

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 did not offer written responses to the findings and recommendations. Officials did offer 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 **DEFICIENCIES WERE NOTED IN OPERATIONS OF THE AMBULANCE SERVICE**

(Noncompliance Under Government Auditing Standards)

During the audit of the Ambulance Service, the following deficiencies were noted:

- A. On April 27, 1998, the County Commission adopted a policy for the write-off of uncollectible accounts receivable. The policy provided that "... the manager of the Ambulance Service and the County Executive be given the authority to review 'back-logged' ambulance service debts to determine 'write-offs' and/or efforts to collect those delinquent obligations." However, during the year, the ambulance service director wrote off accounts that she determined to be uncollectible without reviewing the accounts with the county executive, violating the policy adopted by the County Commission.
- B. In some instances, collections were not deposited to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated. This statute requires all public funds to be deposited to the office bank account within three days of collection.
- C. We examined Ambulance Service trips made in January 2003 and June 2003. For these two months, we could not locate trip tickets for 53 ambulance runs that were dispatched, and these trips were not posted to the accounts receivable records. Also, during these two months, the Ambulance Service issued 828 trip tickets. Of those 828 trip tickets, 23 trips were not invoiced to the individual and were not posted to the accounts receivable records. We were not provided with any documentation indicating why these 23 trips were not invoiced and posted to the accounts receivable records. Because Ambulance Service officials did not issue trip tickets for all trips and did not provide documentation explaining why individuals were not invoiced for all trips made, we cannot determine the accuracy of the accounts receivable balances of the Ambulance Service and therefore have not reflected these receivables in the financial statements of this report.

It should be noted that effective July 1, 2003, the county sold its Ambulance Service operations to a local hospital. However, the county retained the outstanding accounts receivable balances of the Ambulance Service.

RECOMMENDATION

Since the county no longer owns the Ambulance Service, management should determine an accurate list of accounts receivable for the Ambulance Service and institute efforts to collect these balances.

FINDING 03.02 **THE DRUG CONTROL FUND HAD A FUND DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

At June 30, 2003, the Drug Control Fund had a fund deficit of \$24,658 resulting from expenditures exceeding unreserved funds. This deficit should be liquidated subsequent to June 30, 2003, when an electronic fingerprint imaging system is purchased from reserved funds and the remaining reserved funds are transferred to the undesignated fund balance.

FINDING 03.03 **THE OFFICE ENTERED INTO A LEASE-PURCHASE AGREEMENT IMPROPERLY**
(Noncompliance Under Government Auditing Standards)

The county executive entered into a lease-purchase agreement (\$184,649) for Sheriff's Department vehicles without the approval of the County Commission. Section 7-51-904, Tennessee Code Annotated, requires such contracts, leases, or lease-purchase agreements to be approved by the County Commission. Also, the office did not file a Report of Debt Obligations with the state director of Local Finance for the \$184,649 lease-purchase agreement. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as the purpose for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance.

RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission, and all debt obligations should be reported to the state director of Local Finance, as required by state statutes.

FINDING 03.04 **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 some instances, the office did not issue purchase orders. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

- 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

The office should issue purchase orders in all applicable instances. Also, documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

FINDING 03.05 **THE OFFICE DID NOT MAINTAIN INVENTORY RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain inventory records for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment. Without inventory records, the office cannot adequately control its assets.

RECOMMENDATION

The office should maintain inventory records for all county-owned assets.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 03.06 **INVENTORY RECORDS OF SCHOOL DEPARTMENT ASSETS WERE NOT UPDATED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

School officials had not updated inventory records of School Department assets since an inventory was prepared in October 1993. Generally accepted accounting principles require accountability for all county-owned assets, such as vehicles, furniture, and equipment. Without inventory records, the department cannot adequately control its assets.

RECOMMENDATION

School officials should maintain current inventory records of all county-owned assets, as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 03.07 **THE OFFICE HAD DEFICIENCIES IN MAINTAINING EXECUTION DOCKETS**
(A., B., and C. Internal Control – Reportable Condition Under Government Auditing Standards, D. Noncompliance Under Government Auditing Standards)

The office had the following deficiencies in maintaining the execution dockets in Circuit and General Sessions Courts:

- A. The execution docket trial balances generated by the computer system in Circuit and General Sessions Courts did not reconcile with general ledger accounts by material amounts. The clerk manually prepared docket trial balances. These manually prepared trial balances also failed to reconcile with general ledger accounts. Consequently, we could not verify the propriety of all transactions.
- B. The execution dockets maintained on the computer system for Circuit Court did not provide a current balance for each case. The receipts and disbursements for each case were provided on separate screens. To determine a balance for each case, an employee had to total and deduct the disbursements from the receipts manually. In a few instances, case balances listed on the execution docket trial balance prepared manually could not be traced to the computer execution dockets.

- C. From an examination of the dockets maintained on the computer system, we could not determine the disposition of certain cases that appeared on the beginning trial balances but not on the ending trial balances.
- D. Because execution docket trial balances did not reconcile with cash journal accounts, we could not determine if the clerk complied with provisions of the Unclaimed Property Act, Section 66-29-110, Tennessee Code Annotated (TCA). This statute provides that any funds held by the courts for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires that these funds be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trial balances prepared by the computer system should be reconciled with general ledger accounts. The clerk should contact the software vendor and resolve the problem of the receipts and disbursements appearing on separate screens. Furthermore, the disposition of all cases should be determined from records generated by the computer system. The clerk should report and pay unclaimed funds held for more than one year to the state Treasurer's Office, as required by state statute.

FINDING 03.08 **THE OFFICE DID NOT HAVE ADEQUATE CONTROLS OVER THE COURT SOFTWARE APPLICATION**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Controls over the office's court software application were inadequate. The court's software application allowed users to delete cases without maintaining a record of the deletions.

RECOMMENDATION

The software application should provide an audit trail of any deletions of cases.

OFFICE OF SHERIFF

FINDING 03.09 **COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**
(Noncompliance Under Government Auditing Standards)

Funds were not deposited to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit all public funds to the office bank account within three days of receipt.

RECOMMENDATION

The Sheriff's Office should deposit funds within three days of collection, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.10 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Marion 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 Marion 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

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

FINDING 03.11 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

Marion County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 03.12

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 of 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 accounting records 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.