

INVESTIGATIVE AUDIT REPORT

**TOWN OF WESTMORELAND
JULY 1, 2006, THROUGH MAY 31, 2007**



State of Tennessee



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



STATE OF TENNESSEE

John G. Morgan

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

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

November 16, 2007

Honorable Mayor and Members of the
Town Council
Town of Westmoreland
P. O. Box 8
Westmoreland, TN 37186

Ladies and Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the Town of Westmoreland for the period July 1, 2006, through May 31, 2007. 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.

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
Town Council
Town of Westmoreland
November 16, 2007

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 black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

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

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

November 16, 2007

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

Dear Mr. Morgan:

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 Westmoreland. This investigative audit focused on the period July 1, 2006, through May 31, 2007. 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 examination resulted in findings and recommendations related to the following:

1. Collections not deposited intact and not recorded on daily cash report
2. Inadequate support for disbursements
3. Inadequate controls for traffic citations

Mr. John G. Morgan
Comptroller of the Treasury
November 16, 2007

4. Bank account not reconciled for over six months
5. Inadequate collection records
6. Unnecessary bank accounts
7. Inappropriate use of drug funds and failure to comply with confidential fund procedures
8. No comprehensive written purchasing policy adopted
9. No written agreement with contract employees
10. Minutes of board meetings not properly signed
11. No policy to allow retiring employees to use accumulated sick leave as terminal leave
12. Travel policy not followed or officially adopted
13. Inadequate payroll and personnel records

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,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large, stylized initial "D" and "F".

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

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE
TOWN OF WESTMORELAND
FOR THE PERIOD JULY 1, 2006, THROUGH MAY 31, 2007**

FINDINGS AND RECOMMENDATIONS

1. **FINDING:** Collections not deposited intact and not recorded on daily cash report

The former recorder failed to ensure that bank deposits for the water and sewer collections were intact. The collections for the water and sewer account were allocated and deposited into two separate town bank accounts. In at least one instance, town personnel cashed a customer's U.S. Treasury check. In another instance, a cashier's check was purchased with cash collections and deposited into the sanitation account. In addition, our investigative audit revealed that certain collections, including utility customers' transfer and reconnect fees were not recorded on the daily posting report. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 1, Section 5, states, "... Collections should be deposited promptly and intact ..." Section 6 requires that all collections be reported on a daily collection report.

RECOMMENDATION:

To decrease the risk of loss to the town and to adequately safeguard public money, the mayor and members of the town council should ensure that collections are deposited promptly and intact. Employees should be prohibited from cashing checks through the town's collection drawer for any purpose. In addition, all collections should be reported on the daily collection report.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. Beginning November 1, 2007, all funds collected are deposited in the water and sewer account intact. Once a month, after all utility totals are run, a check in the amount of the fund revenue for the sanitation income will be deposited into the sanitation account. The recorder's office will work with the audit staff to determine the procedure to initiate the daily collections report. We are currently running a daily report with totals of all water, sewer, and sanitation customers with the funds intact. No checks will be cashed. Customers will have to pay in cash, personal/business check, or money order for their utility bills.

Recorder:

Response is the same as that of the mayor and members of the town council.

2. **FINDING:** **Inadequate support for disbursements**

The municipality's files did not include adequate supporting documentation for each disbursement. For many disbursements, the files contained no documentation. In addition, most invoices were not signed by town personnel when goods were received or canceled when paid. 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.)

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 3, requires that personnel cancel invoices, writing on each one the check number, amount, payment date, and account to be charged before the checks and documentation are submitted for approval and signing.

RECOMMENDATION:

To document that each disbursement was for a valid municipal purpose, officials should ensure that adequate supporting documents are maintained in the municipality's files in accordance with the *Internal Control and Compliance Manual for Tennessee Municipalities*. Before signing a check, authorized individuals should review adequate supporting documentation to determine that the disbursement is for a valid municipal purpose and that the charge has not previously been paid. All invoices should be signed when goods or services are received and canceled when paid.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. Beginning November 7, 2007, the accounts payable department is initiating a program to be in place by December 1, 2007, which will require an invoice, signed and dated by the department head with complete information regarding fund account and line item that the disbursement will be paid from. The recorder will also review, sign, and date the invoice before a check is approved and written. In the absence of the recorder, the lead clerk will be charged with this activity.

