

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

UNICOI COUNTY AND UNICOI 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)

Unicoi County and the Unicoi County School Department did not identify and determine the historical value of their capital assets and related depreciation amounts of these assets. Therefore, Unicoi County and the Unicoi 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, Unicoi County’s and the Unicoi 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. Unicoi County’s and the Unicoi County School Department’s financial statements are presented in compliance with these requirements, with the exception of amounts included for the Office of Circuit and General Sessions Courts Clerk, as discussed in the Independent Auditor’s Report.

RECOMMENDATION

Unicoi County and the Unicoi 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 COUNTY MAYOR

FINDING 04.02 **CONTROLS OVER INVENTORY WERE NOT ADEQUATE**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The county's controls over inventory were inadequate. The County Mayor's Office maintained inventory records of county-owned assets; however, these records were not updated regularly. In addition, equipment was not tagged or clearly marked as county property. Generally accepted accounting principles require accountability for all county assets, such as vehicles, furniture, and equipment.

RECOMMENDATION

The office should update the county's inventory records regularly and should ensure that all county-owned assets are tagged or clearly marked as property of Unicoi County.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 04.03 **CIRCUIT AND GENERAL SESSIONS COURTS DID NOT PREPARE EXECUTION DOCKET TRIAL BALANCES**
(Material Noncompliance Under Government Auditing Standards)

The circuit and general sessions courts clerk did not prepare trial balances of execution docket cause balances, as required by Section 18-2-103, Tennessee Code Annotated (TCA). Consequently, we were unable to reconcile cash journal accounts with cause balances. Furthermore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the courts for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office. Circuit and General Sessions Courts had unidentified court funds of \$50,624 and \$45,664, respectively, at June 30, 2004.

RECOMMENDATION

The circuit and general sessions courts clerk should prepare and reconcile a trial balance of execution docket cause balances with cash journal accounts, as required by state statutes. To further comply with state statutes, the clerk should report and pay to the state Treasurer's Office any unclaimed funds held for more than one year.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 04.04 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Unicoi 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

Unicoi 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 04.05 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CLERK AND MASTER AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Clerk and Master and Sheriff. The officials and employees responsible for maintaining the 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.