

INVESTIGATIVE AUDIT REPORT

TOWN OF LYNNVILLE

JULY 1, 2004, THROUGH DECEMBER 31, 2004



State of Tennessee



**Comptroller of the Treasury
Department of Audit
Division of Municipal Audit**



STATE OF TENNESSEE

John G. Morgan
Comptroller

C O M P T R O L L E R O F T H E T R E A S U R Y

STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0260
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March 23, 2006

Honorable Mayor and Members of the
Board of Aldermen
Town of Lynnville
P. O. Box 158
Lynnville, TN 38472-0158

Ladies and Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the Town of Lynnville. This examination focused on the period July 1, 2004, through December 31, 2004. However, when warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for municipalities, which is detailed in the *Internal Control and Compliance Manual for Tennessee Municipalities* combined with Chapters 1-7 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

During the period October 9, 2004, through June 30, 2005, the Town of Lynnville issued checks totaling at least \$2,645.27 for prescription drugs for former mayor Charles Graves and his wife. There was no approval for such expenditures located in either the town's charter or minutes of meetings of the board of mayor and aldermen. This matter was referred to the local district attorney general. On February 8, 2006, the Giles County Grand Jury indicted Charles Graves, former mayor, on one count of Theft over \$1,000.

The findings and recommendations in this report relate to those conditions that we believe warrant your attention. All responses to each of the findings and recommendations are included in the report.

Honorable Mayor and Members of the
Board of Aldermen
Town of Lynnville
March 23, 2006

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name and title.

John G. Morgan
Comptroller of the Treasury



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

John G. Morgan
Comptroller of the Treasury

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

March 23, 2006

Mr. John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-0260

Dear Mr. Morgan:

As part of our on-going process of examining the records of municipalities, we have completed our investigative audit of selected records of the Town of Lynnville. This investigative audit focused on the period July 1, 2004, through December 31, 2004. However, when the examination warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for municipalities, which is detailed in the *Internal Control and Compliance Manual for Tennessee Municipalities* combined with Chapters 1-7 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigative audit revealed that the Town of Lynnville issued checks totaling at least \$2,645.27 for prescription drugs for former mayor Charles Graves and his wife. There was no approval for such expenditures. This matter was referred to the local district attorney general. On February 8, 2006, the Giles County Grand Jury indicted Charles Graves, former mayor, on one count of Theft over \$1,000.

Our audit resulted in findings and recommendations related to the following:

Mr. John G. Morgan
Comptroller of the Treasury
March 23, 2006

1. Former mayor Charles Graves received excess compensation totaling at least \$16,469.75
2. Direct conflict of interest of former mayor
3. Inadequate separation of duties
4. Utility accounts receivable reconciliation not performed
5. No record of adjustments to utility bills or documentation of approval of adjustments
6. Duplicate, prenumbered receipts not issued for each collection
7. Daily collection reports not prepared and deposit slips not itemized
8. Petty cash commingled with change for collections
9. Prenumbered business licenses not issued
10. No contract on file for contract labor, no record of hours worked, and federal Form 1099 not filed with the Internal Revenue Service
11. Comprehensive written purchasing policy not adopted
12. Disbursement not made by prenumbered check
13. Inadequate documentation for disbursements
14. Disbursements issued with only one signature

In addition to our findings and recommendations, we are also providing management's response. If after your review, you have any questions, I will be happy to supply any additional information which you may request.

Sincerely,



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

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE
TOWN OF LYNNVILLE
FOR THE PERIOD JULY 1, 2004, THROUGH DECEMBER 31, 2004**

LEGAL ISSUE

1. **ISSUE: Official misconduct of former mayor Charles Graves**

During the period October 9, 2004, through June 30, 2005, the Town of Lynnville issued checks totaling at least \$2,645.27 for prescription drugs for former mayor Charles Graves and his wife. There was no approval for such expenditures located in either the town's charter or minutes of meetings of the board of mayor and aldermen. Co-signers of the checks stated that the former mayor told them the payments were for office supplies.

This matter was referred to the local district attorney general. On February 8, 2006, the Giles County Grand Jury indicted Charles Graves, former mayor, on one count of Theft over \$1,000.

