



TOWN OF MASON

Investigative Report
July 19, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

Justin P. Wilson

COMPTROLLER OF THE TREASURY

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

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July 19, 2016

Mayor Gwendolyn Kilpatrick
Town of Mason
12157 Main Street
Mason, Tennessee 38049

Mayor Kilpatrick:

We performed an investigation, in conjunction with the Tennessee Bureau of Investigation, of selected records of the Town of Mason, Tennessee, for the period January 1, 2007, through March 24, 2015; however, we expanded the scope of the investigation as necessary. Our investigation revealed the following deficiencies:

- The former public works superintendent (the superintendent), Christopher Lee Trimble, received unauthorized compensation of \$602,865.40. Of this amount, \$549,998.30 was unauthorized overtime; \$32,411.34 was the unauthorized sale of vacation time; \$11,619.84 was the unauthorized sale of sick leave; and \$8,835.92 was unauthorized holiday pay.
- The superintendent received questionable overtime compensation of \$75,743.95 from the town's General Fund.
- The Board of Mayor and Aldermen did not authorize the payments for a contract service provider to certify the water and wastewater operations.
- Deficiencies existed in the financial operations of the Town of Mason.
- Duties were not segregated adequately in the Town of Mason's court operations.
- The Board of Mayor and Aldermen did not provide adequate oversight.

Christopher Lee Trimble resigned from the Town of Mason in March 2015. On June 11, 2016, Christopher Lee Trimble was indicted by the Tipton County Grand Jury on charges of official misconduct and theft over \$60,000. The findings, recommendations, and management responses (paraphrased), as a result of our investigation, are presented in this report. Also, these findings and recommendations have been reviewed with the district attorney general for the Twenty-fifth Judicial District.

Background

The Town of Mason is a municipality located in Tipton County in West Tennessee. The town has a population of approximately 1,600 and is governed by a Board of Mayor and Aldermen. Our investigation of the Town of Mason resulted from numerous accounting irregularities discovered by contract auditors that were reported in prior years audit reports and significant delays by the town in providing records to auditors for the fiscal year ended June 30, 2012.



INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 THE FORMER PUBLIC WORKS SUPERINTENDENT RECEIVED UNAUTHORIZED COMPENSATION OF \$602,865.40 FROM THE TOWN'S WATER FUND

The public works superintendent received a total of \$602,865.40 of unauthorized compensation during the period January 1, 2007, through March 24, 2015, from the town's Water Fund. Of this amount, \$549,998.30 was unauthorized overtime; \$32,411.34 was the unauthorized sale of vacation time; \$11,619.84 was the unauthorized sale of sick leave; and \$8,835.92 was unauthorized holiday pay.

A. The superintendent received \$549,998.30 in unauthorized overtime.

The superintendent's pay rate was \$15.13 per hour during the period of our examination. In addition to his regular 40 hour work week, the superintendent's payroll records reflected a steady increase in overtime hours each week from 37.35 hours to 64.38 hours between 2007 and 2011 (calculates to a pay rate of \$22.70 for overtime hours worked). Beginning in July 2012, the superintendent changed his pay method from hourly to salary. The amount of salary was based on all the overtime he previously claimed. Overtime of 72 hours was claimed every week of the year (40 hours regular time, plus 64 hours overtime from the water department, plus 8 hours overtime from the general fund questioned in Finding 2); therefore, the superintendent claimed he was working 112 hours per week (See Exhibits 1 and 2).

The Board of Mayor and Aldermen advised they were unaware of the overtime the superintendent claimed and the payroll change from hourly to salary. We were unable to locate approval of his overtime in the minutes of the Board of Mayor and Aldermen, or other documentation that would support the overtime payments. The Board of Mayor and Aldermen advised that they were provided no budget related to the change in pay of the superintendent. The time sheets that were available for inspection were not signed by the mayor or a designated alderman.

According to the superintendent, he never took annual leave or sick leave, worked all holidays, and was always on call; however, minutes of the meetings of the Board of Mayor and Aldermen recorded several instances in which the superintendent was unavailable because he was out sick or not at work for other personal reasons. The town did not provide leave records for the superintendent to support amounts earned. On January 20, 2015, the superintendent admitted in an interview with investigators that he did not work all of the hours claimed on his time sheets. When asked how much time during the week he actually worked, the superintendent advised us that he worked a minimum of 60 to 70 hours per week. Later in our interview, he stated that he worked a minimum of 80 hours per week. Also, he said he was not clear about the amount of his annual salary, and really didn't pay attention. When asked what he thought his annual salary should be, the superintendent advised he thought it was around \$90,000 per year.

