



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

John G. Morgan
Comptroller of the Treasury

BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37219-1718
PHONE (615) 532-4460
FAX (615) 532-4499

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

May 9, 2008

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

Ladies and Gentlemen:

As part of our ongoing process of examining the records of municipalities, we have completed our investigative audit of selected records of the Town of Coopertown. This investigative audit focused on the period July 1, 2007, through December 31, 2007. However, when the examination warranted, this scope was expanded. As a result, the following issues were noted during our audit:

ISSUES

➤ **Cash shortage \$2,230**

Our investigative audit revealed that \$2,230 in cash collections from the November 8, 2007, town court were never deposited into a town bank account. The morning following court, the two court clerks each noticed that cash was missing from their respective cash drawers. Although the locked cash drawers were secured in a locked closet, the keys to both the drawers and the closet had not been safeguarded.

➤ **Failure to promptly report suspected fraud**

Town officials failed to notify the Comptroller's Office of the above-referenced incident. Section 8-4-503, *Tennessee Code Annotated*, requires that officials of any public entity in Tennessee must notify the Comptroller of the Treasury within five working days if they reasonably believe that a fraud or theft has occurred in their government.

➤ **Comprehensive written purchasing policy not adopted**

The mayor and the members of the board of aldermen failed to adopt a comprehensive written purchasing policy. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 1, states that municipalities should adopt a written purchasing policy that includes designating persons authorized to make purchases, requiring the use of prenumbered purchase orders, outlining procedures for emergency and small-item purchases without prior approval, requiring approval by the finance officer, and requiring bids for purchases over a stated amount.

➤ **Failure to document bid of applicable purchases**

Our investigative audit revealed that there was not evidence in town records that certain qualifying purchases, including a tree-trimming contract, were publicly advertised and competitively bid. Since the town had not adopted a purchasing policy by ordinance or charter amendment, town officials were required to adhere to the Municipal Purchasing Law of 1983, set forth in *Tennessee Code Annotated*, Section 6-56-301, et. seq. This statute requires that purchases in excess of \$2,500 be publicly advertised and competitively bid.¹ (Municipal governing bodies may by ordinance increase the dollar amount required for public advertisement and competitive bidding from \$2,500 to a maximum of \$10,000).

➤ **Non-town bank accounts making use of the town's employer identification number**

Two non-town bank accounts, the Landfill/Legal Fund and the Hands Up to Coopertown account, improperly made use of the town's federal Employer Identification Number (EIN). In addition, on several occasions, balances and activities for these accounts were reported in public meetings, creating the appearance that these accounts contained public funds. Municipal officials must ensure that only authorized town bank accounts make use of the town's EIN. Town officials should not report financial information of other organizations as part of the town's financial report. In addition, town officials should forbid other organizations from presenting themselves as a subdivision of the town, particularly when soliciting funds.

¹The statute allows for certain exceptions, including emergency and sole source purchases.

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➤ **Noncompliance with travel reimbursement regulations**

Our investigative audit revealed that in some instances, reimbursement for mileage expenses were made without adequate detail or documentation. The town adopted travel reimbursement regulations in 1998 that allowed municipal officials and employees to be reimbursed for travel within the town. However, the person filing the claim is required by policy to present mileage logs which show the date of travel, purpose of trip, and number of miles traveled. We noted instances in which the purposes of individual trips were not documented.

➤ **Several checks issued with only one signature**

The recorder issued several checks that were signed by only one person. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 2, states, "Municipal officials should require two signatures on all checks."

The mayor and members of the board of aldermen should take immediate action to correct these deficiencies. If you have any questions concerning this matter, please contact me.

Very truly yours,



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

DFD/RAD