

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations resulting from 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 director of schools are included 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 **MAURY COUNTY DID NOT ENTER INTO AN INTERLOCAL AGREEMENT WITH THE CITY OF COLUMBIA TO BUILD AN ANIMAL CONTROL FACILITY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Maury County Commission and Columbia City Council adopted separate resolutions to fund the building of an animal control facility on land leased by Maury County from the Tennessee Valley Authority. The resolutions provided that the county would fund 48 percent and the city would fund 52 percent of the building project and then lease the operations of the facility to a nonprofit organization. However, the county and city did not enter into a written interlocal agreement detailing the responsibilities and potential liabilities of each party, such as building ownership, building maintenance, insurance, contingent liabilities, and dissolution of assets at termination.

RECOMMENDATION

Maury County and the City of Columbia should enter into a written interlocal agreement that specifically addresses the on-going responsibilities and liabilities of each government.

OFFICE OF HUMAN RESOURCES

FINDING 04.02 **THE COUNTY HAD AN UNRECORDED AND UNAUTHORIZED INVESTMENT**
(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)

During our audit, we discovered that Maury County was receiving dividend checks on 1,850 shares of common stock. This stock was obtained in prior years by the county's agent in charge of cashing out the county's nonqualified retirement plan. The following deficiencies were noted concerning this investment:

- A. This investment was not recorded in the county's financial records. County officials stated to us that they had no knowledge of this investment or the

origin of the investment until we began to question the source of the dividend.

- B. Common stock is not an investment type permitted by Section 5-8-301, Tennessee Code Annotated. This statute requires that public funds be invested in bonds, notes, treasury bills, certificates of deposit, the Local Government Investment Pool, or other securities guaranteed by the federal government.

RECOMMENDATION

All investments should be recorded on the county's financial records and officials should convert the common stock into an investment authorized by state statute.

FINDING 04.03 SOME EMPLOYEES RECEIVED BOTH WORKERS' COMPENSATION AND PAYROLL CHECKS FOR THE SAME PERIOD
(Noncompliance Under Government Auditing Standards)

Maury County participates in the Local Government Workers' Compensation Fund (LGWCF) for workers' compensation coverage. Employees entitled to workers' compensation payments under this LGWCF plan should receive 66 2/3 percent of their county payroll from LGWCF while absent from work, in lieu of receiving payroll checks from the county. However, during the year, several employees receiving workers' compensation checks from LGWCF also received their regular payroll checks from the county. The director of human resources stated that the county had no policy addressing this issue. In several instances, the employees endorsed the LGWCF checks over to the county, and the checks were placed in the county's General Fund. However, many employees kept both their LGWCF checks and their payroll checks from Maury County. Our review noted that these overpayments cost Maury County approximately \$13,900 for the year ended June 30, 2004; however, this number does not consider some employees who received one-time settlement checks in addition to receiving payroll checks. The director of human resources stated that as of August 1, 2004, the county has adopted a policy that employees will no longer receive a payroll check while drawing a check through the LGWCF.

RECOMMENDATION

Maury County officials should review these payments in an attempt to recover any overpayment made to employees.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 04.04 **THE OFFICE PAID SEVERAL INVOICES WITHOUT DOCUMENTATION OF THE RECEIPT OF THE GOODS OR SERVICES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Several invoices were paid without documentation that goods had been received or services rendered. We extended our audit procedures, and it appears that these goods had been received and services had been rendered.

RECOMMENDATION

To strengthen internal controls over the purchasing process, the office should obtain documentation indicating that goods have been received or services have been rendered before invoices are paid.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS EDWARD HICKMAN

We concur with the finding and continue to examine possible options which will improve control in this area. We will make every effort to ensure that individuals who receive goods and services document appropriateness and submit these documents to the accounting office to confirm payment obligations.

FINDING 04.05 **ACCOUNTING RECORDS WERE NOT CLOSED IN A TIMELY MANNER**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Federal Projects Fund accounting records were not closed until December 2004. This delay prevents the current presentation of the School Federal Projects Fund’s financial statements to the Board of Education, County Commission, citizens, and other interested parties.

RECOMMENDATION

The office should close its accounting records within 60 days following the end of the accounting period to provide the public with current financial information.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS EDWARD HICKMAN

We concur with the finding and will close every fund appropriately in the future. There were mitigating circumstances with staff changes contributing to our failure to note the problem, but all funds were not closed within the prescribed time period.

FINDING 04.06 THE MAINTENANCE DEPARTMENT DID NOT MAINTAIN ADEQUATE INVENTORY RECORDS
(Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following inventory control deficiencies at the School Department's maintenance garage:

- A. Pumps for gasoline and diesel fuel were maintained for the department's maintenance and other vehicles. All maintenance employees and two Central Office employees had keys to the fuel pumps. Maintenance employees documented their fuel usage; however, the Central Office employees did not document their usage. Fuel was not reconciled with fuel purchased, used, and on hand. These fuel pumps had a Gasboy system with the capability to track usage by employee; however, this system was not used. The department discontinued the use of fuel pumps on June 30, 2004, and adopted employee fuel cards.
- B. The maintenance garage did not keep records of maintenance and repair work performed on all equipment.

RECOMMENDATION

Fuel usage should be reconciled with purchases, and fuel cards should be controlled. Furthermore, records of maintenance and repairs on equipment should be maintained.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS EDWARD HICKMAN

The director stated the following:

- A. We concur with the finding. We have already discontinued gasoline dispensation at the school maintenance garage and require all staff to obtain gasoline at the county maintenance garage or an oil company by using a magnetic card to record purchases. Reports of purchases are received in the accounting office and reviewed.
- B. We concur with the finding and have revised our monthly vehicle mileage report/travel log to accumulate information on gasoline purchases, maintenance and repairs for review. Staff will be instructed in the process of reporting information to include all vehicles.

FINDING 04.07 THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Director of Schools did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

RECOMMENDATION

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS EDWARD HICKMAN

Due to changes in personnel at the central office, including the director, manager of budget and finance, and other key staff members, the procedures to comply with the recommendation were not adopted by the previous administration. The present administration was unaware that those recommendations were not enacted. Our staff will make every necessary effort to comply with the recommendation before the end of FY 2005.

OFFICE OF TRUSTEE

FINDING 04.08 ONE OF THE TRUSTEE'S CLEARING ACCOUNTS WAS NOT RECONCILED PROPERLY
(Internal Control – Reportable Condition Under Government Auditing Standards)

Bank reconciliations prepared by the trustee for a clearing account contained an unreconciled amount of \$16,512. The trustee could not specifically identify this amount or provide an explanation for the unreconciled amount.

RECOMMENDATION

Bank statements should be reconciled with accounting records on a current basis. Unreconciled balances in clearing accounts should be identified, investigated, and corrected.

OTHER FINDING AND RECOMMENDATION

FINDING 04.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY AT THE TRANSFER STATION AND ARCHIVES DEPARTMENT, AND IN THE OFFICES OF TRUSTEE, COUNTY CLERK, AND GENERAL SESSIONS COURT CLERK – PART II**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees at the transfer station, Archives Department, and in the Offices of Trustee, County Clerk, and General Sessions Court Clerk – Part II. Officials and employees who were responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations and automated accounting functions, officials should segregate duties adequately among employees.