

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. The written responses of the county mayor (formerly titled county executive), director of schools, and assessor of property have been included 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 COUNTY EXECUTIVE

FINDING 03.01 **THE OFFICE PAID INVOICES WITHOUT DOCUMENTATION THAT GOODS AND SERVICES HAD BEEN RECEIVED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, invoices were paid without documentation that goods and services had been received. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that goods and services were received.

RECOMMENDATION

Documentation should be obtained indicating goods and services have been received before invoices are paid.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We agree with this finding. We have purchased stamps for each office and explained that all invoices and/or packing slips for goods and services will have to be stamped received, dated, and signed by the person receiving the goods or services before invoices will be paid.

OFFICE OF COUNTY ENGINEER

FINDING 03.02 **PURCHASE ORDERS WERE NOT COMPLETED PROPERLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on purchase orders until the invoices were received from the vendors. The dollar amount and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

RECOMMENDATION

The office should improve purchasing procedures by listing the dollar amounts and descriptions of items on purchase orders.

FINDING 03.03 **A LIST OF COUNTY ROADS WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

The county engineer did not submit a list of county roads to the County Commission for approval, as required by Section 54-10-103, Tennessee Code Annotated. This statute requires that a list of county roads be submitted to the County Commission for approval at its January session each year and that the list be maintained in the County Clerk's Office. Highway Department officials need a current, approved list of county roads to determine roads on which the department is authorized to work.

RECOMMENDATION

The office should submit a list of county roads to the County Commission for approval, as required by state statute. Once approved, the list should be maintained in the County Clerk's Office.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 03.04 **THE OFFICE PAID INVOICES WITHOUT DOCUMENTATION THAT GOODS AND SERVICES HAD BEEN RECEIVED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, invoices were paid without documentation that goods and services had been received. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods and services were received.

RECOMMENDATION

Documentation should be obtained indicating goods and services have been received before invoices are paid.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

During this fiscal year, documentation has been and will continue to be obtained indicating goods and services have been received before invoices are paid.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 03.05 **ASSESSMENT RECORDS WERE CHANGED DURING THE YEAR AS PROPERTY TRANSFERS WERE MADE**
(Noncompliance Under Government Auditing Standards)

The assessor updated the assessment records as property transfers were made during the year to reflect the current property owners. Section 67-5-502, Tennessee Code Annotated (TCA), requires all property to be assessed “to the person or persons owning or claiming to own the same on January 1 for the year for which the assessment is made.”

RECOMMENDATION

Property should be assessed to the person or persons owning the property as of January 1 in compliance with state statute.

MANAGEMENT’S RESPONSE – ASSESSOR OF PROPERTY

As assessor of property for Stewart County, I have found that updating the assessment records as sales occur accommodates the public in providing the most recent ownership and tax information. By making the updates, new property owners receive the assessment change notice and have the option to appeal the value for the current year. The majority of the deeds recorded in Stewart County requests that the property tax notice be sent to the new owner. Therefore, I am following the wishes for the parties in the legal document. Bankers, realtors, appraisers, lawyers, and property owners in Stewart County have also stated they prefer updating the property ownership as the transfers occur. Records in my office stay current and also serve the public’s wishes.

REBUTTAL

As stated above, updating the assessment records as property transfers occur clearly violates the provisions of Section 67-5-502, TCA, which requires all property to be assessed to the person owning the property as of January 1 for the year the assessment is made.

OFFICE OF SHERIFF

FINDING 03.06 **FUNDS WERE NOT DEPOSITED IN ACCORDANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

Funds 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 county officials to deposit funds to the office bank account within three days of collection. During the period under examination, as many as ten days lapsed between the date funds were received and the date funds were deposited to the bank. Failing to deposit collections within

three days not only violates this statute, but also weakens internal controls over funds and increases the potential for loss or theft.

RECOMMENDATION

To strengthen internal controls over cash collections and deposits, the sheriff should deposit funds to the office bank account within three days of collection, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.07 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Stewart 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 Stewart 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

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We agree with this finding. We are in the process of attempting to become compliant with GASB Statement 34 by June 30, 2004.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Stewart County School System is presently in the process of inventorying, valuing, and recording its general fixed assets in accordance with generally accepted accounting principles. As required for a county with our revenues, Stewart County School System will comply with GASB Statement 34 for the fiscal year ending June 30, 2004.

FINDING 03.08

A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED

(Internal Control – Reportable Condition Under Government Auditing Standards)

Stewart 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

Stewart 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.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We agree with this finding. The possibility of establishing a Centralized Accounting Department is being researched and may be implemented in the future.

FINDING 03.09

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE 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, General Sessions, and Juvenile 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, reconciling bank statements, 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.