



## COMPTROLLER'S INVESTIGATIVE REPORT

### Town of Jacksboro

*August 16, 2024*

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



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

August 16, 2024

Town of Jacksboro  
Mayor and Aldermen  
585 Main Street  
Jacksboro, TN 37757

Town of Jacksboro Mayor and Aldermen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Jacksboro, 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 8<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 flourish extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## Town of Jacksboro

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Jacksboro. The investigation was initiated after Town of Jacksboro officials reported questionable payroll processes and transactions. The investigation was limited to selected records for the period January 2021 through August 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 8<sup>th</sup> Judicial District.

### BACKGROUND



The Town of Jacksboro (town), located in Campbell County, Tennessee, is governed by a board consisting of a mayor, a vice mayor, and three aldermen. With a population of approximately 2,775 residents, the town operates a police department, fire department, street department, library, and utility commission.

The town recorder and administrative staff are responsible for all financial and accounting duties including budgeting, reporting, purchasing, managing accounts payable, processing payroll, making accounting entries, and reconciling bank accounts and general ledger accounts.

On August 11, 2023, the town placed a former payroll clerk on administrative leave due to discrepancies in her payroll transactions. The town terminated the former payroll clerk's employment on September 14, 2023.

### INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal control:

#### **Deficiency 1: The Town of Jacksboro had numerous payroll deficiencies**

The town had the following payroll deficiencies, resulting from the lack of sufficient oversight by town officials:

A. No Payroll Liability Reconciliations

The town recorder did not reconcile payroll liability accounts with payroll records, invoices, and payments. The lack of payroll liability account reconciliations caused payroll benefits to be insufficiently deducted in some instances, resulting in employee portions of benefits improperly being paid by the town for numerous employees. Sound business practice dictates that town officials should reconcile payroll liability accounts monthly with payroll records, invoices, and payments. The failure to reconcile payroll accounts with the general ledger increases the risk that errors or misappropriations will occur without prompt detection.

B. Altered Payroll Records

Town employees with payroll duties made entry errors in the town's manual payroll book, which was used as a record of payroll deductions separate from the town's accounting software. When entry errors were discovered relating to the former payroll clerk's own benefits, the former payroll clerk improperly used correctional fluid to change the entries. According to the former payroll clerk, she used the correctional fluid to help reconcile and calculate amounts she owed back to the town for her portion of benefits paid incorrectly by the town. Investigators could not determine if any employees with payroll duties improperly changed payroll deductions in the accounting system to benefit themselves or other employees. The use of correctional fluid on government documents improperly conceals official entries of record, increases the risk that errors or misappropriations will occur without prompt detection, and, therefore, should be prohibited.

C. No Written Payroll Policies and Procedures

The town does not have written payroll policies and procedures authorized by the board of mayor and aldermen. The town should authorize written payroll policies and procedures that properly segregate employee duties and detail payroll processes using sufficient internal controls. Establishing and documenting employee duties and sound internal controls ensures that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

Town officials indicated that they have corrected or intend to correct these deficiencies.

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