B. *The superintendent received \$32,411.34 from the unauthorized sale of vacation time.*

The superintendent received a total of \$32,411.34 from the unauthorized sale of his accumulated vacation time back to the town. This amount consisted of \$13,435.44 for regular vacation time sold back to the town and \$18,975.90 for vacation time he gave himself in excess of the allowable amount that he could earn. Our examination of payroll records revealed the superintendent sold this vacation time back to the Town of Mason without the approval of the Board of Mayor and Aldermen. The personnel policy of the Town of Mason establishes a 40 hour work week and provides a maximum of three weeks of vacation (120 hours) a year. It also states, "no vacation time shall accrue in excess of 15 working days," and "no employee will be entitled to vacation pay, which is not used except upon termination of employment." Therefore, the superintendent would be entitled to receive compensation for up to 120 hours of earned accumulated vacation at his resignation. The superintendent claimed this excess over the allowable amount of vacation time without approval from the Board of Mayor and Aldermen and in violation of the town's personnel policy. During our examination, we noted one occasion the Mayor and Board of Aldermen approved a motion to "deviate from the standard practice" to allow the sale of accumulated vacation. That sale was not included in our total of unauthorized and questionable sale of vacation time for the superintendent.

C. *The superintendent received \$11,619.84 from the unauthorized sale of sick leave.*

In calendar year 2007, the superintendent received \$11,619.84 in compensation from the unauthorized sale of 768 hours of accumulated sick leave¹. The superintendent received this compensation in 20 separate checks; 19 checks were dated from March through June 2007, and one check was dated November 29, 2007. Our review of the minutes of the Board of Mayor and Aldermen did not reveal documentation that the board approved these payments. On November 12, 2007, the Board of Mayor and Aldermen amended its sick leave policy by approving an ordinance limiting the amount of accrued sick leave to 96 hours. Based on our examination, the minutes and ordinance did not provide approval for the sale of accumulated sick leave. The amendment only limited the maximum sick leave an employee could maintain.

D. *The superintendent received \$8,835.92 in unauthorized holiday pay.*

Payroll records revealed the superintendent received \$8,835.92 for working holidays in addition to receiving regular and overtime pay. We were unable to find approval for this compensation in the minutes of the Board of Mayor and Aldermen.

The municipal charter for the Town of Mason, Section 12, authorizes the Board of Aldermen to determine positions of and conditions of employment. Section 16 of the charter authorizes only the Board of Mayor and Aldermen to “expend the money of the municipality for all lawful purposes.”

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 22, Section 4, requires municipal officials to ensure that current information is maintained for each employee including authorized rate of pay. In addition, detailed pay rate listings by employee classification should be included as supplementary schedules to support salary appropriations in the budget.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 22, Section 5, requires leave records for all employees including salaried employees who earn any kind of leave. Title 5, Chapter 22, Section 11, of the manual requires municipal officials to ensure that compensation of municipal officials does not exceed authorized amounts.

RECOMMENDATION

All compensation practices (payroll period, overtime, employee leave, holiday pay, etc.) should be properly authorized by ordinance by the Board of Mayor and Aldermen and documented in the minutes of its meetings. Payroll records should be adequately maintained and document authorized pay rates, regular hours worked, overtime worked, and holiday time worked for each employee. The town’s budget should include all authorized amounts for payroll and include detailed pay rate listings by employee classification as supplementary schedules to support salary appropriations in the budget. All payroll and leave records should be supported by sufficient documentation and should

¹ Sick pay for calendar year 2007, included 24 sick leave hours used. We did not include the 24 sick leave hours used in our calculation of the unauthorized sale of sick leave.

be available for audit. All compensation should be properly approved by an appropriate and authorized individual. The Board of Mayor and Aldermen should seek legal counsel regarding the restitution of unauthorized compensation.

FINDING 2 THE FORMER PUBLIC WORKS SUPERINTENDENT RECEIVED QUESTIONABLE OVERTIME COMPENSATION OF \$75,743.95 FROM THE TOWN'S GENERAL FUND

The former superintendent received questionable overtime compensation of \$75,743.95 from the town's General Fund. We noted that the superintendent received eight hours of overtime every week each year during the period under examination. The superintendent advised us that he was paid this amount because from May through October, he worked seven days a week from 3:00 a.m. to 5:00 a.m. driving through the town spraying for mosquitos. Instead of being paid weekly during the months from May through October for the 14 hours of overtime, the payments were inappropriately spread throughout the entire calendar year at eight hours overtime per week. In addition to the mosquito spraying, the superintendent performed other duties related to mowing, building repair, and trenching that was also paid from the town's General Fund. Our review of the minutes of the Board of Mayor and Aldermen disclosed some duties of the superintendent, including the mosquito spraying in September 2002, but we did not note authorization for the weekly eight hours of overtime. Therefore, we question overtime compensation of eight hours every week from the general fund since the superintendent's time sheets were never approved by the Mayor and Board of Aldermen, and the overtime was not paid currently as earned.

