

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations as a result of our examination are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Management 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 HAD DEFICIENCIES IN ITS PURCHASING PROCEDURES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination disclosed the following deficiencies in internal controls over purchasing:

- A. In several instances, purchase orders were issued after the purchases were made. The practice of issuing purchase orders after the purchases are made defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.
- B. In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

Purchase orders should be issued before purchases are made. Also, documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

FINDING 03.02 **DEFICIENCIES WERE NOTED IN THE AMBULANCE SERVICE OPERATIONS**

(Noncompliance Under Government Auditing Standards)

Our examination of the Ambulance Service operations disclosed the following deficiencies:

- A. Funds were not always deposited to the office bank account within three days of collection. Section 58-207, Tennessee Code Annotated, requires county officials to deposit all public funds to the office bank account within three days of collection.
- B. Prenumbered trip tickets were not used.

RECOMMENDATION

Funds should be deposited within three days of collection, as required by state statute. In addition, prenumbered trip tickets should be used.

FINDING 03.03 **EXPENDITURES EXCEEDED APPROPRIATIONS APPROVED BY THE COUNTY COMMISSION**

(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Drug Control Fund by \$15,802. 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

Expenditures should be held within appropriations approved by the County Commission.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 03.04 **ADEQUATE CONTROLS OVER CONSUMABLE ASSETS WERE NOT MAINTAINED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain adequate controls over consumable assets. Our audit disclosed the following weaknesses:

- A. Fuel consumption records were not maintained for fuel dispensed from Highway Department fuel pumps.
- B. Records were not maintained documenting the quantity and use of consumable assets on hand, such as rock.

The failure to maintain adequate records for consumable assets results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The office should maintain records of the quantity and use of all consumable assets.

FINDING 03.05 PURCHASE ORDERS WERE NOT ISSUED FOR SOME APPLICABLE PURCHASES

(Internal Control – Reportable Condition Under Government Auditing Standards)

Purchase orders were not issued for some applicable purchases of the Highway Department. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases.

FINDING 03.06 COMPETITIVE BIDS WERE NOT SOLICITED FOR LIABILITY INSURANCE

(Noncompliance Under Government Auditing Standards)

The Highway Department purchased commercial liability insurance coverage for \$37,902 without soliciting competitive bids. Purchasing procedures for this office are governed by Chapter 111, Private Acts of 1951, as amended, and provisions of Section 54-7-113, Tennessee Code Annotated (the Uniform Road Law), which require all purchases exceeding \$5,000 to be made based on competitive bids solicited through newspaper advertisement.

RECOMMENDATION

All purchases exceeding \$5,000 should be made based on competitive bids solicited through newspaper advertisement, as required by state statutes.

OFFICE OF SHERIFF

FINDING 03.07 THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS

(Noncompliance Under Government Auditing Standards)

The Sheriff's Office had the following deficiencies in administering drug control funds:

- A. Several forms and reports required by the Office of the Comptroller of the Treasury were not completed or prepared. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations.

- B. The transactions for drug control funds were not reflected on the office cash journal.

RECOMMENDATION

The sheriff should ensure that the office completes all forms and prepares all reports required by the Office of the Comptroller of the Treasury. Also, all transactions for drug control funds should be reflected on the office cash journal.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.08 FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION IN THE OFFICES OF CLERK AND MASTER AND SHERIFF

(Noncompliance Under Government Auditing Standards)

In the Offices of Clerk and Master and Sheriff, funds were not always deposited to their office bank accounts within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit all public funds to their office bank accounts within three days of collection.

RECOMMENDATION

The offices should deposit funds within three days of collection, as required by state statute.

FINDING 03.09 RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS

(Internal Control – Material Weakness Under Government Auditing Standards)

Jackson 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 for Jackson 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

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

FINDING 03.10 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Jackson County officials had not adopted a system of central accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Jackson 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.

FINDING 03.11 **DUTIES WERE NOT SEGREGATED ADEQUATELY 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**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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. Officials and employees responsible for maintaining the accounting records in 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.