

## **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. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **OFFICE OF COUNTY MAYOR**

**FINDING 04.01 THE ACTUAL BEGINNING FUND BALANCE OF THE GENERAL FUND EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**  
(Material Noncompliance Under Government Auditing Standards)

The actual beginning fund balance of the General Fund was \$5,829,679 at July 1, 2003; however, the estimated fund balance reflected in the county's budget was only \$4,329,196. Therefore, the actual fund balance of the General Fund was \$1,491,483 more than the estimated fund balance.

### **RECOMMENDATION**

The estimate of the beginning fund balance for the General Fund should be made on a more realistic basis to provide county officials with accurate information on which to base funding decisions.

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### **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 04.02 CENTRAL CAFETERIA FUND TRANSACTIONS WERE NOT CHANNELED THROUGH THE TRUSTEE'S OFFICE**  
(Noncompliance Under Government Auditing Standards)

Transactions of the Central Cafeteria Fund were not channeled through the Trustee's Office, as required by state statute. Instead, these transactions were channeled through a bank account administered by the director of schools and food service supervisor. Section 49-2-301, Tennessee Code Annotated, requires that school funds be expended by issuing warrants drawn on the county trustee.

### **RECOMMENDATION**

Operating funds of the Central Cafeteria Fund should be deposited with the county trustee and disbursed by county warrant.

FINDING 04.03      **THE SCHOOL DEPARTMENT DID NOT MAINTAIN INVENTORY RECORDS FOR NONDEPRECIABLE ASSETS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department did not maintain inventory records for its nondepreciable assets. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles. Without inventory records, the department cannot adequately control its assets.

RECOMMENDATION

The School Department should maintain inventory records for all department-owned assets, including nondepreciable assets, as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

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**OTHER FINDINGS AND RECOMMENDATIONS**

FINDING 04.04      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Bradley 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

Bradley 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.

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FINDING 04.05      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF HIGHWAY SUPERINTENDENT, TRUSTEE, CLERK AND MASTER, AND REGISTER**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Highway Superintendent, Trustee, Clerk and Master, and Register. Officials and employees responsible for maintaining accounting records 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.