



COMPTROLLER'S INVESTIGATIVE REPORT

Town of Englewood

October 13, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

October 13, 2021

Town of Englewood
Mayor Tony Hawn and Commissioners
111 South Niota Road
Englewood, Tn 37329

Mayor Hawn and Commissioners:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Englewood, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 10th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", is written over the printed name.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Town of Englewood

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Englewood. The investigation was limited to selected records for the period January 1, 2019, through December 31, 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 10th Judicial District.

BACKGROUND



The Town of Englewood is in McMinn County, Tennessee, and was incorporated in 1919. The town has a population of about 1,500 residents. The governmental activities of the town include general government, public safety, public welfare, streets and highways, and solid waste collection and disposal. The business-type activities of the town include water and sewer services and natural gas services accounted for in the Water and Sewer Fund and the Natural Gas Fund. The Town of Englewood received a Disclaimer of Opinion in their 2019 and 2020 external audit reports when the audit firm was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance. These deficiencies included:

Deficiency 1: The town did not have sufficient internal controls over purchasing

The town did not have sufficient internal controls over purchasing. Some purchase orders were missing or issued after the purchase was made and some invoices were paid without documentation that goods had been received. Sound business practices dictate that proper documentation should be on file to support all purchases and should include evidence that goods have been received or services have been rendered before invoices are paid. The failure to maintain adequate documentation increases the risks of unauthorized purchases.

Deficiency 2: The town had deficiencies related to time records

The town had deficiencies related to time records, which were the result of a lack of management oversight and the failure to follow sound business practices as noted below.

- A. Investigators analyzed payroll timecards and noted the following deficiencies:
- Some timecards did not reflect weekly dates
 - Some timecards did not reflect the days' dates
 - Some timecards were missing; therefore, some payroll disbursements had no supporting documentation
 - Some timecards were not signed by the employee
 - Some timecards were not signed by someone in a supervisory role to document approval
 - Some timecards did not reflect lunch hours taken
 - Some timecards did not have the daily hours totaled
 - Some timecards did not have the weekly hours totaled
 - Some timecards reflected overtime hours in the weekly total but did not detail the number of hours per day or the day the overtime hours were worked
 - Some payroll reports reflected more hours were paid than the hours listed on the timecard
- B. The town manager, who was paid hourly and received a large amount of overtime, had no one in a supervisory role approve his hours. There were instances where the town manager signed his own timecard to show accuracy for the hours presented on the timecard then approved the timecard as being reviewed and correct. However, we did not note any discrepancies between timecard hours and the hours he was paid per the payroll reports.

Sound business practices dictate that payroll timecards should be properly maintained and should be signed by the employee as evidence the time reported is accurate and signed by a supervisor as documentation that the time reported is mathematically accurate and has been approved.
