



## COMPTROLLER'S INVESTIGATIVE REPORT

### City of Sweetwater

*December 20, 2024*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

December 20, 2024

Mayor Doyle Lowe  
and Board of Commissioners  
City of Sweetwater  
203 Monroe Street  
Sweetwater, TN 37874

City of Sweetwater Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Sweetwater, 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 10<sup>th</sup> 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", with a long horizontal line extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## City of Sweetwater

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Sweetwater. The investigation was limited to selected records for the period December 11, 2014 through June 30, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 10<sup>th</sup> Judicial District.

### BACKGROUND



The City of Sweetwater (city) is in Monroe County, Tennessee with a population of over 6,300 citizens. The city is governed by a mayor and board of commissioners (commissioners) and employs department heads to oversee the operations of the city's departments. Department heads report directly to the commissioner who oversees the respective department, and the city recorder reports to all the commissioners. During the period reviewed, the city recorder's responsibilities encompassed several functions for the city:

- Serving as secretary to the commissioners, including maintaining meeting minutes, and serving as city court clerk
- Overseeing the city's finances, including collecting property taxes, writing grants, budgeting, payroll, purchasing, and record-keeping
- Providing human resources and information technology (IT) services to city employees, such as administering employee benefits, serving as the Americans with Disabilities Act (ADA) coordinator, and issuing IT equipment to city employees
- Working in partnership with the Planning, Development, and Tourism department head and commissioner to operate as the central manager for the city's economic development and tourism efforts, including organizing and maintaining the city's Main Street program, coordinating with nonprofit organizations and private businesses, and organizing city events such as festivals and parades.

The city recorder’s office employed several positions to help carry out its functions, including a city clerk, assistant city recorder, payroll and benefits clerk, Main Street director, and tourism director. Employees within the city recorder’s office would often serve in multiple roles or serve in interim roles until an open position could be filled.

On August 5, 2024, the city passed Ordinance 1042 creating a city administrator position, whose office retains all the aforementioned functions and employees of the city recorder’s office. The city recorder was appointed the new city administrator the same day the position was created. The city appointed the assistant city recorder to the city recorder position on November 4, 2024.

The Sweetwater Merchants and Property Owners Association (SMPOA) is a 501(c)3 organization whose mission is to “work together to improve the general welfare, prosperity, and common good of the entire Sweetwater community.” The SMPOA members include “local professionals, businesses and individuals who share our interests.” The SMPOA created the Sweetwater Main Street Board to “...fundraise for the Main Street program or for special projects organized through Main Street, tapping local sources and federal and private grants and contributions... set the goals of the Main Street program; and administer the monies of the Main Street Fund.”

The Sweetwater Main Street Board bylaws state, “Though its budget is partially funded by the City of Sweetwater, the Board and its members have no authority to expend funds or to incur or make an obligation on behalf of the City unless authorized and approved by the City.” The city and SMPOA both contribute to the Sweetwater Main Street Board’s budget, but the city decides how to spend its allotted budget for the Sweetwater Main Street Board. The city also employs the Main Street program director, who reports to the city as well as the Sweetwater Main Street Board.

## RESULTS OF INVESTIGATION

### 1. CITY OF SWEETWATER OFFICIALS MADE QUESTIONABLE CREDIT CARD PURCHASES TOTALING AT LEAST \$132,680.03

City of Sweetwater officials made questionable credit card purchases totaling at least \$132,680.03 from December 11, 2014 through June 9, 2023, which included at least \$2,615.99 the city paid in taxes or fees. The purchases are classified into six categories generally describing the type of questionable expenditure(s), as summarized in **Table 1** below:

**Table 1**

Type of Questionable Expenditures	Total (\$)	Taxes or Fees (\$)
A. Food	71,636.67	1,967.41
B. Unsupported	36,009.14	73.12
C. Equipment and Supplies	10,287.60	254.55
D. Planning, Development, or Tourism	9,843.38	205.63
E. Contingency and Gifts	4,248.65	97.54
F. Travel	654.59	17.74
<b>Grand Total</b>	<b>\$ 132,680.03</b>	<b>\$ 2,615.99</b>