The recorder's office will work with the audit staff to advise in this process as the town council of the Town of Westmoreland will be asked for permission to purchase an updated printer and software to make check writing electronic before the end of the calendar year 2007.

Recorder:

Response is the same as that of the mayor and members of the town council.

3. **FINDING: Inadequate controls for traffic citations**

The police chief failed to follow certain prescribed procedures for the issuance and disposition of traffic citations. We noted the following deficiencies in internal controls over traffic citations and the town court docket:

- The police chief did not account for each citation book issued to officers or for all citations issued to defendants. The remaining citation books that had not been issued were found in an unlocked storage room.
- Although prenumbered receipts were used for payment of fines prior to court date, the prenumbered receipt often did not include the citation number or the form of remittance as cash or check. The violator's copy of the citation was not attached to clerk's copy.
- The court docket was frequently not marked as paid and did not include payment information. In addition, when a citation was paid, the court docket did not always include the receipt number.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 5, describes the proper procedures for traffic citations and court collections. Those procedures include physically controlling unissued citations, accounting for all issued and voided citations, filing citations numerically, issuing prenumbered receipts for fines, posting ticket numbers to the court docket, posting receipt numbers for fines to the court docket, and recording dispositions of all citations in the court docket, and establishing efforts to collect all outstanding fines.

RECOMMENDATION:

To decrease the risk of loss of revenue, municipal officials should establish and require good internal control policies, in accordance with the *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 5. Town officials should ensure that all citations are accounted for; and that the court docket contains all relevant information, including disposition and payment information. The court clerk's copies of

citations should be marked with the disposition, signed by the judge, and filed numerically.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. Interim Chief Etheridge has purchased new citation books. They have been issued to individual officers along with a record of the issuance. Chief Etheridge will obtain a locking cabinet or maintain the unused citation books in a locked environment.

The lead clerk and the officer from the police department who handles the citations and abstracts attended the MTAS court clerks' certification class in Cookeville, Tennessee, on November 2, 2007. The remaining personnel from the recorder's office will attend the next certification class on November 14, 2007. This training and certification along with instructions from the audit staff about referencing prenumbered receipts should come under control. Prenumbered receipts, for all accounts effective, November 8, 2007, will include a reference to cash, check, or money order numbers. Also the citation number and court docket number will be included. The recorder's office will obtain and keep a copy of the court docket to remain at town hall at all times that court is not in session. Also, the required information will be placed on the docket effective the next court date of November 26, 2007. The recorder's office will have to obtain more information from the audit staff as to the filing of citations with the receipt book or if a separate filing system is acceptable. Also, a system will have to be established to have the information available to the recorder's office as many citations mailed to the court before the court date do not include a copy of the ticket, a citation or docket number. There have been times when the check was mailed back to the sender along with a letter explaining that we could not give credit for the citation as enough information was not provided as this process is not computerized.

Recorder:

Response is the same as that of the mayor and members of the town council.

Police Chief:

Response is the same as that of the mayor and members of the town council.

4. **FINDING: Bank account not reconciled for over six months**

The municipality's records contained no evidence that the former recorder had performed bank reconciliations of the payroll account since September 2006. As a result, our

investigative audit revealed that the town had not been aware of one check charged twice to the town account in December 2006.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 2, Section 3, states, “Municipal officials should provide constant, close supervision to ensure . . . (d) bank accounts and control accounts are being reconciled systematically and the reconciliation is documented and retained.” Section 4 of the same 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 and match reconciled amount to the general ledger cash account balance....

