

Audit Highlights

Annual Financial Report
Jackson County, Tennessee
For the Year Ended June 30, 2004

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Jackson County as of and for the year ended June 30, 2004.

Results

Our report on Jackson County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 21 findings and recommendations, which we have reviewed with Jackson County management. Detailed findings and recommendations are included in the Single Audit Report.

The following are summaries of the audit findings:

JACKSON COUNTY:

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY MAYOR:

- ◆ The county made transfers of \$175,169 and \$13,434 from the Solid Waste/Sanitation Fund to the General and Drug Control Funds, respectively, that did not comply with state statute.
- ◆ The county provided free solid waste disposal services to local businesses in violation of the county's solid waste disposal contract.
- ◆ Appropriations exceeded estimated available funds in the General Fund by \$49,024. Expenditures exceeded appropriations in the Solid Waste/Sanitation and Drug Control Funds by \$17,204 and \$33,125, respectively. Expenditures exceeded appropriations in six major appropriation categories of the General Fund and one major appropriation category of the General Debt Service Fund.
- ◆ Cash balances on the accounting records were not properly reconciled with cash balances reflected in the Trustee's office. Also, payroll deduction accounts were not reconciled with payroll records and disbursements.

OFFICE OF COUNTY MAYOR (Cont.):

- ◆ In several instances, purchase orders were issued after purchases were made and did not include a description of the item or service or a dollar limit. Also, invoices were paid without documentation that goods had been received and/or services had been rendered. Some invoices were paid without proper supporting documentation, and invoices were paid without noting on the invoice that payment had been made. Furthermore, several disbursements were misclassified in the accounting records.
 - ◆ Several assets were not tagged or otherwise clearly marked as county property, and certain assets were not on the inventory list. Also, inventory records were not verified by personnel independent of maintaining the inventory records.
 - ◆ Ambulance Service funds were not always deposited to the bank within three days of collection, as required by state statute. In addition, prenumbered trip tickets were not used.
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OFFICE OF HIGHWAY SUPERINTENDENT:

- ◆ The Highway Superintendent allowed individuals to pick up rock for use on private property at a locally owned rock quarry and charge the rock to the county's account. Also, individuals were allowed to obtain rock from the Highway Department's stockpile for use on private property.
 - ◆ The Highway Department allowed employees to place non-taxed fuel in their private vehicles.
 - ◆ Fuel consumption records were not maintained for fuel dispensed from Highway Department fuel pumps. In addition, records of the quantity and use of consumable assets on hand were not maintained.
 - ◆ Purchase orders were not issued for some applicable purchases.
 - ◆ The Highway Department purchased commercial liability insurance coverage for \$42,462 without soliciting competitive bids.
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OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK:

- ◆ The office did not have formal policies and procedures for computer operations.
 - ◆ Daily computer backups were not stored in a secure location. System backups were not stored off site. Also, a back-up log was not maintained.
 - ◆ The office did not develop a disaster discovery plan.
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OFFICES OF CLERK AND MASTER AND SHERIFF:

- ◆ The Offices of Clerk and Master and Sheriff did not always deposit funds to their office bank accounts within three days of collection, as required by state statute.
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OFFICE OF SHERIFF:

- ◆ Several forms and reports required by the Office of the Comptroller of the Treasury were not completed or prepared. In addition, transactions of the drug control funds were not reflected on the office cash journal.
 - ◆ Seized funds were disbursed to the sheriff's Drug Control Fund and to a litigant before the disbursements were approved by the state Department of Safety. Furthermore, only a portion of the seized funds disbursed were reported to the state.
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OTHER FINDINGS:

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.