

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 02.01 **THE OFFICE DID NOT ALWAYS ISSUE PURCHASE ORDERS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive's Office did not issue purchase orders for some purchases. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

The County Executive's Office should issue purchase orders for all applicable purchases.

FINDING 02.02 **THE OFFICE HAD DEFICIENCIES IN ITS ACCOUNTING FOR EMPLOYEE HEALTH INSURANCE AND WORKERS' COMPENSATION TRANSACTIONS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit disclosed the following deficiencies in the office's accounting for transactions relating to the Employee Health Insurance Fund and the Workers' Compensation Fund:

- A. The liability for unpaid claims at June 30, 2002, had not been determined and reflected on the accounting records of the Employee Health Insurance and Workers' Compensation Funds, as required by generally accepted accounting principles. Our examination of claims paid subsequent to June 30, 2002, disclosed liabilities of \$263,101 for the Employee Health Insurance Fund and \$31,521 for the Workers' Compensation Fund. We have made adjustments to reflect these liabilities in the financial statements of this report.
- B. After the financial statements were adjusted to reflect the liabilities noted in item A. above, the Employee Health Insurance Fund reflected a deficit in retained earnings. We also made adjustments to establish interfund receivables and payables between the various funds and the Employee Health Insurance Fund to liquidate that deficit.

RECOMMENDATION

The liability for unpaid claims should be established and reflected on the accounting records of the Employee Health and Workers' Compensation Funds.

OFFICE OF JUVENILE COURT CLERK

FINDING 02.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF JUVENILE COURT CLERK**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the official and employees in the Office of Juvenile Court Clerk. The official and employees responsible for maintaining the accounting records in this office 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.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.04 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Sevier 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

Sevier 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 02.05

RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS OF THE PRIMARY GOVERNMENT

(Internal Control – Material Weakness Under Government Auditing Standards)

The Sevier County primary government 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 Sevier County for the year ending June 30, 2003. Statement 34 places an even greater emphasis on the need to maintain general fixed asset records.

RECOMMENDATION

The Sevier County primary government should inventory, value, and record its general fixed assets in accordance with generally accepted accounting principles.