RECOMMENDATION:

To help detect errors or irregularities, officials should ensure that bank reconciliations are prepared each month by an employee who does not have prior access to the records. The reconciliations should be documented in the municipality’s records.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. Bank statements are being reconciled in a timely manner. As a result of the findings of this audit, the payroll account statement will be reconciled also. The recorder will begin with, and is currently working on, reconciling the July 1, 2007, statement of the new fiscal year as this has not been done in the past.

Recorder:

Response is the same as that of the mayor and members of the town council.

5. **FINDING:** **Inadequate collection records**

Prenumbered receipts issued for general fund collections did not consistently note the form of remittance as cash or check. In addition, although collections for business licenses were recorded on prenumbered forms designed for this specific purpose, according to town personnel, business licenses were not receipted at the time of payment. Finally, business licenses were not located in a designated file but were found commingled among other files at town hall. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 1 requires that prenumbered

receipts are marked to identify whether the form of remittance is cash or check. Title 3, Chapter 2, Section 1, states:

Municipal officials should ensure that ... [f]or business tax and business license collection, an alphabetical card file, preferably maintained by the building inspector or someone outside the city recorder's office, is set up to provide the following details:

- a. the business name, address, and telephone number
- b. the name and home address of the business manager or owner
- c. the various license and tax requirements which apply to the business and the applicable dates

RECOMMENDATION:

Town officials should ensure that prenumbered receipts are clearly marked cash or check. To avoid lost revenue, the recorder should maintain an alphabetical file for all businesses and frequently update the list of businesses subject to the business tax. The recorder should then ensure that all businesses subject to the tax are appropriately licensed.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. Many of the items of this finding have already been addressed. For example, a file by class has been initiated, with additional folders with the name, class number, and account number on the folder itself. A business license receipt book was initiated on July 18, 2007. Also, no checks or monies are accepted at the recorder's office until the business license is printed as the check number is loaded into the business license program for processing during the customer's presence. An estimate can be given to the customer without initiating a monetary transaction.

The town council will be charged with initiating the process of the building inspector or someone outside of the recorder's office to set up and maintain the detail file as the audit recommends.

Recorder:

Response is the same as that of the mayor and members of the town council.

6. **FINDING: Unnecessary bank accounts**

During the period July 1, 2006, through May 31, 2007, the town maintained over 20 separate bank accounts, three of which were considered dormant or had a zero balance. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 3, Section 2, states, “Municipal officials should ensure that ... any dormant bank accounts are closed as soon as they become unneeded.” State law requires separate accounting for certain sources of revenue, including drug fines and state street aid. However in most instances, state statutes do not require use of separate bank accounts. There appears to be no valid reason for the use of an excessive number of bank accounts.

RECOMMENDATION:

To help prevent loss or misappropriation of funds, town officials should maintain the minimum number of bank accounts required and close all unnecessary bank accounts unless the account is legally mandated.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. Many of the dormant accounts have already been closed. The recorder’s office will have to coordinate with other state agencies to close some remaining accounts as government funds may be involved. This also will be coordinated with the audit staff.

Recorder:

Response is the same as that of the mayor and members of the town council.

7. **FINDING: Inappropriate use of drug funds and failure to comply with confidential fund procedures**

Our investigative audit revealed that drug funds were used to pay monthly cell phone charges. In addition, we noted that all requirements for the handling of confidential drug funds were not followed, including the failure to document when cash advances were received or returned.

Section 39-17-420, *Tennessee Code Annotated*, specifies allowable uses of drug funds. Recurring general law enforcement expenses, such as monthly cell phone charges, are not permitted under the statute. “Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs,” developed pursuant to Section 39-17-420(a)(1), *Tennessee Code Annotated*,

describes proper procedures for undercover cash and also prescribes forms for the proper documentation of confidential fund transactions.

