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January 19, 2012

Honorable Mayor and Members of the  
Board of Aldermen  
Town of Tellico Plains  
201 Southard Street  
Tellico Plains, TN 37385

Gentlemen:

We have completed our investigative audit of selected records of the Town of Tellico Plains Police Department. This audit focused on the period July 1, 2009, through April 30, 2011. When warranted, this scope was expanded. The investigative audit was limited to a review of records involving fundraising activities on behalf of the police department, an inventory of items in the department's evidence room, and a review of police department records related to the confiscation and storage of evidence.

Our examination revealed the following weaknesses and discrepancies:

1. **Failure to properly account for fundraising activities**

The former police chief received at least \$3,800 in cash from four police department fundraisers. However, the money was never deposited into a town bank account. The police chief told state auditors that he spent the proceeds for police department purposes but was unable to provide documentation to support that claim. In addition, records at the Tellico Plains Police Department were insufficient to account for money raised by police department fundraising activities or to determine how those funds were spent. In addition, there were apparently three other fundraising events conducted by the police department; however, there were no records or other information supporting these events included in town files. Auditors were unable to locate any deposits into the town bank account related to these fundraisers. The former police chief maintained that the events did not produce a profit, only generating enough money to cover expenses.

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The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 49, states, "Municipal officials should ensure that responsibility for each step of cash handling and recording is clearly established."

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 6-56-111(a), *Tennessee Code Annotated*, states:

Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts.

Section 6-56-111(c), *Tennessee Code Annotated*, states:

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.

2. **Lack of accountability for after prom event**

The former police chief received and cashed at least \$1,700 in checks issued by the Monroe County Alcohol and Drug Task Force and other organizations to the Tellico Plains Police Department. The former police chief stated that the funds were used for an after prom party. However, the former police chief failed to provide an accounting of those funds to the task force detailing how the cash was used. In addition, the event generated at least \$400 in ticket sales. The former police chief did not account for the ticket sales or remit any remaining funds to either the town or the task force. Due to the lack of records, auditors could not determine that all the funds raised for this event were used appropriately.

Section 6-56-111(a), *Tennessee Code Annotated*, states:

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**3. No policy for fundraising activities**

The town had no policy addressing fundraising activities. As a result, there was a lack of oversight over what fundraisers police department employees coordinated or participated in and what organizations benefited from the proceeds. Because there was inadequate oversight and controls, auditors and town officials were unable to determine if all fundraising collections were used for appropriate police department purposes.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 4, states:

... Though not comprehensive, at a minimum, municipal officials should ... develop a policies and procedures manual that incorporates or references all the policies and procedures required in this Internal Control and Compliance manual plus any additional policies that are specific to the municipality. The manual should include the assignment of authority and responsibility.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 4 also states, "Though not comprehensive, at a minimum, municipal officials should ... establish a simple and flexible organizational plan that clearly places responsibility for specific activities upon specified individuals."

4. **Inadequate controls over seized drugs and weapons**

Our inventory of the police evidence room revealed:

- Small amounts of drug evidence from four separate cases could not be accounted for.
- Four handguns and one shotgun listed on the evidence room inventory list were not accounted for.
- Seized weapons and drugs were not disposed of in a timely manner.
- Some drug evidence seized up to eight years ago was still maintained in the evidence room.

The proper procedures for disposal of drugs and paraphernalia seized pursuant to Section 53-11-451, *Tennessee Code Annotated*, is set forth in Section 53-11-451(j), *Tennessee Code Annotated*, which states:

Any property of the type set forth in subdivisions (a)(1) and (7) which is in the custody and possession of a clerk of any court of this state by virtue of the property having been held as evidence or exhibits in any criminal prosecution where all appeals or potential appeals of a judgment have ended, or when the case has been dismissed or otherwise brought to a conclusion, shall be disposed of as follows:

(1)The clerk of the court having custody of the property to be disposed of shall, no less than once annually, inventory the property and prepare a list of the property proposed to be destroyed with references to the cases involved and the name of the case, the case number and date when such property was used;

(2) The clerk shall submit the inventory list with a filed petition to the court and shall serve a copy of the petition upon the district attorney general. After determining that the listed property is not needed as evidence in any pending or potential judicial proceeding, the court shall order the property to be destroyed; and

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(3) The clerk, or a deputy clerk that the clerk may designate, shall completely destroy each item by cutting, crushing, burning or melting and shall file, together with the petition and order relating to the destroyed property, an affidavit concerning the destruction, showing a description of each item, the method of destruction, the date and place of destruction, and the name and addresses of all witnesses to the destruction.

Section 39-17-1317(b), *Tennessee Code Annotated*, states, “Any weapon declared contraband shall be sold in a public sale or used for legitimate law enforcement purposes, at the discretion of the court, by written order.”

Section 39-17-1317(g)(1), *Tennessee Code Annotated*, further states:

A weapon that may be evidence in an official proceeding shall be retained or otherwise preserved in accordance with the rules or practices regulating the preservation of evidence. The weapon shall be sold or retained for legitimate law enforcement purposes not less than sixty (60) days nor more than one hundred eighty (180) days after the last legal proceeding involving the weapon.... No weapon seized by law enforcement officials or judicial district drug task force members shall be used for any personal or law enforcement purposes or sold except in accordance with this section.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 26, also describes procedures for the maintenance of an evidence room log, and the safeguarding and security of seized evidence.

Auditors noted that the acting police chief had already addressed some of these issues. However, town officials should take immediate action to correct any unresolved 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