**A. Questionable Food Expenditures**

City officials used the city credit card to make questionable food purchases totaling at least \$71,636.67 during the period, \$4,266.60 of which was unsupported by written approval, receipts, invoices, or other relevant documentation. The food purchases are questionable because the city did not have a policy governing the purchase of food, the purpose of the meals or who was present at the meals could often not be determined, and the meals were not associated with overnight travel. City officials frequently dined at restaurants or food trucks located in Sweetwater or nearby cities such as Athens, Cleveland, Crossville, Farragut, Knoxville, Lenoir City, Madisonville, and Spring City. The questionable food purchases also included non-meals, such as coffee and ice cream. On occasion, city officials would write notes on the receipts providing limited details as to who was present at the meal and/or the justification for the meal. Examples include references to meetings, such as department head meetings, event preparation meetings, Main Street meetings, and meetings with other government officials or businesses (**Refer to Exhibit 1**). The notes also referred to meals to celebrate employees' birthdays, employees' retirements, and/or holidays such as Thanksgiving and Christmas (**Refer to Exhibit 2**). City officials purchased meals for city employees volunteering or working at city events, such as festivals and parades. City officials should consider the Internal Revenue Service's Publication 15-B (2024), *Employer's Tax Guide to Fringe Benefits*, and the potential tax implications of regularly providing meals to employees. City officials also took the city's credit card while traveling and charged meals directly to the credit card, rather than personally paying for their meal(s) and seeking appropriate reimbursement for travel expenses as required by the city's travel policy (**Refer to Exhibit 3**).

Exhibit 1

**UPSTAIRS AT THE MANSION**  
118 N NORTH ST  
SWEETWATER TN 37874  
423-484-3115

Terminal ID: \*\*\*\*510 \*\*\*5  
3/17/22 12:35:08  
SERVER #: **C. Leadership**  
PASTERCARD - DIGEST  
ATD: A000000041110  
ACCT #: \*\*\*\*\*0288

CREDIT SALE  
UID: 287646158376 REF #: 0285  
BATCH #: 036 AUTH #: 017616

AMOUNT: \$281.00  
TIP: \$59.00  
TOTAL: \$340.00

APPROVED  
ARQC: 7336F5A14C82714

CUSTOMER COPY  
47200-280

**MEXI WING**  
706 NEW HWY 68  
SWEETWATER, TN 37874

4720-280  
Exp: Nora M/Ox  
08-03-2022 11:39am Tbl# B1  
Keyed EZE 5-44200

SALE  
Card Number: \*\*\*\*\*0288  
Exp Date: \*\* / \*\*  
Approval Code: 003840

AMOUNT: 394.67  
TIP: 20.00  
TOTAL: 414.67

18%=\$71.04 20%=\$78.93 22%=\$86.82  
For Your Convenience:  
Tip Based on: \$ 394.67

X  
Cardholder agrees to pay total in accordance with agreement governing use of such card.  
MID: XXXXXXXX 110:2  
Entry: Manual CME

\*\* GUEST COPY \*\*  
Get Your  
Holiday Gift Cards  
Qty Amount \$  
Thank you for coming in !!!

From: Grain Bin Commodities v6 Square <receipts@messaging.squareup.com>  
Sent: Wednesday, July 27, 2021 1:30 PM  
To: [REDACTED]  
Subject: Receipt from Grain Bin Commodities

Square automatically sends receipts to the email address you used at any Square seller. [Learn more](#)

Grain Bin Commodities  
How was your experience?  
[REDACTED] [REDACTED]

\$500.00  
Custom Amount \$600.00  
Total \$600.00

Grain Bin Commodities  
6215 HOLT RD  
SWEETWATER, TN 37874-3647  
865-599-9001

lunch for 50 people  
41300 280  
Swearing In luncheon

**Examples of food purchases for meetings – Chamber Leadership, Main Street, and a “Swearing In luncheon” for an elected official – supported by receipts not itemized and coded to travel and training accounts**

Exhibit 2

CONNORS STEAK & SEAFOOD  
10915 Turkey Drive  
Knoxville, TN 37922  
865-966-0933

Server: DAVIS  
02:31 PM  
Table 31/1

DOB: 12/21/2022  
12/21/2022  
2/20018

SALE  
MYC 1048638  
Card #XXXXXXXXXXXX0288  
Magnetic card present: [REDACTED]  
Card Entry Method: S  
Approval: 02184J

