

CITY OF CROSSVILLE, TENNESSEE
INTERNAL CONTROL POLICY

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1. OVERVIEW OF INTERNAL CONTROL

The U.S. Government Accountability Office (GAO) has established a common definition of internal controls, standards, internal control components, principles and attributes. The document that contains this information is often referred to as the Green Book. Because this GAO Green Book framework is widely accepted, it will be used as the basis for all internal control matters related to entities covered by this internal control manual.

Definition of Internal Control

Internal control is a process that is developed by the municipality to provide reasonable assurance that the following categories of objectives will be achieved:

- 1) Reporting – reliability
- 2) Operations – effective and efficient
- 3) Compliance – compliant with applicable laws, regulations, contracts and grant agreements.

The above definition “reflects certain fundamental concepts.” Those concepts re:

- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.
- Internal control comprises the plans, methods, policies and procedures used to fulfill the mission, strategic plan, goals and objectives of the entity.
- Internal control is an integral part of the organization not a separate system within the organization.
- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is affected by people. It is not merely policy manuals and forms, but people at every level of an organization.
- Internal control increases the likelihood that an entity will achieve its objectives. However, it can only be expected to provide reasonable assurance, not absolute assurance that all the organization’s objectives will be met.

While the organization may identify its mission, strategic plan, objectives, and plans for achieving its objectives in different ways, the Green Book approaches internal control through a hierarchical structure of five (5) components and seventeen principles. The Green Book also contains additional information in the form of attributes. Attributes are presented under the heading title: “This Involves.” These attributes provide further explanation of the principles and documentation requirements.

Five (5) Main Components of Internal Controls That Are Required to be Addressed:

- 1) Control Environment
- 2) Risk Assessment
- 3) Control Activities
- 4) Information and Communication
- 5) Monitoring

There is a direct relationship between the organization’s objectives, the five components of internal control and the organizational structure of the organization. The five

components apply to all three categories of objectives and all levels of the organizational structure. The seventeen (17) principles support the components of internal control.

Summary

A good internal control framework is essential to providing reasonable assurance that organizations are achieving their objectives. Such objectives include, but are not limited to, utilizing public resources in compliance with laws, regulations and budgetary limitations. An adequate control framework will provide information that helps detect errors and fraud and provides reasonable assurance that financial reports are accurate. It will limit the opportunity for theft or unauthorized use of assets, including cash, inventory and capital assets.

2. COMPONENT 1: CONTROL ENVIRONMENT

The control environment is the foundation for any internal control system. There are five (5) principles related to the control environment.

- 1) The oversight body (the City Council, City Manager and Finance Director, which serves as the City's audit committee) and management (City Manager and Department Directors) should demonstrate a commitment to integrity and ethical values. The governing body or other oversight body and management's directives, attitudes and behaviors should reflect the integrity and ethical values expected throughout the entity.

The City Council and management demonstrate this commitment to integrity and ethical values as follows:

- The City Council approved the Personnel Policy which specifies expectations, discipline and reporting of acts.
- The City Council approved a Code of Ethics. This Code of Ethics is included in the Crossville, TN Code of Ordinances.
- As part of the annual audit, the City Council and Management complete a conflict-of-interest statement.
- The City Council emphasizes best financial management practices.
- The City strives to have no audit findings in its annual audit.
- The City performs a risk assessment annually for its insurance coverages.

- 2) The oversight body should oversee the entity's internal control system. The governing body should oversee the design, implementation and operation of the internal control system as well as take appropriate action to resolve deficiencies. The governing body may appoint a separate oversight body (such as an audit committee) that has the independence and qualifications needed to impartially evaluate, scrutinize, question activities, and oversee the design, implementation

and operation of the organization's internal control system as well as take appropriate action to resolve deficiencies. Management should be directly involved in developing the internal control system and is responsible for implementing and monitoring the system for compliance.

The City Council oversees the entity's internal control system as follows:

- The Council approves, by resolution, the City's internal control policy. It is reviewed and updated, as necessary, prior to the audit.
- The Audit Committee receives monthly reports.
- The City Council receives the annual audit for its acceptance.

3) Management should establish an organizational structure, assign responsibility and delegate authority to achieve the entity's objectives. This includes:

- Establishing, documenting and regularly reviewing and updating a simple and flexible organizational plan that clearly addresses the assignment and authority and responsibility.
- Develop a manual that provides sufficient documentation of internal control to communicate to personnel their responsibilities as well as to monitor and evaluate the controls.

The City has established an organizational structure, assigns responsibility and delegate authority to achieve the entity's objectives.

- The City's organizational chart is maintained by the Human Resources Department and issued in the annual audit report. It provides an overview of the lines of authority and responsibility.
- This internal control documentation includes individual responsibilities within areas of functional responsibility (e.g. receipting, payroll, accounts payable and purchasing).

4) Management should demonstrate a commitment to recruit, develop and retain competent individuals. This includes:

- Developing and regularly reviewing and updating a manual that address:
 - Job skills requirements (job descriptions, certifications, continuing professional education, education in new accounting standards, education in new laws, education in federal grant requirements, computer software education and other general education and training requirements).
 - Employee benefits (leave, health insurance, pension, other postemployment benefits, etc.)
 - The business continuity plan for succession and emergencies.

The City's management demonstrates a commitment to recruit, develop, retain competent individuals as follows:

- The City continually maintains and reviews job descriptions to ensure quality candidates apply, are hired and perform their responsibilities during their employment.
- Under the City's pay plan, pay is market based and reviewed periodically.
- MTAS and other external and internal training is provided to ensure that those responsible for and performing internal controls are well informed about changes in accounting and reporting, changes in laws that affect payroll and payroll related activities, changes in laws that affect purchasing, grants administration and emergency management training.
- As software is updated, training is provided to ensure continued efficiency in computer skills.
- Employees are encouraged to obtain certifications such as CPA and CMFO and the entity agrees to pay for continuing professional education requirements that are approved by the City Manager.
- Background checks are performed for all employees involved in financial transactions such as collecting and disbursing funds.

5) Management should evaluate performance and hold individuals accountable for the internal control responsibilities. This includes:

- Developing and regularly reviewing and updating a manual that addresses:
- Periodic job evaluations and corrective action(s) to be taken when there are deficiencies.
- Periodic evaluation of employee workload pressure and methods for communicating and implementing required changes to alleviate excessive workload pressures (whether created by management goals, time constraints, budgetary factors, cyclical demands or increased workload buildup over time).

The City's Management evaluates performance and holds individuals accountable for their internal control responsibilities as follows:

- The City continually reviews job descriptions to ensure quality candidates apply, are hired, and perform their responsibilities during their employment.
- New employees have a probationary period. A performance evaluation/appraisal may be completed at 2 months, 4 months, and six months prior to the expiration of the probationary period.

3. COMPONENT 2: RISK ASSESSMENT

Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. Generally, risk assessment means asking questions about what could go wrong. There are four (4) principles to risk assessment.

- 1) Management should define objectives clearly to enable the identification of risks and define risk tolerances. This includes:
 - The organization's mission.
 - The organization's goals and objectives in sufficient detail to allow for performance risk assessments in a reasonably consistent manner.
 - The organization's risk tolerance or risk threshold for each objective in sufficient detail to allow for the appropriate design of an internal control system. Risk tolerances or threshold should be assessed considering laws, regulations, generally accepted accounting principles, other standards, grant management, internal standards of conduct, oversight structure, organizational structure, and expectations of competence, etc.
 - The organization's judgments about materiality, both qualitatively and quantitatively (i.e. risk threshold).

The City's Management has defined objectives clearly to enable the identification of risks and define risk tolerances as follows:

- The City has developed a strategic plan approved by the City Council.
- The City mitigates risk through insurance coverages.
- The City has implemented strong internal controls, emphasizing separation of duties.
- The City's internal controls provide reasonable assurance that unlawful acts are not occurring.
- Surety bonds and/or employee dishonesty insurance is purchased to mitigate the risk of loss of funds due to errors, irregularities or fraud.

- 2) Management should identify, analyze and respond to risks related to achieving the defined objectives. This includes:
 - The risks associated with the organization's objectives.
 - The methodology for determining if the risk identified is material to the organization.
 - The action(s) to be taken to mitigate the risk.

The City's Management identifies, analyzes, and responds to risks related to achieving the defined objectives as follows:

- Performs risks assessments in connection with its insurance coverages.
- Performs internal control assessments.

3) Management should consider the potential for fraud when identifying, analyzing and responding to risks. This includes:

- Reviewing and attending training to identify types of fraud that can occur. Fraud types include financial reporting, theft of assets, and corruption (i.e. bribery and other illegal acts). Fraud risk factors include incentive or pressure, opportunity, and attitude or rationalization. Internal controls specifically relate to opportunity. Review organization operations to determine if and how a fraud could occur. Consider the loss potential and determine the acceptable level of risk that the organization is willing to accept. Develop controls to limit the risk of fraud.

The City's Management considers the potential/or fraud when identifying, analyzing, and responding to risks as follows:

- Emphasizing fraud training
- Understanding elements of fraud risk (incentive/pressure, opportunity, and rationalism).
- Implementing separation of duties wherever possible.
- Evaluating risk in its entity-wide objectives of Operations, Reporting and Compliance.
 - Operational objectives
 - Ensure that the entity's resources are adequately safeguarded.
 - Provide taxpayer services efficiently and effectively.
 - Limit the need for tax increases.
 - Provide for the long-term stability of the municipality.
 - Provide a stable and rewarding work environment for employees.
 - Reporting Objectives
 - Provide timely interim financial reports and schedules for evaluating the results of the operations.
 - Issue timely financial reports that comply with generally accepted accounting principles, the additional requirements

of the Tennessee Comptroller of the Treasury and federal grant requirements.

