

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. The written responses of the county mayor are quoted directly 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 MAYOR

FINDING 04.01 **GENERAL FUND SALARY EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

Salary expenditures of the General Fund exceeded appropriations in seven salary line-items by amounts ranging from \$36 to \$33,068. The budget resolution approved by the County Commission states that the salary, wages, and remuneration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution.

RECOMMENDATION

Salary expenditures should be held within line-item appropriations, as required by the budget resolution.

FINDING 04.02 **COMPETITIVE BIDS WERE NOT SOLICITED ON THE PURCHASES OF COMPUTERS AND PRINTERS FOR THE ELECTION COMMISSION**
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchases of four computers and two printers totaling \$11,188 for the election commission. Purchasing procedures for the Dyer County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act requires all purchases exceeding \$5,000 to be based on competitive bids solicited through public advertisement.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$5,000, as required by state statute.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Competitive bids were not necessary for the items listed in this finding. Two printers quit operating at the same time in the Election Commission office. This was before the August election and citizens were being registered and reregistered to vote. This office needed

efficient operating equipment in order to process their work; therefore, time was of the essence. This was an emergency situation which did not allow time for competitive bids. Computers were purchased at a later date; however, the costs of the computer equipment did not exceed \$5,000. Therefore this purchase did not require bidding.

REBUTTAL

The total cost of the four computers was \$7,988. Those computers were purchased on March 31, 2004 (\$2,036); April 16, 2004 (\$1,750); April 26, 2004 (\$2,101); and May 10, 2004 (\$2,101) from the same vendor. Since the total cost of these computers exceeded \$5,000, bids should have been solicited in accordance with the above-noted state statutes. Section 5-14-204, TCA, exempts emergency purchases from the bidding requirements but does require that a report of any emergency purchase be made as soon as possible to the county governing body and the chief executive of the county. There was no indication that the emergency purchases of the printers were reported to the County Commission, as required by this statute.

**FINDING 04.03 ACCOUNTING DEFICIENCIES WERE NOTED IN FUNDS
ADMINISTERED BY THE COUNTY MAYOR**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Receivables were established in the General, Law Library, Drug Control, District Attorney General, and General Debt Service Funds at year-end for the 2004 fiscal year. However, when these receivables were received subsequent to year-end, they were erroneously recorded as revenues of the 2005 year. We have provided audit adjustments to management for the 2005 year to correct this error.

RECOMMENDATION

Transactions reflecting the receipt of receivables should be recorded properly in the accounting records.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

This was simply an error; in the future, items will be reviewed more closely and posted properly in the accounting records.

**FINDING 04.04 PAYROLL TAXES WERE NOT DEPOSITED ON A TIMELY
BASIS**
(Noncompliance Under Government Auditing Standards)

The county did not deposit payroll taxes with the Internal Revenue Service (IRS) on a timely basis for the quarter ended December 31, 2003. As a result, the county was required to pay interest and penalty charges totaling \$763 to the IRS in April 2004. IRS Circular E – Employer's Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll.

RECOMMENDATION

The office should deposit payroll taxes on a timely basis to avoid interest and penalty charges.

MANAGEMENT'S RESPONSE – COUNTY MAYOR (DIRECT QUOTE)

Federal payroll taxes are remitted on a timely basis for each payroll; however, the payroll clerk was ill during this time and was unable to remit the taxes for the December 2003 payroll during the required time. This was an uncontrollable situation.

OFFICE OF ROAD SUPERVISOR

FINDING 04.05 **COMPETITIVE BIDS WERE NOT SOLICITED FOR SOME APPLICABLE PURCHASES** (Noncompliance Under Government Auditing Standards)

The office did not solicit competitive bids through public advertisement for road striping (\$29,403), rock (\$382,323), and a used lowboy trailer (\$12,500). The Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, requires that competitive bids be solicited through public advertisement for all purchases exceeding \$5,000. However, it should be noted that documentation was on file to indicate that the office contacted vendors by telephone to obtain price quotes for road striping.

RECOMMENDATION

The office should solicit competitive bids through public advertisement for purchases exceeding \$5,000, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 04.06 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED** (Internal Control – Reportable Condition Under Government Auditing Standards)

Dyer 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

Dyer 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.

FINDING 04.07

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND SHERIFF

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk and Sheriff. Employees responsible for maintaining the accounting records in each of these offices were also involved in receipting, preparing bank deposits, depositing funds, preparing daily reconciliations of cash receipts, and/or reconciling monthly 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.