Amount: \$747.00  
+ Included Gratuity: \$134.46  
= Total: \$881.46  
+ Tip Adjustment +/-: 30.00  
= Grand Total: 911.46

I agree to pay the above total amount according to the [REDACTED]

CONNORSRESTAURANT.COM  
CORY KING  
MANAGING PARTNER

QUEST COPY 41300 731

**Aubrey's**  
401 Town Creek Rd. E  
Lenoir City, TN 37772  
(865) 986-3113  
Date: Jul 30 '18 07:59PM  
Card Type: Mastercard  
Acct #: XXXXXXXXXXXX0171  
Card Entry: SWIPED  
Trans Type: PURCHASE  
Trans Key: KIK007879171250  
Auth Code: 03025Z  
Check: 1706  
Table: 85/1  
Server: 8923 KELSY C

Subtotal: 196.75  
Tip: 54.25  
Total: 250.00  
Signed: [REDACTED]

I agree according to my card issuer agreement.  
\*\*\*\* Guest Copy \*\*\*\*

Retirement dinner

**Examples of food purchases for celebrations – Christmas and retirement – supported by receipts not itemized and coded to contingency accounts**



**Exhibit 3**



***Example of food purchase during travel to Boston supported by a receipt not itemized***

The former city recorder stated that the city does not have a policy governing food purchases. Rather, the city follows general practices that the city has relied on and that have been verbally communicated over a long period of time: Employees must purchase meals for the purpose of team building, meetings, recognition, or reward, not for family or to take home. The former city recorder detailed that the mayor and commissioners can purchase meals for anyone. Department heads must approve meal purchases for their department; however, if their meal is included as well, there is no approval process. The former city recorder explained that if departments stay within their budget, she did not question meal purchases. Most food purchases were coded to the department’s “travel and training” or “other operating supplies” budget line items or the mayor’s or commissioners’ contingency budget line items.

**B. Questionable Unsupported Expenditures**

City officials used the city credit card to make questionable unsupported purchases totaling at least \$36,009.14 during the period. The unsupported purchases are questionable because all city purchases should be properly supported with written approval, receipts or invoices, and other relevant documentation such as packing slips. After the investigation began, city officials began using handwritten expense forms to document subscriptions or reoccurring expenditures such as Amazon Prime or Adobe software, as well as missing receipt affidavits for purchases for which supporting documentation was not obtained or lost. Investigators found several instances in which supporting documentation was provided for purchases, but the documentation was partial or inadequate. As a result, critical transaction details could not be

determined, such as the item(s) purchased, the total amount of the purchase, or if taxes were paid.

The former city recorder stated that one of her employees confirmed unsupported purchases with the applicable department head during the credit card reconciliation process.

**C. Questionable Equipment and Supplies Expenditures**

City officials used the city credit card to make questionable equipment and supply purchases totaling at least \$10,287.60 during the period. Purchases of equipment and supplies that appeared to be a wasteful use of city resources are considered questionable. Waste is defined as “behavior involving the extravagant, careless, or needless use of government funds, property, and/or personnel.” Purchases of equipment and supplies for which the purpose or justification of the equipment and/or supplies could not be determined were also questioned. Examples of questionable equipment and supply purchases include a knife purchased on eBay, photos, health or personal hygiene items such as medicine, feminine products, a blood pressure monitor, floss, cotton balls, as well as essential oils and diffusers (**Refer to Exhibit 4**), personalized stationery and planners, and decorative wooden serving boards.

**Exhibit 4**



*Five diffusers and several bottles of essential oils purchased through the former city recorder’s personal Young Living account*

The former city recorder stated that the city is not a member of Young Living (an essential oils company). The former city recorder used her personal membership to buy five diffusers for City Hall with the city’s credit card: one for each employee’s desk, one for the boardroom, and one to place elsewhere in City Hall where the diffuser is most needed. The former city recorder detailed that she purchased starter kits that included essential oils to replace the aerosol sprayers throughout the office, and she later bought peppermint oil to deter mice. The former city recorder explained she made the purchases through her Young Living personal membership and earned points from the purchases. The former city recorder stated that she



immediately ordered more products for the city to deplete the points she earned. She stated she exhausted her entire points balance and may have used personal points for the second purchase.