FINDINGS AND RECOMMENDATIONS

1. **FINDING: Former mayor Charles Graves received excess compensation totaling at least \$16,469.75**

On February 3, 2004, the board of mayor and aldermen voted unanimously to approve appointment of then Mayor Charles Graves as grants and special projects manager, at a monthly salary of \$600. At the same meeting, and apparently pursuant to his appointment as grants and special projects manager, the board voted to pay for the mayor's health insurance. During the period February 4, 2004, through June 30, 2005, gross pay to former mayor Charles Graves for serving as grants and special projects manager totaled at least \$10,800, including \$3,000 received subsequent to a conversation with auditors in which Mr. Graves was advised that such payments apparently created an unlawful conflict of interest. Town payments for health insurance for Mr. Graves and his wife, pursuant to his appointment as grants and special projects manager, totaled at least \$5,189.75. During the same period, Mr. Graves received at least \$480 in undocumented mileage reimbursements. IRS Publication 463 governs tax treatment of reimbursement for business use of a personal vehicle. Publication 463 requires that documentary evidence such as "an account book, diary, statement of expense, or similar record" be maintained for business use of a personal vehicle. Absent documentary evidence, such reimbursement is considered income.

Article III, Section 6(b), of the Charter of the Town of Lynnville, states "The Mayor shall receive as compensation the sum of two hundred dollars (\$200.00) a month." Article VIII, Section 2, of the charter provides that the mayor may serve as manager of the water

department. Article VIII, Section 6(b), states, “The water department manager shall receive as compensation the sum of two hundred dollars (\$200.00) a month.” There is no provision in the town’s charter for the mayor to receive additional compensation beyond \$200 for serving as mayor and \$200 for serving as water department manager. Therefore, payments for serving as grants and special projects manager, health insurance payments for the former mayor and his wife, and undocumented mileage reimbursements constituted excess compensation.

Total excess compensation to former mayor Charles Graves:

Total payments to former mayor for servings as grants and special projects manager	\$10,800.00
Total payments for former mayor and wife’s insurance	5,189.75
Total undocumented mileage reimbursements	<u>480.00</u>
Total excess compensation	<u>\$16,469.75</u>

RECOMMENDATION:

To fulfill their fiduciary obligation to the residents of the Town of Lynnville, the mayor and members of the board of aldermen should ensure that town officials are not compensated in excess of amounts established by the town’s charter. All excess compensation should be reimbursed to the town.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. It is the new board’s intention to abide by the town’s charter to ensure that no excess compensation is paid to the town officials.

2. **FINDING:** **Direct conflict of interest of former mayor**

Former mayor Charles Graves had a direct conflict of interest between his official duties as mayor and his personal interests. While serving as mayor, the board of mayor and aldermen appointed Mr. Graves to the newly created position of grants and special projects manager.

Section 12-4-101(a)(1), *Tennessee Code Annotated*, states:

It is unlawful for any officer, committeeperson, 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 which the official is the sole proprietor, a partner, or the person having the controlling interest. . . .

Section 12-4-102, *Tennessee Code Annotated*, states:

Should any person, acting as officer, committeeperson, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

RECOMMENDATION:

To provide impartial decisions regarding municipal contracts, the mayor and members of the board of aldermen should ensure that unlawful conflicts of interest, as defined by Section 12-4-101, *Tennessee Code Annotated*, are avoided.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. It is the new board's intention to abide by Section 12-4-101, *Tennessee Code Annotated*, to ensure that unlawful conflicts of interest do not occur.

3. **FINDING:** **Inadequate separation of duties**

One employee was responsible for receiving utility collections, recording those collections, adjusting utility customer accounts, preparing deposits of utility collections, and delivering the collections to the bank for deposit. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 2, Section 2, states:

Municipal officials should enforce division of duties to provide a system of checks and balances so that no one person has control

over a complete transaction from beginning to end. Work flow should be established so that one employee's work is automatically verified by another employee working independently....

Title 1, Chapter 2, Section 4, of the manual states:

Municipal officials should ensure that automatic proof techniques are applied whenever possible. These techniques include the use of an employee without prior access to the records to ... reconcile bank accounts ... periodically test ... daily balancing of cash receipts ... open mail and prelist mail receipts ... perform routine duties of other employees ... for at least one vacation period per year.

