

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. The officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

GIBSON COUNTY

FINDING 04.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

Gibson County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, the county was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Gibson County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the government’s financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Gibson County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Gibson County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical cost of the government’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the government’s financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 04.02 PURCHASE ORDERS WERE NOT ISSUED
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases.

FINDING 04.03 COMPETITIVE BIDS WERE NOT SOLICITED IN ACCORDANCE WITH STATE STATUTES
(Noncompliance Under Government Auditing Standards)

The sheriff solicited but did not advertise for bids for the purchase of an automobile (\$27,450). In addition, the bid specifications were limited to a 2003 Pontiac Bonneville SLE. Purchasing procedures for Gibson County are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for all purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids. Limiting bid specifications to a particular make, model, or manufacturer violates the intent of the competitive bid law.

RECOMMENDATION

To comply with state statutes, the office should solicit competitive bids by public advertisement, should follow competitive bid requirements, and should not limit bid specifications to a particular vehicle make, model, or manufacturer.

OFFICE OF ROAD SUPERVISOR

FINDING 04.04 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF SOME ROAD MATERIALS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of road materials, such as bridge lumber and rock, for state-aid projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain

a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

OFFICE OF SHERIFF

FINDING 04.05 THE OFFICE DID NOT COMPLETE SEVERAL DRUG CONTROL FUND FORMS AND REPORTS
(Noncompliance Under Government Auditing Standards)

Several forms and reports required by the Office of the Comptroller of the Treasury to account for drug control funds were not completed. These forms and reports are necessary to document the administration of confidential drug funds and to account for cash transactions related to undercover investigative operations.

RECOMMENDATION

The sheriff should ensure that the office completes all forms and reports required by the Office of the Comptroller of the Treasury.

FINDING 04.06 THE SHERIFF DID NOT FILE A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES
(Noncompliance Under Government Auditing Standards)

The sheriff did not obtain a letter of agreement or file suit in Circuit Court to authorize the number and salaries of his deputies. Section 8-20-101, Tennessee Code Annotated, permits the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in Circuit Court.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county mayor or petition Circuit Court for the number and salaries of deputies, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 04.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF JUVENILE COURT CLERK, 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 Juvenile Court Clerk, Register, and Sheriff. Employees of these offices who were responsible for maintaining the accounting records were also involved in issuing receipts, preparing bank deposits, taking deposits to the bank, posting receipts to the cash journal, reconciling bank statements, and/or reconciling receipts with cash. 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 04.08 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Gibson County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Gibson 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.