#### **D. Questionable Planning, Development, or Tourism Expenditures**

City officials used the city credit card to make questionable planning, development, and/or tourism purchases totaling at least \$9,843.38 during the period, \$5,871.22 of which appear to be related to the SMPOA, the Main Street program, or a city event. Purchases for which the purpose, justification, or disposition of the services or items could not be determined are questionable. Examples of questionable services or items purchased for planning, development, or tourism include a dry-cleaning service, a purse, a necklace, boutique items, gift cards or gift certificates to local businesses, tickets to events, and hotel stays in Sweetwater.


The former city recorder offered explanations justifying certain purchases but did not provide supporting documentation for the approval or disposition of the given examples: A high school student designed the website for the Blooms, Bluegrass, and Barbeque festival and received a “shopping spree” in downtown Sweetwater with a city-imposed dollar limit as well as coffee and lunch as a reward, however, there was no documentation that the expense went for the student or that a specific dollar amount was awarded. An employee purchased a handbag at a local boutique for an auction in which the SMPOA received the proceeds, and an employee purchased gift cards for raffle baskets. The former city recorder also explained that events do not have specifically adopted budgets or line items to which city officials must adhere. She noted that some events are co-sponsored with SMPOA, who manages the overall event budget while “...the city contributes in the areas we maintain control of – public safety, traffic, decorations and landscaping, staffing, marketing, etc.”

#### **E. Questionable Contingency and Gifts Expenditures**

City officials used the city credit card to make questionable contingency and gift purchases totaling at least \$4,248.65 during the period. The purchases were coded to the mayor’s contingency account or the commissioners’ contingency account and/or purchases of gifts for city employees or others. Purchases appearing to be a wasteful use of city resources or purchases for which the purpose, justification, or disposition of the items could not be determined are questionable. Examples of questionable items purchased and coded to the mayor’s or commissioners’ contingency accounts or purchased as gifts include gifting materials such as cards, gift bags, and decorative tissue paper, as well as gift cards, photos, decorations for parties, lapel pins (**Refer to Exhibit 5**), flowers, and miscellaneous items for specific commissioners.

Exhibit 5

From: Sales <service@carrot-top.com>  
Sent: Wednesday, April 19, 2017 9:40 AM  
To: [REDACTED]  
Subject: Carrot-Top Industries, Inc.: New Order # 100099402

 1-800-628-3524

**THANK YOU FOR YOUR ORDER FROM CARROT-TOP INDUSTRIES, INC. .**

Once your package ships we will send an email with a link to track your order. Your order summary is below. Thank you again for your business.

Order Questions?  
Call Us: 800.628.3524  
Email: service@carrot-top.com

*Mayor wanted to EM Mayor's C-card*

Your order #100099402  
Placed on April 19, 2017 9:39:03 AM EDT

ITEMS IN YOUR ORDER	QTY	PRICE
THIN BLUE LINE AND US DOUBLE FLAG LAPEL PIN SKU: A2025USB	35	\$166.25
U.S. FLAG LAPEL PIN SKU: A2001	100	\$165.00
Subtotal		\$331.25
Shipping & Handling		\$7.60
Discount (SIGNUPS)		-\$49.69
Grand Total		\$289.16

**carrot-top INDUSTRIES inc.**  
Pin It: One of One and Custom-Made Pins™ Inc.  
328 Elizabeth Brady Road  
PO Box 830  
Hillsborough, NC 27278  
Voice: 800.628.3524 Fax: 919.732.8526  
www.carrot-top.com

**Bill To**  
CITY OF SWEETWATER  
PO BOX 267  
SWEETWATER TN 37874-0267  
US

**Ship To**  
ATTN: [REDACTED]  
CITY OF SWEETWATER  
PO BOX 267  
SWEETWATER TN 37874-0161  
US

**Pick List**

Bin	Qty	Order
04/19/17	1	34240600

Batch: 12576\_#6

Account	Ordered	Ship Date	Customer PO#	Telephone	CR Agent	Terms	Ship Method
658340	04/19/17		100099402			CREDIT CARD	USPS

