

- The board failed to ensure payroll duties were properly segregated. Investigators noted that department heads approved their own timesheets. Adequate segregation of payroll duties enhances accountability over employee time reporting and reduces the risk that errors or intentional misappropriations will remain undetected.
- Town officials did not retain payroll documents to substantiate changes in employees' pay. Due to the lack of documentation, investigators could not verify that all changes in employees' pay were properly documented and applied to employee salaries. All compensation practices (payroll period, overtime, employee leave, holiday pay, etc.) should be properly authorized by ordinance by the board and documented in the minutes of its meetings. Additionally, all payroll records should be adequately maintained and document authorized pay rates, regular hours worked, overtime worked, and holiday time worked for each employee.
- The board did not vote on itemized payroll expenditures, resulting in a lack of transparency over changes in employees' pay. Certain aldermen informed investigators that town officials did not provide the board with detailed financial records necessary to vote on specific expenditures. As a result, the board was not knowledgeable of many employees' salaries and changes in pay. The board should be provided with detailed documentation that is necessary for decision making.
- The town did not employ adequate procedures to track employee leave balances. Investigators attempted to analyze employee leave balances; however, the town kept no supporting documentation such as leave requests or leave logs, and the town did not track leave in an accurate manner. As a result, investigators could not substantiate if employee leave balances were accurately tracked. The mayor or his/her designee should review and ensure timesheets are accurately calculated, maintained, and comply with the town's personnel policies.

Deficiency 2: The board and town officials did not provide adequate oversight and failed to implement effective internal controls over the use of the town's credit cards

Officials did not provide adequate oversight and did not design or implement effective internal controls over the use of the town's credit cards. Management is responsible for designing effective internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. "Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls" to protect funds, property, and other assets from fraud, waste, or abuse per Tenn. Code Ann. § 9-18-102(a). Providing adequate oversight and establishing internal controls reduces the risks errors or intentional misappropriations will remain undetected. The town had the following internal control deficiencies related to the use of credit cards:

- The town failed to establish a written credit card policy to provide guidance to town employees regarding the proper use of the town's credit cards, resulting in a lack of oversight over the town's finances. Without a formal credit card policy, employees are not properly advised of the limitations on their credit card purchases. The lack of a written credit card policy increases the risk of improper use or misappropriation of town funds.

- The town did not have adequate procedures to track the use of town issued credit cards. Investigators noted the town did not maintain a logbook that detailed town employees who requested to use the town's credit cards for purchases. The town issued BancorpSouth credit cards to a total of 16 individuals including various town officials, department heads, and employees. Investigators discovered employees were using town credit cards that were not issued to them, resulting in the inability to discern if purchases were made for the benefit of the town. The board should provide written guidance identifying those who are entitled to use the credit cards and the purposes for which the credit cards can be used. The guidance should prohibit personal use of town credit cards, prohibit employees sharing the credit cards, and provide guidance for the business use of the credit cards.
- Town officials did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for many credit card transactions. Investigators could not determine whether these disbursements were for the benefit of the town. Requiring adequate supporting documentation, such as invoices or receipts, allows management to verify the payment is proper and reasonable.
- Those with purchasing authority did not always issue purchase orders/authorizations. The town's purchasing policy requires purchase orders/authorizations for all purchases. Purchase orders/authorizations are necessary to control who has purchasing authority and to document purchasing commitments. The failure to properly issue purchase orders/authorizations increases the risk of unauthorized purchases.

Deficiency 3: The board and town officials did not provide adequate oversight of the town's General Fund checking account

Tenn. Code Ann. § 9-18-102(a) requires "Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls" to protect funds, property, and other assets from fraud, waste, or abuse. The town had unauthorized check signers listed on the General Fund checking account. According to Section 13 of the town's charter, "The board may designate other officers to sign such checks in the absence or disability of the mayor or town recorder". Investigators reviewed board meeting minutes and noted there were two check signers listed on the town's General Fund checking account that were not approved by the board, resulting in unauthorized access to the town's funds. Proper board approval of who is allowed access to the town's financial accounts safeguards the town's financial resources and reduces the risk of financial loss.

Deficiency 4: The town's cell phone policy did not provide adequate guidelines in the official use of assigned cell phones

The town's cell phone policy did not provide adequate guidelines for the official use of assigned cell phones. In January 2021, the town paid service fees for at least 17 cellular lines, 10 of which were cell phones issued to various town officials and department heads. The town's personnel policy addresses the use of cell phones; however, the policy does not specify who may use town cell phones. The board should provide written guidance by identifying those who are entitled to

town cell phones and the purpose for which the phones can be used to reduce the risk of abuse of town assets.

Deficiency 5: The town did not maintain a vehicle log to track maintenance and repairs for vehicles

The town did not maintain a vehicle log to track maintenance and repairs for town vehicles and did not adequately monitor, review, or scrutinize vehicle parts invoices charged to the town's credit card account. Vehicle parts invoices frequently did not include enough detail to determine which vehicle make and model the part would fit. As a result, investigators could not determine whether these purchases were exclusively for the benefit of the town.

Deficiency 6: The town had deficiencies related to employee travel

The investigation revealed the following deficiencies and noncompliance with the town's travel policy, which are a result of a lack of management's oversight and their failure to implement adequate internal control procedures over travel related transactions.

- The town did not ensure that records of proper authorization for travel were retained. Many credit card transactions and expense reimbursements reflected overnight travel in various locations within Tennessee; however, no documentation was provided to reflect if the employee was attending training or other official travel trips for the benefit of the town. Retaining supporting documentation in compliance with town policy helps ensure only approved travel is incurred by town personnel.
- The board did not ensure that town employees were following the town's travel policy pertaining to meals. The town reimburses employees for meals in accordance with the State of Tennessee's per diem rates, which requires that overnight travel must be associated with meal expenses. The analysis of credit card statements and expense reimbursements revealed many employees were using the town's credit cards to purchase meals that were not for official travel for overnight stay. The board should enforce the town's travel and meal policy to ensure the town only pays for meals associated with overnight travel and for official town business.

Deficiency 7: The town did not have a written inventory policy and did not maintain adequate inventory records

The town did not have a written inventory policy and did not adequately account for its equipment purchases. The town did not require perpetual inventory examination for town assets or establish a change-of-custody system ensuring all property is properly accounted for in the town's records. Investigators conducted an inventory count of the town's electronic equipment that was purchased during the period reviewed and found that the town could not account for \$1,368.60 worth of electronic equipment, including three laptops, a digital camera, and one home printer. Investigators performed a physical observation and noted inventory logs were incomplete. Management should maintain a current inventory of equipment purchased for the department. Without a written inventory policy, the board cannot ensure the town's assets are properly