



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

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Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

October 28, 2003

Mayor and Members of the Board of Aldermen
Town of Coopertown
2525 Burgess Gower Road
Springfield, TN 37172

Mayor and Members of the Board:

We have completed our investigative audit of the records of the Town of Coopertown. The examination focused on the period July 1, 2002, through June 30, 2003. However, when the examination warranted, this scope was expanded. The audit focused primarily on disbursements. Our audit revealed the following weaknesses:

- For the Woods Road Paving project, bid in October 2002, the town's files contained two different detailed estimates bearing the contractor's name, one undated and one dated two days after bid opening. Both were significantly different from the estimate in the proposal section of the project contract. In regard to this project, the minutes of the October 22, 2002, meeting of the board state that the board unanimously approved a motion "to accept the bid from Hulsey Road Maintenance at the negotiated price of \$93,737.50." (Emphasis added.) However, Tenn. Op. Atty. Gen. 99-204 states, "Generally, a bidder may not modify its bid after the bids have been opened." In addition, although the signed contract clearly states that the contract documents comprise the entire agreement between the town and the contractor and that all work will be performed at the unit prices and that the contractor will be paid per ton or gallon "in place," we noted the following:
 - When the unit prices in the bid (proposal) section of the contract (Exhibit B) are multiplied by the estimated quantities and added, they result in an amount which is much smaller than the total bid price listed and accepted by the board.

- Both the contractor's proposal (Exhibit A) and the invoice issued by the contractor and paid by the town (Exhibit C) include labor and equipment charges of \$10,000 for applying leveling material which were not listed separately in the contract proposal (Exhibit B).
- The invoice issued by the contractor (Exhibit C) charges the resurfacing (DBST) as a lump-sum amount rather than as a product of actual materials used at the unit price bid as specified in the contract (Exhibit B).
- The invoice (Exhibit C) includes a lump-sum charge for the paving of 517 feet of Ewell Elliott Road which is not part of the proposal in the contract documents (Exhibit B).

To help ensure that every prospective bidder, in making the choice to bid or not to bid, has access to the same project information, town officials should not allow a bidder to modify a bid after the bids have been opened. To ensure that all prospective bidders are treated fairly, new information should be incorporated into the project description and the bidding format and the project should be rebid.

In addition, to fulfill their responsibility to safeguard public funds, town officials should ensure that contract documents accurately reflect the bid specifications and the town's agreement with the contractor, and that the contractor's invoice reflects the pricing structure required by the bid and the contract.

- In August of 2002, road maintenance for the town was bid as three separate contracts. Three firms each bid on all three contracts. However, the mayor and board did not award the contracts to the bidder whose price was the lowest on most items. The town's purchasing policy allows the town to "accept that bid . . . which in the judgment of the governing body is in the best interest of the city." However, the mayor and board of aldermen's reasons for accepting a bid other than the lowest were not documented in the town's records. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 1, Section 4, requires that municipal officials ensure that complete minutes of actions taken by the legislative body are recorded. We recommend that the town adequately document and maintain in the town's files an explanation if the lowest bid is not selected.
- There was no documentation that approval of the board of aldermen was obtained for the purchase of a used vehicle for police work until after the purchase was made. Section 1 of the town's purchasing policy states:

Purchases of \$2,500 or more, which do not require public advertising and sealed bids or proposals, may be allowed only. . . when such purchases are approved by the governing body. . . .

To comply with the town's purchasing policy, the mayor, as purchasing agent, should ensure that he obtains and documents the approval of the board of aldermen in advance before making any purchase which requires such approval.

- There was no documentation that approval of the board of aldermen was obtained for an emergency project costing more than \$2,500. Section 1 of the town's purchasing policy states:

Purchases of \$2,500 or more, which do not require public advertising and sealed bids or proposals, may be allowed only under the following circumstances. . . . Emergency expenditures with subsequent approval of the governing body.

When emergency contracts are required, officials should ensure that the approval of the board of mayor and aldermen is obtained as required by the town's purchasing policy and documented.

- Similarly, a right-of-way mowing contract bid for 2001-2002 as a "continuing" contract, was extended through 2002-2003. The contract stated, "The term . . . may be extended for up to twelve (12) months . . . with the consent and agreement of the Town and Contractor." However, there was no documentation that the extension was addressed by the mayor and board of aldermen. To ensure that all work paid for by the town is properly authorized, we recommend that the mayor and board document in the minutes of their meetings approval of all extensions of existing contracts when those extensions are allowed by the contract.
- Town personnel used and repaired at town expense a piece of donated equipment. However, the donation was not documented in the town's records. In addition, when the donated equipment subsequently became unusable, it was returned to the donor, and the disposal was not documented. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 4, Section 2, requires that all fixed assets be identified and recorded and that the record include disposal information. We recommend that all donations be documented in the town's records and that town personnel dispose

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of donated items independently of the donor and adequately document the disposal in the town's records.

