

# ***Audit Highlights***

Annual Financial Report  
Smith County, Tennessee  
For the Year Ended June 30, 2004

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Smith County as of and for the year ended June 30, 2004.

## ***Results***

Our report on Smith County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 17 findings and recommendations, which we have reviewed with Smith County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

The following are summaries of the audit findings:

### **SMITH COUNTY:**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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### **OFFICE OF COUNTY MAYOR:**

- ◆ The office did not use the accrual basis of accounting for the Solid Waste Disposal Fund, as required by generally accepted accounting principles.
- ◆ Purchase orders were not issued in some required instances, and in other instances, purchase orders were issued after the purchase was made. In some instances, invoices were paid without documentation that goods and/or services had been received. Also, competitive bids were not solicited in some required instances.
- ◆ The Courthouse and Jail Maintenance Fund had a fund deficit of \$14,682 at June 30, 2004.
- ◆ Appropriations exceeded estimated available funds in the General Fund by \$186,157.
- ◆ Deficiencies in Ambulance Service operations included the failure to properly segregate employees' duties, follow established collection and write-off policies, and record accounts receivable.
- ◆ Employee leave records did not reflect leave earned and leave balances. In some instances, time and attendance records were not maintained, and in other instances, where time and attendance records were maintained, they were not signed by supervisory staff. Also, written authorizations were not on file for the salaries of some employees.
- ◆ The office had not adopted written guidelines governing the use of county-owned cellular telephones.
- ◆ County officials did not label assets as property of the county, did not have policies to ensure that new items were added to inventories, and did not verify the accuracy of inventories.

## **OFFICE OF HIGHWAY SUPERINTENDENT:**

- ◆ The Highway Department did not determine receivables (\$165,271) or payables (\$140,913) at June 30, 2004.
  - ◆ The department made purchases without soliciting competitive bids and made purchases from vendors who were not awarded bids.
  - ◆ Purchase orders were not issued in some required instances, and some purchase orders were issued without all pertinent information regarding the purchase. Also, in some instances, invoices were paid without documentation that goods and/or services had been received.
  - ◆ Some of the equipment listed on the Highway Department inventory list was not labeled or otherwise clearly marked as county property.
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## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK:**

- ◆ The office did not require a depository to pledge securities to protect county funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage, as required by state statute.
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## **OFFICE OF SHERIFF:**

- ◆ The office did not complete the forms required to document cash transactions for confidential funds.
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## **OTHER FINDINGS:**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.