

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 finance director'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 PURCHASING PROCEDURES**

(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

The Finance Office had the following deficiencies in purchasing procedures:

- A. The office paid several invoices without documentation that goods had been received or services had been rendered and paid several invoices without noting on the invoices that payment had been made. This failure to document payment could result in the office's paying an invoice more than once.
- B. The office did not issue purchase orders for several applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- C. The Finance Office purchased voter ballots for \$8,267 without soliciting competitive bids. Purchasing procedures for this office are governed by the County Financial Management System of 1981, which requires purchases exceeding \$5,000 to be competitively bid.

RECOMMENDATION

The office should improve purchasing procedures by obtaining documentation that goods have been received or services rendered before paying invoices and by documenting payment of all invoices. Furthermore, the office should issue purchase orders for all applicable purchases, and all purchases exceeding \$5,000 should be made based on competitive bids, as required by state statute.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The Finance Office will increase its focus on documentation of the receipt of goods, on the marking/cancellation of invoices, and on the issuance of purchase orders for all purchases. Also, the office will solicit competitive bids on purchases exceeding \$5,000.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 03.02 **THE COURT SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The court software application did not provide a record of changes to previously issued receipts. Users had the capability to change information on receipts, leaving no evidence of the original receipt. This lack of application controls could allow inappropriate system activity.

RECOMMENDATION

Management should contact their software vendor concerning the removal of the capability to change receipts. Removing this capability would help to ensure the reliability and integrity of information maintained by the system.

OFFICE OF SHERIFF

FINDING 03.03 **THE OFFICE DID NOT COMPLY WITH THE THREE-DAY DEPOSIT LAW**
(Noncompliance Under Government Auditing Standards)

The office did not deposit commissary funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt of the funds.

RECOMMENDATION

The sheriff should ensure all commissary funds are deposited to the office bank account within three days of collection, as required by state statute.

FINDING 03.04 **THE OFFICE DID NOT PREPARE AND FILE AN ANNUAL FINANCIAL REPORT**
(Noncompliance Under Government Auditing Standards)

The office did not prepare and file an annual financial report with the county executive and county clerk. Section 5-8-505, Tennessee Code Annotated, requires that “all appointive or elective county public officials, official county boards, committees, and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ...”

RECOMMENDATION

The Sheriff's Office should prepare and file an annual financial report with the county executive and county clerk, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.05 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF 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 Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and disbursing funds.

RECOMMENDATION

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