- Documentation for some disbursements was not on file, and some claims for local mileage did not provide sufficient information for certain entries to allow a determination of whether the amount was reasonable. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 4, states, "NOTE: All disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets or other adequate supporting documentation." We recommend that supporting documentation be maintained for all purchases and mileage reimbursements. Town officials should ensure that the town does not pay any request for reimbursement which does not include adequate supporting documentation.

If you have any questions concerning the above, please contact me.

Sincerely,

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

DFD/RAD

Attachments: Exhibits A, B & C



HULSEY ROAD MAINTENANCE
 SPRINGFIELD, TN 37172
 (615) 382-0353

ESTIMATE

Customer

Name Town of Cooperstown
 Address 2525 Burgess Gower rd
 City Springfield State Tn ZIP 37172
 Phone _____

Date 10-14-02
 Order No. _____

Description		TOTAL
Resurfacing (DBST) Woods rd + .10mi of Ewell Elliott rd. Existing Width - 2.06 miles Total		
Est. RS-2 22000 gal @ .78 per gal Stone and Labor included	44,000 ⁰⁰	
Est. Leveling Material - CW-mix 505 tons @ 37.50 per ton	18,937 ⁵⁰	
Labor Applying Leveling Material	10,000 ⁰⁰	
Clipping shoulders & ditch work @ 3000 ⁰⁰ per mile	12,300 ⁰⁰	
Widening Woods rd in curves with approx 2" of shoulder stone	1,000 ⁰⁰	
Paving 517 ft of Ewell Elliott rd Behind School	7,500 ⁰⁰	
Small Culverts + Fill stone at cost - no Labor		
	SubTotal	\$ 93,737.50
	TOTAL	\$ 93,737.50

Thank you.
 Tim Hulsey



\$10,000 separate charge
 not shown in contract

\$44,000
 22,000 gal. = \$2 gal.

Exhibit B

**TOWN OF COOPERTOWN
PROPOSAL FOR THE WOODS ROAD (DBST) PAVING PROJECT
SECTION D**

Hulsey Road Maintenance
Name of Bidder

In compliance with your legal Notice to Bidders for the Town of Coopertown Paving Project for Woods Road; the undersigned bidder, a corporation organized and existing under the laws of the State of Tennessee; a partnership; or individual doing business as Hulsey Road Maintenance; of the County of Robertson, State of Tennessee; having examined the specifications and contract forms thereto attached, and being fully advised as to the extent and character of the work to be performed, and the equipment to be furnished, hereby propose to furnish all labor, tools, material, plant and equipment necessary for the Project.

The undersigned further proposes to perform all work with the time limit specified, for the price stated below.

PULLING DITCHES & SHOULDER PREPARATION		\$ <u>3,000.00</u>	per mile x 2.06 mi. x 2	<u>\$12,360.00</u>
BIT MAT	<u>22,000</u> gallons	\$ <u>0.78</u>	per gallon	<u>17,160.00</u>
CW MIX				<u>18,937.50</u>
	<u>505</u> tons	\$ <u>37.50</u>	per ton	<u>\$48,457.50</u>
CULVERT INSTALLATION		\$ <u>at cost</u>	per culvert	
TOTAL BID PRICE				\$ <u>93,737.50</u>

BIDDER understands that all work will be performed at the unit prices stated above and total price may be increased or decreased based on the quantities of material actually used.

BIDDER understands that the Town reserves the right to reject any or all bids and waive any informalities of bidding.

The bidder agrees that his bid shall be good and may not be withdrawn for a period of THIRTY (30) days after the scheduled closing time for receiving bids.

Upon receipt of written notice of acceptance of this, bid, Bidder will execute the formal contract attached within FIVE (5) days and deliver insurance coverage as required by the Instruction to Bidders.



HULSEY ROAD MAINTENANCE
 SPRINGFIELD, TN 37172
 (615) 382-0353

Invoice No. /

INVOICE

Customer		Date <u>12-19-02</u>
Name <u>Town of Cooperstown</u>	Address <u>2525 Burgess/Gower rd.</u>	Order No. _____
City <u>Spfld</u>	State <u>TN</u>	ZIP <u>37172</u>
Phone <u>382-4470</u>		

Description	TOTAL
1. Resurfacing (DBST) Woods rd + .60 mi. of Ewell Elliott rd Existing Width - 2.06mi total	44,000 ⁰⁰
2. Actual Leveling Material used : 410.13 tons @ 37.50 per ton	15,379.86
3. Labor + Equipment Applying Leveling Material	10,000 ⁰⁰
4. Labor + Equipment Shouldering + Spot Ditching	12,300 ⁰⁰
5. Paving Approx 517 ft of Ewell Elliott rd	7,500 ⁰⁰
PAID	
Check # <u>3770</u>	SubTotal <u>\$ 89,179.86</u>
Date <u>12/19/02</u>	
Account <u>43100-900</u> <i>\$59,179.86</i>	
Posted _____	TOTAL <u>\$ 89,179.86</u>

*Thank You,
 Tim Hubery*

PAID
Check # <u>1035</u>
Date <u>12/19/02</u>
Account <u>121-43100</u> <i>\$39,000</i>
Posted _____



**\$10,000 separate charge
 not shown in contract**

