



COMPTROLLER'S INVESTIGATIVE REPORT

Hamblen County Trustee's Office

August 16, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

August 16, 2019

Hamblen County Mayor & County Commission
Hamblen County Courthouse
511 West Second North Street
Morristown, TN 37814

Mayor and Commissioners:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Hamblen County Trustee's Office, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 3rd Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

HAMBLEN COUNTY TRUSTEE'S OFFICE

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Hamblen County Trustee's Office (trustee's office). This investigation was limited to selected records for the period July 1, 2018 through June 30, 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 3rd Judicial District.

BACKGROUND



The county trustee has been a constitutional officer in Tennessee since the creation of the state. According to the 1796 Tennessee Constitution, the county court appointed the trustee. However, under the 1835 Constitution the county trustee became a county-wide popularly elected official and remains so under the current Constitution adopted in 1870. The trustee's duties are set forth in *Tennessee Code Annotated*, Section 8-11-101, *et seq.* The trustee is elected to a four-year term of office in the August general election, and the election is held in the same year as the gubernatorial election. The trustee generally acts as treasurer for the county, receiving and paying out funds. The trustee must keep a detailed account of these transactions.

RESULTS OF INVESTIGATION

- **HAMBLEN COUNTY TRUSTEE JOHN BASKETTE IMPROPERLY WITHHELD \$89,478.81 IN DAILY CASH COLLECTIONS**

During the period November 5, 2018, through December 8, 2018, Hamblen County Trustee John Baskette improperly withheld cash collections totaling \$89,478.81. Baskette withheld cash from daily collections, discarded the original 25 deposit slips properly prepared by trustee office employees, fabricated new deposit slips which included only the checks collected, and only deposited the checks (**Refer to Exhibits 1 and 2**). Baskette admitted to investigators that he withheld cash from daily collections, created new deposit slips that included only checks for deposit, and hid the undeposited cash collections in various locations in his office. He contended that he did not deposit the cash collections because he feared carrying large amounts of cash alone to the bank.

Exhibit 1

DEPOSIT TICKET 65-702/2531
 HAMBLEN COUNTY TRUSTEE
 PUBLIC DEPOSITOR
 511 W. 2ND NORTH ST.
 MORRISTOWN, TN 37814
 HomeTrust Bank
 hamtrusbanking.com

DATE: 11/28/18
 CURRENCY: [blank]
 COIN: [blank]
 CHECKS: 26,080.40

TOTAL FROM OTHER SOURCES: 26,080.40

\$ 26,080.40

Deposit slip prepared by Baskette that excluded cash receipts.

Exhibit 2

HAMBLEN COUNTY TRUSTEE
 PUBLIC DEPOSITOR
 511 W. 2ND NORTH ST.
 MORRISTOWN, TN 37814
 HomeTrust Bank
 hamtrusbanking.com

DATE: 1/26/19
 CURRENCY: [blank]
 COIN: [blank]
 CHECKS: 34,057.92

TOTAL FROM OTHER SOURCES: 36,669.92

County \$ 36,669.92

Deposit slip prepared properly by employee with responsibility of preparing deposit slips.

Baskette deposited the \$89,478.81 improperly withheld cash in several deposits dated January 17, 2019 (\$6,267.81) and January 18, 2019 (\$83,211). The following table summarizes the cash withheld from deposits by Baskette, the dates of cash and check deposits, and the number of business days between receipts and deposits.