RECOMMENDATION

The mayor or his/her designee should review and ensure time sheets are accurately calculated, maintained, and comply with the town's personnel policies. The Board of Mayor and Aldermen should determine whether it should seek reimbursement for any of this questionable overtime.

MANAGEMENT'S RESPONSE TO FINDING 1 AND 2 – FORMER MAYOR AND BOARD OF ALDERMEN (PARAPHRASED)

We did not authorize the overtime pay, sale of vacation hours, sale of sick leave, or holiday pay received by Chris Trimble, as reported in Finding 1 and 2 of this report.

FINDING 3 THE TOWN OF MASON DID NOT AUTHORIZE THE PAYMENTS FOR A CONTRACT SERVICE PROVIDER TO CERTIFY THE WATER AND WASTEWATER OPERATIONS

Water and wastewater operations for the town must be monitored by a person certified by the Tennessee Department of Environment and Conservation. The Town of Mason Board of Mayor and Aldermen believed the former public works superintendent was certified and was responsible for certifying the water and wastewater operations for the town; however, the superintendent was not certified to perform these duties. Another individual was paid for certifying the water and wastewater operation and was paid a salary of \$6,000 per year,

which was inappropriately reported on a Form W-2 instead of a Form 1099 through the period of our investigation. Based on our review of the minutes of the meetings of the Board of Mayor and Aldermen, and our interview with the former mayors, the town did not authorize the hiring of the outside consultant for the certification of the drinking water and wastewater operations. Also, there was no invoice or other documentation on file for billings or payments to this individual. The contracted individual resigned March 13, 2015.

RECOMMENDATION

All contracted services should be properly approved by the Board of Mayor and Aldermen. Documentation for services provided and any payments for the services should be maintained on file by the Town of Mason. Payments to nonemployees should be reported on a Form 1099.

MANAGEMENT'S RESPONSE – MAYOR GWENDOLYN KILPATRICK

The Mayor and Board of Aldermen have voted to have a contractor oversee the water and wastewater operations. Also, we have other employees that are being trained and preparing for testing in the department.

FINDING 4 **DEFICIENCIES EXISTED IN THE FINANCIAL OPERATIONS OF THE TOWN OF MASON**

We reviewed various transactions and operations in the Office of City Recorder. The city recorder failed to prepare financial records in a timely manner in accordance with generally accepted accounting principles, and we noted bank statements were not reconciled with general ledger accounts for several months during our period. The failure to maintain accounting records on a current basis diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary and accounting control. On February 20, 2015, the mayor suspended the city recorder, and the city recorder did not return to work. We noted the following deficiencies:

- A. The office did not deposit collections intact, which means funds collected during a specific period of time were not deposited together. On February 13, 2015, the city recorder deposited checks totaling \$10,921.18 into the municipal bank account from non-receipted collections, and had non-receipted cash collections totaling \$3,117.80 in her work area. In addition, we noted a \$225 cash receipt not posted to the accounting records or deposited to the municipal account. The city recorder later stated she found the \$225 in an envelope in her cash drawer but had not been able to identify the source until we asked her about the missing cash. We could not match these collections with any specific transactions in the office and were unable to determine the source of the transactions due to the condition of the accounting records. *The Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 14, Section 9, states that municipal officials should ensure that collections are deposited intact and only in designated depositories. No collections should be withheld from deposit for any reason.

- B. Collections were not deposited promptly. We noted the city recorder made numerous deposits two or three weeks after the collection was received. Collections should be deposited daily, if possible, but no more than three days after the initial collection as required by Section 5-8-207, *Tennessee Code Annotated*. The delay in depositing funds increases the risks of fraud and misappropriation. *The Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 14, Section 8, states that municipal officials should ensure that collections are deposited daily, if possible, but no more than three business days after the initial collection as required by state law. The bank's night depository should be used, if necessary, to avoid large accumulations of currency overnight.
- C. The city recorder did not prepare daily collection reports the last week of her employment. In some instances, the deposit slip corresponding to a collection report was not dated. Each report should be dated, and the date should be recorded on the corresponding deposit slip. As a result, we were not able to account for all the transactions of the city recorder the last week of her employment. *The Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 14, Section 6, requires municipal officials to ensure that each day the cashier summarizes all cash collections by source on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. The total on the corresponding deposit slip as well as the total of all applicable prenumbered receipts should agree with the total collections recorded on the daily collection report.
- D. The town consistently filed delinquent payroll taxes and employees' tax information with the Internal Revenue Service (IRS), which resulted in the IRS assessing penalties and interest against the town of \$13,342.76 for calendar year 2009; \$51,922.42 for calendar year 2010; and \$8,981.66 for calendar year 2011.
- E. The town did not reconcile the 2013 and 2014 property taxes billed with property tax collections and unpaid tax accounts.
- F. The town did not ensure that an individual, independent of the collection process, periodically reconciled utility billings with payments, adjustments, and unpaid accounts.

