

# *Audit Highlights*

Comprehensive Annual Financial Report  
Lawrence County, Tennessee  
For the Year Ended June 30, 2002

## *Scope*

We have audited the general purpose financial statements and the combining, individual fund, and account group financial statements of Lawrence County as of and for the year ended June 30, 2002.

## *Results*

Our report on Lawrence County's financial statements was qualified because the statements did not include a General Fixed Assets Account Group.

Our audit resulted in 18 findings and recommendations, which we have reviewed with Lawrence County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

The following are summaries of the audit findings:

### **OFFICE OF COUNTY EXECUTIVE AND OFFICE OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING:**

- ◆ Payroll accruals were not posted properly.
- ◆ The Judicial District Drug Fund had cash overdrafts and received an unauthorized loan from the General Fund.
- ◆ Purchasing deficiencies were noted. The office did not always issue purchase orders, bid specifications were written to include only one make/model for two ambulances, a construction bid was negotiated, and invoices were paid late.
- ◆ General accounting deficiencies were noted. Financial records were not closed timely; many revenues and expenditures were misclassified in the accounting records; ambulance service receivables were written off without committee approval; a \$500,000 payment was not deposited currently; several funds had cash overdrafts; encumbrances were not properly recorded; several grants were not properly documented; and reserve balances were not properly calculated.
- ◆ Note issuance costs were paid from the wrong fund and interest income was credited to the wrong fund. Also, debt issuance costs and debt proceeds were understated in the financial records.
- ◆ Retainage was not deposited into an escrow account, encumbrances and contracts payable were not recorded, capital expenditures were not tracked by project, and it was difficult to determine if debt proceeds were expended properly.
- ◆ Appropriations exceeded estimated available funds by \$43,000 in the Highway Capital Projects Fund. Expenditures exceeded appropriations in one major category

of the General Fund by \$90,970, and expenditures exceeded appropriations by \$1,145,748 in the General Capital Projects Fund. Budget amendments that were not approved by the County Commission were posted to the accounting records. Also, wholesale beer tax was not prorated properly, and budgets for the Central Cafeteria and Extended School Program Funds were not presented to the County Commission currently.

- ◆ The Solid Waste Disposal Fund had a retained earnings deficit of \$2,397,254 at June 30, 2002.
  - ◆ The Solid Waste Disposal Fund had accounting deficiencies. Receivables, payables, delinquent accounts, revenues, expenditures, and fixed assets were not accounted for properly.
  - ◆ County officials had not updated the inventory of county-owned assets since 1998.
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#### **OFFICE OF DIRECTOR OF SCHOOLS:**

- ◆ The Board of Education adopted a purchasing policy that limits competition.
  - ◆ The competitive bid process was circumvented for the purchase of two gym practice goals totaling \$10,000.
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#### **OFFICE OF COUNTY CLERK:**

- ◆ The clerk did not prepare an execution docket trial balance for Juvenile Court.
  - ◆ System users had the capability to make changes directly to accounting transactions and account balances.
  - ◆ The Motor Vehicle Department title and registration software did not have adequate application controls.
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#### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK:**

- ◆ The clerk did not prepare trial balances of execution docket cause balances for Circuit and General Sessions Courts.
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#### **OTHER FINDINGS:**

- ◆ Duties were not segregated adequately among the officials and employees in the Public Library; Ambulance Service; Solid Waste Department; and Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff.
- ◆ The county did not inventory, value, and record its general fixed assets, as required by generally accepted accounting principles.

*State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of County Audit*