Title 3, Chapter 3, Section 3, of the manual further states:

NOTE: Adjustments should never be made by the employee who collects or posts the accounts as paid. If the municipality utilizes a computer system, the employee who collects or posts should not have access to that portion of the computer system that allows adjustments.

RECOMMENDATION:

To decrease the risk of undetected errors and irregularities, town officials should review all employee responsibilities to ensure that no employee has control over a complete transaction.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new board has reviewed employee responsibilities and has put into place new procedures. We are continuing to identify and institute other procedures and responsibilities to ensure that no employee has control over a complete transaction.

Recorder:

Response is the same as that of the mayor and board of aldermen.

4. **FINDING:** **Utility accounts receivable reconciliation not performed**

Town personnel failed to perform a monthly reconciliation of utility accounts receivable. Further, due to the extensive collection procedure flaws briefly discussed below, no reconciliation of accounts receivable was possible.

Customer payments were often not posted to customer accounts until several days after payment was received and adjustments for leaks or misread meters were routinely posted to customer accounts as payments. During the three-month period July 1, 2004, through September 30, 2004, adjustments for leaks or misread meters totaling at least \$1,297.56 were posted to customer accounts as though payment had been received. During the same period, we were unable to determine whether postings to customer accounts totaling \$387.14 represented payments actually received by town personnel or were additional adjustments. These amounts were not deposited into town accounts.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 3, Section 10, states, “Municipal officials should ensure that ... the total amount of the unpaid individual accounts on the utility billing sheet is reconciled to the applicable general ledger control account total at the end of each month.”

Title 3, Chapter 1, Section 3, of the manual states:

Municipal officials should ensure that ... the payment date and amount is recorded for each individual account in the property tax roll or utility billing register on a timely basis.

NOTE: The billing register or property tax roll should be posted no more than three working days after collection and deposit.

RECOMMENDATION:

To detect errors or irregularities promptly, town officials should ensure that a monthly reconciliation of the detail listing of accounts receivable in the billing register to the general ledger control account is performed and documented.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The previous office administration had no procedure in place to follow. Upon notification by the Comptroller of the Treasury, Department of Audit, steps are being taken to reconcile the detail listing of accounts receivable in the billing register to the general ledger control account. New office personnel is working with MTAS (Municipal Technical Advisory Service) to set up procedures to ensure monthly reconciliations are performed and documented.

Recorder:

Response is the same as that of the mayor and board of aldermen.

5. **FINDING:** **No record of adjustments to utility bills or documentation of approval of adjustments**

Town personnel did not maintain a record of all adjustments to customers' water and sewer bills or document that adjustments were approved by the governing body. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 3, Section 3, states:

Municipal officials should ensure that ... charges disputed by customers are investigated and adjustments are approved, in accordance with the municipality's policy, by someone other than the bookkeeper handling receipt and payment records.

NOTE: Adjustments should never be made by the employee who collects or posts the accounts as paid. If the municipality utilizes a computer system, the employee who collects or posts should not have access to that portion of the computer system that allows adjustments.

Section 4 of the manual requires municipal officials to ensure that

... documentation of each adjustment is required and retained. Adjustments to billings for meter reading and other errors should be recorded in the billing register. All adjustments to customers' bills should be approved by the governing body or its designee.

RECOMMENDATION:

To ensure accountability for all billings and for determining expected collections, town personnel should prepare and retain detailed documentation of each adjustment. Each adjustment should be approved by the governing body or its designee. The approval should be adequately documented and maintained in the town's records.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. New personnel immediately began retaining detailed documentation of each adjustment and steps are being taken to ensure board approval before an adjustment is made.

Recorder:

Response is the same as that of the mayor and board of aldermen.

6. **FINDING:** Duplicate, prenumbered receipts not issued for each collection

Municipal personnel who received collections for the town did not issue duplicate, prenumbered receipts for collections totaling at least \$33,577.36 during the three-month period July 1, 2004, through September 30, 2004. Also, there was no documentation for over \$10,000 deposited from a rodeo held in 2004.

Section 9-2-103, *Tennessee Code Annotated*, states, “Each ... municipal official who receives any sum or sums in such official’s capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official...”

