

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 did not offer written responses to the findings. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

MEIGS COUNTY AND MEIGS COUNTY SCHOOL DEPARTMENT

FINDING 04.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

Meigs County and the Meigs County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Meigs County and the Meigs County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Meigs County’s and the Meigs County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Meigs County’s and the Meigs County School Department’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Meigs County and the Meigs County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical cost of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF CLERK AND MASTER

FINDING 04.02 THE OFFICE OF CLERK AND MASTER HAD NOT IMPLEMENTED ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES AGAINST UNAUTHORIZED ACCESS, MODIFICATION, DESTRUCTION, OR DISCLOSURE
(Internal Control – Reportable Condition Under Government Auditing Standards)

We observed that the Office of Clerk and Master had not implemented adequate controls to protect its information resources against unauthorized access, modification, destruction, or disclosure. The failure to provide such controls increases the risk that individuals could inappropriately access and manipulate the county's computer system, software applications, and sensitive information.

This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. We provided the official with detailed information regarding the specific vulnerabilities we identified, as well as our recommendations for improvement.

RECOMMENDATION

The Office of Clerk and Master should ensure that adequate controls over information systems and the resources associated with those systems are implemented, and should establish or improve any compensating controls until these conditions are remedied.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 04.03 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF PURCHASING AND FINANCE, DIRECTOR OF SCHOOLS, 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 Purchasing and Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The 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.

FINDING 04.04 COUNTY OFFICIALS HAD NOT HELD A DELINQUENT PROPERTY TAX SALE IN RECENT YEARS
(Noncompliance Under Government Auditing Standards)

County officials had not held a delinquent property tax sale in approximately 20 years. Section 67-5-1806, Tennessee Code Annotated, provides that all delinquent property taxes become discharged and uncollectible after ten years from the date when delinquency originated. Therefore, at least ten years of delinquent taxes totaling \$23,952 are discharged and uncollectible. The clerk and master's tax aggregate list (1993-2002) reflects uncollected delinquent property taxes of \$59,723 filed in Chancery Court.

RECOMMENDATION

County officials should hold a delinquent property tax sale in an effort to collect delinquent taxes, as provided by state statute.

FINDING 04.05 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Meigs County officials had not adopted a central system of accounting, budgeting, and purchasing covering all county departments. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Meigs 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.