant signed a memorandum of understanding with the District Attorney General's Office.
- ◆ A formal purchase order system had not been established.
- ◆ The office had budget deficiencies. Budget amendments posted to the accounting records of the General, Solid Waste/Sanitation, Drug Control, and General Debt Service Funds did not agree with amendments approved by the County Commission. Also, the General Debt Service Fund's actual fund balance at July 1, 2002, was \$123,467 more than the estimated fund balance presented to the County Commission.
- ◆ The office had deficiencies in its accounting records. Office personnel did not adequately reconcile the cash balances of the General, Solid Waste/Sanitation, and General Debt Service Funds with the trustee's cash balances. Several expenditures were misclassified on the accounting records of the General Fund. Numerous journal entries were made to the accounting records of the General, Solid Waste/Sanitation, and General Debt Service Funds without any supporting documentation.

- ◆ The office had payroll deficiencies. General ledger payroll deduction accounts were not reconciled with subsidiary payroll records on a monthly basis. Employees' federal income and social security taxes were not reported correctly to the Internal Revenue Service (IRS) and resulted in overpayments to the IRS. Employee time and attendance records did not always have the required signatures. The office did not maintain records of compensatory and vacation hours that each employee earned and used.
 - ◆ A sheriff's deputy was paid \$186 for gasoline in addition to being reimbursed \$598 for mileage. The county's travel policy only provides for the reimbursement of mileage.
 - ◆ The office did not have formal policies and procedures for computer operations.
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OFFICE OF ROAD SUPERINTENDENT:

- ◆ Descriptions and/or dollar amounts of purchases were not reflected on purchase orders until the invoices were received from vendors.
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OFFICE OF COUNTY CLERK:

- ◆ The clerk did not deposit collections intact; i.e., funds collected during a specific period of time were not deposited together.
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OFFICE OF SHERIFF:

- ◆ Deficiencies were noted in the purchase of a dog for the Sheriff's Office. The Sheriff's Department had been using a dog that was owned by the sheriff's brother, who is a deputy sheriff. The county had insured the dog, and the county was named as beneficiary. The dog died and the county used insurance proceeds of \$7,500 to purchase another dog. The sheriff did not solicit bids, take requests for proposals, or take other steps to ensure a reasonable price was paid for the dog. Also, the sheriff did not present us with documentation showing the dog is registered with the American Kennel Club or any other association, and we have been unable to confirm the dog was actually trained.
- ◆ Bids were not solicited for the purchase of police car video systems and bullet-proof vests.
- ◆ The office had deficiencies in the inmate and commissary account operations. Funds were not deposited to the office bank account within three days of collection. Bank statements were not reconciled with general ledger accounts, and a list of outstanding checks was not prepared throughout the audit period. Also, adequate documentation was not maintained to support some disbursements from the account.
- ◆ Bank statements were not reconciled with cash journal accounts on a monthly basis.

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 Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
- ◆ At the Ambulance Service, prenumbered trip tickets were not used.