- Compliance Objectives
 - Comply with all relevant laws, regulations, contracts and grant agreements.
- 4) Management should identify, analyze and respond to significant changes that could impact the internal control system as follows: This includes identifying risks during the planning process for all new grant programs, projects and activities. Then, review the controls to determine what changes need to be made to ensure that objectives are met.

The City's Management identifies, analyzes, and responds to significant changes that could impact the internal control system as follows:

- Creating and updating City policies and procedures.
- Awareness of accounting standards changes.
- Awareness of state law or regulation changes.
- Awareness of federal law or regulation changes.
- Management reviews all new grant applications and agreements.
- Management reviews all new contracts.
- The City has implemented a debt capacity model in assessing the issuance of debt.
- Management will, at least annually, consider technological developments, employee turnover, new programs, new accounting standards, new laws and regulations, and economic growth or decline to determine whether or not changes in internal controls need to be implemented.

Recommendations for changes will be reviewed and implemented as necessary. The implementation will include training for all personnel involved in the processes that require change.

1. COMPONENT 3: CONTROL ACTIVITIES

Control activities are the actions management establishes through internal control policies and procedures to achieve objectives and manage risks. There are three (3) principles related to control activities.

- 1) Management should design control activities to achieve objectives and respond to risks. This includes:

- The specific actions designed to address entity objectives and risks. These have been identified during the process of defining responsibilities, delegating authority and assessing risks.
- The specific actions designed to address entity objectives and risk at various levels in the organization.
- The division (i.e. segregation) of duties and/or implementing compensating controls designed to mitigate risks related to assigning duties and responsibilities among employees.

The City has identified objectives, risks and relevant policies and procedures for activities in Appendix C.

- 2) Management should design the entity's computerized information system and related control activities to achieve objectives and respond to risks. This includes:
 - The types of computerized information required to be complied to meet the government's objectives.
 - The computer application controls necessary to ensure that information is valid, complete and accurate.
 - The general computer controls addressing security management procedures, contingency plans, configuration, logical and physical access
 - Information technology infrastructure needs, and the controls needed to ensure that adequate resources are available to meet the reporting needs (e.g. storage capacity)
 - The external and internal security risks and the controls necessary to limit exposure to unauthorized access, corruption of data or other misappropriation of information (e.g. personally identifiable information)
 - Controls necessary to ensure that technology acquisition, development and maintenance activities are authorized, necessary, and properly integrated throughout the organization.

The City's Management designed the entity's computerized information system and related control activities to achieve objectives and respond to risks.

- The City strives to improve the quality and level of services by upgrading information systems, including time and attendance, receipting and utility billing. The IT director or his designee reviews any reporting requirements or changes to programs that might impact the software and hardware maintenance schedule.
- Assess and prioritize enhancements to meet any changes or additional needs in reporting requirements.
- Assess the adequacy of general computer processes and controls.

3) Management should implement control activities through policies. This includes:

- The overall general policies for the local entity that address the broad expectations (objectives and related risks, control activity design, implementation and operating effectiveness) of management and the responsibilities for each unit (office, division, department or other organizational segment) of the local entity.
- Management's plan for monitoring departmental policies, procedures, and control activities developed by each unit to implement the general policies.
- The means by which policies and control activities will be communicated to staff.
- Management will ensure that each unit document policies, day-to-day procedures and control activities to implement management's policies.

The City's Management has implemented control activities through policies as follows:

- In addition to complying with federal and state laws and regulations, the City has adopted financial policies for investments, debt, fund balance reserves and cash receipting.
- The City periodically updates its Personnel Policy.
- The Finance Department annually reviews financial policies for possible updating.

5. COMPONENT 4: INFORMATION AND COMMUNICATION

Management is responsible for developing and providing internal and external information. This information supports the internal control system and validates its existence. There are three (3) principles related to information and communication.

1) Management should use quality information to achieve the entity's objectives.

This includes:

- Review and document the information requirements to achieve key objectives and address the risks of the government.
- Review and document changes that occur in the local government's objectives and the related changes in information requirements.
- Identify and evaluate the reliability and timeliness of relevant data from both internal and external sources.

- Review and evaluate whether data has been processed into quality information that allows management to make informed decisions and evaluate whether the local government is achieving its objectives.

The City's Management uses quality information to achieve the entity's objectives.

- The City has a standardized format for information presented to the Council.
- The City Manager, City Clerk and applicable department heads review information being presented to the City Council.
- Financial information needed from departments including receivables, inventory, donated assets, etc. is accumulated each year. It is reviewed by the Finance Department for accuracy.
- Financial information is obtained from outside entities such as non-profit agencies and reviewed by the Finance Department.
- Financial statements and budget amendments are reviewed by the Finance Director and City Manager prior to release.

- 2) Management should internally communicate the necessary quality information to achieve the entity's objectives. This includes:
 - Management clearly defines the lines of communication through policy manuals and organization charts.
 - Management has communicated the types of information required to achieve objectives and address risks.
 - All internal control documents and related reports will be available to all staff in an appropriate method based on confidentiality and relevance to job responsibilities.
 - The appropriate information delivery system has been determined (e.g. email, written memo, staff meetings, etc.) for changes and updates.
 - Reports containing personally identifiable information or other protected or confidential information will be made available through communication methods that restrict internal and external access.
 - Annual staff training meetings and new employee orientation, with relevant handouts and manuals, will be used to reinforce memo, email, intranet and restricted communications.

The City's Management internally communicates the necessary quality information to achieve the entity's objectives.

- The City Council and City Manager communicate regularly about agenda items. The City Manager communicates with the City Council and departments on upcoming changes in federal and state requirements.
- The City Manager communicates regularly with the department heads in scheduled monthly meetings and semiannual departmental updates.
- The City Manager and department heads have regular meetings on projects.

3) Management should externally communicate the necessary quality information to achieve the entity's objectives. This includes:

- Communicating with external parties, including:
 - Auditors
 - Federal Grant Agencies
 - SEC through the Electronic Municipal Market Access system (EMMA)
 - Bond rating companies, prospective bond purchasers and underwriters.
 - Vendors and contractors
 - Insurance companies
 - Law enforcement officials
 - News media
 - Individuals or public interest groups based on public information requests
 - Evaluating the reliability of information provided to and received from external parties.
 - Ensuring the only authorized individuals provide information to external parties.
 - Ensuring that restricted information is provided only to authorized external parties.
 - Redacting of information when requested under the open records statutes.

In summary, it is vitally important that information communicated to outside parties be accurate. This involves many different layers of internal controls including the control environment, the risk assessment process, and control

activities. Before information is released to an outside party, management should be confident based on its internal policies and procedures, the information is accurate. The credibility of the entity, its governing body, and public officials is at stake whenever information is released to outside parties.

The City's Management externally communicates the necessary quality information to achieve the entity's objectives as follows:

- The City Manager has identified specific departments and individuals in the organization to be responsible for external communications. For example, the Finance Director communicates with the auditors and ensures continuing debt disclosure.

6. COMPONENTS 5: MONITORING

Things change – the Operating Environment, Laws, Accounting Principles, Technology, Resources, and People, etc. For this reason, the internal control policies and procedures must constantly be monitored and improved or updated. There are two (2) principles related to monitoring.

- 1) Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. This includes:
 - Evaluate and document the current state of the internal control system and document the differences between the criteria of the design and the current condition of internal control, for purposes of establishing a baseline.
 - Determine whether to change the design of internal control or implement corrective actions to improve the operating effectiveness of internal control for differences that exist.
 - Monitor internal control through built in monitoring activities and periodic separate evaluations and document the results.
 - Evaluate differences to determine if (1) changes in internal control have occurred but have not been documented, (2) internal control has not been properly implemented, or (3) internal control design changes are needed.

The City's Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

- The City's Finance Director reviews the financial reports and expenditures to ensure that they comply with those requirements. A review of all relevant compliance issues would include, but not be limited to:
 - Federal and state grant requirements.
 - Internal Revenue Service requirements.
 - Budgeting and expenditures requirements.
 - Financial reporting requirements.

- State and federal laws and regulations.
- Debt issues
- Cash receipts journal, cash disbursements journal, general ledger and subsidiary ledgers to ensure that they are in balance.
- Bank statements and the related reconciliations to determine that they are accurate, and all activity is authorized and properly recorded, and journal entries to determine that they are appropriate.
- The City Clerk or designee periodically review the minutes of actions taken by the City Council to determine that they are kept together and are complete and that actions taken are implemented and/or being accounted for as applicable and Codified ordinances to ensure that they are up to date.
- The City's IT Director periodically reviews relevant computer programs to determine whether they need to be updated, upgraded or modified.
- The City's audit committee reviews financial reporting practices.

2) Management should remediate identified internal control deficiencies on a timely basis. This includes:

- Adopt policies regarding ongoing monitoring processes and the method of timing of reporting issues and deficiencies to a designated individual.
- Document the evaluation of issues noted during ongoing and periodic monitoring. Propose a corrective action plan and implement the corrective action on a timely basis.

