

Audit Committee

April 18, 2013

The Audit Committee met on Thursday April 18, 2013 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 John Paul Mathes, Administrative Assistant Johnny Blankenship, Tracy Guy, Lisa Light, Finance Director Ingrid Deloach, TN Comptroller Office County Auditors Mark Treece and Marie Tidwell, Debbie Street and other interested parties.

Chairman Dave Wortman called the meeting to order and welcomed everyone present. The meeting was called to hear from offices regarding findings in the June 30, 2012 Annual Financial Report for Carter County, Tennessee. The Office of Circuit and General Sessions Court Clerk was given the opportunity to address the committee on the findings for their office.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding 12.04: *Accounting Records did not adequately reflect the financial activity of the office.* Lisa Light, Bookkeeper for the office, updated the committee to the status of the findings. During the initial phase of conversion from Bridge to Icon software in October 2011, all monies were closely monitored by management and officials. Mark Treece, supervisor of the East Tennessee division of the state Comptroller of the Treasury's Department of Audit stated that the \$90,675 for Circuit Court and \$289,116 for General Sessions, was collected over the years after being ordered paid by judges, but was not properly logged, leaving the office unsure of which amounts belong to their corresponding cases. The problem of unidentified money has been noted in past audits as an ongoing issue with Bridge software. Treece suggested the office go back to the former accounting system and look at the accounts on a case-by-case basis to identify what the errors are and move forward. The committee suggested contacting other local counties, who are familiar with Bridge, to see if there are any retired employees who would be willing to work a few days a week to help identify these funds. Presently all Bank Statements and Short Term Investment accounts are current and reconciled to the general ledger. The Bookkeeper and other individuals in the office are in the process of researching the unidentified funds to correct the Investment accounts.

Finding 12.05: *The Office's software did not have adequate application controls.* Per Auditor's recommendation, receipt numbers are tied to each court to strengthen the office's record keeping. Icon has created additional reports to search receipts and eliminate possible discrepancies. Reports are run on a daily basis to reconcile trust accounts to the general ledger.

Finding 12.06: *The Office did not review its software Audit Logs.* An Audit report is now available and is used on a daily basis; all questionable transactions are brought to the official's attention and are reviewed by Administrative Personnel.

Finding 12.07: *Employees shared usernames and passwords.* Security instructions have been received from the State Software Auditor; each clerk has a unique user name and password. Computers are locked when clerks leave their work station.

OFFICE OF DIRECTOR OF SCHOOLS

Finding 12.01: *The School Federal Projects Fund had a deficit Unassigned Fund Balance at June 30, 2012.* Finance Director Ingrid Deloach stated she would address the finding since Dr. Kevin Ward was not present at the meeting. Ms. Deloach stated the finding was in reference to the Education Jobs Grant which is used to reimburse the General Fund from the Federal Fund for additional cost for insurance and retirement increases. During the transition of management, the reimbursement was not requested. Reimbursements are requested once a week to cover the expenditures that occur. The funds have been requested and there should not be a deficit balance at the end of this year.

Finding 12.02: *Amounts withheld from Contractor payments were not deposited into an Escrow Account.* Projects to replace windows in two High Schools were bid out separately. The projects were combined into one contract for a total of \$618,000; individually the projects were not over \$500,000. When the one contract was signed the total was over \$500,000 and the retainage was not placed into an escrow account. The projects were combined to recognize savings; in the future, all contracts over \$500,000 regardless of the number of projects will utilize an escrow account.

Finding 12.03: *Expenditures Exceeded Appropriations.* This deficiency exists because management failed to hold spending to the limits authorized, which resulted in unauthorized expenditures. Occasionally at the end of the fiscal year unexpected invoices will be received after the June 30 deadline; such as the case where Valley Forge had an investigative audit and the invoice was received in July. Plans to have a meeting in late June to approve final amendments and make sure line items do not go over.

Dave Wortman and Travis Holly confirmed they will remain on the Audit Committee for another 2 year term. Dave Wortman will remain as Chairman of the committee. Nominations will be taken before the County Commission May 20, 2013.

Motion to adjourn was made by Margaret Pate, second by Margaret Moses, there being no further business the meeting was adjourned.

Respectfully Submitted,

Debbie Street
Recording Secretary