

## **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 finance director's written responses are paraphrased 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 04.01**      **THE ACTUAL FUND BALANCE OF THE HIGHWAY/PUBLIC WORKS FUND AT JULY 1, 2003, EXCEEDED THE ESTIMATED FUND BALANCE BY A SIGNIFICANT AMOUNT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway/Public Works Fund's actual fund balance at July 1, 2003, was \$1,487,814; however, the estimated fund balance reflected in the county's budget for July 1, 2003, was only \$1,184,200. Therefore, the actual fund balance was \$303,614 more than the estimated fund balance presented to the County Commission.

### **RECOMMENDATION**

The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information on which to base funding decisions.

### **MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE (PARAPHRASE)**

I concur with the finding. However, the budget estimate was made on April 26, 2004, and we did not anticipate the receipt of any additional state aid for highways. We received \$154,496 on June 30, 2004.

### **REBUTTAL**

The department should present a budget amendment to the County Commission when events occur that change the budget estimate by a significant amount.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 04.02**      **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF ROAD MATERIALS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department stockpiled culverts and maintained an inventory; however, the department did not have a system to account for materials used on road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

**RECOMMENDATION**

The Highway Department should develop and implement a system to account for materials used on all road projects.

**MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE (PARAPHRASE)**

The Highway Department will review its procedures for accounting for the use of culverts.

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**FINDING 04.03**      **THE DEPARTMENT DID NOT RECONCILE GASOLINE USAGE WITH GASOLINE PURCHASES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department dispensed fuel from pumps located at the department. However, the department did not reconcile amounts used with amounts purchased and on hand.

**RECOMMENDATION**

The Highway Department should reconcile gasoline usage with gasoline purchased and on hand, as well as with gallons pumped as indicated on the fuel pump meter.

**MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE (PARAPHRASE)**

The Highway Department will review its procedures for reconciling fuel purchases and usage.

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## OTHER FINDING AND RECOMMENDATION

FINDING 04.04      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, 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, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and disbursing funds.

### RECOMMENDATION

To strengthen internal controls over operations, these offices should segregate duties adequately among employees.