The City's Management remediates identified internal control deficiencies on a timely basis as follows:

- A good internal control structure will only provide assurance that unlawful conduct does not occur or is detected on a timely basis. Though it is common to assume "it will never happen to us" it can happen. In fact, monitoring may be the means by which some unlawful conduct or fraud is detected. Unlawful conduct or fraud may be discovered because of tips from other employees, as a result of internal or external audits, because of internal control that has been established, and even by accident. Regardless of the method of discovery, the amount of money involved, or the frequency of occurrence, all discoveries are to be reported in writing to the Finance Director. Unlawful conduct or fraud must be reported whether money is repaid and/or whether the employee is terminated. Simply because you do not believe that the person could ever have participated in unlawful activities or fraud or believe that they will not participate again, is not a basis for failing to report what has been discovered.
- Reporting when a public official believes unlawful conduct has occurred: *Tennessee Code Annotated*, Section 8-4-501, defines unlawful conduct as

“...theft, forgery, credit card fraud, or any other act of unlawful taking of public money, property or service.”

Tennessee Code Annotated, Section 8-4-503 states: A public official with knowledge based upon available information that reasonably causes the public official to believe that a theft, forgery, credit card fraud, or any other act of unlawful taking of public money, property, or services has occurred shall report the information in a reasonable amount of time [i.e., five (5) working days] to the office of the comptroller of the treasury.

The form for reporting fraud can be found on the web at:

<https://comptroller.tn.gov/cotent/dam/cot/la/documents/fraudreportingform.pdf>

Appendix A: Internal Controls (Tennessee Code)

Title 9 Public Finances

Chapter 18 Financial Integrity Act of 1983

Tenn. Code Ann. § 9-18-102

9-18-102. Internal controls – Management assessment of risk.

- (a) Each agency of state government and institution of higher education along with each county, municipality, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:
 - (1) Obligations and costs are in compliance with applicable law;
 - (2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
 - (3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.
- (b) To document compliance with the requirements set for in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:
 - (1) Accountability for meeting program objectives;
 - (2) Promoting operational efficiency and effectiveness;
 - (3) Improving reliability of financial statements;
 - (4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and
 - (5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

Appendix B: Internal Control Risk Assessment

INTERNAL CONTROL RISK ASSESSMENT

As of December 8, 2025

Activity 1: ADMINISTRATION AND RECORDS

General Administration

1. Is there an organization chart that clearly defines lines of authority and responsibility for the City?
Yes
2. If not, are such lines clearly established and understood by all employees?
Yes
3. Are all transactions of major importance approved in minutes of the government body?
Yes
4. Are all minutes of the governing body (in final form) in the permanent records of the governmental unit and properly signed?
Yes
5. Do the minutes adequately reflect the action of the governing body?
Yes
6. Are they clear as to intent and substance?
Yes

Charter, Municipal Code, and Ordinance

1. What kind of charter does the City have?
Private Acts of 1953, Chapter 519 along with the general and permanent amendments to the Act through the 2014 session of the Tennessee General Assembly.
2. If you have a private act or home rule charter, does the City have a current charter compilation that includes all amendments to the charter?
Yes
3. Is the charter readily available and accessible to City officers, employees, and the public?
Yes
4. If you have a private act or home rule charter, is the charter reviewed on a frequent regular schedule for the purpose of removing obsolete provision and inserting needed provisions?
Yes
5. Is the charter clear and unambiguous relative to:
 - a. Election of officers?
Yes.
 - b. Filling of vacancies in elective office?
Yes
 - c. Quorum and voting requirements on ordinances, resolutions, and motions?
Yes
 - d. Which City personnel are officers, and which are employees?
Yes

- e. The relative powers and duties of the mayor (or city manager) and the board or commission?
Yes
- f. Salary and/or other compensation to officers?
Yes
- g. Recall or method of removal, if any, of officers?
Yes
- h. The property rights, if any, of employees in their jobs?
Yes
- i. The procedural “hoops”, if any, for the discipline, including termination, of employees?
Yes
- j. The due and delinquency dates for property taxes?
Yes
- k. The procedure for the collection of property taxes?
Yes.

- 6. Does the City have a current municipal code?
Yes
- 7. Was the municipal code property adopted?
Yes
- 8. Is the municipal code readily available to city officials, employees, and the public?
Yes
- 9. Is the municipal code reviewed on a frequent, regular basis for the purpose of removing obsolete provisions and inserting needed ones?
Yes
- 10. Is a certain officer or employee assigned the definite responsibility of insuring that ordinance adoption procedures are rigorously followed?
Yes
- 11. Is a certain officer or employee assigned the responsibility of preserving a record of such ordinances?
Yes
- 12. Is that person, if any, thoroughly familiar with ordinance adoption procedures?
Yes
- 13. Is there a definite prescribed place in the City’s offices for the City’s ordinances to be kept?
Yes
- 14. Are ordinances filed and preserved by some systematic method, such as by number, date, subject, etc.?
Yes

Municipal Records in General

- 1. Does the City have a definite prescribed place in the City offices for the City’s records to be filed and preserved?
Yes

2. Is a certain officer or employee assigned the definite responsibility for City records filing and preservation?

Yes

3. Does the City have a systematic filing system that is understandable to City officers, employees, and the public?

Yes

4. Are the City's records easily and readily accessible to city officers, employees, and the public?

Yes

5. Is the person responsible for records filing and preservation familiar with, and does he or she, follow the Open Records Law?

Yes

Municipal Meetings

1. Are regular meetings of the City governing body held at the times and places prescribed by the City charter, code, or ordinances?

Yes

2. Are special meetings called and held in accordance with the City charter?

Yes

3. Is adequate notice of both regular and special meetings given to the public?

Yes

4. Is the person who is responsible for general supervision of the City familiar with the Open Meetings Law?

Yes

5. Are minutes clearly reflecting the votes and other important actions of the governing body?

Yes

Insurance

1. Does the City purchase insurance?

Yes

2. Does the City understand the coverage conditions, definitions, and exclusions?

Yes

3. Does the City track losses, whether they are covered by insurance or not?

Yes

4. Does the City review and record all deductibles as they occur?

Yes

5. Does the City monitor the associate risk management costs?

Yes

6. Does the City investigate losses and develop loss control plans?

Yes

Activity 2: HUMAN RESOURCES AND PAYROLL

City Personnel

1. Are City employees responsible for handling money bonded in a sufficient amount?
Yes
2. Are vacation and sick leave policies definite and certain?
Yes
3. If employees retire, quit, or are terminated, is it clear whether or not they are entitled to pay for unused vacation and sick leave?
Yes
4. Does the City have written personnel regulations and policies?
Yes
5. Whether or not the City has written personnel regulations, is the chain of command well understood by both City officials and employees?
Yes
6. Is it clear in such policies to which classes of employees and/or officers they apply?
Yes
7. Do such personnel policies conform to the City charter?
Yes
8. Are such policies followed with respect to all employees and officers to which the policies apply?
Yes
9. Is the person responsible for personnel administration generally well-versed in the:
 - a. Fair Labor Standards Act?
Yes
 - b. General City employees?
Yes
 - c. Fire and Police employees?
Yes
 - d. Americans with Disabilities Act?
Yes
 - e. State and Federal laws and governing employment discrimination?
Yes
10. Does the City impose limitations upon the political activities of its employees?
Yes
11. Do such limitations with respect to police officers and fireman apply only to on-duty activities?
Yes

Activity 3: ACCOUNTING AND FINANCIAL REPORTING

Financial Matters

1. Are financial records maintained in sufficient detail to adequately describe the operations of the municipality?
Yes

2. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?

None identified

Financial Reporting

1. Does the board receive monthly financial reports?
The Audit Committee receives monthly financial reports.
2. Are the reports explained to the board?
Yes
3. Does the finance department reconcile the bank accounts monthly?
Yes
4. Is the board notified when cash is running dangerously low?
Yes

Activity 4: FISCAL YEAR END CLOSING

1. Are personnel aware of the 60-day closing requirement?
Yes
2. Does the City keep its accounting records current within 60 days after each month-end?
Yes

Activity 5: AUDIT

1. Does the City acquire audit services through an RFP process?
Yes
2. Does the city enter the audit contract approval in the CARS system?
Yes

Activity 6: CASH ON HAND

1. Are cash on hand accounts reconciled daily to the amount of monies on hand?
Yes
2. Does the City use petty cash funds?
Yes
3. Are actual receipts required and retained for reimbursements of petty cash monies?
Yes
4. Is the person receiving reimbursement required to sign a receipt?
Yes
5. Is all cash maintained on hand and collections not yet deposited kept in secure locations?
Yes

Activity 7 CASH IN BANK

Reconciliation of Accounts

1. Are bank accounts reconciled to the general ledger on a monthly basis?
Yes
2. Is this reconciliation performed by someone who isn't involved with making deposits or writing checks?
Yes

3. Are reconciling items noted in the bank account reconciliation addressed and remedied within 2 monthly cycles?
Yes
4. Has the City ensured that all accounts are appropriately collateralized with the financial institutions?
Yes
5. Has the City ensured that all accounts in banks collateralizing with the State Collateral Pool have classified the City's accounts as "public" in the bank's records?
Yes
6. Are all persons handling cash and other assets bonded?
Yes
7. Have all bank accounts been approved by the City Council?
Yes

Activity 8: INVESTMENTS

1. Who has access to the City's investments?
Finance department and City manager
2. Are all bank accounts and investments maintained in the City's name?
Yes
3. Do withdrawals or liquidations of City investment require two signatures?
Yes

Activity 9: RECEIPTING

1. Are prenumbered receipts issued for each collection at the time the funds are received?
Yes
2. What types of payments are accepted? Cash, Checks, Money Orders, Credit Cards?
Cash, Checks, Money Orders, Debit/Credit Cards
3. Do the receipts note an appropriate revenue source or revenue account from the chart of accounts?
Yes
4. Are checks received restrictively endorsed (stamped "For Deposit Only") immediately upon receipt?
Yes
5. Are all receipts accounted for including voided receipts?
Yes
6. Are collections deposited within 3 working days from the time they were received?
Yes
7. Is the deposit made in the same amounts as it was collected (intact with the same amount of cash vs. checks as collected)?
Yes
8. Are duties properly segregated in the following areas:
 - a. Collecting
 - b. Depositing
 - c. Recording
Yes

9. Does someone other than the cashier make deposits?
Yes
10. Are actual deposits checked against records by someone other than cashier or depositor?
Yes
11. Are proper controls in place to prohibit cashing any checks payable to the City?
Yes
12. Are proper controls in place to prohibit employees cashing checks in the office?
Yes
13. Are checks identified on the deposit slip by maker and amount?
No
14. Are state funds deposited to the City's bank accounts by ACH?
Yes
15. Is the receiving function centralized to the maximum extent possible?
Yes
16. Is there a reconciliation between daily check out reports and the deposits made by someone independent of the process?
Yes
17. Do all transfers between bank accounts require the approval of a second person?
No
18. Are licenses and permits pre-numbered and property accounted for?
Yes
19. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
Get two people to authorize all transfers between bank accounts.

