



COMPTROLLER'S INVESTIGATIVE REPORT

City of New Market Police Department

March 12, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

March 12, 2021

City of New Market Mayor
and Board of Aldermen
1024 Volunteer Street
New Market, TN 37820

Mayor Whillock and Board of Aldermen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of New Market Police Department, 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 4th 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 a light blue circular stamp.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

City of New Market Police Department

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the City of New Market Police Department. The investigation was limited to selected records for the period August 2018 through March 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 4th Judicial District.

BACKGROUND



The City of New Market is in Jefferson County, and has a population of approximately 1,330. The city is governed by a mayor and four aldermen. The city operates a police department and employs a police chief who is responsible for day-to-day operations, and a city court clerk who is responsible for traffic fine recordkeeping and collections.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Deficiency 1: The City of New Market Police Department had multiple internal control deficiencies related to seized property and evidence

Investigators noted the following deficiencies in internal controls related to seized property and evidence:

- A. During the period August 2018 through June 2019, the City of New Market Police Department (department) had not adopted and implemented a comprehensive policy regarding documentation of seized property and evidence. The department failed to include all seized property as evidence in an inventory log. Storage space and organization were in disarray, and in some instances, evidence envelopes had been opened, and the evidence was missing. **[Refer to Exhibit 1.]** A perpetual inventory should be maintained for all evidence and seized property. At a minimum, the log should include the following: date received, defendant's name, incident or case number, description of property, location, signature of individuals signing evidence in and out, and disposition.
- B. Department officials failed to identify drugs and weapons in the department's possession that were no longer needed as evidence. For example, investigators found drug evidence dating back to 2008. Section 53-11-451, *Tennessee Code Annotated*, requires that on an annual basis, drug evidence for which the case has been concluded or for which the

evidence is no longer needed should be disposed of in accordance with a court order. Likewise, Section 39-17-1317, *Tennessee Code Annotated*, requires that weapons no longer needed as evidence be disposed of in accordance with a court order.

Exhibit 1



Photo of Evidence Storage Taken in June 2019

The department's failure to properly log all evidence taken into department custody, identify and dispose of items no longer needed as evidence, and perform a complete physical inventory at least annually not only increased the risk that property could be improperly removed, but also created unnecessary confusion and disorder.

Deficiency 2: The City of New Market Police Department had multiple deficiencies related to collections

During the period January 2019 through March 2020, the department had the following deficiencies related to collections:

- A. Department officials did not reconcile bank statements with the general ledger. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly. This deficiency was the result of a lack of management oversight. The failure to reconcile bank statements with the general ledger increases the risk that errors or misappropriations will not be detected timely.

- B. Department employees did not issue official receipts for collections in all instances. The city used generic receipts that did not display the official name of the city and were not prenumbered. Section 9-2-103, *Tennessee Code Annotated*, requires that official receipts should be issued for all collections and Section 9-2-104, *Tennessee Code Annotated*, requires official receipts to be prenumbered consecutively. Without official prenumbered receipts, investigators were unable to determine if the department had accounted for all funds. Also, in some instances, the payment type was not noted on issued receipts. The failure to properly issue official prenumbered receipts for all collections increases the risk of errors and misappropriation.

- C. Employees did not prepare daily collection reports. Officials should ensure that each day employees summarize 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 any cash overage or shortage. Each report should be dated, and the date should be recorded on the corresponding deposit slip. The total on the corresponding deposit slips as the total of all applicable prenumbered receipts should agree with the total collections recorded on the daily collection report. The failure to prepare daily collection reports reduces accountability of collections and increases the risk of errors and misappropriation.

- D. In some instances, City of New Market funds were not deposited within three days of collection as required by Section 6-56-111, *Tennessee Code Annotated*. The delay in depositing funds weakens internal controls over collections and increases the risks of errors and misappropriation.

Deficiency 3: The city court clerk duties were not segregated adequately

City officials did not adequately segregate the city court clerk's duties for the police department. The city court clerk was responsible for collecting and receipting collections, maintaining the accounting records, and preparing and making deposits. Officials are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Allowing one employee complete control over financial transactions increases the risks of errors and misappropriation.

City of New Market officials indicated that they have corrected or intend to correct these deficiencies. While performing follow-up procedures, investigators noted that management had made improvements related to storage space and organization within the evidence safe. **[Refer to Exhibit 2.]** Additionally, investigators noted the department implemented a computer-based inventory system and developed policies regarding evidence and seized property.

Exhibit 2



Photo of Evidence Storage Taken in January 2021