Item #	Bin	Description	UM	QOR	QBD	QSH
A2025USB	1C48C02	LAPEL PIN-US/US-THIN BLUE LINE DOUBLE	EA	35	0	35
A2001	1F03B01	LAPEL PIN- US	EA	100	0	100

**BILL TO:** [REDACTED] City of Sweetwater  
**SHIP TO:** [REDACTED] City of Sweetwater

**Order confirmation and packing list for thin blue line and U.S. flag lapel pins – including a note, “mayor wanted” – and coded to the mayor’s contingency account**

The former city recorder stated that the city may purchase gift cards for teens in the Toys for Tots program or for middle and high school students as end of year rewards. She noted that in some instances, the gift cards are given away and documented in board meeting minutes. The former city recorder also explained that the mayor authorizes expenditures from his contingency account. The commissioners use their contingency account, but the former city recorder authorizes “a lot” of the expenditures coded to the commissioners’ contingency account. The former city recorder detailed that the city does not have a policy on the use of the funds budgeted for contingency accounts; she has “applied the same use as... before I came [to be city recorder].”

**F. Questionable Travel Expenditures**

City officials used the city credit card to make questionable travel purchases totaling at least \$654.59 during the period. As noted previously, city officials took the city’s credit card while traveling. Purchases in which city officials charged fuel directly to the credit card, rather than personally paying for their fuel and seeking appropriate reimbursement for travel expenses as required by the city’s travel policy, were questioned. The investigation could not easily determine if the vehicles being fueled were personal vehicles or city-owned vehicles. In one instance, fuel was purchased in Sweetwater as well. The investigation also found an expenditure for a commissioner for a hotel in Ooltewah, located less than an hour from Sweetwater.

The former city recorder stated that the city passed a travel amendment in 2019 to change the city’s travel policy to match the state’s travel policy. She explained that all employees must choose between an advance or reimbursement, complete a form for the travel advance or reimbursement, and have their department head sign the form. The former city recorder detailed that she must approve all advances, but she only approves reimbursements for department heads. The city appears to make exceptions to the travel policy, as the city’s credit card was still used for travel purposes after 2019 for purchases including lodging, meals, and in one instance, fuel. The purpose of or the approval for the travel policy exceptions was not documented.

**2. CITY OF SWEETWATER OFFICIALS MADE QUESTIONABLE CREDIT CARD PURCHASES CODED TO ACCOUNTS RECEIVABLE TOTALING AT LEAST \$34,165.66**

City of Sweetwater officials made questionable credit card purchases coded to an accounts receivable account (nicknamed the “gun pay” account) totaling at least \$34,165.66 from December 11, 2014 through June 9, 2023, which included \$717.61 the city paid in taxes or fees. The purchases were made by city employees or on behalf of related entities using the city credit card. The purchases are classified into two categories generally describing for whom the accounts receivable was charged, as summarized in **Table 2** below:

**Table 2**

Questionable Expenditures Coded to Accounts Receivable (“Gun Pay”)	Total	Taxes or Fees
Accounts Receivable for a City Employee	\$ 17,485.07	\$ 520.67
Accounts Receivable for a Separate Entity	16,680.59	196.94
<b>Total</b>	<b>\$ 34,165.66</b>	<b>\$ 717.61</b>

The former city recorder explained that the “employee payback policy” is an informal document detailing the general guidelines the city follows for employee use of the “gun pay” account, compiled by the former city recorder and chief of police after the investigation began. The city allows employees to “purchase items they want to perform their job duties better or to the benefit... of the city...” City employees pay back the city through authorized payroll deductions. The city does not have a formal, adopted policy governing employee use of the “gun pay” account. The items purchased through the “gun pay” account do not become the property of the city and are never in the city’s possession. Instead, the items are the personal property of the employee or related entity.