Section 9-2-106, *Tennessee Code Annotated*, states, “Any person violating any of the provisions of §§ 9-2-103 - 9-2-105 commits a Class C misdemeanor.”

The *Internal Control and Compliance Manual for Tennessee Municipalities* requires municipal officials to ensure that prenumbered receipts are issued for each revenue source.

RECOMMENDATION:

To better account for all revenue, town employees or officials who receive collections should issue duplicate, prenumbered receipts for all collections. Duplicate receipts should provide adequate details to identify revenue sources.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new administration currently uses prenumbered receipts.

Recorder:

Response is the same as that of the mayor and board of aldermen.

7. **FINDING:** Daily collection reports not prepared and deposit slips not itemized

Town personnel did not prepare daily collection reports summarizing the amount and source of cash collected each day. In addition, deposit slips for utility collections did not

list each check included in deposits. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 1, Section 6, states:

Municipal officials should ensure that ... each day the cashier summarizes all cash collections by source on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. Each report should be dated, and the date should be recorded on the corresponding deposit slips. The total on the daily collection report should agree with the total of the corresponding deposit slips as well as the total of all applicable receipts. The cashier should sign the daily collection report....

Section 4 requires that each check deposited be listed separately on an itemized deposit slip.

RECOMMENDATION:

To better account for collections, each day town personnel should prepare a detailed report of that day's total collections and the source of those collections. To help document that all collections are deposited intact, the totals of each daily collection report, corresponding prenumbered receipts, and related bank deposit should agree. Deposit slips should be itemized and should list each check separately.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new administration immediately began itemizing all checks on deposit slips and preparing a daily collection report. Deposit receipts are being matched to each deposit amount.

Recorder:

Response is the same as that of the mayor and board of aldermen.

8. **FINDING:** **Petty cash commingled with change for collections**

The town's petty cash fund also served as change for collections. Also, there was no set amount for the town's petty cash. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 4, establishes rules governing petty cash and requires that a petty cash fund be established at a "fixed sum" for purchases only as needed. The manual does not provide for the use of petty cash to make change for collections received. Title 3, Chapter 1, Section 5, of the manual states, "Municipal

officials should ensure that ... at the end of the day, the cashier counts the cash and checks on hand, leaving only the predetermined amount in the change fund.”

RECOMMENDATION:

To ensure adequate controls over collections and petty cash, town officials should ensure that petty cash is maintained separately from town collections. Petty cash should not be used as change for collections received and a predetermined amount should be set for both petty cash and change for collections.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new administration immediately separated the collections change from the petty cash into two different boxes and a predetermined amount is set for each.

Recorder:

Response is the same as that of the mayor and board of aldermen.

9. **FINDING: Prenumbered business licenses not issued**

Although town personnel issued business licenses, they were not prenumbered. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 2, Section 3, states, “Municipal officials should ensure that ... collections of the business tax, regulatory license fees, and permit fees are recorded on prenumbered forms designed for the specific purpose, using similar internal control procedures as for other cash receipts.”

RECOMMENDATION:

To better account for revenue and help prevent misappropriations or other irregularities or errors, the mayor and members of the board of aldermen should require town personnel to issue prenumbered business licenses, marked to indicate whether the form of remittance was cash or check.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new administration immediately began using prenumbered business licenses and marking as payment by cash or check.

Recorder:

Response is the same as that of the mayor and board of aldermen.

10. **FINDING:** **No contract on file for contract labor, no record of hours worked, and federal Form 1099 not filed with the Internal Revenue Service**

The town paid a contract worker \$6.50 an hour, paid bi-weekly, to perform bookkeeping functions. However, there was no written contract specifying services to be performed and no time sheets, time cards or other documentation indicating hours worked. Also, a local rodeo operator was paid \$4,800 by town check and from rodeo collections, but no federal Form 1099 was issued to the rodeo operator. Finally, the town paid another contract worker for reading water meters. However, no written contract was on file specifying either the services to be performed or the pay rate for the contract worker.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 1, Section 4, states that municipal officials should ensure that complete minutes of actions taken by the legislative body are maintained including “copies of contracts entered into by officials, who must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved...” Title 2, Chapter 1, Section 10, of the manual states, “A copy of the signed contract should be maintained in the municipality’s files.”