Collections/ACHs – Utility Billings and Collections

1. Are pre-numbered receipts issued for each collection at the time the funds are received?
Yes
2. Is the Utility System of billing and collections integrated with the City's general ledger operations?
Yes
3. If not, how does the City ensure that all collections made are entered into the City's general ledger system? This is particularly critical if pre-numbered receipts are not issued in sequential order for #1 above.
Not applicable
4. Are rates set to cover the full cost of services provided, including depreciation?
Yes
5. Are the utility operations in sound financial condition?
Yes
6. Does the City provide any free utility services?
No
7. Are appropriate late charges collected?
Yes
8. Does the City require separate meters for each customer?
Yes

9. Does the City have strict cut-off policies in place and in writing that are acted upon?
No
10. Does someone reconcile the utility accounts receivable control account in the general ledger system with the utility accounts receivable subsidiary ledger?
Yes.
11. Does the finance department have a write-off policy in place for the removal of receivables from the financial records?
No
12. When adjustments to accounts are required, are they approved by the governing body or their designee? Person collecting payment or crediting bills should be prohibited from adjusting bills without a second approval.
Yes
13. Does the municipality charge a deposit or non-refundable fee to turn utilities on for new customers?
Yes
14. Who receives and records deposits for services?
Cashiers in customer accounts and collections.
15. Who opens the mail with customer payments?
The second-floor receptionist opens the mail.
16. Who serves as the back-up if the person referred to in #15 above is not available?
The cashiers in customer accounts and collections.
17. Does someone create a mail log of all collections through the mail or drop box?
Yes
18. Are duties properly segregated in the following areas:
 - a. Collecting
 - b. Billing
 - c. Receivables
Yes
19. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
Procedures/Policies need to be adopted for customer cutoffs and write-offs.
Additional safeguards should be put in place for payments received through the mail.

Collections/ACHs – State Shared Revenues

1. Has your City considered conducting a census?
Yes
2. Does/Should your City receive any corporate excise tax if any banks or related entities are located within your corporate boundaries?
Yes
3. Is your city entitled to a mixed drink or alcoholic beverage tax?
Yes
4. Is mixed drink tax being remitted to the school system if required by law?
Yes
5. Does your city operate a city school system?
No

6. If so, are all local school taxes shared as required by law?
Not applicable
7. Are state street aid monies being transferred to the fund in a timely manner?
Deposited directly into the City's State Street Aid fund.
8. Is a situs report requested from the Department of Revenue at least annually?
Yes
9. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

Activity 10: PURCHASING

1. Does the City have a purchasing policy?
Yes
2. Does the City have a purchasing card policy?
No. The City does not maintain purchasing cards.

Activity 11: DISBURSEMENTS

Disbursements/Drafts

1. Are numbered checks issued for all disbursements?
Yes
2. Are all voided checks accounted for and properly defaced?
Yes
3. Is the practice of signing blank checks prohibited?
Yes
4. Is the supply of unused checks safely stored to protect against unauthorized use?
Yes
5. Do all checks require two signatures?
Yes
6. Do drafts posted to bank accounts require two signatures as well?
No
7. Does the office use signature stamps or electronic signors?
Electronic signors. Signature are initialed as well.
8. If so, is access restricted on these items?
Yes
9. Is the practice of making checks payable to "CASH" prohibited?
Yes
10. Are invoices approved for payment by someone other than the check preparer prior to processing payments?
Yes
11. Are transfers between funds approved by the City Council?
Yes
12. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment of disbursements?
Need two signatures for all drafts.

Activity 12: EMPLOYEE TRAVEL OR REIMBURSEMENTS

1. Does the City have written policies governing the use of City vehicles by City employees?
Yes
2. Does the City have a travel expense reimbursement policy for employees and officials?
Yes

Activity 13: CAPITAL ASSETS AND INVENTORY

Safeguarding Capital Assets/Inventory

1. Is all seized property, including cash, inventoried and kept in a secure location?
Yes
2. Has someone been assigned the responsibility of accounting for the various inventories of the City?
Yes
3. Are detailed inventory records maintained?
Yes
4. Is a physical inventory conducted annually?
Yes
5. Do the inventory records include property and equipment of a sensitive nature in addition to capital assets?
Yes
6. Are proper safeguards in place to prevent theft or loss of assets?
Yes
7. Are sales of surplus property in accordance with state law?
Yes
8. Does the City have procedures in place for disposing of property in compliance with state law?
Yes
9. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment of Assets?
None identified

Activity 14: Debt

Obligations/Debt Management

1. Is adequate planning performed and projections made to ensure incurring debt is necessary and affordable for the City?
Yes.
2. Has the City Council approved debt issues and is that approval documented in the minutes?
Yes
3. Is the City in compliance with debt covenants, if any?
Yes
4. Are efforts made to obtain the best borrowing rates on debt?
Yes

5. Are checks and balances in place to ensure bond and note proceeds are used for their intended purpose?
Yes
6. Are adequate reserves maintained to make principal and interest payments on debt?
Yes
7. Does the municipality make debt payments on time?
Yes
8. Has the City been at financial risk for not making principal and interest payments?
No
9. Are interfund loans pre-approved by the State Comptroller's Office?
Not applicable
10. Were payment plans on interfund loans established?
Not applicable
11. Were all debt issuances made in compliance with state law?
Yes
12. Do the minutes of the City Council reflect adequate information on bond issues?
Yes
13. Are separate bank accounts and accounting records maintained for each bond issue if required by the bond resolution?
Yes
14. Are the investment and disbursement practices for bond issues in compliance with arbitrage laws and/or regulations?
Yes
15. Did the City receive prior approve from the Director of State and Local Finance before the issuance of notes?
Yes
16. Does the City maintain a master list of debt payment requirements by month and fiscal year the payments are due?
Yes
17. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

[**Activity 15: GRANTS**](#)

Grants Management

1. Has the City checked with state and federal agencies, development districts, and other sources, etc., to see what federal and state grants might be available?
Yes
2. Does the City make a practice of considering the matching costs as well as any long-term cost commitments that will be required when soliciting grant fund?
Yes
3. Does the City make a practice of considering the need for the service and calculating operating costs associated with the grants, including depreciation on utility facilities funded with grant monies?
Yes

4. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?

None identified

Activity 16: CONTRACTS

1. Does the City have construction-related contracts?
Yes
2. Does the City have non-construction-related contracts?
Yes

Activity 17: BUDGET

Budget

1. Does the City perform budget amendments prior to June 30 each year?
Yes
2. Is budgetary information included in reports to the City Council
Yes

Activity 18: INFORMATION SYSTEMS

1. Is the accounting system used by the City in compliance with minimum standards of the Comptroller's Office including: the use of fund accounting?
Yes
2. The use of a double entry system?
Yes

Appendix C: Activities, Objectives, Risks, Policies and Procedures

Activity 1: Administration of Records

Objective 1: Meet legal and organizational responsibilities

Objective 2: Transparency

Risks:

1. Incomplete or inadequate information is available or provided to users.
2. Records are discarded improperly or before all audit, contractual and legal retention limits are met.