City employees with a variety of roles representing several departments used the city’s “gun pay” account. Many city employee purchases appeared to be relevant to city business, such as police employees purchasing firearms or several employees purchasing clothing and boots for additional uniforms; however, some city employee purchases appeared to be abusive by benefiting the employee as a payroll advance rather than benefiting the city. Abuse is defined as “behavior involving the use of government funds or property that a prudent person would not consider reasonable and necessary business practice given the



**Your Trip Summary**

Departing: Flight #1396		Returning: Flight #3036		Trip Price	
TYS - BOS	BOS - TYS	Previous Purchase	\$631.00	Current Purchase	\$272.00
Flight 1396	Flight 3036	Seat Selections	\$118.00	Carry on Bags	\$58.00
Depart Knoxville, TN (TYS) McGhee Tyson Airport 7:00 AM Thu Mar 23, 2023	Return Boston, MA (BOS) Boston Logan International Airport 10:04 AM Thu Mar 30, 2023	Checked Bags	\$96.00	<b>Total</b>	<b>\$272.00</b>
Arrives Boston, MA (BOS) Boston Logan International Airport 9:14 AM Thu Mar 23, 2023	Arrives Knoxville, TN (TYS) McGhee Tyson Airport 12:38 PM Thu Mar 30, 2023	<b>Balance Due</b>	<b>\$272.00</b>		
3 passengers	3 passengers				

P1: Female [redacted] JM	P2: Male [redacted] CM
Dep: TYS To BOS	Dep: TYS To BOS
seat 17F	seat 17D
0 Carry-on, 2 Checked	1 Carry-on, 0 Checked
Ret: BOS To TYS	Ret: BOS To TYS
seat 22F	seat 22D
0 Carry-on, 2 Checked	1 Carry-on, 0 Checked

P3: Female [redacted]

Handwritten calculations:  
 $41510.280 - \$87$   
 $13290 - \$185$   
 $\$272$

Handwritten note: (1 bag) \$48 + \$39 seat

The “gun pay” account was also used for separate entities, including the SMPOA and the Main Street board. Purchases on behalf of the SMPOA and Main Street appeared to pertain primarily to festivals and events.

The city’s practice of allowing employees and separate entities to use city funds as an advance or loan through the “gun pay” account increases the risk of error, fraud, waste, or abuse for the city in the following areas:

**A. Sales tax or government discounts:**

City employees purchasing personal assets using city funds through means such as the city’s credit card may also be able to take advantage of the city’s tax exemption status or government discounts reserved for the city. The investigator could not determine if sales tax was routinely paid on purchases of personal assets using city funds, nor could the investigator determine if government discounts were provided improperly to employees purchasing personal assets using city funds.

**B. Interest-free loans:**

City employees and separate entities using city funds through means such as the city’s credit card are receiving interest-free loans from the city. Employees can use city funds to pay for personal assets in total, yet employees are permitted to repay the city via payroll deductions over time without paying interest for the loan. Employees and separate entities are also able to “stack” their use of the “gun pay” account, meaning employees do not have

to complete repayment of their outstanding balance before purchasing additional personal assets using city funds. The city should not act as a lender or intermediary for other entities.

**C. Loss of city credit and/or city funds:**

City employees and separate entities using city funds through means such as the city's credit card borrow the city's credit until the credit card's monthly statement closing date. Subsequently, after the city pays in full the monthly statement balance, the risk is created that an employee will leave the city's employment, or the separate entity will become insolvent, and fail to repay their outstanding "gun pay" account balance.

**D. Opportunity for fraud:**

The former city recorder had access to and regularly used the city's credit card as well as the city's "gun pay" account. The former city recorder had access to payroll as well, and for a period, she was also responsible for the monthly reconciliation of the "gun pay" account. No one person should have authority to approve, custody or access to assets, and record-keeping or reconciliation responsibility or ability. As a result, the opportunity for fraud was present due to the lack of separation of duties.

**E. Intermingled finances:**

City employees making purchases on behalf of separate entities through means such as the city's credit card cause the city finances to become intermingled with the separate entities' finances. The investigator could not determine if the purchases city employees made on behalf of separate entities had prior approval either by the city or by the separate entity. Additionally, the risk of conflict over budgetary or existing obligations is created between the city and the separate entities.

