



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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June 26, 2006

To the County Mayor and
Board of County Commissioners
Gibson County, Tennessee

As a result of certain allegations this office received concerning the Gibson County Senior Citizens Center, we conducted a limited review of the center for the period July 1, 2003, through February 28, 2006. This limited review included examining purchases made by the center's personnel using county provided credit cards and analyzing the financial activity of the center's three checking accounts. We reviewed findings concerning these areas with the center's director and the Gibson County Mayor. These findings, together with our recommendations and the Gibson County Mayor's responses, are presented below:

FINDING 06.01 **FINANCIAL ACTIVITY OF THE GIBSON COUNTY SENIOR
CITIZENS CENTER WAS NOT AUDITED AND SUBJECT TO
THE BUDGETARY CONTROL OF THE GIBSON COUNTY
COMMISSION**

The Gibson County Senior Citizens Center operates as a department within Gibson County's General Fund. A significant portion of the center's expenditures was paid through Gibson County's General Fund (\$169,897 for fiscal year 2005), which is included in Gibson County's financial statements. However, the center maintained three checking accounts outside of Gibson County's control to deposit various revenues and to pay certain operating expenses (\$56,000 for fiscal year 2005). The funds channeled through these checking accounts were not processed through Gibson County's budgetary process, had not been audited, and were not included in Gibson County's financial statements.

Gibson County, Tennessee
Gibson County Senior Citizens Center

Section 5-9-401, Tennessee Code Annotated (TCA), states that “all funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” Also, Section 5-9-307(a) TCA, provides that money shall not be drawn out of the treasury of the county except upon a warrant.

RECOMMENDATION

All revenues and expenditures related to the center’s operation should be audited and subject to the budgetary control of the Gibson County Commission as required by state statute. Also, the Gibson County Senior Citizens Center should remit all collections to the county trustee for deposit into the county’s General Fund, and funds should be disbursed by warrant.

MANAGEMENT’S RESPONSE – GIBSON COUNTY MAYOR

All bank accounts will be closed, and all funds will be forwarded to the Gibson County Trustee and processed through Gibson County’s budgetary process.

FINDING 06.02 **THE CENTER HAD DEFICIENCIES RELATED TO COMPENSATION**

During the period July 2003 through February 2006, the center’s director (\$13,800), the former assistant director (\$7,850), the current assistant director (\$1,300), and two other employees (\$2,541) received compensation from bank accounts maintained at the center. These payments were purportedly for extra work required to administer programs sponsored by the center, Christmas bonuses, and year-end bonuses. All of this compensation was in addition to their regular salaries paid from the Gibson County General Fund. None of these payments issued from the center’s checking accounts were subjected to income tax, social security, and Medicare deductions. Also, the center did not report and pay the required matching social security and Medicare associated with this compensation. In addition, we found no documentation to verify that these payments had been authorized by the Gibson County Commission.

RECOMMENDATION

Gibson County officials should determine the propriety of compensation paid to the director, assistant directors, and other employees from the center’s bank accounts. All compensation to employees at the center should be made through the Gibson County General Fund’s payroll system and budgetary process. Also, all compensation should be subjected to the proper employee payroll taxes, the county’s matching portions, and reported to the appropriate agencies.

Gibson County, Tennessee
Gibson County Senior Citizens Center

MANAGEMENT'S RESPONSE – GIBSON COUNTY MAYOR

All salaries, for every employee, whether full-time or part-time, will be paid through the Gibson County Mayor's Office through the county's budgetary process.

FINDING 06.03 **COMPETITIVE BIDS WERE NOT SOLICITED FOR RENOVATIONS**

Competitive bids were not solicited for renovations (\$6,110) to the Gibson County Senior Citizens Center paid through the center's checking accounts. The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, governs purchasing for the Gibson County general government. This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

RECOMMENDATION

Purchases for the Gibson County Senior Citizens Center should be made by the Gibson County Mayor's Office, and competitive bids should be solicited through newspaper advertisement for all purchases exceeding \$5,000 as required by state statute.

MANAGEMENT'S RESPONSE – GIBSON COUNTY MAYOR

In the future, bids will be solicited on items exceeding \$5,000.

FINDING 06.04 **PERSONAL PURCHASES WERE MADE USING COUNTY CREDIT CARDS**

Certain employees at the Gibson County Senior Citizens Center made personal purchases totaling \$639 using credit cards provided by Gibson County. Subsequently, the amount of these purchases was reimbursed to the center by the individuals who made the purchases.

RECOMMENDATION

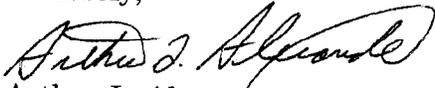
County credit cards should not be used for personal purchases. Also, Gibson County should improve its internal control procedures to monitor the use of its credit cards to ensure that personal purchases are not being charged to the county.

Gibson County, Tennessee
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MANAGEMENT'S RESPONSE – GIBSON COUNTY MAYOR

All credit card purchases for personal items have been discontinued as of February 16, 2006, and no purchases for personal items will be allowed in the future.

Sincerely,



Arthur L. Alexander
Director