



COMPTROLLER'S INVESTIGATIVE REPORT

Scott County Recycling Center

April 13, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

April 13, 2020

Scott County Mayor, Board of County Commissioners,
and Solid Waste Board
2845 Baker Highway
Huntsville, TN 37756

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Scott County Recycling Center, 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 8th 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, appearing to read "Justin P. Wilson", written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Scott County Recycling Center

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Scott County Recycling Center (recycling center). This investigation was initiated after county officials reported questionable practices and was limited to selected records for the period June 26, 2015 through September 15, 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 8th Judicial District.

BACKGROUND



The Scott County Solid Waste Board (the board) provides management oversight for the Scott County Recycling Center. The recycling center is staffed with two full-time employees, and the solid waste director is responsible for oversight of its daily operations. The director or litter officer assist with day to day activities when one of the full-time recycling center employees is on leave. The recycling center receives

funding through budget allocations from Scott County's Solid Waste and Sanitation Fund. In addition to funding from the county, the recycling center charges fees for accepting recycled tires. The recycling center accepts cash and check payments for recycled tires. The prices and policy for recycling tires varied during the scope of the investigation.

RESULTS OF INVESTIGATION

FINDING: AT LEAST 25 RECEIPTS COULD NOT BE FOUND

Investigators noted that 25 of the 338 receipts issued during the period reviewed could not be found. Investigators could not determine if the 25 receipts were unused, voided, or used to conceal misappropriations or improper activity. Recycling center management did not maintain adequate accounting records and did not account for all receipts as noted below:

- A. The recycling center used prenumbered receipts but failed to account for all receipts. According to recycling center employees, an original receipt was always given to the customer, and a carbon copy was placed in the lockbox along with the collected funds. The collections together along with the carbon copies were remitted to the Scott County Trustee's Office (trustee's office) by a recycling center employee. Recycling center

management did not maintain sufficient records of all receipts issued and did not provide a complete list of receipts to the county finance department. As a result, investigators could not determine if recycling center employees appropriately remitted all receipts to the trustee's office. Additionally, recycling center management did not reconcile receipts with collections or reconcile collections with the funds remitted to the trustee's office.

- B. Analysis of receipt numbers and dates revealed that recycling center employees often issued receipts out of prenumbered order, making it difficult to determine when, or if, an employee issued a receipt. (See Exhibit 1).

Exhibit 1

Receipt Date	Receipt Number
8/27/2015	720761
9/15/2015	720763
9/17/2015	720760
9/18/2015	720762
9/18/2015	720764
10/9/2015	720759

Receipts issued out of prenumbered order.

- C. Recycling center employees did not properly void receipts. A recycling center employee advised investigators that when an employee made a mistake on a receipt, the employee would discard the receipt. The employee would issue a new receipt instead, resulting in a missing receipt number. During this same period, management failed to preserve the receipts books which may have contained unused receipts or at least one copy of voided receipts.
- D. Investigators noted that from August 2016 through November 2016, recycling center employees issued receipts from at least two different receipt books. This practice resulted in multiple receipt number sequences and likely contributed to unaccounted receipt numbers. (See Exhibit 2).

Exhibit 2

Receipt Date	Receipt Number
8/2/2016	245496
8/3/2016	291451
8/6/2016	245497
8/8/2016	245498
8/15/2016	291452
8/15/2016	291454
8/20/2016	245499
8/23/2016	291455

8/26/2016	291457
8/27/2016	245500
8/29/2016	291458
8/30/2016	245501
8/31/2016	291459
9/3/2016	245502
9/10/2016	245503
9/10/2016	245504
9/15/2016	245505
9/17/2016	245506
9/20/2016	245507
9/21/2016	245508
9/22/2016	291461
9/22/2016	291462
9/28/2016	245509
9/28/2016	245510
9/29/2016	245511
9/30/2016	245512

*Example of at least two receipt books used concurrently:
sequence beginning 2455 and sequence beginning 2914.*

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls, which may have contributed to the 25 unaccounted receipt numbers:

Deficiency 1: Management did not provide adequate oversight or separate financial responsibilities

The board and the director failed to provide adequate oversight and separate financial responsibilities. Recycling center employees issued receipts, prepared deposits, and remitted collections to the trustee’s office. Additionally, as noted above, no reconciliation was performed by the board, the director, or the finance department to ensure recycling center employees remitted all funds collected to the trustee’s office.

Deficiency 2: Management did not properly maintain board minutes

The Solid Waste Board held regular meetings; but could not provide board meeting minutes for meetings held during calendar year 2017. The minutes are the official record of the board, should accurately reflect the actions of the board and should be on file for review.

Scott County officials indicated that they have corrected or intend to correct these deficiencies.