

Mayor Aikens,

I am writing to inform you of an important development concerning the handling of county property tax payments at City Hall.

Following the recent audit of Lenoir City's annual financial statements, significant concerns were raised regarding its internal controls related to the receipts and management of property tax payments on behalf of the county.

The primary issues of concern are as follows:

1. **Inadequate Receipt Issuance:** Per TN Code § 9-2-103 (Receipts Required), "Each state, county, and municipal official who receives any sum or sums in such official's capacity shall issue to the payer thereof a receipt and shall retain a duplicate thereof in the office of such official." The City's current software system does not support the issuance of receipts for property tax payments to payers. This deficiency limits the City's ability to provide the necessary documentation as required by state law, which is crucial for proper record-keeping and transparency.
2. **Noncompliance with 3-Day Deposit Requirement:** Per TN Code § 6-56-111 (Deposits of Funds), "Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts." It has come to my attention that due to inconsistent and/or delayed collection of receipts by county officials, the City has not been in compliance with this legal requirement. These delays not only violate state law but may also result in potential financial and administrative consequences for the City.
3. **Increased Risk and Liability:** By retaining cash payments on behalf of the county until collection and transfer, the City is assuming undue risk. This arrangement exposes both entities to potential discrepancies and mismanagement, which we have identified as a significant concern.

We believe that discontinuing this practice is the most prudent course of action to ensure that the City maintains appropriate financial controls and minimizes risk.

Sincerely,

Terry L. Moats