Policies:

1. TCA § 8-44-101 Sunshine Law
2. TCA § 8-44-102 Open Meetings
3. TCA § 8-44-103 Notice of Public Meetings
4. TCA § 8-44-104 Minutes Required
5. TCA § 10-7-503 Records Open to Public Inspection
6. TCA § 10-7-702 MTAS Records Retention Schedule
7. TCA § 12-4-101 Conflicts of Interest
8. TCA § 39-14-130 Destruction of Valuable Papers with Intent to Defraud
9. TCA § 39-16-504 Destruction of and Tampering with Governmental Records

Procedures:

1. Complete minutes of actions taken by the governing body are maintained in the City's Administration Department. The official minutes are signed and kept together in date order and is easily accessible. The minutes include the following:
 - a. Copies of all ordinances and resolutions adopted (including utility rates and cut-off policy, tax rates, permit fees, etc.)
 - b. Copies of the budget and any supplemental appropriations.
 - c. Schedules of personnel appointments and salary rates and changes (In larger municipalities where such information may not be practicably included in the minutes, the minutes include documentation of (1) all appointments and wage rates that must be set by the city council; (2) across the board wage increases; and (3) the amount of funds allocated to departments to be allocated to employees by the department heads or other designated individual(s). Adequate policies governing authorization of pay increases are to be developed and maintained by the City. Wage and salary rate increases delegated by the City Council are to be adequately documented in the personnel records.)
 - d. Copies of bond and revenue anticipation resolutions
 - e. Authorizations of loans and transfers between funds
 - f. Minutes from public hearings and resulting decisions
 - g. Actions taken on federal and state grant applications (whether a final award was received or not)
 - h. Summaries of action taken on competitive bids

- i. Copies of contracts entered into by officials. The City must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:
 1. Contract labor and consultant agreements, including computer services, day labor, and similar work.
 2. Leases
 3. Rentals
 4. Management agreements
 5. Mutual aid agreements
 6. Franchise agreements
- j. Purchasing policy
- k. Expense reimbursement policy

2. The City Clerk reviews legal requirements and retention guides published by Municipal Technical Advisory Services (MTAS) and the Comptroller's office, at least annually, to determine if there have been any changes with regard to records management requirements.
3. With Departmental assistance, the City Clerk or their designee prepares, at least annually, a list of records that are ready for destruction. The list is to be reviewed by the City Clerk and approved for destruction. The means of destruction, date, items destroyed, individuals involved, and approval are adequately documented.
4. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search is to be made to identify all new requirements relevant to the City's operations.
5. The City Clerk reviews codified ordinances to ensure they are up to date.

Activity 2: Human Resources and Payroll

Objective 1: Ensure that the City is in compliance with applicable laws, regulations and policies and maintain adequate documentation of same.

Objective 2: Ensure that sufficient qualified personnel are hired.

Objective 3: Employee benefits are properly administered.

Objective 4: Information is adequately communicated to employees

Objective 5: Ensure that all payroll disbursements are accurately recorded.

Objective 6: Ensure that all payroll disbursements are authorized and proper.

Risks:

1. Officials are unaware of legal matters.
2. Documentation is not maintained to demonstrate compliance.
3. Records are destroyed improperly or before all audit, contractual and legal retention limits are met.
4. Employees are unable to perform basic required duties.
5. Segregation of duties cannot be achieved.
6. Group insurance is not adequately overseen resulting in excessive or additional costs.
7. Employees are unaware of requirements or important changes.
8. Controls do not prevent or detect errors, thefts, or abuse in a timely manner.
9. Employees do not monitor expenditures to ensure that they are allowable resulting in loss, theft and/or penalties.
10. Payroll reports for federal reporting are inaccurate resulting in penalties.
11. Payroll amounts are improper.
12. Compensation of officials is improper.

Policies:

1. Federal Labor Standards Act (FLSA)
2. Americans with Disabilities Act
3. City of Crossville Personnel Policy

Procedures:

1. Adequate policies governing authorization of pay increases are developed and maintained by the City. Wage and salary rate increases delegated by the City Council are adequately documented in the personnel records.)
2. The city ensures that qualified individuals are hired, and that appropriate training is provided.
3. The City ensures that prospective employees prepare and employee application from listing the applicant's experience, job qualifications, and references.

4. Current information is maintained for each employee. The information, whether maintained in paper or electronic format, includes the following:
 - a. Name
 - b. Mailing address
 - c. Telephone number
 - d. Social Security Number
 - e. Number of exemptions claimed (Form W-4 or W-4E)
 - f. Marital status and spouse's name, if applicable.
 - g. Date of birth.
 - h. Authorized rate of pay (referenced to the statutory and budgetary authorization).
5. A cumulative employee leave record is maintained for each employee including salaried employees who earn any kind of leave. The record clearly shows all leave of any type earned and taken for each pay period, all paid and unpaid absences, and the current leave balance.
6. Each newly hired employee files a current employment eligibility verification (From I-9).
7. Adequate provision has been made for the administration of group insurance and other employee benefits.
8. The City ensures that employees are adequately trained and aware of all relevant compliance issues.
9. The City provides policies and procedures for updating files to include the most current requirements as employees become aware of changes.
10. In accordance with Sections 6-54-601 through 6-54-907, Tennessee Code Annotated, the City Council has adopted an ordinance to reimburse officials and employees whose salary is set by charter or general law for expenses incidental to holding office.
11. Precise maintenance and centralized control of payroll records is essential, even in the smallest city, because of social and labor legislation and the complex accounting and reporting problems involved.
12. Each employee has a current Internal Revenue Service Form W-4 withholding exemption certificate on file.
13. City ensures employees added to the payroll system are not fictitious.
14. Hourly employees are not paid without a timecard.
15. Timecards are signed and approved.

16. Payroll disbursements are approved.
17. Salaried employees are paid the correct amounts.
18. Hourly employees are paid the correct amounts.
19. Payroll expenses are allocated among the appropriate accounts.
20. All payroll disbursements are included in the general ledger.
21. For direct deposit, payroll is uploaded and directly deposited into their accounts. Employees can log in to retrieve their own remittances if available. For any checks issued, the checks are printed and signatures embedded in the checks once printed. Checks are reviewed prior to distribution to ensure they are complete and nothing unusual is included.
22. When possible the person who creates the employee is a different person than the person who prints the checks to the employee. In addition, the person who prints the checks to the employee is different than the person who delivers the checks.

Activity 3: Accounting and Financial Reporting

Objective 1: Prepare accurate and timely internal reports necessary to meet legal and organizational responsibilities.

Objective 2: Prepare accurate and timely external reports necessary to meet legal and organizational responsibilities.

Risks:

1. Incomplete or inadequate information is available or provided to users.
2. Records are discarded improperly or before all audit, contractual or legal retention limits are met.
3. Annual report does not include all required statements, schedules, and disclosures.

Policies:

1. TCA §6-56-401-408 Certified Municipal Finance Officer
2. TCA §9-2-102 Uniform Accounting System
3. TCA §54-4-204 Street Aid Fund
4. TCA §53-11-415 Drug Fund
5. TCA §7-34-115 Water & Sewer Fund
6. TCA §7-36-401 Water & Sewer Authorized
7. TCA §68-221-1012 Unaccounted for Water
8. City of Crossville Fund Balance Policy

Procedures:

1. The City maintains a complete, self-balancing group of accounts for each fund. The City's accounting includes a general ledger, cash receipts journal and cash disbursements journal for each fund, as well as subsidiary account records necessary to comply with legal provisions and generally accepted accounting principles and to present the financial position and changes in financial position.
2. The accounting records maintained by the City are consistent with the financial reporting of the City. That is, if the City reports a fund, the accounting records must include a separate fund in which activity is posted throughout the year. Likewise, if the accounting records include a fund in which activity is posted throughout the year, the financial report reflects that fund.
3. Subsidiary ledgers, such as utility accounts receivable listings, are used to maintain individual account transaction details to support the total in the general ledger control (summary) account.
4. The City issues a financial report that conforms to the requirements of the Governmental Accounting Standards Board (GASB) related to an annual comprehensive financial report (ACFR). However, audit reports for municipalities shall, at a minimum, conform to the general report outline as shown below and include the following supplemental information. The schedules required are significantly less than what would be required in

an ACFR. Additional requirements and/or clarifications regarding the financial statements and required schedules are identified below.

5. Although GASB permits budgetary information for the general fund and each major special revenue fund to be included as Required Supplementary Information or as basic financial statements, the Comptroller's office requires detailed legally adopted budgetary information for the general fund and each major special revenue fund to be included in the basic financial statements. The auditor's opinion covers this information. Budgetary information for other major funds would be included in supplemental information.
6. In addition to revenues being presented by source (e.g., taxes, intergovernmental revenues, licenses and permits, fines and forfeitures, etc.) as required by generally accepted accounting principles, taxes and intergovernmental revenues are furthered detailed by specific source (e.g. property tax, TVA-in lieu of tax, beer tax, gasoline and motor fuel tax, etc.).
7. In addition to being classified by function (or program) and character (e.g., current, capital outlay, debt service and intergovernmental expenditures) as required by generally accepted accounting principles, expenditures are further detailed by object classes. The detail presented for expenditures must be sufficient to exhibit legal and budgetary requirements (e.g., detail of state street aid fund expenditures: paving, street lighting, mowing, debt service, etc.).
8. The additional detail of revenues by specific source and expenditures by object classes are to be either in the financial and/or budgetary statements or schedules of the major and nonmajor funds, or as additional supplemental schedules. Excessively detailed object classifications for expenditures are avoided.
9. General Report Outline
 - a. Introductory section
 1. Table of Contents
 2. Letter of Transmittal
 3. Roster of Council Members
 4. Roster of Management Officials
 - b. Financial Section
 1. Management's Discussion and Analysis
 2. Financial Statements including Notes to the Financial Statements
 3. Required Supplemental Information (GASB)
 4. Supplemental Information
 5. Schedule of Expenditures of Federal Awards and State Financial Assistance
 - c. Statistical Tables
10. Supplemental Information:
 - a. Combining statements for nonmajor governmental and proprietary funds.

- b. Combining statements for internal service funds.
- c. Combining statements for fiduciary funds (trust funds and agency funds).
- d. Individual budgetary schedules for all governmental fund with annual appropriated budgets that were not included as basic financial statements. (The schedule includes three (3) columns, one for the original budgetary amounts, one for the final budgetary amounts, and one for the actual expenditures. An additional column is recommended, though not required, to display variances.)
- e. Fund information for discretely presented component units that do not issue a separate audit report.

