

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 did not offer written responses to the 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 PURCHASING AND FINANCE

FINDING 03.01 **THE SOLID WASTE/SANITATION FUND HAD A CASH OVERDRAFT AND A FUND DEFICIT, AND THE GENERAL CAPITAL PROJECTS FUND HAD A FUND DEFICIT**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following deficiencies:

- A. The Solid Waste/Sanitation Fund had a cash overdraft of \$1,301 at June 30, 2003. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2003, with an operating transfer from the General Fund.
- B. The Solid Waste/Sanitation Fund had a fund deficit of \$4,948 at June 30, 2003. Solid waste operations are funded by transfers from the General Fund. However, the amount budgeted and transferred from the General Fund was inadequate to fund the solid waste expenditures.
- C. The General Capital Projects Fund had a fund deficit of \$266,101 at June 30, 2003. This fund deficit resulted from the county's entering into construction contracts and incurring other construction costs that exceeded the available funding.

RECOMMENDATION

Warrants should not be issued that exceed cash on deposit with the county trustee. County officials should take appropriate steps to liquidate the fund deficits in the Solid Waste/Sanitation Fund and the General Capital Projects Fund.

FINDING 03.02 **THE SOLID WASTE DISPOSAL PROGRAM HAD INTERNAL CONTROL DEFICIENCIES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Meigs County does not operate a landfill in the county but instead pays a landfill in a neighboring county on a per-ton basis to dispose of the county's garbage. The county operates a collection center within the county where both citizens and private haulers may bring garbage free of charge. There it is compacted and then hauled to the landfill in the

neighboring county. In addition to taking their garbage to the collection center in Meigs County, some private haulers are also allowed to take their garbage directly to the landfill, and the county is billed for the garbage deposited by these private haulers. The following weaknesses were noted surrounding the county's solid waste disposal procedures:

- A. The county does not have a formal policy approved by the County Commission concerning solid waste disposal. Currently, the solid waste disposal operations are primarily funded by transfers of funds from the county's General Fund to the Solid Waste/Sanitation Fund. All county citizens and private haulers are allowed to dump at the county's collection center or at the landfill free of charge. As a result, the majority of the costs of the county's solid waste disposal operation are funded by the General Fund.
- B. The county has no method to ensure that the garbage taken to the county's compacting station and/or landfill by private haulers came from households within Meigs County. Consequently, the county could pay for garbage disposal costs for citizens living outside Meigs County.

RECOMMENDATION

Meigs County should review the current procedures in place and adopt a formal policy for the county's solid waste disposal. County officials should also review the current procedure of allowing individuals and private haulers to bring garbage to the compacting station and/or landfill free of charge to determine if that policy is in the best interest of the county. Officials should consider possible alternatives, such as developing a schedule of fees for the county to collect from individuals and/or private haulers at the county's collection center. Also, officials should consider requiring all private haulers to pay for any garbage they take to the landfill. If the county continues to allow private haulers to dump garbage at the collection center or landfill free of charge, procedures should be implemented to ensure that only garbage collected within Meigs County is accepted.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 03.03 **THE CASH JOURNAL WAS NOT MAINTAINED PROPERLY IN GENERAL SESSIONS COURT** (Internal Control – Reportable Condition Under Government Auditing Standards)

In General Sessions Court, the cash journal was not maintained properly. Our audit revealed the following deficiencies:

- A. The cash journal contained addition errors that were not detected and corrected.
- B. Cash journal totals from the bottom of the page were not consistently carried forward to the beginning of the next page and from month to month.
- C. Returned checks and the subsequent collection of bad checks were not posted to the cash journal correctly.

- D. The clerk did not accurately record miscellaneous bank charges.
- E. Bank statements were not reconciled with cash journal accounts monthly. As a result, posting errors in the cash journal were not detected and corrected in a timely manner.

The cash journal is the primary cash control record that summarizes the office's financial operations. Therefore, proper maintenance of the cash journal is imperative.

RECOMMENDATION

The cash journal for General Sessions Court should be maintained properly. The mathematical accuracy of the cash journal should be verified on a timely basis, and totals should be carried forward from page to page and month to month. In addition, returned checks and miscellaneous charges should be properly posted to the cash journal. Also, bank statements should be reconciled with cash journal accounts on a monthly basis.

OFFICE OF CLERK AND MASTER

FINDING 03.04 **SHORT-TERM INVESTMENT EARNINGS WERE NOT POSTED TO THE CASH JOURNAL OR INVESTMENT SUBSIDIARY LEDGERS**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Investment earnings were not posted to the office cash journal and the short-term investment subsidiary ledgers on a timely basis. The last posting of short-term investment earnings to the cash journal and subsidiary ledgers was made on December 31, 2001. As of June 30, 2003, the cash journal and subsidiary ledgers reflected \$11,143 less than the actual bank balances.

RECOMMENDATION

The cash journal and subsidiary ledgers should be updated regularly to accurately reflect actual bank account balances.

FINDING 03.05 **THE MONTHLY REPORTING AND CASH CONTROL SYSTEM DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Previously entered financial transactions could be deleted or changed in the office's computer system, and the application did not maintain a record of these deletions or changes. This lack of application control could allow inappropriate system activity.

RECOMMENDATION

Management should implement software controls to provide an audit trail for any transaction deletions or changes.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 03.06 QUESTIONABLE FUNDING PRACTICES WERE NOTED IN THE 2003-04 BUDGET APPROVED BY THE COUNTY COMMISSION
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of the 2003-04 budget approved by the County Commission revealed the following questionable funding practices:

- A. No provision was made to liquidate the fund deficit in the General Capital Projects Fund (\$266,101) discussed in Finding 03.01.
- B. At June 30, 2003, the Solid Waste/Sanitation Fund had a fund deficit of \$4,948, as noted in Finding 03.01. Although funding has been increased in the 2003-04 budget, the budgeted expenditures still appear low compared to the prior three years' actual expenditure levels.

RECOMMENDATION

The County Commission should provide funding to liquidate the fund deficit in the General Capital Projects Fund. Also, expenditure estimates in the Solid Waste/Sanitation Fund should be reviewed to ensure that they are adequate and to ensure that a fund deficit does not recur in that fund.

FINDING 03.07 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF PURCHASING AND FINANCE, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Purchasing and Finance, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The officials and employees responsible for maintaining accounting records 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.

FINDING 03.08 COUNTY OFFICIALS HAD NOT HELD A DELINQUENT PROPERTY TAX SALE IN RECENT YEARS
(Noncompliance Under Government Auditing Standards)

County officials had not held a delinquent property tax sale in approximately 20 years. Section 67-5-1806, Tennessee Code Annotated, provides that all delinquent property taxes become discharged and uncollectible after ten years from the date when delinquency originated. Therefore, at least ten years of delinquent taxes totaling \$22,666 are discharged and uncollectible. The clerk and master's tax aggregate list (1992-2001) reflects uncollected delinquent property taxes of \$68,883 filed in Chancery Court.

RECOMMENDATION

County officials should hold a delinquent property tax sale in an effort to collect delinquent taxes, as provided by state statute.

FINDING 03.09 RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS
(Internal Control – Material Weakness Under Government Auditing Standards)

Meigs 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 Meigs 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

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

FINDING 03.10 A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Meigs County officials had not adopted a central system of 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

Meigs 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.