

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 response from the director of finance is 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 DIRECTOR OF FINANCE

FINDING 03.01 **THE FINANCE DIRECTOR RECEIVED COMPENSATION OF \$1,500 THAT EXCEEDED THE AMOUNT ESTABLISHED BY THE FINANCIAL MANAGEMENT COMMITTEE**
(Noncompliance Under Government Auditing Standards)

Our examination of payroll records disclosed that the finance director received \$1,500 for maintaining minutes of the Health, Education, and Welfare Committee in addition to her salary established by the Financial Management Committee. Section 5-21-106, Tennessee Code Annotated, states that “the compensation of the director shall be established by the [financial management] committee, subject to the approval of the county legislative body.” The Financial Management Committee established the finance director’s salary to be equal to the compensation of the county trustee, and this amount was approved by the Board of County Commissioners.

RECOMMENDATION

All compensation paid to the finance director should be established by the Financial Management Committee with the approval of the Board of County Commissioners, as required by state statute.

MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE

Section 5-21-106, Tennessee Code Annotated (TCA), states that the compensation of the director shall be established by the committee, subject to the approval of the county legislative body. The key words in the TCA code are “the compensation.” The compensation of the director of finance has been approved according to TCA 5-21-106. The Weakley County Financial Management Committee approved the compensation of the director of finance on July 19, 2002; the Weakley County Commission approved the compensation of the director of finance on August 19, 2002.

Shawn Francisco, individually, was appointed to serve as recording secretary of the Health, Education, Welfare Committee on September 5, 2002. The director of finance was not appointed to serve as the recording secretary of the Health, Education, Welfare Committee. The Finance, Ways, and Means Committee approved the appropriation on April 28, 2003. Any individual can be appointed to serve as recording secretary of the Health, Education, Welfare Committee. Therefore, it is my opinion that audit finding 03.01 is not valid.

REBUTTAL

On June 11, 1999, the Weakley County Financial Management Committee unanimously approved a motion that the director's salary and other compensation is not to exceed the trustee's salary, but is to be equal to the trustee's salary. During the fiscal year ended June 30, 2003, the director received salary and other compensation of \$51,955, the trustee received a salary of \$50,455. Therefore, the finance director's compensation exceeded that of the trustee by \$1,500.

OFFICE OF TRUSTEE

FINDING 03.02 **THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS** (Noncompliance Under Government Auditing Standards)

The trustee did not require a depository to pledge adequate securities to protect county funds exceeding Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2003, deposits at the depository exceeded FDIC coverage by \$1,235,310. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of the funds exceeding FDIC coverage. As of the date of this report, the trustee had required the depository to pledge adequate securities to protect the county's funds.

RECOMMENDATION

The trustee should require depositories to pledge adequate securities to protect county funds exceeding FDIC coverage, as required by state statute.

OTHER FINDING AND RECOMMENDATION

FINDING 03.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, 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, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records were also involved in receipting funds, preparing bank deposits,

depositing funds, posting the cash journal, disbursing funds, and/or reconciling bank statements. 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.