11. Schedules

- a. A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. For additional guidelines governing reporting on separate audits of departments, division, or funds, please refer to the topical index at Local Government Audit website:
<https://www.comptroller.tn.gov/office-functions/la/resources/manuals.html>
- b. The following schedules are required, if applicable, whether the City issues a ACFR or not (except as otherwise noted). Certain schedules may exceed GASB's minimum requirements; however, the information provided is used by other state departments.
 1. Schedule of Transfers (may be omitted if transfer disclosure in the notes to the financial statement is adequate, i.e., transfers disclosed by individual fund for all major and nonmajor funds).
 2. Schedule(s) of Long-term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt – by individual issue) by Fiscal Year – All Funds. Schedules are also included for interfund and intrafund (i.e., between divisions within a utility fund) receivables and payables related to telecommunications, cable, etc.
 3. Uncollected Delinquent Taxes filed in accordance with applicable laws.
 4. Utility Rate Structure and Number of Customers.
 5. Unaccounted for Water.
 6. Schedule of Changes in Property Tax Receivable – By Levy Year (which are tied to the financial statements and may be omitted if an ACFR is issued.)
 7. Property Tax Rates and Assessments – Last 10 Years
 8. Additional schedule(s), if necessary, of taxes and intergovernmental revenue by specific source and expenditures by object.

12. In accordance with Section 54-4-204, Tennessee Code Annotated, the City keeps all funds received from the state gasoline tax allocation in a separate fund designated as “State Street Aid Fund”.

13. In accordance with Section 53-11-415, Tennessee Code Annotated, the City of Crossville maintains a special revenue fund (not necessarily a separate bank account) for drug funds.

14. Municipal utilities are established, operated, and reported in many ways. Regardless of these differences, there are certain accounting and reporting requirements which are consistent. Municipal utilities must be accounted for and reported in such a manner that; the accounting and reporting demonstrates compliance with the requirement to be self-supporting. If each utility is reported in a separate fund, the activities of the utility will be adequately segregated to demonstrate whether the utility board and each type of utility service is reported as a division of a fund rather than as individual funds, the basic financial statements must generally be accompanied by additional supplemental schedules. These schedules present sufficient detail for each of the divisions so that the utility board can demonstrate that each division is self-supporting.
15. The accounting and reporting demonstrate compliance with bond requirements. If revenue bonds are issued, the revenue stream that may be used to secure the debt is generally an individual division.
16. All shared costs are equitably divided among each of the individual divisions or funds.
17. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search is made to identify all new requirements relevant to the City's operations. A review of all relevant compliance issues would include financial reporting requirements.
18. The City ensures the City's Finance Director periodically reviews:
 - a. The cash receipts journal, cash disbursements journal, general ledger, and subsidiary ledgers to ensure that they are in balance.
 - b. Bank statements and the related reconciliations to determine they are accurate, and all activity is authorized and properly recorded.
 - c. Journal entries to determine that they are appropriate.
19. The Finance Department compiles, reviews, and summarizes grant information throughout the year to ensure that the schedule of expenditures of federal awards and state financial assistance is complete and accurate.

Activity 4: Fiscal Year End Closing

Objective 1: Timely closing of fiscal year end.

Risks:

1. Cash and investments may not be recorded or valued properly.
2. Material year-end receivables/revenues may not be recorded.
3. Material year-end payables/expenses/expenditures may not be recorded.
4. Estimates, such as allowance accounts, may be inaccurate. What documentation exists to prove the estimate?
5. Capital asset and depreciation accounts may not include material additions and disposals to capital assets.
6. Material debt activity may not be recorded. Have debt proceeds been recorded gross or net of insurance costs?
7. Material payroll activity, including pension liabilities, deferrals, and expense, may not be recorded.
8. Net position may not be properly classified.
9. Significant difficulties (complex new accounting standards, litigation, etc.) delays (grants, construction conflicts, pension data not available, etc.) or problems (computer system problems, key personnel leave, etc.) may be encountered causing data to be unavailable or to otherwise impede closing the books.
10. Who is assigned to gather this information?
11. Who is assigned to review the posting of year-end entries and conversion of balances from modified accrual basis to full accrual basis?
12. Who is responsible for determining compliance with generally accepted accounting principles (GAAP)?
13. What prior-year audit adjustments were considered necessary by auditors?
14. Other related risks.

Policies

1. TCA §9-2-102 Close Accounting Records Within 60 Days

Procedures

1. At the beginning of every fiscal year, immediately following the closing of the prior-year books of account, the Finance Department, in coordination with all other departments, will:
 - Review the prior year closing process and identify any difficulties, weaknesses or additional risks that were encountered.
 - Review any matters identified with management to determine whether any changes are required and, if so, oversee the development and design of those changes.
 - Review any new accounting standards and any accounting standards that are being developed that may be issued that will impact the upcoming year end closing.
 - Consider the effects of new laws such as for new taxes.
 - Set a tentative timeline for the upcoming year-end closing.

- Communicate the plan to all department heads for dissemination to employees whose work will be impacted by the plan.
- Revisit the plan with all departments near the end of the year.

Activity 5: Audit

Objective 1: Ensure that annual audit is performed.

Objective 2: Ensure that annual audit is performed timely

Risks:

1. Not in compliance with state requirements.
2. Not in compliance with federal requirements.
3. Not in compliance with debt requirements.

Policies:

1. TCA § 6-56-105 & 8-4-109 Audits Required
2. TCA § 9-3-212 Duty to Order and Pay for Audits
3. TCA § 9-3-405 Audit Committee
4. TCA § 47-10-101-103 Electronic Audit Contract and Audit Report

Procedures:

1. The City ensures that a contract to audit accounts is executed before the end of the fiscal year, to accommodate a timely audit. To facilitate this, an individual is assigned to either begin the contracting process or notify the board when it is time to begin the contracting process, generally at least 3 months prior to the end of the fiscal year.
2. The audit contract is expected to be executed through the Comptroller's Contract and Report System (CARS), which can be accessed on the web at:
<https://apps.cot.tn.gov/CARS/>.
3. The city utilizes a request for proposal to evaluate independent audit firms.
4. The City performs year-end closing activities necessary to produce financial reports for audit purposes are concluded as soon after the fiscal year end as practicable.
5. The City's management takes responsibility for the annual financial report. Auditors for the City cannot maintain their independence under current standards if the City can't take responsibility for the annual financial report.
6. The annual financial report is to be submitted through the CARS by the audit firm in an electronic format. The format is to be user friendly, which includes the use of bookmarks, internal document links, or other similar features.

Activity 6: Cash on Hand

Objective 1: Ensure that petty cash is secure and properly accounted for.

Objective 2: Change funds are secure and properly accounted for

Risks:

1. Petty cash could be used for unauthorized purposes.
2. Petty cash transactions are not properly recorded.
3. Petty cash is not maintained at a fixed amount or is commingled with other receipts.
4. Responsibility for petty cash is not clearly established.
5. Change funds are not monitored resulting in loss of money, inappropriate use of money, excessive or inadequate cash on hand.

Procedures:

1. The City ensures that petty cash accounts are authorized by the governing body and checks are written to the petty cash custodian to establish the petty cash fund. Each such “account” consists of an authorized, fixed sum of money, set aside as an asset for the purpose of making miscellaneous purchases and making advances for emergency travel needs.
2. Petty cash disbursements are made only as needed and that an invoice/receipt accompanied by a petty cash voucher, prepared in ink, showing the items purchased, and signed by the person receiving the cash, is required in each case. The amount of cash on hand and petty cash vouchers and related invoices/receipts written must total to the originally authorized amount of the funds.
3. When the available cash has been reduced to an amount insufficient to meet routine requirements, a check is written to replenish the cash. The check, made payable to the petty cash custodian, are delivered to the petty cash fund cashier to be cashed at the bank. The total amount of reimbursed will be separated into amounts to be charged to each of the applicable expenditure accounts.
4. Someone other than the person responsible for handling the petty cash fund inspects, approves, dates, initials, and marks each voucher “PAID” to prevent reuse. The City enforces the following restrictions:
 - a. The petty cash fund is to be maintained at the lowest amount possible and are to be replenished only after the strictest scrutiny of all supporting documentation for the petty cash disbursements.
 - b. Under no condition is the petty cash fund to be commingled with the personal funds of a city official or employee or used to cash personal checks or to make advances to employees.
 - c. Since checks to replenish the petty cash fund are charged to the expense accounts represented by the petty cash vouchers, the only entries to the petty cash fund asset account would be to establish the fund, increase or decrease the fund, or to close the fund.

5. An established amount is maintained for change. Collections are to be reconciled each day and amounts over or short, if any, are to be accounted for in the accounting records and deposited if applicable (in the accounting records as a revenue or over and as an expense/expenditure for short). Established change funds are never to be used to absorb amounts over and short.

Activity 7: Cash in Bank

Objective 1: Ensure that all cash balances are adequately insured and collateralized.

Objective 2: Cash flow forecasts are accurate so that investment returns can be maximized, and cash shortfalls can be avoided.

Risks:

1. Cash balances exceed insured limits and are not properly collateralized, which could result in loss of funds.
2. Adequate information is not available to forecast or inaccurate information is used resulting in incorrect forecasts.