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 3, Section 7, states, “Time cards or honor system time sheets (approved by department heads) should be maintained for all employees in order to eliminate unauthorized pay and repeated tardiness.”

Section 6041A, *Federal Tax Code*, requires anyone in business who pays one or more noncorporate recipients \$600 or more in a calendar year to report those payments to the Internal Revenue Service.

RECOMMENDATION:

To document the town’s agreements with individuals providing services to the town, the mayor and members of the board of aldermen should obtain written contracts for contract employees. Copies of contracts should be maintained in town files. To decrease the risk of improper payments, the mayor and members of the board of aldermen should require

that time cards, time sheets or other documentation of hours worked be maintained for all hourly labor. The time cards should be signed by the appropriate town official to indicate concurrence with the hours worked. Finally, to comply with federal law and avoid substantial penalties, the mayor and members of the board of aldermen should require that a federal Form 1099 be filed with the Internal Revenue Service for all noncorporate recipients to whom the town pays \$600 or more within a calendar year.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Steps are being taken to obtain written contracts for all contract employees. Time sheets for hourly labor are being filled out and approved by the mayor. Federal Form 1099’s were filed on contract employees and copies of these have been sent to the Comptroller’s Office.

11. **FINDING: 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.

RECOMMENDATION:

To ensure that the town purchases items at the best price and in the most advantageous manner, the mayor and members of the board of aldermen should adopt and enforce compliance with a comprehensive written purchasing policy.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Steps will be taken to adopt and enforce a comprehensive written purchasing policy. This issue has been placed on the agenda of an upcoming board meeting.

12. **FINDING:** **Disbursement not made by prenumbered check**

Town officials paid a local rodeo operator \$2,400 using collections from the town rodeo. Section 6-56-111, *Tennessee Code Annotated*, states:

- (c) Every municipal official authorized to disburse public funds shall be required to make disbursements of such public funds by consecutively prenumbered checks, warrants or other generally accepted negotiable instruments drawn on the municipality's official bank account or accounts. Disbursements may also be made by electronic transfer, if such transfer is properly documented and recorded.

- (d) A violation of this section is a Class C misdemeanor.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, provides additional guidance for disbursing municipal funds. Title 3, Chapter 1, Section 5, of the manual states, “Municipal officials should ensure that ... at the end of the day, the cashier counts the cash and checks on hand, leaving only the predetermined amount in the change fund. Collections should be deposited promptly and **intact**....” (emphasis added)

RECOMMENDATION:

To account for disbursements and collections and decrease the risk of misappropriation of town funds, town officials should require that consecutively prenumbered checks be used for all disbursements. Under no circumstances should town collections ever be used for the purpose of making disbursements.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new administration makes all disbursements on consecutively prenumbered checks.

Recorder:

Response is the same as that of the mayor and board of aldermen.

13. **FINDING: Inadequate documentation for disbursements**

The town's files did not include adequate supporting documentation for several disbursements. Authorized check-signers apparently did not review and approve adequate supporting documentation before they signed checks.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 4, states:

Municipal officials should ensure ... that supporting documentation is filed alphabetically by vendor or by date paid.... All disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets or other adequate supporting documentation. (Statements are NOT adequate supporting documentation.)

Section 3 requires that the related documentation accompany checks presented for approval and signing.

RECOMMENDATION:

To document that each disbursement is for a valid municipal purpose, town officials should ensure that adequate supporting documentation is maintained in the town's files for all disbursements. Before signing checks, authorized individuals should review adequate supporting documentation to determine that disbursements are for a valid municipal purpose and that charges have not previously been paid.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Before signing checks, authorized individuals review adequate supporting documentation to ensure disbursements are valid.

Recorder:

Response is the same as that of the mayor and board of aldermen.

14. **FINDING: Disbursements issued with only one signature**

Town officials frequently issued checks 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."

RECOMMENDATION:

To decrease the risk of unauthorized disbursements, town officials should require that every issued check be signed by two authorized signatories.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The new town officials require two authorized signatures on every check issued.

Recorder:

Response is the same as that of the mayor and board of aldermen.