

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.

OFFICE OF COUNTY EXECUTIVE

FINDING 03.01 **EXPENDITURES EXCEEDED APPROPRIATIONS (Noncompliance Under Government Auditing Standards)**

Expenditures exceeded appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$1,002. Also, expenditures exceeded appropriations in the Other Boards and Committees and Employee Benefits major appropriation categories of the General Fund by \$771 and \$18,995, respectively. Section 5-9-401, Tennessee Code Annotated, states that “all funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

OFFICES OF COUNTY EXECUTIVE AND HIGHWAY SUPERINTENDENT

FINDING 03.02 **GENERAL LEDGER PAYROLL DEDUCTION ACCOUNTS WERE NOT RECONCILED WITH SUBSIDIARY PAYROLL RECORDS (Internal Control – Reportable Condition Under Government Auditing Standards)**

General ledger payroll deduction accounts for the General Fund and Highway/Public Works Fund were not reconciled with subsidiary payroll records on a monthly basis. As a result, unidentified balances were allowed to accumulate in the withholding accounts for insurances and garnishments. These unidentified balances were primarily due to errors and omissions in the reporting and paying of employee deductions.

RECOMMENDATION

All general ledger payroll deduction accounts should be reconciled monthly with subsidiary payroll records to ensure that amounts withheld from employees' wages are properly accounted for and remitted to the appropriate agency.

FINDING 03.03

PURCHASE ORDERS WERE NOT ISSUED FOR PURCHASES UNDER \$5,000

(Internal Control – Reportable Condition Under Government Auditing Standards)

The county executive and highway superintendent did not issue purchase orders for purchases under \$5,000 made from the General Fund and Highway/Public Works Fund. Purchasing procedures for the Offices of County Executive and Highway Superintendent are governed by Chapter 90, Private Acts of 1989, as amended, which requires officials to issue purchase orders for all purchases equaling or exceeding \$5,000. Although Chapter 90, Private Acts of 1989 does not address issuing purchase orders for purchases under \$5,000, purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The county executive and highway superintendent should issue purchase orders for all applicable purchases.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.04

RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS

(Internal Control – Material Weakness Under Government Auditing Standards)

Hardeman County did not inventory, value, and record its general fixed assets (buildings, equipment, etc.), as required by generally accepted accounting principles. The Governmental Accounting Standards Board has adopted Statement 34, which will become effective in Hardeman County for the year ending June 30, 2004. Statement 34 places an even greater emphasis on the need to maintain general fixed asset records.

RECOMMENDATION

Hardeman County should inventory, value, and record its general fixed assets in accordance with generally accepted accounting principles.

FINDING 03.05

**A SYSTEM OF CENTRAL ACCOUNTING AND BUDGETING
HAD NOT BEEN ADOPTED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Hardeman County officials had not adopted a central system of accounting and budgeting. Establishing a central system would significantly improve internal controls over the accounting and budgeting processes.

RECOMMENDATION

Hardeman County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a system of central accounting and budgeting covering all county departments.