Policies:

1. TCA § 6-56-110 Deposits to be Secured by Collateral
2. TCA § 9-1-107 Deposits Exceeding Insurance Limits
3. TCA § 9-4-101 Collateral

Procedures:

1. Bank statements are reconciled with the cash balances presented in the accounting records (general ledger). Bank reconciliations are prepared within 30 days after the bank statements are received from the bank.
2. The City ensures that bank accounts are classified as “public” accounts. If any other classification is used, the accounts will not be considered eligible for collateralization. If the depository is part of the Bank Collateral Pool, accounts not identified as “public” will not be included in calculating collateral requirements of the Pool and money may not be adequately secured.
3. The City complies with state statutes governing collateralization of municipal deposits. These statutes generally require collateralization of 105 percent (105%) on all deposits above the FDIC/FSLIC insured amounts. Personnel in depository institutions and the City’s attorney are consulted to determine the collateral agreements, trustee custodian agreements, and the type of security being held is in accordance with all applicable legal provisions.
4. In 1995, the State of Tennessee Treasury Department implemented the Bank Collateral Pool as an efficient, cost effective, and safe alternative for securing public funds. Participation in the Collateral Pool relieves the City of most of the responsibility for ensuring collateral compliance since the collateral function is centralized in the State Treasurer’s Office. For additional information regarding collateral requirements and the State of Tennessee Bank Collateral Pool, municipalities may contact the State Treasurer’s Office, Division of Cash Management, (615)532-1168 or visit their website at <https://treasury.tn.gov/>.

5. Check cashing for checks drawn on accounts, other than those owned by the City, salary advances and similar activities is not in the best interest of the City and require the City to accept a certain level of risk of nonpayment. To avoid taking additional unnecessary risks, municipalities are not to engage in such practices.

Activity 8: Investments

Objective 1: Investments are authorized, provide maximum returns with minimum risks and comply with legal requirements.

Objective 2: Ensure that all investments are accurately reported.

Objective 3: Ensure that all investments are authorized and comply with all internal and external restrictions.

Objective 4: Investments are adequately safeguarded.

Risks:

1. Investments are not in compliance with state and local laws or not as profitable or the risk of loss of funds is excessive.
2. Investments are not properly timed or monitored resulting in lost revenue or early withdrawal fees.
3. Negotiable investments are not adequately safeguarded.
4. Investments are not recorded properly, or in inaccurate amounts.
5. Investments are not authorized in accordance with applicable restrictions.
6. Investments have not been properly approved by the Comptroller.
7. Investments exceed risk thresholds set by the City Council.
8. Investments are not maximizing earnings.
9. Penalties are incurred due to early withdrawal to meet cash flow demands.
10. Investments are misappropriated.

Policies:

1. TCA § 6-56-106 Authorized Investments
2. City of Crossville Investment Policy

Procedures:

1. The City ensures that investments of municipal money maximize earnings and complies with state statutes and municipal investment policies. Investment options include savings accounts, certificates of deposit, short-term treasury bills and certificates, deposits in the Tennessee Local Government Investment Pool, etc. Additional guidance regarding investments can be found at <https://treasury.tn.gov/Investments/Investment-Management/Local-Government-Investment-Pool>.
2. The City's investment policy addresses the City's strategies, goals, and procedures. The policies and procedures include, but are not limited to:
 - Authorizing individuals (purchasing, selling, roll-over, physical security)
 - Investment types
 - Requirement to annually review laws and regulations to determine if there are any changes that affect the City.
 - Cash forecasting requirements in determining investment options.

- Requirement to deposit investment proceeds, including cash received from matured certificates of deposit, into municipal accounts.
- Investments that must be approved by the Comptroller (repurchase agreements), including Comptroller approved funds.

3. Personnel maintain an investment record card or a similar record listing the essential features of each investment, including the following:

- a. Date of Purchase
- b. Description (or bank name) and identification number for each security
- c. Interest Rate
- d. Original Cost
- e. Fund or funds providing the excess cash for investment
- f. Maturity date of the investment
- g. Date of and amount at termination (cashing) of investment and use of proceeds (reinvestment, deposit into municipal bank accounts, etc.)

Activity 9: Receiving

Objective 1: Ensure that all cash receipts are accurately recorded and adequately safeguarded.

Risks:

1. Cash could be misappropriated, lost, or stolen
2. Cash collections could be manipulated to cover shortages
3. Cash collections are not accurately posted to the accounting records

Policies

1. TCA § 4-4-108 Blanket Surety Bond Required
2. TCA § 6-56-111 Deposit Within 3 Working Days
3. TCA § 9-2-103-104 Consecutively Pre-Numbered Receipts Required
4. TCA § 9-2-106 Violation of Receipt Requirements is a Class C Misdemeanor

Procedures:

1. Electronic funds confirmation receipts are kept for all receipts.
2. Cash is physically received.
3. Cash received is properly logged, reconciled to deposit, and reviewed.
4. All revenue received is deposited.
5. Cash received is properly logged, reconciled to the deposit, and reviewed.
6. Receipts are reviewed before deposit to ensure they belong to the City.
7. Receipts in check form must be payable to the City.
8. Receipts are recorded as revenue when earned.
9. The amounts of the receipts are recorded correctly in the GL.
10. The type of the receipt is recorded in the correct revenue account in the GL.
11. All revenue received or to which the entity is entitled is recorded.
12. The person who receives the cash is a different person than the person who records the receipt in the GL and is a different person than the person who deposits the receipts in the bank.

Activity 10: Purchasing not pertaining to the design and/or construction of new infrastructure and facilities.

Objective: Ensure that all purchases are authorized and proper.

Risks:

1. Purchases are not authorized or exceed available budgeted amounts or are not for a municipal purpose.
2. Bids are not solicited for purchases exceeding bid limits which can result in the best price/product not being obtained.

Policies

1. TCA § 6-56-301 et seq. (Municipal Purchasing Law of 1983)
2. TCA § 12-3-1201 et seq. (Public Purchases – Local Governments)
3. TCA § 62-6-101 et seq. (Contractors Licensing Act of 1994)
4. TCA § 12-4-101 et seq. Personal Interest of Officers Prohibited
5. City of Crossville ordinance on “Municipal Purchasing Procedures” (C.M.C §5-601 et seq.)

Procedures:

1. All purchases over the bid threshold should be competitively bid. Three quotations for purchases more than \$2,500 are desirable, and required for the purchase of items over 40% and up to the bid threshold. Awards shall be made to the lowest responsible bidder meeting specifications.
2. All purchases exceeding \$2,500 must be initiated through the preparation and submittal of a purchase requisition to the Finance Department. The purchase requisition serves to inform the Finance Department of the needs of the using department and to correctly define the material or service requested.
3. Purchases of \$2,500 or less can be made without the use of a purchase requisition; however, a purchase order issued through the Finance Department is required.
4. Receiving reports are designed to notify the City Manager and the Finance Director that items of a particular order have been received. At the direction of the City Manager and the Finance Director, receiving reports are required using one of two methods:
 - a. The person receiving the merchandise or service can sign the invoice signifying that goods have been received and are in good condition; or
 - b. Material receiving report:
5. A receiving report is to be completed immediately upon receipt of materials, supplies, or services by the person receiving the merchandise. It must contain the purchase order number, vendor name, name of person receiving the item, date received, number of items received, brief statement describing item(s), unit price from the purchase order, unit

measure (foot, pound and the like), amount equal to quantity times unit cost, and amount (if any) charged for delivery.

6. Emergency purchases are to be made by departments only when normal functions and operations of the department would be hampered by submitting a requisition in the regular manner, or where property, equipment or life are endangered through unexpected circumstances and materials, services and the like are needed immediately. The City Manager or department supervisors designated in writing and approved by the City Manager may authorize an emergency purchase. The process for making an emergency purchase is outlined in the ordinance.
7. Any public work or improvement, costing more than \$1,000 shall be executed by contract, except when a specific work or improvement is authorized by the City Council and approved by the City Manager.

Activity 11: Disbursements

Objective 1: Ensure that all disbursements are for municipal purposes.

Objective 2: Ensure that all disbursements are accurately recorded.

Objective 3: Ensure that all disbursements are authorized and proper.

Objective 4: Ensure that all payments are timely.

Risks:

1. Disbursements are not made for a municipal purpose and inappropriate or unauthorized disbursements could be made.
2. Disbursements are recorded to the wrong accounts or for the wrong amounts.
3. Disbursements are not authorized or exceed available budgeted amounts or are not for a municipal purpose.
4. Disbursements are unnecessary.
5. Disbursements are for goods that were never received.
6. Disbursements do not comply with legal or contractual restrictions, and may be required to be returned to the grantor.
7. Duplicate payments may occur.
8. Penalties have to be paid.

Policies:

1. TCA § 6-56-111(c) Consecutive Pre-numbered Checks
2. TCA § 6-56-112 Expenditures for a Lawful Municipal Purpose

Procedures:

1. Disbursements cannot be processed without an approved invoice, or an approved requisition or purchase order. Requisitions and purchase orders must meet the requirement of the City's purchasing policy.
2. Duplicate invoices cannot be entered into the system to ensure duplicate payments cannot be posted to the general ledger.
3. All disbursements are approved by an authorized individual and the approval is documented.
4. Payments are for goods and/or services to which the entity is entitled and have been received.
5. A review of checks is completed before distribution.
6. The amount approved for payment on the invoice agrees to the payment posted in the GL.
7. There is a segregation of duties between the individual who posts the entry and the individual who approves the posting.

8. Entries are posted to the correct period.
9. Invoices are footed and recalculated.
10. Disbursements are properly classified in the correct GL accounts.
11. All checks disbursed are included in the GL.
12. Checks are locked in a cabinet.

Activity 12: Employee Travel and Reimbursements

Risks:

1. Travel payments are improper.

Policies:

1. TCA § 6-54-901 Expense Reimbursements Incident to Holding Office
2. TCA § 6-54-903 Filing of Travel Policy
3. Public Acts 1993, Chapter 433
4. City of Crossville Personnel Policies
5. City of Crossville ordinance on “Travel Reimbursement Regulations” (C.M.C §4-401 et seq.)

