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To: Mayor Scott Conger, Jackson City Council Members

From: Tawanika D. McKinney, Internal Auditor

RE: Comptroller's Report June 30, 2020

## 2020-001

### Non-Compliant Item 1) Exceeding Budgeted Expenditures

We noted the following major function in the general fund had expenditures exceeding appropriations: public safety by \$221,530. We also noted that total expenditures in the solid waste collection fund exceeded appropriations by \$1,251,624 due primarily to commercial garbage charges and residential garbage charges, which exceeded appropriations by \$607,450 and \$534,487, respectively. We also noted that total expenditures in the Community Redevelopment Fund exceeded appropriations by \$62,415, due to principal payments of \$56,000 in excess of budget amounts and interest payments of \$6,415 in excess of budgeted amounts. We also noted that total expenditures in the Debt Service Fund exceeded appropriations by \$66,219,218 due to the principal payments related to refunding of the olds bonds payable not being budgeted for.

### Plan of Corrective Action 1)

The City Recorder, Accounting Coordinator and Accounting Staff, will continue to work with the Mayor's Office and Department Heads, to improve planning and budgeting processes to minimize actual expenses exceeding budgeted expenses, to monitor each month expense variances from budget that may require a corrective action plan from the Department Head, and to prepare required budget amendments to be submitted to the City Council for approval to ensure that actual expenses do not exceed budgeted expenses. This will be monitored by the Department Head of Revenue and monitored by the internal auditor quarterly.

## 2020-002

### **Non-Compliant Item 1) Capital Asset Records**

The City keeps a subsidiary ledger to record capital asset purchases as additions to the records on an ongoing basis. During the audit, while trying to reconcile current year additions, it was determined that there were additions that were not recorded including \$235 thousand of police vehicles that were not capitalized. Also, due to changes in employment in the Engineering Department, the City's infrastructure schedule was not properly maintained. There were projects of \$4.41 million that were added to construction in process through adjustment during the audit.

### **Plan of Corrective Action 1)**

The City Recorder, Accounting Coordinator and Accounting Staff, will continue to work with the Mayor's Office and Department Heads, to improve planning and budgeting processes to ensure that capital assets are captured and identified in the annual budget and approved budget amendments. The City Recorder will consult with our Internal and External Auditor regarding our current Capitalization Policy to identify any recommended changes to such policy and provide education and training to Department Heads to promote compliance with such policy. The City Recorder will consult with our Internal Auditor, the Mayor's Office and the Director of Purchasing to ensure that the appropriate approval requirements for all Capital purchases are in place to support the identification of capital assets. The Accounting Coordinator will coordinate with the Accounting Staff, a review of each Accounts Payable run to ensure that all capital assets have been properly captured and accounted for. The City Recorder, Accounting Coordinator will work with our Internal Auditor, the Mayor's Office and Department Heads to establish policy and processes governing project budgets for capital projects.

## 2020-003 Investigative Report

### **Non-Compliant Item 1)**

Jackson City Court Clerk's office had multiple deficiencies related to safeguarding cash. Investigators observed the City Court Clerk using computers and cash drawers assigned to various deputy clerks to execute transactions and collect funds. Investigators observed the drawers unlocked even when the responsible clerk was not in the office area. Investigators observed cash and checks received from the prior day were openly left out on the counter and openly accessible to anyone who entered the administrative area.

### **Plan of Corrective Action 1)**

City Court clerk Daryl Hubbard and staff has agreed to use only the computers and cash drawers assigned to the operator. The cash drawers will now be locked after each transaction with the owner keeping the key in their possession at all times. The staff will make daily deposits to prevent prior day receipts from being left in the building. A maintenance request has been made to have the locks on the cash drawers changed due to all of them unlocking using the same key. This process will be monitored on a regular schedule to ensure compliance.

### **Non-Compliant Item 2)**

Jackson City Court Clerk's Office did not have adequate application controls. All Staff have full access to the computer system, including the ability to void any transactions, including their own. In addition, usernames and passwords of former employees remain active in the computer software system. Management should implement proper user rights to ensure the reliability and integrity of the transactions maintained by the system

### **Plan of Corrective Action 2)**

All voided transactions will have a notation by the clerk performing the transaction, stating the reason for the void. At the time of the void the clerk will notify the supervisor of the transaction. At the end of the business day, City Court Clerk Daryl Hubbard will print, review and initial the void log daily. A copy of the void log will be kept readily for review at all times. City court Clerk Daryl Hubbard confirmed that there is not any active information in the new computer system for former employees. All passwords have been changed. Each individual clerk has a confidential password assigned to them that should not be shared. These processes will be monitored on a regular schedule to ensure compliance. \*Per the City Court Clerk, Daryl Hubbard, the staff is short-handed. Due to absenteeism etc. the user rights cannot be designated at this time. I will continue to work through this item with the clerks.\*

### **Non-Compliant Item 3)**

Jackson City Court Clerk's Office did not maintain accurate and detailed records of all transactions and affairs of the court. The City Court Clerk could not provide an accurate and detailed report of all financial transactions and affairs of the court and affairs of the court as required by TCA Section 16-18-310(b). Investigators requested documentation from the City Court Clerk to substantiate how the office disposed of certain cases, and the City Court Clerk no longer had the documents.

### **Plan of Corrective Action 3)**

City Court Clerk, Daryl Hubbard stated that he has all information stored in align with the required retention schedule. He stated that his obstacle is that some of the documents are stored at the old location for City Court and not readily accessible. He stated that there is a need for more storage space at the new facility.

### **Non-Compliant Item 4**

Jackson City Court Clerk's office is not using the Uniform Affidavit of Indigency forms. The Tennessee Administrative Office of the Courts had produced a Uniform Civil and Criminal Affidavit of Indigency form to be used when determining a person's indigent status. Jackson City Court does not utilize the form set forth by the administrative office nor do they verify any information given to the by the offender before determining the indigency status.

### **Plan of Corrective Action 4**

City Court Clerk Daryl Hubbard and staff confirmed they are now using the form. Several were reviewed by the Internal Auditor. We discussed completing the form in entirety. We also discussed a filing system for the forms in order to have organization and easy access to the forms. This process will be monitored by the Court Clerk on a regular schedule and reviewed quarterly by the Internal Auditor to ensure compliance.