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**INTERNAL CONTROL DEFICIENCIES**

Our investigation revealed internal control deficiencies, which resulted in the city's questionable expenditures and questionable "gun pay" account practices. The deficiencies included:

**Deficiency 1: City of Sweetwater officials failed to provide adequate oversight or separate financial duties**

City of Sweetwater officials failed to provide adequate oversight or separate financial duties. The former city recorder used the city's credit card to make purchases, but no one was responsible for approving her purchases. The former city recorder was also responsible for record-keeping, including approving coding expenditures for budgetary purposes. Neither mandatory financial reporting to the commissioners nor available budgetary funds for a line item is considered adequate



approval for purchases. Employees in the city recorder's office were also permitted to make in-office (online) purchases with the city's credit without logging out the credit card. All credit card use should be logged after appropriate prior approval is obtained for the purchase. Failing to provide adequate oversight or separate financial duties increases the risk that error, fraud, waste, or abuse may occur.

**Deficiency 2: City of Sweetwater officials failed to establish an adequate prior approval system for purchases**

City of Sweetwater officials failed to establish an adequate prior approval system for purchases. City purchases were verbally approved by the department head or the former city recorder, but prior approval was not formally documented. The city should implement a written prior approval system, such as requiring purchase orders, in which the purchaser must provide relevant details and seek signed approval by the department head and/or the city recorder. An appropriate approver should be appointed for the city recorder's purchases as well. Failure to establish an adequate prior approval system for purchases increases the risk that error, fraud, waste, or abuse may occur.

**Deficiency 3: City of Sweetwater officials failed to maintain adequate supporting documentation for purchases**

City of Sweetwater officials failed to maintain adequate supporting documentation for purchases. In addition to the \$36,009.14 in unsupported purchases on the city credit card, the investigator also found transactions in which the total on the supporting documentation did not match the total on the credit card statement. Supporting documentation was often incomplete, rather than including all available documentation such as an order confirmation (if applicable), receipts or invoices, and packing slips (if applicable). Furthermore, receipts were often not itemized, particularly for food purchases. As a result, the investigator could not determine the number of meals or the product purchased, if taxes were paid on the transaction, or other transaction details. Failure to maintain adequate supporting documentation for purchases increases the risk that error, fraud, waste, or abuse may occur.

**Deficiency 4: City of Sweetwater officials failed to maintain adequate supporting documentation for city accounts**

City of Sweetwater officials failed to maintain adequate supporting documentation for city accounts. The city maintains subscriptions necessary to conducting city business, such as Adobe software, Apple file storage, etc. City officials should maintain a list of all active accounts and subscriptions as well as the purpose of the account(s) and user access. City officials should also periodically audit the use of the subscriptions to ensure appropriate use. Failure to maintain adequate supporting documentation for city accounts increases the risk that error, fraud, waste, or abuse may occur.

**Deficiency 5: City of Sweetwater officials routinely paid sales taxes on city purchases**

City of Sweetwater officials routinely paid sales taxes on city purchases. As a government entity, the city has a sales tax-exempt status on the purchase of qualifying goods and services. Failure to

follow proper purchasing procedures in conjunction with the city's tax-exempt status increases the risk of unnecessary expenditures.

**Deficiency 6: City of Sweetwater officials failed to establish adequate written policies governing city purchases**

*A. Food purchases:*

City of Sweetwater officials failed to establish written policies governing city employee purchases of food. City officials should ensure a food purchasing policy functions in conjunction with the city's travel policy, detailing the circumstances in which city employees are considered on travel status and may seek reimbursement for meals. Furthermore, city officials should address instances in which local food purchases are considered allowable. Relying on budgetary restrictions is not a sufficient policy to govern purchases of food. City officials should ensure all procedures are properly approved and formally included in documentation governing city employees. Failure to establish written policies increases the risk that error, fraud, waste, or abuse may occur.

*B. Contingency and gift purchases:*

City of Sweetwater officials failed to establish written policies governing city employee purchases coded to the mayor's or commissioner's contingency accounts or purchases of gifts for city employees or others. City officials should ensure "contingency" budgetary line items are clearly defined in policy and outline who is authorized to approve expenditures from those accounts. Additionally, city officials should detail the circumstances in which city employees are permitted to use city funds to purchase gifts or items of a similar nature both for city employees and citizens. City officials should ensure all procedures are properly approved and formally included in documentation governing city employees. Failure to establish written policies increases the risk that error, fraud, waste, or abuse may occur.

City of Sweetwater officials indicated that they have corrected or intend to correct these deficiencies.

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