Procedures:

1. Sections 6-54-901 through 6-54-907, Tennessee Code Annotated, the City Council has adopted an ordinance to reimburse officials and employees whose salary is set by charter or general law for expenses incidental to holding office. The law requires that a written travel policy be enacted setting forth what expenses are reimbursable and how they are reimbursed. Expenses for the reimbursement must be reported on a standardized form in sufficient detail to determine allowability. In addition, adequate documentation must be required and maintained to support the expense report.
2. Minutes of actions taken by the City Council include the travel and expense reimbursement policy.

Activity 13: Capital Assets and Inventory

Objective 1: Ensure that all assets are properly recorded.

Objective 2: Ensure that all assets are adequately safeguarded.

Objective 3: Ensure that inventory is necessary and reasonable.

Risks:

1. Inventory and capital assets are not recorded or are valued incorrectly.
2. Obsolete inventory or retired capital assets are still recorded.
3. Inventory, capital assets and moveable, high-risk, sensitive property are misappropriated or lost.
4. Inadequate insurance is maintained, and the City is susceptible to losses beyond its ability to pay.
5. Inventory levels are excessive.
6. Inventory items are not available when needed.

Procedures:

1. The City requires that all capital assets be identified (tagged or marked) and recorded in the month following the purchase of such items. Vehicles and equipment are to have the City's name or seal clearly displayed. The asset records are to be retained at the City and are to include up-to-date purchase and disposal information. An annual physical inventory is to be performed, documented and reconciled to the property records.
2. City departments provide Human Resources with capital asset information to ensure it is adequately insured. Human Resources analyzes risk exposure and structure the City's insurance purchases accordingly.
3. The City has procedures that provide safeguards for inventories of materials and supplies. These procedures include:
 - a. A requirement to inspect and count each incoming materials and supplies delivery, with the receiver signing each invoice as received and accepted.
 - b. A requirement that all materials and supplies are stored in designated areas that are protected against unauthorized withdrawals and other losses.
 - c. A requirement that scrap materials that have a known salvage value are safeguarded until sold and that the proceeds from the sale of scrap are handled in the same manner as other cash receipts.
 - d. Inventory levels to be maintained.
 - e. A requirement that work orders be used to support usage (reduction) of inventory balances (e.g., utility pipe, meters, etc.).

Activity 14: Debt

Objective 1: Ensure that information for debt is in compliance with legal requirements.

Objective 2: Ensure that debt disbursements are authorized and proper.

Risks:

1. Debt payments are improper

Policies:

1. TCA § 9-21-408 Interfund Loans
2. TCA § 9-21-601 Capital Outlay Notes
3. TCA § 9-21-603 Refunding Bond Issues
4. TCA §9-21-130 Debt Management Policy required by State Funding Board
5. City of Crossville Debt Policy

Procedures:

1. The City ensures that all debt instruments are maintained in a secure location and are available for inspection, audit and planning purposes.
2. Before entering into a debt agreement, the City Council (as documented in the minutes) and the Comptroller (Division of Local Finance) have approved or reported on the issuance of the loan or bond.
3. The City ensures that any interfund or interdivisional loans are approved by the Comptroller's office.
4. The City ensures reserve accounts established as required by the loan agreement.
5. The City ensures debt payments are made on a timely basis.
6. If the debt involves federal loan funds, the City include such funding on its schedule of federal and state assistance and informs the audit firm of such funding.
7. The Finance Director maintains information regarding debt issues and the related amortization schedules to ensure that information necessary for note disclosure and supplemental schedules is readily available, complete, and accurate.
8. Minutes of actions taken by the City Council include copies of bond and revenue anticipation resolutions.
9. Minutes of actions taken by the City Council include authorizations of loans and transfers between funds.

10. The City ensures that continuing debt disclosure occurs each year. This includes material events during the year and the filing of the annual report within six months of fiscal year end.

Activity 15: Grants

Objective 1: Ensure that information for federal grants is in compliance with federal statutes, regulations, and terms and conditions of the federal award.

Objective 2: Ensure that debt disbursements are authorized and proper

Risks:

1. Information is incomplete, inaccurate, and/or unavailable.
2. Information is not able to be audited.

Policies:

1. CFR 200.303 Internal Controls for Recipients of Federal Awards
2. Standards for Internal Control in the Federal Government (Comptroller General of U.S.)
3. Internal Control Integrated Framework (COSO)
4. OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards

Procedures:

1. Comply with federal statutes, regulations, and the terms and conditions of the Federal Awards.
2. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
3. Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-federal entity considers sensitive consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality
4. The Finance Department complies, reviews, and summarized grant information throughout the year to ensure that the schedule of expenditures of federal awards and state financial assistance is complete and accurate.
5. One of the most significant activities of any city is purchasing. There are many laws and regulations, federal, state, and local, that govern how a city may make purchases and the purposes for which money may be expended. Additional constraints are imposed by grant agreements.
6. Minutes of actions taken by the City Council on federal and state grant applications (whether a final award was received or not).

Activity 16: Contracts

Objective 1: Ensure that information for contracts is in compliance with federal statutes, regulations, and terms and conditions of the federal award.

Objective 2: Ensure that contract disbursements are authorized and proper.

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. TCA §6-54-107 Officers Interest in Municipal Contracts Prohibited
2. TCA § 12-4-106 Contracts for Professional Services

Procedures:

1. Minutes of actions taken by the City council include copies of contracts entered into by officials. The City obtains written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved including the following:
 - a. Contract labor and consultant agreements, including computer services, day labor, and similar work.
 - b. Leases
 - c. Rentals
 - d. Management Agreements
 - e. Mutual Aid Agreements
 - f. Cable or other franchise agreements

Activity 17: Budget

Objective 1: Ensure that information for budget is in compliance with federal and state statutes and regulations.

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. TCA §6-56-201 Municipal Budget Law of 1982
2. City of Crossville Budget Monitoring Policy
3. City of Crossville Budget Calendar

Procedures:

1. The Finance Director ensures that the budget is completed and submitted timely and in accordance with the City's Budget Calendar.
2. The Finance Director monitors the budget to ensure compliance with regulations and that data is accurate.
3. Minutes of actions taken by the City Council include copies of the budget and any supplemental appropriations.
4. The Finance Director ensures that any information requested by the auditors is submitted accurately and timely.

Activity 18: Information Systems

Objective 1: Ensure that information is complete, accurate, and available to only authorized individuals.

Objective 2: Ensure that City information is safeguarded from unauthorized users.

Risks:

1. Information is incomplete, inaccurate, and/or unavailable.
2. Unauthorized access occurs, resulting in distribution of confidential information and/or data being corrupted.
3. Information is not able to be audited.

Policies:

1. City of Crossville Network and Cyber Security Policy
2. City of Crossville Personnel Policy, Section XI Information Technology Policies

Procedures:

1. For software to be adequate for use by the City, the following minimum controls must be present.
 - a. The software must produce an unalterable audit trail.
 - b. The software must generate a new receipt number when a transaction is voided (no reuse or renumbering of receipts are permitted).
2. Controls must be in place to reasonably ensure that developers have not left “back doors” that can be used to alter code, output, etc.
3. The City ensures that:
 - a. Controls are in place to ensure that only authorized individuals have access to electronic data and municipal computers (this would include passwords, access limitations, procedures to revoke authorization when employment is terminated, etc.).
 - b. Backups are made of all data on a regular basis and are securely stored off-site.
4. When acquiring and utilizing computer programs for accounting, billing, and other activities the City will ensure that proper evaluation and testing on the software is performed. Without proper evaluation and testing this creates unknown risks to the City.
5. The City’s IT Director or their designee reviews relevant computer programs to determine whether they need to be updated, upgraded or modified.

Activity 19: Billing

Objective: Ensure that billings are complete and accurate

Risks:

1. Billings do not include all customers.
2. Billings have bills with calculation errors

Policies:

1. City of Crossville Title 18 (Water and Sewer)
2. City of Crossville Title 17 (Refuse and Trash Disposal)
3. City of Crossville Title 14, Chapter 8 (Stormwater Management)
4. City of Crossville Section 3 (Assessment and collection of ad valorem tax)

Procedures:

1. The billing department is responsible for the management of the City's utility billing customer file and the preparation and delivery of all bills. Beyond the established procedures and experienced staff, there are notable internal control reviews that are performed with each billing cycle; each month; and, on an as needed basis.
2. Billing Cycle Review: Review and edit procedures exist for each billing cycle, include:
 - a. Reading Review at Account Level. Monthly consumption volume changes are reviewed for variances:
 - i. High and Higher
 - ii. Low and Lower
 - iii. Acceptable
 - iv. Missing Readings
 - v. Zero Consumption Readings
 - vi. Negative Consumption
 - vii. Consumption on Inactive Accounts
 - b. Review at Bill Run: Identify system exceptions (accounts unable to bill), correct exceptions, rerun and re-review.
 - c. Bill Run Edit Reports: An output review reports of:
 - i. New Accounts
 - ii. Final (Terminated) Accounts
 - iii. Billed Prior Month Not This Month
3. Monthly Reviews
 - a. Cycle billing register totals and counts are recorded by month and compared to prior months.
 - b. Review all accounts with three months of consecutive zero consumption.
4. Annual Reviews
 - a. Obtain a list of all city address from City records and reconcile it to the billing system to determine all service addresses are being billed.