RECOMMENDATION:

Town officials should ensure that only allowable expenditures are made with drug funds. In addition, to comply with “Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs” and help prevent the possibility of misappropriations of confidential fund cash, town officials should require complete compliance with the manual. Confidential fund cash should be reconciled periodically by someone not involved in the confidential fund disbursements process and the reconciliation should be documented and retained. All prescribed forms should be used and completed.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The bank statements of the drug fund are being reconciled and the interim chief has been asked to submit a drug fund budget to the town council. The recorder’s office will send someone to the MTAS drug fund class at the earliest date when a class will be available. Also, Ralph Cross of MTAS has worked with the recorder’s office to assist in the correct expenditures from the drug fund account. This is another area that the audit staff will have to be consulted with as correction measures are established.

Recorder:

Response is the same as that of the mayor and members of the town council.

Police Chief:

Response is the same as that of the mayor and members of the town council.

8. **FINDING:** No comprehensive written purchasing policy adopted

The mayor and the members of the town council 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 town council should adopt and enforce compliance with a comprehensive written purchasing policy.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The recorder's office will consult with the audit staff and MTAS to establish a comprehensive written purchasing policy which can be presented to the town council to be adopted for all departments of the Town of Westmoreland.

Recorder:

Response is the same as that of the mayor and members of the town council.

9. **FINDING:** No written agreement with contract employees

Town officials failed to obtain and retain written contracts with individuals providing service to the town. 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." All aspects of the arrangement, including whether or not travel and other expenses will be reimbursed, should be specified.

RECOMMENDATION:

To document the town's agreements with individuals providing services to the town, the mayor and members of the town council should execute written contracts with contract employees. Copies of the contracts should be maintained in town files and should specify services to be performed and authorized reimbursement rates for travel-related expenses.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The town council will have on the agenda for the November 19, 2007, meeting an item moving contract workers now being used by the police department to either full-time or part-time employee status for the Town of Westmoreland. All other workers for the sanitation department have been dismissed and the worker at town hall was moved to full time July 16, 2007.

Contracts with other companies and contractors have been initiated in the past by our engineering firm for USDA, enhancement grants, and others, however smaller private contracting companies may or may not have written agreements. The town council and department heads will have to establish these with assistance from MTAS and our town attorney.

Recorder:

Response is the same as that of the mayor and members of the town council.

10. **FINDING:** Minutes of board meetings not properly signed

Subsequent to August 2006, minutes of the meetings of the mayor and town council were not signed by the mayor. Prior to August 2006, it appears that the minutes were signed by the use of the mayor's signature stamp. In addition the mayor's signature on several ordinances and resolutions appears to have been made using a signature stamp.

The Charter of the Town of Westmoreland, Article 5, Section 1, states, "The mayor ... shall sign the minutes of the Town Council and all ordinances and resolutions upon their final passage ... and his signature shall be attested by the Recorder."

RECOMMENDATION:

To document action taken by the governing body and comply with the town's charter, the mayor and recorder should sign the minutes of the meetings of the mayor and town council as well as all ordinances and resolutions on their final passage.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The present town recorder began employment with the Town of Westmoreland on May, 21 2007. All regular and special-called meeting minutes are in the Official Minute Book and are signed by the mayor and town recorder

once the minutes are approved by the legislative body at the next scheduled meeting. Also, pursuant to the audit findings, the mayor removed the signature stamp from the office. The mayor has personally signed every document, check, and letter since May 21, 2007.

Recorder:

Response is the same as that of the mayor and members of the town council.

11. **FINDING:** **No policy to allow retiring employees to use accumulated sick leave as terminal leave**

Town personnel who retire are customarily paid for their accumulated sick leave as terminal leave. The former recorder and a former police officer each received a net payment for unused sick leave in excess of \$3,000. However, the town had no approved policy authorizing this practice. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 1, Section 4, states, "Municipal officials should ensure that ... complete minutes of actions taken by the legislative body are maintained..." In addition, the referenced manual chapter, Section 5, states, "Municipal officials should ensure that ... a personnel policy manual is part of the record system of the municipality."

