

## 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. Management 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      **PURCHASE ORDERS WERE ISSUED THROUGH COUNTY DEPARTMENTS INSTEAD OF THROUGH THE PURCHASING COMMISSION IN VIOLATION OF THE COUNTY'S PRIVATE ACT**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Chapter 16 of the Private Acts of 1951 governs the purchasing procedures for the funds administered by the county executive and director of accounts in Warren County. The act provides that to make purchases all county departments must requisition the Purchasing Commission, and the commission chairman (director of accounts) is then authorized to execute all purchases totaling less than \$5,000. Purchases exceeding \$5,000 are required to be approved by the Purchasing Commission based on competitive bids solicited through newspaper advertisement. However, several county departments, including the Sheriff's Department, Ambulance Service, and Airport, were allowed to issue their own prenumbered purchase orders and make purchases. These departments then forwarded the purchase order and invoice to the director of accounts for payment.

Purchase orders are a necessary internal control procedure to control who has authority to make purchases for the county and to document purchasing commitments. The practice of allowing county departments to issue their own purchase orders and make purchases defeats the purpose of issuing the purchase orders and makes the purchase order an approval for payment rather than an approval of the purchase.

### RECOMMENDATION

The practice of allowing county departments to issue purchase orders should be discontinued. Purchases should be made in compliance with Chapter 16, Private Acts of 1951, as amended, which requires the Purchasing Commission to purchase all supplies and materials and further requires the various county departments to file a purchase requisition with the commission.

## **OFFICE OF TRUSTEE**

**FINDING 02.02 FUNDS WERE NOT DEPOSITED IN COMPLIANCE WITH STATE STATUTES**  
(Noncompliance Under Government Auditing Standards)

Funds were not deposited in a timely manner. The office prepared deposits on a daily basis, however; in many instances, these deposits were not taken to the bank within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit funds to the office bank account within three days of collection. Failing to deposit collections within three days not only violates this statute, but also weakens internal controls over funds and increases the potential for loss or theft.

### **RECOMMENDATION**

Funds should be deposited to the office bank account within three days of collection, as required by state statute.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 02.03 RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Warren County did not inventory, value, and record its general fixed assets (buildings, equipment, etc.), as required by generally accepted accounting principles. The Government Accounting Standards Board has adopted Statement 34, which will become effective for Warren 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**

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

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

Warren County officials had not adopted a system of central accounting, budgeting, and purchasing covering all county departments. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

**RECOMMENDATION**

Warren 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, budgeting, and purchasing covering all county departments.

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**FINDING 02.05    DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Executive; Highway Superintendent; Director of Schools; Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices 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.