



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

John G. Morgan
Comptroller of the Treasury

SUITE 1600
JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0271
PHONE (615) 401-7871
FAX (615) 741-1551

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

July 28, 2005

Honorable Mayor and Members of
the Board of Aldermen
City of Henry
1232 Pioneer Road
Henry, TN 38231

Ladies and Gentlemen:

We have completed our investigative audit of selected records related to the City of Henry. The examination focused on the period July 1, 2003, through May 31, 2005. However, when the examination warranted, we expanded the scope. The audit was limited to areas of concern identified by several elected officials.

Our investigative audit revealed the following weaknesses:

➤ **Conflict of Interest**

An alderman apparently had a direct conflict of interest between his official duties and his personal interests. The city purchased goods and services from the alderman. Section 12-4-101(a)(1), *Tennessee Code Annotated*, states:

It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract. "Directly interested" means any contract with the official personally or with any business in

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which the official is the sole proprietor, a partner, or
the person having the controlling interest. . . .

➤ **Purchase not for municipal purpose**

The police chief made a personal charge on the city credit card. Although the mayor stated she was notified of this transaction promptly by the chief, and the chief repaid the debt through payroll deduction, personal purchases are prohibited on city credit cards. Section 6-56-112, *Tennessee Code Annotated*, states, "All expenditures of money made by a municipality must be made for a lawful municipal purpose."

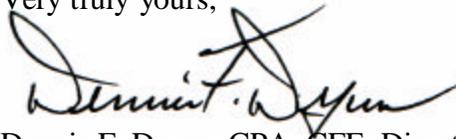
➤ **Lack of policies and procedures manual**

The city had not developed and adopted written policies and procedures, including a utility meter policy. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 1, Section 1, states:

Municipal officials should ensure that a policies and procedures manual is part of the written record system of the municipality. The municipality's manual should incorporate or reference all the policies and procedures required in this manual and should include any additional policies and procedures specific to the municipality. All policies and procedures should be in strict compliance with federal, state and local laws.

Municipal officials should take immediate corrective action to resolve these issues.

Very truly yours,



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

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