RECOMMENDATION:

To ensure fair treatment for all employees and decrease the risk of improper payments, the mayor and members of the town council should adopt a written personnel policy. The policy should address when or if accumulated sick leave is to be paid upon separation from employment.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The town council and town attorney will establish a policy with the assistance of MTAS as part of a personnel policy and procedure manual for all departments of the Town of Westmoreland.

Recorder:

Response is the same as that of the mayor and members of the town council.

12. **FINDING:** **Travel policy not followed or officially adopted**

In 1995, the town notified the Comptroller of the Treasury that it had adopted the Municipal Technical Assistance Service (MTAS) model travel policy and would use the state reimbursement rate. However, the minutes of the meetings of the mayor and members of town council contained no evidence that they had adopted and approved this policy. In addition, travel reimbursement forms and adequate supporting documentation were not found for many travel reimbursements. Finally, town officials and employees did not always adhere to the state reimbursement rates.

Section 6-54-903, *Tennessee Code Annotated*, states:

All municipal travel and expense reimbursement policies, and any amendments thereto, shall be filed with the office of the comptroller of the treasury or the comptroller of the treasury's designee. Such policies and amendments are not subject to the approval of, but shall not be effective until filed with, the office of the comptroller of the treasury.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 9, states:

Municipal officials should ensure ... that disbursements for job-related travel and municipal vehicle usage costs are in accordance with the municipality's written policies which are required by Sections 6-54-901 through 6-54-907, *Tennessee Code Annotated*. The written travel policy should require expenses for reimbursement to be reported on a standardized form in sufficient detail to allow the determination of allowability. In addition, the written policy should specify the documentation required to support the expense report....

RECOMMENDATION:

The mayor and members of town council should formally adopt a written travel policy as required by the *Internal Control and Compliance Manual for Tennessee Municipalities*. In addition, to safeguard town assets and ensure that improper travel expenses are not paid, the mayor and members of town council should ensure that all town employees and officials comply with the town's travel policy.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The town council voted on July 16, 2007, to adopt the MTAS model for travel and expense. The recorder has been working to obtain

forms and procedures to be placed in the personnel policy and procedures policy for further adoption by the town council. The recorder has been using the standard IRS rate for mileage or travel in a personal vehicle owned by the employee of the town. Forms are being established to obtain written authorization by the department head or supervising authority prior to any travel arrangements being made. Also, all mileage has been calculated using the MapQuest shortest route mileage program on the computer. Hotels and meal per diem will be established from the Tennessee Recorder's Handbook or suitable State of Tennessee publication that provides the current city and region rates for the State of Tennessee. The July 16, 2007, meeting minutes were forwarded to the Comptroller's Office upon passage by the town council.

Recorder:

Response is the same as that of the mayor and members of the town council.

13. **FINDING: Inadequate payroll and personnel records**

The former recorder failed to require and maintain adequate personnel records. There was no record of days worked for specific salaried employees. In addition, leave slips were not on file in all cases.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 3, sets forth required payroll and personnel documentation and procedures necessary for precise maintenance and centralized control of these records. Specifically Title 2, Chapter 3, Section 5, states:

Municipal officials should ensure that ... a cumulative employee leave record is maintained for each employee. The record should clearly show all leave of any type earned and taken for each pay period, all paid and unpaid absences, and the current leave balance.... Time cards or honor system time sheets (approved by department heads) should be maintained for all employees in order to eliminate unauthorized pay....

RECOMMENDATION:

To decrease the risk of improper payroll payments and to ensure compliance with state and federal regulations, the mayor and members of the town council should require that the recorder establish and maintain complete payroll and personnel records, including all leave earned and used.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Town Council:

We concur with the findings of the audit. The town recorder and Mayor Woodard have just had a lengthy meeting relating to this finding. The recorder has been contacting other agencies and private companies about human resource issues. MTAS representatives will assist the Town of Westmoreland with these needs to satisfy state and federal regulations. The town attorney will also be a valuable resource in this area. As of October 2007, all employees and salaried staff are completing time cards submitted to town hall weekly.

Recorder:

Response is the same as that of the mayor and members of the town council.