Summary of Cash Receipts and Deposits							
Receipt Date	Missing Cash Receipts	Check Receipts	Total Daily Receipts (Checks and Cash Only)	Deposit Date - Checks	Deposit Date - Cash	# of Business Days Until Deposit - Checks	# of Business Days Until Deposit - Cash
11/5/2018	14,799.00	254,060.94	268,859.94	11/30/2018	1/18/2019	16	47
11/6/2018	5,511.50	50,809.18	56,320.68	11/30/2018	1/18/2019	15	46
11/7/2018	980.00	231,411.37	232,391.37	11/30/2018	1/18/2019	14	45
11/8/2018	4,885.06	109,635.82	114,520.88	11/30/2018	1/18/2019	13	44
11/9/2018	4,245.00	68,564.06	72,809.06	11/30/2018	1/18/2019	12	43
11/13/2018	6,363.22	139,290.83	145,654.05	11/30/2018	1/18/2019	11	42
11/13/2018 *	569.00	-	569.00	-	1/18/2019	-	42
11/14/2018	3,717.85	207,550.43	211,268.28	11/30/2018	1/18/2019	10	41
11/15/2018	1,751.00	19,387.69	21,138.69	11/30/2018	1/18/2019	9	40
11/19/2018	4,590.56	81,791.31	86,381.87	11/30/2018	1/18/2019	7	38
11/20/2018	778.00	271,562.32	272,340.32	11/30/2018	1/18/2019	6	37
11/21/2018	1,532.00	2,725.00	4,257.00	11/30/2018	1/18/2019	5	36
11/26/2018	5,207.12	61,365.22	66,572.34	11/30/2018	1/18/2019	4	35
11/27/2018	3,381.81	39,332.26	42,714.07	11/30/2018	1/18/2019	3	34
11/28/2018	729.00	26,080.40	26,809.40	12/14/2018	1/17/2019	11	32
11/28/2018 *	1,070.00	-	1,070.00	-	1/17/2019	-	32
11/29/2018	4,194.81	47,656.65	51,851.46	12/14/2018	1/17/2019	10	31
11/30/2018	3,765.58	63,551.70	67,317.28	12/14/2018	1/18/2019	9	31
11/30/2018 *	274.00	1,072.00	1,346.00	1/17/2019	1/17/2019	30	30
12/3/2018	5,584.10	652,242.78	657,826.88	12/14/2018	1/18/2019	8	30
12/4/2018	3,636.30	54,652.27	58,288.57	12/14/2018	1/18/2019	7	29
12/5/2018	3,599.90	118,669.07	122,268.97	12/14/2018	1/18/2019	6	28
12/6/2018	5,173.00	211,963.47	217,136.47	12/14/2018	1/18/2019	5	27
12/7/2018	2,830.00	67,035.94	69,865.94	12/14/2018	1/18/2019	4	26
12/8/2018	311.00	-	311.00	-	1/18/2019	-	25
Total	89,478.81	2,780,410.71	2,869,889.52				

** Represents collections from satellite county clerk's offices on behalf of the trustee's office*

Investigators determined that Baskette made multiple deposits to the trustee's main account on December 14, 2018, one day after investigators performed a cash count in the trustee's office. The deposits consisted primarily of checks for the 11 previous days of collections (11/28/18 through 12/11/18); however, of the \$38,732.69 cash collected on these days, Baskette only deposited \$7,565. The remaining cash is included in the table above which Baskette did not deposit until January 17, 2019 and January 18, 2019.

At the start of the investigation on December 13, 2018, bank statements for the trustee's office main bank account were not reconciled. The chief deputy advised that she was responsible for preparing bank reconciliations but had not reconciled the bank statements with the general ledger since July 2018. On January 17, 2019, the chief deputy provided investigators with bank reconciliations through December 31, 2018. Baskette told investigators that he used the information from the bank reconciliation to deposit the \$89,478.81 cash he had withheld and hid in his office.

Investigators determined that Baskette withdrew cash or cashed checks from his personal bank accounts totaling \$88,520 (\$958.81 less than cash missing from the trustee's office) between January 15, 2019 and January 18, 2019, just prior to depositing the missing cash from the trustee's office on January 17, 2019 and January 18, 2019.

Summary of Baskette Personal Cash Receipts		
Transaction Date	Amount	Type
1/15/2019	2,440.00	Cash Withdrawal
1/15/2019	9,000.00	Cash Withdrawal
1/16/2019	17,980.00	Cashed Check
1/17/2019	9,000.00	Cash Withdrawal
1/18/2019	22,100.00	Cashed Check
1/18/2019	23,000.00	Cashed Check
1/18/2019	<u>5,000.00</u>	Cash Withdrawal
Total	<u>88,520.00</u>	

Investigators determined that Baskette was in debt to several individuals for equipment sales, cattle sales, and personal loans. Many of these individuals stated Baskette requested transactions be done in cash, and Baskette was alone when conducting these cash transactions. These interviews, along with bank security photographs and video, and a review of Baskette's personal bank activity indicate that Baskette made numerous cash transactions. Bank security photographs show that Baskette made several cash transactions

and show that he was not fearful of carrying large amounts of cash as he previously stated to investigators. Some significant dates include:

