

TOWN OF SMYRNA, TENNESSEE

Schedule of Findings and Questioned Costs

June 30, 2004

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

Current Year Reportable Conditions

04-01 During our testing of property taxes and sewer special assessments we noted that monthly reconciliations are not being made from the general ledger to the detail receivable reports.

Recommendations: We recommend that each month reconciliations be made between with general ledger collection and receivable information and detail receivable and collection reports for property taxes and sewer assessments.

Response: The Town will implement your recommendation.

04-02 During our testing of controls and procedures related to gasoline usage by Town departments, we noted that analysis is not being made of usage by vehicle.

Recommendation: We recommend that each month that reports which detail gasoline usage by vehicle be analyzed for miles per gallon reasonableness and that any unusual variances be investigated. We recommend logs of unusual variances be maintained to detect any consistent trends.

Response: Beginning with October 2004, the fuel reports are being distributed to the department directors for their review.

Prior 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.

Status: Resolved.

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.

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 reviews the quarterly statements and quarterly meetings of the committee resumed in November 2004.

TOWN OF SMYRNA, TENNESSEE

Schedule of Findings and Questioned Costs, Continued

June 30, 2004

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: 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: Resolved.

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: Condition continues to exist.

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. We also recommend that the Town confer with state and county officials as to the proper accounting and remittance of partial payments status. There continues to be an inability to reconcile certain court related accounts to detail support records. It appears staff has gained a greater understanding of the court accounting system, however certain court related accounts which involve partial payments are not reconciled. There are five court related liability accounts and it appears staff should easily be able to reconcile three of the accounts. The remaining accounts involve large volumes of transaction with partial pays being accepted. The reconciliation of these accounts will probably require computer software enhancements to provide the necessary information.

Response: Control logs are currently being kept for all warrants, criminal summons, and misdemeanor citations.

The Clerk's Office does not oversee the assigning of warrant numbers, the service of said 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.

The state and the county officials request that payments be remitted only when the case is paid in full. The clerk's office will be remitting all workhouse fees collected monthly due to the fact that there is no commission kept and all monies belong to the workhouse. This account should now be reconciled monthly.

Certain court related accounts are unable to be reconciled due to a hold over of partial payments from previous months on may defendants' accounts. Therefore, there will always appear to be a balance in these accounts as we are waiting for defendant's to pay their account in full.

The three accounts specified are: Workhouse fees, Bond Forfeitures and Cash Bonds. The workhouse fees account will be reconciled when the clerk's office remits a check for the full balance of the account and from this point forward will remit all funds collected, either partial or paid in full. The Bond Forfeitures account will be reconciled once the clerk's office receives permission to remit the entire balance to the proper entities. The hold on this account has been due the law suit.

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 was begun. 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.