



COMPTROLLER'S INVESTIGATIVE REPORT

City of Copperhill

January 21, 2022

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

January 21, 2022

City of Copperhill
Board of Mayor and Alderman
P.O. Box 640
Copperhill, TN 37317

City of Copperhill Board Members:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Copperhill, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 10th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

City of Copperhill

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Copperhill. The investigation was limited to selected records for the period July 31, 2017, through October 26, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 10th Judicial District.

BACKGROUND



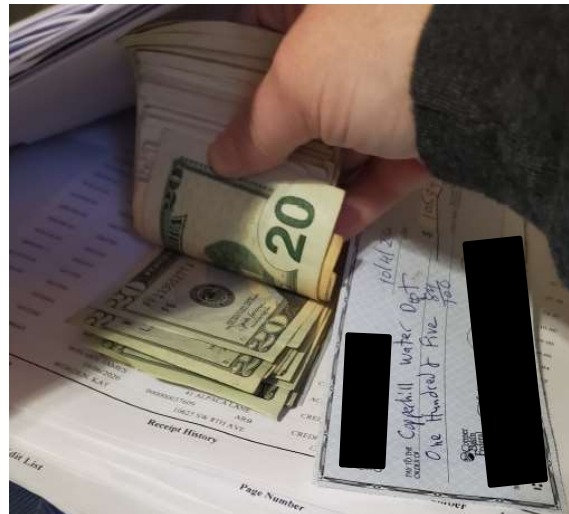
The City of Copperhill (city) is in Polk County, Tennessee, and was incorporated in 1913. The city has an approximate population of 354 residents. The city received a Disclaimer of Opinion in the Year Ended June 30, 2020, external audit report because the contracted audit firm was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

RESULTS OF INVESTIGATION

- **THE CITY RECORDER DID NOT DEPOSIT SOME COLLECTIONS TIMELY**

The city recorder did not deposit some collections in the city's bank account. While the city recorder was on vacation, officials discovered at least \$2,372.00 in cash and 13 checks totaling \$1,891.30 in her office on October 20, 2020, that had not been deposited (**Refer to Exhibit 1**). The checks were dated between November 7, 2017, and April 4, 2020. Investigators determined customers were given credit for their payments even if the checks were not deposited. The city recorder resigned on October 27, 2020.

Exhibit 1



Checks and cash found in the city recorder's office.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance. These deficiencies included:

Deficiency 1: City officials failed to ensure collections were deposited intact and promptly

City officials failed to ensure that the city recorder deposited collections no later than three working days after receipt of those funds by the recorder as required by Tennessee Code Annotated, Section 6-56-111. Also, officials failed to ensure that collections were deposited intact. Depositing intact refers to deposits in the proper amounts and matching the cash and check proportions of the money as it was collected. Depositing funds timely and intact provides accountability and reduces the risks that undetected errors or misappropriations will occur. In addition, the city recorder failed to deposit certain collections at all after receipt as noted above in the results of the investigation.

Deficiency 2: The city recorder failed to record some collections properly in the city's property tax book and the city's accounting software

Investigators compared the checks found in the city recorder's office with receipts entered in the city's property tax book and the city's accounting software. The city recorder failed to record these collections in the city's property tax book or enter the checks into the city's accounting software. Failure to record information in the accounting records diminishes the usefulness of the records as a management tool.

Deficiency 3: The city recorder failed to record some disbursements properly in the city's accounting software

Investigators reviewed the payroll disbursements recorded in the city's accounting software and found multiple errors. Often, the city recorder recorded the incorrect employee's name on payroll checks. In other instances, payroll checks issued to different employees bore the same check number. Inaccurate information in the accounting records diminishes the usefulness of the records as a management tool.

Deficiency 4: City officials did not provide adequate oversight of payroll transactions

City officials did not provide adequate oversight of payroll transactions. Some employees were paid for their accumulated vacation leave in violation of the city's written policy that prohibits employees from cashing in unused vacation. A cursory review of payroll records or bank statements could have revealed this noncompliance. The failure to oversee and monitor payroll transactions increases the risk of noncompliance with approved policies occurring and not being detected in a timely manner.

Deficiency 5: The city recorder used the mayor's signature stamp to sign checks

In most instances, a signature stamp was used by the city recorder to affix the mayor's signature on checks. This process created an improper lack of segregation of duties and increased the risk of errors or intentional misappropriation. Applicable Tennessee law does not provide apparent authority for the use of a signature stamp; therefore, management should immediately discontinue the use of any signature stamp.

Deficiency 6: City officials did not provide adequate oversight and duties were not segregated adequately

City officials did not provide adequate oversight and did not separate incompatible financial duties. The city recorder was responsible for receipting collections, preparing bank deposits, and reconciling receipts with bank deposits. City officials are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Separating financial duties and providing adequate oversight reduces the risks that errors or misappropriations will remain undetected.

Deficiency 7: City officials did not properly maintain board minutes

The mayor and board of aldermen held regular meetings but could not provide board meeting minutes confirming the adoption of the city's Personnel Policy in 2014. Pursuant to Tennessee Code Annotated, Section 8-44-104, the minutes are the official record of the board, should accurately reflect the actions of the board, and should be properly recorded and maintained on file for review.

City officials indicated that they have corrected or intend to correct these deficiencies.