

## **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. An excerpt from the county mayor's (formerly titled county executive) written response is included for one finding. 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 COUNTY EXECUTIVE'S OFFICE HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive's Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.

### **RECOMMENDATION**

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

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**FINDING 03.02**      **EXPENDITURES EXCEEDED APPROPRIATIONS IN THE GENERAL FUND**  
(Material Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances exceeded appropriations approved by the County Commission for the General Fund by \$163,963 as a result of not properly budgeting revenues and expenditures for a waterline project funded by a Community Development Block Grant.

### **RECOMMENDATION**

All revenues and expenditures associated with grant funds should be included in the county's budget.

### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

Although the monies were not included in our original budget, the County Commission did, however, approve the receipt and the expenditure of the monies when accepting the grant.

## **OFFICES OF COUNTY EXECUTIVE AND SHERIFF**

**FINDING 03.03**      **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 \$8,189. This fund deficit resulted from incurring expenditures that exceeded available funding.

### **RECOMMENDATION**

County officials should take appropriate steps to liquidate the fund deficit in the Drug Control Fund.

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## **OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 03.04**      **THE HIGHWAY DEPARTMENT HAD NOT ESTABLISHED A FORMAL PURCHASE ORDER SYSTEM**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.

### **RECOMMENDATION**

The department should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

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## **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 officials and employees in the Offices of 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.

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FINDING 03.06      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Union County and the discretely presented Union County School Department did not inventory, value, and record their 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 Union 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

Union County and the discretely presented Union County School Department should inventory, value, and record their general fixed assets in accordance with generally accepted accounting principles.

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FINDING 03.07      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Union 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

Union 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.