

# ***Audit Highlights***

Comprehensive Annual Financial Report

Loudon 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 Loudon County as of and for the year ended June 30, 2002.

## ***Results***

Our report on Loudon County's financial statements was qualified because the statements did not include a General Fixed Assets account group. Our opinion was also qualified because we were unable to determine if all budgets and budget amendments posted to the financial statements were properly approved by the County Commission. Consequently, we could not determine the validity of the amounts reflected in the budget columns of the general purpose financial statements and the individual fund financial statements. Also, the financial statements did not include one component unit whose financial statements were not available at the date of the report.

Our audit resulted in ten findings and recommendations, which we have reviewed with Loudon 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 DIRECTOR OF ACCOUNTS AND BUDGETS:**

- ◆ The documentation of budget amounts approved by the County Commission had deficiencies.
- ◆ An unauthorized loan of \$290,000 was made from the General Purpose School Fund to the School Federal Projects Fund during the year and remains outstanding.
- ◆ Management failed to properly reflect grant activity of \$316,250 on the accounting records.
- ◆ The General Capital Projects Fund and the Industrial/Economic Development Fund had fund deficits of \$1,771,933 and \$16,859, respectively. These fund deficits resulted from unperformed portions of construction projects being reserved as encumbrances.
- ◆ Accounting functions for the Highway Department were not performed in accordance with provisions of the Fiscal Control Acts of 1957.
- ◆ The office did not reconcile bank statements for the school payroll account with the general ledger balance, and the bank account maintained for the Employee Dental Insurance Fund was not reconciled on a monthly basis.
- ◆ Loudon County did not file the final cost settlement report with the Department of Correction on a timely basis, resulting in a loss of revenues to the county.

---

### **OFFICE OF DIRECTOR OF SCHOOLS:**

- ◆ Funds were paid to individual schools to fund various purchases made through those schools' activity accounts. This practice violates state statutes that require the purchasing agent to make all purchases for the various county departments.
-

**OTHER FINDINGS:**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, and Sheriff.
- ◆ The county and the discretely presented Loudon County School Department did not inventory, value, and record their general fixed assets, as required by generally accepted accounting principles.

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