

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. Officials offered oral responses to the findings and recommendations; however, these oral responses have not been included in this report.

OFFICES OF COUNTY MAYOR, DIRECTOR OF ACCOUNTS AND BUDGETS, AND PROBATION OFFICE

FINDING 04.01 **THE PROBATION OFFICE HAD INTERNAL CONTROL WEAKNESSES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our previous audit revealed certain deficiencies in the policies and procedures over the manual system of accounting for collections of probation fees. Management took steps to correct these weaknesses and implemented a computerized receipting and case management system at the probation department. Our review of the department's records after the installation of the computer system revealed the following weaknesses:

- A. A monthly list of probationer account balances was not reconciled with monthly transactions. Reconciling the account balance list with previous balances, receipts, and charges of the current month is necessary to establish the validity of transactions and account balances.
- B. A sequential identification number was not assigned to each case. Without a sequential case number, it is difficult to determine that all cases are accounted for properly.
- C. We noted errors in the recording of receipt numbers on the system. The receipt number entered into the system did not always match preprinted receipt numbers on the actual receipts.

RECOMMENDATION

The list of account balances should be printed at least monthly and reconciled with the previous month's account balances and with receipts and charges for the current month. A sequential identifying number should be assigned to each case to ensure all cases are accounted for properly. In addition, more care should be taken to ensure that receipt numbers on the computer system match preprinted receipt numbers on the actual receipts.

OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

FINDING 04.02 **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. The failure to provide such controls increases the risk that individuals could inappropriately access and manipulate the county's computer system, software applications, and sensitive information.

This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented. Also, the office should take steps to establish or improve any compensating controls until these conditions are remedied.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 04.03 **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE SCHOOL FEDERAL PROJECTS FUND**
(Internal Control – Reportable Condition Under Government Auditing Standards)

At June 30, 2004, the School Federal Projects Fund had a fund deficit of \$113,768. This deficit occurred because the School Department did not request reimbursement of school renovation grant expenditures in a timely manner. Reimbursement for a portion of these expenditures (\$92,146) was requested subsequent to June 30, 2004, but was not received within 60 days after year-end. Consequently, those revenues were deferred on the financial statements. As of the date of this report, the School Department had not requested reimbursement for the remaining \$21,622, pending approval of a budget amendment for that project.

RECOMMENDATION

County personnel should ensure that requests for reimbursements of expenditures under federal grants are filed on time. Also, funds should not be expended under those grant programs until budget approvals are obtained.