

# Audit Committee

January 15, 2015

The Audit Committee met on Thursday January 15, 2015 at 5:00pm in the Mayor's Conference Room of the Carter County Courthouse. Members present were Dave Wortman, Margaret Moses, Travis Holly and Margaret Pate.

Guest included Mayor Leon Humphrey, Circuit Court Clerk Johnny Blankenship, Administrative Assistant Patty Woodby and Administrative Bookkeeper Debbie Guy, Finance Director Ingrid Deloach, Sheriff Dexter Lunceford, Chief Deputy James Parrish, TN Comptroller Office County Auditors Mark Treece and Robert Anderson, Debbie Street, Commissioners Ray Lyons, Danny Ward, Charles Von Cannon and Bobbie Dietz.

Chairman Dave Wortman called the meeting to order and welcomed everyone. The meeting was called to discuss findings from the June 30, 2014 Annual Financial Report for Carter County, Tennessee. A motion to approve minutes from the Audit Committee meeting February 3, 2014 was made by Margaret Moses, second by Margaret Pate.

Public Comments were called for, seeing none Chairman Wortman directed the committee to the Schedule of Findings and Summary of Auditor's Results on page 187 of the Annual Financial Report. The full report can be located on the Carter County Government website at:

<http://www.cartercountyttn.gov/publicdocuments/publicnotices/Carter%20County%20Annual%20Financial%20Report%202014.pdf>

## **OFFICE OF COUNTY MAYOR**

**Finding 2014-001:** *Deficiencies Were Noted in the Operations of the Parks and Recreation Board.*

Finance Director Ingrid Deloach was given the opportunity to address the findings; she stated her response was noted in the Audit. Chairman Wortman inquired if it was simply money sent to the Parks and Rec Board without going through the county books? Mayor Humphrey stated at one time the Parks and Rec Board was part of the county government and the decision was made by the County Commission to make them an outside agency, once approved, funds were taken from the County General Fund. Mayor Humphrey stated the Board must be a Government Entity, all the funds have been returned and per State Statute, a new Parks and Rec Board is currently being formed. Auditor Mark Treece stated that the general law had changed allowing for payment of the committee members, previously there was no authority to pay the Board.

**Finding 2014-002:** *The Solid Waste Department Reported A Theft At The County Landfill Office.*

Mayor Humphrey stated that The Solid Waste/Landfill no longer falls under his authority; it is now under the Landfill Committee. Commissioner Bobbie Dietz was introduced as the Landfill Committee Chairman. Dietz stated that Director Benny Lyons could not attend; he was out of town because of a death in the family. Dietz stated she could not address the Theft Finding and turned it over to Finance Director Deloach, who stated the break in occurred at the scale house. Obviously, someone was familiar enough to know that security cameras were in place and proceeded to cut the power to the building and removed the safe. To correct the problem, additional cameras have been installed in undisclosed locations and the safe has been bolted to the floor. Mark Treece noted there were no recommendations on the finding as sufficient steps were taken to correct the problem.

**Finding 2014-003:** *The Office's Software Did Not Have Adequate Application Controls.* Chairman Dietz stated the software was returned to the company and the Finance Office is waiting for the refund check. Once the funds are received, the Landfill Director will meet with the Auditor to discuss the purchase of software needed to meet state requirements. A manual system is currently being used. No recommendations were made by the Auditor.

**Finding 2014-004:** *The Office Had Deficiencies in Computer System Backup Procedures.* Chairman Wortman questioned if the new software would take care of the backup problem and Auditor Treece stated that it should.

#### **OFFICE OF DIRECTOR OF SCHOOLS**

**Finding 2014-005:** *The School Federal Projects Fund Had A Deficit In Unassigned Fund Balance At June 30, 2014.* Director of Finance Ingrid Deloach stated that this resulted from expenses that occurred in June but were not turned in until July. Her response to correct the deficiency was: No expenses will be reimbursed unless the purchase order is requested prior to year-end so cash can be requested in advance. Chairman Wortman ask if a purchase order had been requested, Director stated no, she had requested all funds for all the purchase orders that were outstanding.

#### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**Finding 2014-006:** *Accounting Records did not adequately reflect the financial activity of the office.* Court Clerk Johnny Blankenship introduced his staff, Patty Woodby Administrative Assistant and Debbie Guy Bookkeeper. Blankenship stated this was an ongoing issue that has been occurring for years. Since the last Audit meeting the office is in the process of receiving updates to the Icon software. Chairman Wortman stated that the amount in question has been reduced from \$213,000 to \$65,000. Significant improvements have been made over the last year. Ms Guy stated that she was reconciling on a monthly basis, and once the software updates are received they should have better checks and balances. Blankenship stated that the office has followed the Audit Committee recommendations in the past years and recently Ms. Guy has been to other counties that have the Icon software, she's spent time with the bookkeeper and speaks with them on a weekly basis about their processing. Blankenship stated he had been in office for four months and this is not an issue that will be fixed over night. It has taken years to fix the problem and hopefully after the updates and continued progress, we will not be here next year.

**Finding 2014-007:** *The Office's Software Did Not Have Adequate Application Controls.* Auditor Treece stated if there is some type of problem or some type of control or if something gets posted incorrectly, without the Docket Trial Balance you cannot find the error. Blankenship stated that the goal is once the Docket Trial Balance comes together they can start processing at that point. Treece stated they should be able to identify the errors over a period of time as the amount gets lower. The software is now in about 6 or 7 counties of the state and it has been updated and implemented at other places but since Carter County was the first in the state to implement Icon, not all the updates have been entered into their system. Blankenship also re-iterated that almost every county around here has had a finding when they switch software from the old DOS system. Mr. Treece stated he was not the IS Auditor but he understands that the newer system does not have these weaknesses in the software and the upgrade should take care of the problem. Margaret Moses directed a question to Auditor Treece "once they make improvements to their software, is there a possibility there will be items they will not be able to match up, some adjustments will have to be made and who will help them with the adjustments"? Treece, "what the law requires is that if it goes without being identified it will be submitted to the State as unclaimed property".

**Finding 2014-008:** *Employees shared usernames and passwords.* Blankenship stated the problem occurred when the employees were using the counter station. To correct the finding, employees are now required to log in twice.

## **OFFICE OF SHERIFF**

**Finding 2014-009:** *The Sheriff's Department and Tennessee Business Enterprises Did Not Follow The County's Purchasing Statutes.* Chairman Wortman stated that this was not addressed to Sheriff Lunceford because the issue was uncovered by him and there is an ongoing investigation. Sheriff introduced Chief Deputy James Parrish and ask him to give details and answer any questions. Chief Parrish gave history on the TN Blind Enterprises Account (Commissary) stating Missie Hammons, had actually requested a meeting with the Sheriff when he came into office. Ms. Hammons informed the Sheriff she felt uncomfortable with how the funds were disbursed in the past. Sheriff stated he wanted this fixed now. Chief Parrish then went to Finance Director and ask if she was aware of the account, she was not. Auditor Treece was informed of the fund and at that time a Fraud Reporting Form was filed. Recommendations by Auditor Treece were to receipt all fees generated by the TBE Manager Rep through the Trustee's Office on a monthly basis and all operating expenses should be appropriated by the County Commission and paid through the Finance Department. They are waiting to hear when they can attempt to recover some of the funds. Sheriff Lunceford stated they have since then filed a second Fraud Report concerning a calendar fund, which is generated through the sale of ads. The fund accumulated at the rate of \$6,000 per year for the past 6-7 years for a total of \$36,000-\$42,000. An examination has been completed by the State Auditor and passed to the District Attorney for his consideration.

Auditor Treece stated that if an employee becomes aware of a fraud they are required to report it. Mayor Humphrey stated that a copy of the Employee Handbook is now in process of being updated and approved by the Financial Management Committee. Information is also posted on the County's website.

## **CARTER COUNTY**

**Finding 2014-010:** *Carter County Has A Material Recurring Audit Finding.* Chairman Wortman questioned if the county has to get the Trial Balance to zero to drop the finding? Treece answered NO, if we can get it down to a reasonable amount and keep it there, it can be dropped. Reconciling the execution docket trial balance with the general ledger accounts should eliminate the finding. As long as the county has material audit findings, it cannot be considered Low Risk. It takes two consecutive years without a material finding to get a Low Risk Audit.

Motion to adjourn was made by Dave Wortman, second by Travis Holly, all ayes.  
There being no further business the meeting was adjourned.

Respectfully Submitted,

Debbie Street  
Recording Secretary