

## TOWN OF SMYRNA, TENNESSEE

### Schedule of Findings and Questioned Costs

June 30, 2003

#### I. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*

##### Current Year Reportable Conditions

03-01 During our testing of payroll records we noted instances in which payrolls from the Police Department and the Water Department were not approved by a supervisor in that department prior to payment. We also noted that employee W-4 forms were not always current and that withholding being made did not correspond to information authorized on the W-4.

Recommendation: We recommend all payrolls be approved by a supervisor from the department prior to payment and that W-4 information in each employee file be reviewed and updated.

Response: The Finance Department will more closely review the payroll records for supervisor's approval prior to payment.

03-02 During our review of procedures related to Project Assistance, it was noted that amounts were paid for items other than utility bills; however the donation request letters specifies the donation to be used for utility bills.

Recommendation: Action should be taken to assure that funds collected are used for the purpose which they were given. Also, if Town continues to pay for gasoline or gasoline vouchers, controls should be improved related to these transactions.

Response: The Town has ceased the distribution of gasoline vouchers for indigent travelers coming through our Town. The donations by utility customers are now only used for the payment of utility bills.

##### Prior Year Reportable Conditions:

02-01 During our review of the ligation tax report filed with the State of Tennessee, we noted that information regarding bonds was not attached to the reports so as to readily reconcile the report with the court records.

Status: Resolved.

02-02 During our review of procedures and controls related to oversight of operations of the Town of Smyrna Pension Plan, we noted that no Town employee has been assigned responsibility for reviewing amounts paid and other activity in the pension account. It appears the Pension Board has not been active.

Status: Condition continues to exist.

Recommendation: We recommend the Pension Board hold regular meetings and assign responsibility of oversight of cash receipt and disbursement activity.

Response: The Town's finance director has been reviewing the quarterly pension statements for the past two years. The pension committee will also review these documents on a quarterly basis, when their meetings resume in 2004.

## TOWN OF SMYRNA, TENNESSEE

### Schedule of Findings and Questioned Costs, Continued

June 30, 2003

#### Prior Year Reportable Conditions, Continued:

- 02-03 During our review of cash receipts we noted that court deposits were not always made within three banking days as required by state law.
- Status: It appears this condition continues to exist, however, this may be caused by the manner in which deposit summary sheets are dated.
- Recommendation: We recommend that daily deposits be made to assure proper safeguards over cash.
- Response: The clerk's office has created a method to ensure daily deposits, even providing a method for daily deposit when software failure or other extreme circumstances occur. A manual backup has been created in order to avoid noncompliance with this policy.
- 02-04 During our review of utility billing, we noted a weakness in controls related to the manual billing of sewer surcharges, procedures were not in place to assure billings were made timely every month.
- Status: Resolved.
- 02-05 During our review of contracts, we noted the Town had neglected to make two deposits into a required retainage account for a contractor in accordance with the terms of the contract.
- Status: Resolved.
- 02-06 The Town has a third party administrator which acts as an agent for the Town and pays claims for health benefits for employees and dependents. A significant amount of payments are made by the agent, however, the Town has no documentation regarding the controls and procedures followed by the agent to assure proper and accurate payment.
- Status: Condition continues to exist.
- Recommendation: We recommend the Town require the agent to provide an audit or other documentation that controls and procedures are adequate to assure proper payment of claims.
- Response: The Town has requested, received and reviewed documentation related to the internal control procedures of the third party administrator.
- 01-01 Current procedures related to bonds held for court offences were weak which has resulted in an inability to reconcile the bonds held liability to detail records. Also, errors were noted in compiling information from the court system reports to reports used to post general ledger information.
- Status: There continues to be an inability to reconcile the bonds held per the general ledger to detail records. Also, the bond forfeiture account is not reconciled on a monthly basis. We also noted weakness related to accounting for amounts owed the court from individuals on probation as well as noted that warrant numbers are not being controlled to assure all warrants are returned.
- Recommendation: We recommend that the court system software be fully utilized to maintain detailed bonds held records and to prepare reports for general ledger entry. Control logs should be maintained to assure all warrants are accounted for.

**TOWN OF SMYRNA, TENNESSEE**

Schedule of Findings and Questioned Costs, Continued

June 30, 2003

Prior Year Reportable Conditions, Continued:

01-01 Response: It is the opinion of the clerk's office that the cash bond account will never be reconciled, due to the incorrect set up of this payment system when the court began. Bond payments were taken on two different software systems and after exhaustive research no reconciliation was reached. Any further attempts to reconcile would be futile.

The bond forfeiture account cannot be reconciled monthly. The Court Clerk has instructed the clerk's office to place a hold on any remittance of bond forfeitures due to the lawsuit filed by Rutherford County.

The system does provide a report of all the defendants on probation and their account balances. There is a system error with this report that shows incorrect account balances. The software vendor has been contacted and has an open log to correct this.

The Clerk's Office does not oversee the assigning of warrant numbers, the service of warrants, or their return to the clerk's office. The return of warrants to the clerk's office cannot be assured since a number of warrants go unserved.