

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. The written responses of the highway superintendent and correctional work center superintendent are included in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

FINDING 04.01 CORRECTIONAL WORK CENTER COMMISSARY FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)

The Rutherford County Correctional Work Center's commissary operation did not always deposit funds to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit funds within three days of collection.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CORRECTIONAL WORK CENTER SUPERINTENDENT (PARAPHRASE)

In an effort to address this finding, I have scheduled a meeting with all parties involved in the operation and management of our commissary. The purpose of this meeting will be to ensure that our operating policies and procedures are amended to fully encompass your recommendation.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 04.02 THE OFFICE DID NOT ACCEPT THE LOW BID FOR A BACKHOE
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain any documentation supporting its decision to reject the lowest bid received for a four-wheel drive backhoe. Two bids were received: one for \$46,943 and one for \$57,984. The office awarded the bid to the higher bidder.

In *Owen of Georgia, Inc., versus Shelby County*, 442F. Supp. 314 (w.b. Tenn. 1977), the court stated that “to reject the bid of the lowest bidder there must be such evidence of the irresponsibility of the bidder as would cause fair minded and reasonable men to believe that it was not for the best interest of the municipality to award the contract to the lowest bidder.”

RECOMMENDATION

Purchases should be made from the vendor with the lowest price that meets bid specifications unless adequate documentation is on file supporting the decision to reject the lowest bid.

MANAGEMENT’S RESPONSE – HIGHWAY SUPERINTENDENT (PARAPHRASE)

The tape recorder malfunctioned during the Highway Committee meeting that discussed and awarded this bid; therefore, the official transcribed minutes did not reflect the discussion. However, the secretary’s handwritten notes state that the higher bid was awarded. The higher bid was accepted because the lower bid backhoe had a dry sleeve engine, which the board thought was not the best bid for this equipment.

REBUTTAL

Even though the tape recorder malfunctioned and could not be used for transcription, the official minutes should still reflect the details of the discussion from the secretary’s handwritten notes documenting the board’s decision to reject the lowest bid. The board’s chairman should indicate that the nontaped portion noted in the official minutes is a true representation of the discussion.

FINDING 04.03 **TANDEM DUMP TRUCK BID SPECIFICATIONS APPLIED ONLY TO ONE BRAND** (Noncompliance Under Government Auditing Standards)

The office solicited bids for the purchase of four tandem dump trucks using bid specifications that could be met by only one manufacturer and accepted the one bid received (\$378,900). Using bid specifications that apply only to a particular brand of equipment violates the intent of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, which requires competitive bids on purchases exceeding \$5,000.

RECOMMENDATION

The office should develop bid specifications that are not brand specific. Bids should then be evaluated on the basis of several criteria, including price, quality, availability, warranty, maintenance costs, experience, etc.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 04.04 **SUFFICIENT USER DOCUMENTATION FOR THE COURT SOFTWARE APPLICATION WAS NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Office of Circuit, General Sessions, and Juvenile Courts Clerk did not maintain formal user documentation pertaining to the court software. This documentation is necessary to provide users with information regarding system maintenance, system inputs, application processing requirements, output definitions, and system recovery. Inadequate documentation may result in inaccurate and inefficient processing of applications.

RECOMMENDATION

The office should maintain user documentation for the court software. The county's agreement with the software vendor explicitly states that the vendor will provide the county with a user's manual and related documentation. Therefore, management should contact their vendor and obtain current user documentation for the court software.

OFFICE OF REGISTER

FINDING 04.05 **THE OFFICE OF REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The register did not adequately control access to her office. Individuals who were not office employees had unsupervised access to the office after business hours. Allowing persons who are not employees to have unsupervised access to an office after business hours seriously weakens internal controls over assets.

RECOMMENDATION

Individuals who are not office employees should not be allowed unsupervised access to the office after business hours.

OFFICE OF SHERIFF

FINDING 04.06 THE SHERIFF DID NOT HAVE AUTHORIZATION FOR 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 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.

FINDING 04.07 THE COMMISSARY DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)

The commissary of the Sheriff Department's did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt of the funds.

RECOMMENDATION

The sheriff should ensure that all funds are deposited to the office bank account within three days of collection, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 04.08 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF JUVENILE COURT CLERK AND THE CORRECTIONAL WORK CENTER
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not adequately segregated among the official and employees in the Office of Juvenile Court Clerk and the Rutherford County Correctional Work Center. Employees responsible for maintaining the accounting records in these offices 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.

FINDING 04.09 **A SYSTEM OF CENTRAL PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Rutherford County officials had not adopted a central system of purchasing. Establishing a central system would significantly improve internal controls over the purchasing process.

RECOMMENDATION

Rutherford County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a system of central purchasing covering all county departments.