- 11/30/2018 - Baskette withdrew \$1,978.28 in personal funds; however, he withheld \$58,311.12 cash and only deposited checks from trustee's office collections for the period 11/5/2018 through 11/27/2018.
- 12/14/2018 - Baskette withheld \$31,167.69 cash and only deposited checks from trustee's office collections for the period 11/28/2018 through 12/8/2018; however, he did deposit \$7,565 cash in his office from collections on 12/5/2018 (\$178), 12/6/2018 (\$60), and 12/11/2018 (\$7,327).
- 1/17/2019 - Baskette deposited \$9,984.49 cash, of which \$6,267.81 was for collections he withheld from deposits on 11/28/2018 through 11/30/2018.
- 1/18/2019 - Baskette deposited \$90,451.94 cash, of which \$83,211.00 was for collections he withheld from deposits on 11/5/2018 through 12/8/2018 but did not deposit on 1/17/2019.

Additionally, investigators determined that on February 4, 2019, Baskette and a family member opened a joint checking account with a \$450 check from the family member. The family member subsequently obtained a loan for \$89,000 and placed the loan proceeds into the joint checking account. On February 4, 2019, Baskette used the loan proceeds to pay three individuals via certified checks for whom he owed money. The \$89,450 Baskette received from his family member to pay off debts was nearly the same amount of cash he improperly withheld from trustee's office collections. The following table summarizes the joint bank account and the use of the loan proceeds.

Summary of Joint Bank Account and Use of Loan Proceeds		
Transaction Date	Amount	Type
2/4/2019	450.00	Family Member Check
2/4/2019	89,000.00	Loan Proceeds
2/4/2019	(37,550.00)	Check to Debtee
2/4/2019	(32,300.00)	Check to Debtee
2/4/2019	(14,000.00)	Check to Debtee
2/4/2019	(5,000.00)	Cash Withdrawal
2/20/2019	(250.00)	Cash Withdrawal
2/22/2019	(325.00)	Cash Withdrawal
3/20/2019	(7.00)	Service Charge
Total	<u>18.00</u>	3/20/2019 Account Balance

- **TRUSTEE HAS NOT PAID HIS 2018 PROPERTY TAXES OF \$1,285 ON HIS RESIDENCE AS OF JUNE 30, 2019**

Real estate property taxes are payable to the trustee's office annually beginning October 1st and become delinquent on March 1st of the following year. Penalties and interest are assessed if these taxes become delinquent. Baskette's personal check to pay his 2018 property tax totaling \$1,285 for his personal residence was posted by the chief deputy to trustee's accounting records on March 5, 2019; however, no penalties or interest were assessed for the late payment. On March 8, 2019, this personal check was returned by the bank for insufficient funds, and the check was redeposited on March 29, 2019. The check was again returned by the bank on April 1, 2019, and Baskette's bank account was closed on April 12, 2019; therefore, the check never cleared the bank. Baskette's property taxes were still unpaid as of June 30, 2019.

On August 15, 2019, the Hamblen County Grand Jury indicted John D. Baskette on 40 counts of Failure to Deposit Public Funds, two counts of Official Misconduct, one count of Destruction of Government Records, one count of Theft over \$60,000, and one count of Worthless Check over \$1,000.

[Hamblen County Trustee's Office – Investigative Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

The investigation revealed deficiencies in internal control and compliance, some of which contributed to Baskette's ability to improperly withhold cash from the office without prompt detection. These deficiencies included:

Deficiency 1: The Office Did Not Deposit Funds Within Three Days of Collection

Some funds were not deposited within three days of collection as required by *Tennessee Code Annotated*, Section 5-8-207. For the period September 28, 2018 through January 7, 2019, 124 deposits were not made within three days of collection. Of these 124 deposits, 57 were deposited more than 10 days after receipts were issued. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

Deficiency 2: The Office Did Not Perform Timely Bank Reconciliations

Bank statements for the trustee's bank accounts were not reconciled with the general ledger in a timely manner. Bank statements for the trustee's office were not reconciled for July 2018 through December 2018 until January 17, 2019. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly. This deficiency was the result of a lack of management oversight. Failing to promptly reconcile bank statements increases the risk that errors or misappropriation will not be detected in a timely manner.
