

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations as a result of our examination are presented below. We have reviewed these findings and recommendations with management to provide an opportunity for their response. Management did not offer written responses to these findings and recommendations. Officials did offer oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **OFFICE OF COUNTY EXECUTIVE**

**FINDING 02.01**      **THE OFFICE HAD PURCHASE ORDER DEFICIENCIES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders for several purchases. Also, several purchase orders were not signed, had no descriptions of the item(s) purchased, and/or reflected no monetary amounts. Properly issued purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

### **RECOMMENDATION**

The office should properly issue purchase orders for all applicable purchases.

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**FINDING 02.02**      **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF VOTING MACHINES**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of voting machines (\$41,600). Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), provide for purchases exceeding \$5,000 to be made on a competitive bid basis after public advertisement.

### **RECOMMENDATION**

Competitive bids should be solicited for all purchases exceeding \$5,000, as required by state statute.

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## **OFFICE OF ROAD SUPERINTENDENT**

**FINDING 02.03**      **PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.

### **RECOMMENDATION**

Purchase orders should be properly issued for all applicable purchases.

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## **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 02.04**      **THE OFFICE DID NOT DEVELOP A DISASTER RECOVERY PLAN**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Director of Schools did not develop a disaster recovery plan to assist the office in re-creating its data processing environment in the event of a disaster. Without a formal, written plan, critical computerized applications could be disrupted indefinitely until the system could be repaired or a back-up facility could be found and made operational.

### **RECOMMENDATION**

Management should develop and regularly update a disaster recovery plan defining procedures for personnel to follow in the event of a major hardware or software failure, or temporary or permanent destruction of facilities. The plan should contain provisions for a contingency operations site, as well as for the adequate backup of data files, system programs, user documentation, supplies, and computer hardware so that operations could continue as normally as possible. A copy of the plan should be kept in a secure area within the office, as well as at a secure, off-site location.

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**FINDING 02.05      THE OFFICE DID NOT HAVE FORMAL POLICIES AND PROCEDURES FOR COMPUTER OPERATIONS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Director of Schools did not have written policies and procedures for routine computer operations. Routine operations include system startup/shutdown, application access, system access security, system backup and retention schedules, hardware/software maintenance, output distribution, and other general data processing functions. Formal policies and procedures are necessary to ensure adequate management control over computer operations.

**RECOMMENDATION**

Management should prepare a computer policies and procedures manual that defines policies and procedures for operations such as system backups, security measures, and other general data processing functions. Upon completion, the manual should be distributed to all appropriate personnel.

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**OFFICE OF CLERK AND MASTER**

**FINDING 02.06      UNCLAIMED FUNDS WERE NOT REPORTED AND PAID TO THE STATE**  
(Noncompliance Under Government Auditing Standards)

The clerk and master did not report and pay to the state unclaimed funds (old outstanding checks totaling \$138 and unclaimed litigant funds totaling \$39,326). The Unclaimed Property Act, Section 66-29-101 et seq., Tennessee Code Annotated, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. These statutes further provide for the funds to be reported and paid to the state Treasurer's Office.

**RECOMMENDATION**

The clerk and master should report and pay to the state any unclaimed funds held for more than one year, as required by state statute.

**OFFICE OF SHERIFF**

**FINDING 02.07      **THE OFFICE HAD DEFICIENCIES IN BOOKING PROCEDURES****  
(Noncompliance Under Government Auditing Standards)

The Sheriff's Office did not maintain records to document that all arrestees were fingerprinted and that two sets of those fingerprints were forwarded to the Tennessee Bureau of Investigation (TBI), as required by Section 8-4-115, Tennessee Code Annotated. This statute requires that law enforcement agencies take two full sets of classifiable fingerprints at the time of a person's arrest and file these fingerprints with the TBI.

**RECOMMENDATION**

The Sheriff's Office should document that all arrestees are fingerprinted and that all fingerprints are filed with the TBI, as required by state statute.

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**FINDING 02.08      **THE SHERIFF ENTERED INTO AN UNAUTHORIZED CONTRACT AND CIRCUMVENTED THE COUNTY'S BUDGETARY PROCESS****  
(Noncompliance Under Government Auditing Standards)

In July 2001, the sheriff entered into a five-year contract with Infinity Networks for inmate telephone service. This contract provided for the county to receive 30 percent of the gross telephone revenue and a one-time signing bonus of \$3,750. Our audit revealed the following deficiencies involving the contract with Infinity Networks:

- A.     The contract with Infinity Networks was not entered into in accordance with the provisions of Section 7-51-904, Tennessee Code Annotated (TCA). This statute provides that whenever the term of a contract is for five years or more that a notice of public meeting must be published in a newspaper of general circulation in the county describing the contract to be considered and the contracting party. This statute further provides that the contract can only be entered into after being approved by a resolution of the County Commission.
  
- B.     At the direction of the sheriff, Infinity Networks used proceeds from the county's signing bonus to purchase office furniture valued at \$3,806. By using Infinity Networks to purchase the furniture, the sheriff violated the purchasing provisions of the County Purchasing Law of 1983 and circumvented the county's budgetary process. This law provides for all purchases for the Sheriff's Office to be made from county funds that are subject to the budgetary approval of the County Commission.

- C. The office did not submit to the county the signing bonus earned from this contract. Section 8-24-103, TCA, requires that all fees and commissions the office earns be remitted to the county on a monthly basis.

RECOMMENDATION

All contracts should be entered into in accordance with state statutes. All office purchases should be made through the General Fund and should be subject to the budgetary process. Furthermore, all fees and commissions should be remitted to the General Fund monthly, as required by state statute.

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OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.09      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF, AND THE LANDFILL DEPARTMENT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff, and the Landfill Department. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and/or disbursing funds.

RECOMMENDATION

To strengthen internal controls over operations, these offices should segregate duties adequately among employees.

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FINDING 02.10      **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Macon 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 Macon 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

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

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FINDING 02.11      **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Macon 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

Macon 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.