

Audit Highlights

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

Results

Our report on Sequatchie 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 28 findings and recommendations, which we have reviewed with Sequatchie County management. Detailed findings, recommendations, and managements' responses are included in the Single Audit Section of this report.

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE:

- ◆ The Ambulance Service Fund had a cash overdraft of \$1,315 at June 30, 2003, and had cash overdrafts in four other months during the year.
- ◆ Expenditures exceeded appropriations in the Solid Waste/Sanitation Fund by \$60,158 and the General Debt Service Fund by \$104,275. Also, expenditures exceeded appropriations in 11 major appropriation categories of the General Fund. Salaries exceeded line-item appropriations in 16 accounts in the General Fund. Some budget amendments submitted to the County Commission did not include all of the information required by state statutes, and several expenditures were misclassified in the accounting records.
- ◆ Bids were accepted on a county maintenance truck that did not meet the bidding specifications. The county did not accept the lowest bid for exterminating services for county buildings and did not include all bid requirements in the specifications. The county purchased a used patrol car whose bill of sale was dated before the date of the bid opening. Bids were not solicited for electronic equipment and accessories totaling \$23,385 that were purchased in part with \$19,983 of Domestic Preparedness Equipment Program Grant monies.
- ◆ The office did not have a formal purchase order system. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. The office paid several invoices without noting on the invoices that payment had been made, resulting in some invoices being paid twice. We noted that the county paid late charges on several invoices and noted several expenditures that were not directly related to county business.

OFFICE OF COUNTY EXECUTIVE (Cont.):

- ◆ In several instances, officials and employees were reimbursed per diem rates for meals when overnight travel or travel outside the county was not required, violating the county's travel policy. The reimbursement rate schedule for the county's travel policy could not be located for audit review. The county executive's travel was misclassified in several instances and included non-travel items. The county executive occasionally included per diem meal reimbursements for several people on her travel claims without indicating on the claim who the other individuals were. The county executive received travel reimbursements to attend the Governor's Inauguration Ball, a personal expense. Also, the county executive was reimbursed the actual cost for two meals without proper documentation.
- ◆ Two employees of the County Executive's Office kept two different sets of time sheets, and the County Commission approved payments to these two employees for compensatory time based on one set of these time sheets. The office did not deduct the correct amount for health insurance from one Ambulance Service employee's pay, resulting in the county's paying \$576 in unauthorized insurance premiums for the employee. Payroll deductions were not remitted to vendors on a timely basis, and payroll deduction accounts were not reconciled monthly. In several instances, supervisors did not sign employees' time sheets to indicate approval. Furthermore, there were no authorizations for employee gross pay on file.
- ◆ We noted three employees who were compensated for leave that exceeded the amounts the employees were eligible to earn under the county's personnel policies.
- ◆ The County Executive's Office submitted claims for reimbursement to the state Litter Grant Program for salary expenditures of \$4,643 that do not appear to be legitimate grant expenditures.
- ◆ We noted numerous adjustments that were made to the general ledger that did not include proper supporting documentation for the adjustment.
- ◆ Inventory records were not maintained for all assets owned by the general county government.
- ◆ Official, prenumbered receipts were not issued for Ambulance Service collections. Also, collections posted to the accounts receivable records at the Ambulance Service were not reconciled with the collections deposited to the bank and with the amounts remitted to the county trustee.
- ◆ Receipts were not issued for some collections received in the County Executive's Office.
- ◆ Accounting records were not maintained for some Community Development Program funds. Instead, the Southeast Local Development Corporation maintained these records and received an administrative fee for this service.
- ◆ The former county executive transferred \$80,000 from the General Debt Service Fund to the General Fund to provide cash for operations of the General Fund without the required approval of the state director of Local Finance.

OFFICE OF DIRECTOR OF SCHOOLS:

- ◆ Computer system backups were not stored in a secure, off-site location.
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OFFICE OF TRUSTEE:

- ◆ The trustee honored warrants that exceeded amounts on deposit in his office for the Ambulance Service and Courthouse and Jail Maintenance Funds.
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OFFICE OF COUNTY CLERK:

- ◆ The general ledger contained numerous posting errors and was not posted on a current basis. Bank statements were not adequately reconciled with general ledger accounts monthly. Also, the clerk used cash from the office to pick up bad checks from the bank. Furthermore, the depository maintaining the funds for this office was not required to image the reverse side of checks.
 - ◆ The clerk stated that she had signed the County Commission chairman's name to the September 2002 minutes.
 - ◆ Funds were not deposited to the office bank account within three days of collection.
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OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK:

- ◆ The general sessions' bank statements were not reconciled with the general ledger for four months of the year. Also, interest on litigants' investments was not posted to subsidiary records, and these subsidiary records were not reconciled with general ledger accounts for Circuit Court. Furthermore, the depository maintaining the funds for General Sessions Court was not required to image the reverse side of checks.
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OFFICE OF SHERIFF:

- ◆ Receipts were issued for collections at the time bank deposits were prepared, instead of when collections were received.
 - ◆ The office did not maintain records to document that all arrestees were fingerprinted and that the fingerprints were filed with the Tennessee Bureau of Investigation.
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OTHER FINDINGS:

- ◆ The Sequatchie Valley Emergency Medical Services, Inc., a joint venture with Bledsoe and Grundy Counties, dissolved on June 30, 2002. However, the administration and staff of the organization continued to service the citizens of Sequatchie County until October 1, 2002, when the county assumed oversight of the Ambulance Service operations
- ◆ The County Commission approved the purchase of a patrol car from the sheriff that violated the state conflict of interest and bidding statutes.
- ◆ During the year, minutes were not maintained for the committee meetings of the County Commission.
- ◆ The county did not inventory, value, and record its general fixed assets, as required by generally accepted accounting principles.
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OTHER FINDINGS (Cont.):

- ◆ County officials had not adopted a system of central accounting, budgeting, and purchasing.
- ◆ 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.