RECOMMENDATION

Municipal officials should correct the noted deficiencies in the financial operations of the Town of Mason for proper accountability, transparency, and to comply with standards provided by *The Tennessee Comptroller's Internal Control and Compliance Manual for Tennessee Municipalities*, state statute, and other applicable accounting standards.

MANAGEMENT'S RESPONSE – MAYOR GWENDOLYN KILPATRICK

We agree with the information that has been provided to us in your report is accurate. We have begun implementing the necessary corrections to stay within compliance with the State of Tennessee.

FINDING 5 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE TOWN OF MASON'S COURT OPERATIONS

Duties were not segregated adequately in the Town of Mason's court operations. The same individual prepares the court docket, collects court funds, records court collections and reports unpaid tickets with no compensating controls. *The Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 1, Section 1, states:

Municipal officials should separate duties of employees so that no one person has control over a complete transaction from beginning to end. Workflow should be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons should be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight should be increased to provide reasonable assurance that errors, irregularities, or fraud are prevented or detected and corrected in a timely manner. Such oversight would include, but not be limited to, the review of bank statements, cash receipts and cash disbursements summaries as well as the related supporting documentation and analysis of monthly reports.

RECOMMENDATION

Management should segregate duties to the extent possible using available resources. When adequate segregation of duties is not possible, management should develop compensating controls to provide reasonable assurance that errors and irregularities are detected in a timely manner.

MANAGEMENT'S RESPONSE – MAYOR GWENDOLYN KILPATRICK

We agree with the information that has been provided to us in your report is accurate. We have begun implementing the necessary corrections to stay within compliance with the State of Tennessee.

FINDING 6 THE BOARD OF MAYOR AND ALDERMEN DID NOT PROVIDE ADEQUATE OVERSIGHT

The Board of Mayor and Aldermen did not provide adequate oversight of the town's operations and did not establish internal controls to ensure accountability of the town's funds. The lack of oversight by the Board of Mayor and Aldermen directly contributed to the town's failure to properly account for its funds.

RECOMMENDATION

The Board of Mayor and Aldermen should provide proper oversight of the town's operations and the establishment of adequate internal controls to ensure the town complies with

Table - FORMER PUBLIC WORKS SUPERINTENDENT'S TOTAL COMPENSATION BY YEAR

	2007	2008	2009	2010	2011
Regular Hours	\$ 31,107.28	\$ 32,075.60	\$ 31,107.28	\$ 31,470.40	\$ 31,470.40
Unauthorized Overtime	44,083.40	58,021.20	56,840.80	69,530.10	75,999.60
Unauthorized Vacation Leave Sale	726.24	4,992.90	2,496.45	2,496.45	2,496.45
Vacation Hours Approved	-	-	-	-	-
Unauthorized Sick Leave Sale Back	11,619.84	-	-	-	-
Sick Pay Used	363.12	-	363.12	-	-
Unauthorized Holiday Pay	1,089.36	1,210.40	968.32	1,089.36	1,089.36
Questionable General Fund Overtime	9,227.55	9,023.25	9,318.35	9,443.20	9,443.20
Christmas Bonus	54.14	54.13	50.00	54.14	54.06
Total	\$ 98,270.93	\$ 105,377.48	\$ 101,144.32	\$ 114,083.65	\$ 120,553.07

FORMER PUBLIC WORKS SUPERINTENDENT'S TOTAL COMPENSATION BY YEAR (Cont.)

	2012	2013	2014	2015	Total
Regular Hours	\$ 31,470.40	\$ 31,470.40	\$ 32,075.60	\$ 7,262.40	\$ 259,509.76
Unauthorized Overtime	75,545.60	75,545.60	76,998.40	17,433.60	549,998.30
Unauthorized Vacation Leave Sale	2,496.45	6,174.00	4,358.40	6,174.00	32,411.34
Vacation Hours Approved	-	-	1,815.60	-	1,815.60
Unauthorized Sick Leave Sale Back	-	-	-	-	11,619.84
Sick Pay Used	-	-	-	-	726.24
Unauthorized Holiday Pay	968.32	1,089.36	968.32	363.12	8,835.92
Questionable General Fund Overtime	9,443.20	9,441.24	9,495.26	908.70	75,743.95
Christmas Bonus	52.99	54.15	162.42	-	536.03
Total	\$ 119,976.96	\$ 123,774.75	\$ 125,874.00	\$ 32,141.82	\$ 941,196.98

Source: Town of Mason payroll records.

If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh