



COMPTROLLER'S INVESTIGATIVE REPORT

Bristol-Bluff City Utility District

August 20, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

August 20, 2021

Sullivan County Board of Commissioners
Sullivan County Courthouse
3411 Hwy 126
Blountville, TN 37617

and

District Manager Tim Ham
Bristol-Bluff City Utility District
P.O. Box 459
Bluff City, TN 37618

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Bristol-Bluff City Utility District, 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 2nd Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", is written over a faint, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Bristol-Bluff City Utility District

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Bristol-Bluff City Utility District. The investigation was initiated after district officials reported questionable practices by the former district manager and was limited to selected records for the period August 5, 2008 through July 31, 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 2nd Judicial District.

BACKGROUND



Bristol-Bluff City Utility District (district) in Bluff City, provides water service to approximately 2,400 customers in Sullivan County. The district operates and maintains its own water treatment plant. The district is governed by a three-person board of commissioners, who are appointed to four-year terms by the Sullivan County Mayor. Day-to-day operations are managed by the district manager. On August 5, 2008, the district hired Tina Grindstaff as district manager. On May 17, 2019, Grindstaff submitted her written resignation to the district's board, which became effective June 6, 2019.

RESULTS OF INVESTIGATION

1. FORMER DISTRICT MANAGER TINA GRINDSTAFF MISAPPROPRIATED DISTRICT FUNDS TOTALING AT LEAST \$294,810.71

Grindstaff misappropriated district funds by directing unauthorized compensation to herself totaling at least \$294,810.71. This compensation included payments for overtime, leave, holiday, and bonus pay that was not authorized by the district's board of commissioners or Grindstaff's employment agreement and was not supported by time records, time clock entries, or other documentation. The following table summarizes Grindstaff's total and unauthorized compensation by calendar year:

Summary of Grindstaff Total and Unauthorized Compensation							
Calendar Year	Salary	Overtime	Holiday		Leave	Bonus	Total
2009	\$ 25,750.00	\$ -	\$ 750.00		\$ -	\$ -	\$ 26,500.00
2010	65,000.00	-	1,281.25		-	-	66,281.25
2011	66,995.20	-	1,764.00		-	-	68,759.20
2012	71,280.00	-	2,112.00		6,250.00	-	79,642.00
2013	69,320.45	51.15	4,752.00	*	9,418.75	-	83,542.35
2014	68,640.00	30,483.75	1,716.00		-	-	100,839.75
2015	68,640.00	46,773.39	1,848.00		3,267.00	-	120,528.39
2016	71,280.00	41,971.88	2,112.00		1,980.00	750.00	118,093.88
2017	68,640.00	49,900.13	1,848.00		3,580.50	4,175.00	128,143.63
2018	68,640.00	54,854.28	2,112.00		-	900.00	126,506.28
2019	\$ 32,736.00	\$ 19,325.63	\$ 1,848.00		\$ -	\$ -	\$ 53,909.63
Total Compensation	\$676,921.65	\$243,360.21	\$22,143.25		\$24,496.25	\$5,825.00	\$972,746.36
Unauthorized Compensation	\$ -	\$243,360.21	\$21,129.25		\$24,496.25	\$5,825.00	\$294,810.71

* It appears Grindstaff's entire 11/18/2013 payroll check was mistakenly coded to holiday pay, causing 2013 holiday pay to be overstated.

The employment agreement that Grindstaff signed on August 5, 2008 stated that she was to be paid a starting salary of \$65,000, signing bonus, vehicle fuel allowance, and "agreed vacation periods, business trips, sick leave, or other periods common to her position." However, investigators found no agreed upon terms or policy authorizing holiday, leave, or bonuses for Grindstaff or other district employees.

The district only maintained payroll records beginning calendar year 2009; therefore, Grindstaff's compensation totals in this report only include calendar years 2009 to 2019. Investigators found no time records, time clock entries, or other documentation to support Grindstaff's hours paid. In addition, Grindstaff occasionally stayed overnight in her district office causing an unclear separation between work and personal time. The following explanations detail each type of unauthorized compensation:

A. Overtime

Grindstaff received unauthorized overtime compensation of \$243,360.21. According to the utility district's attorney who wrote Grindstaff's employment agreement, Grindstaff received a salary and was considered an exempt employee under the *Fair Labor Standards Act*, and therefore was not entitled to compensation for overtime. Grindstaff's employment agreement notes she was to be paid a salary; and she was not paid any overtime during her first five years of employment (2008 to 2012). Beginning in March 2014 and after a district employee with no payroll experience took over payroll responsibilities, Grindstaff started receiving overtime

compensation at a rate of time and a half. Investigators found nothing in district records to explain or justify this change in Grindstaff's compensation arrangement.

According to the May 12, 2015 district board of commissioner's meeting minutes, the commissioners approved a motion to "continue to compensate Tina for duties performed outside her normal duties as previously discussed and passed." However, there is no documentation detailing what the commissioners meant by the terms previously discussed and passed. Since this meeting, two of the three board members died prior to the start of the investigation. According to the utility district's attorney and remaining commissioner, the purpose of the motion was to compensate her for temporarily working a vacant position until the position could be filled, and not to change her salaried exempt status. Since Grindstaff consistently did not provide the board of commissioners with up-to-date financial information, neither the utility district's attorney nor the remaining commissioner was aware of Grindstaff's total compensation or overtime pay until after Grindstaff's resignation.

B. Holiday

Grindstaff received \$21,129.25 in unauthorized holiday compensation. Investigators found no board of commissioner approved policy or employment agreement authorizing Grindstaff or other district employees to receive holiday compensation in lieu of paid time off. Upon review of payroll records and discussions with district employees, it appears all district employees received paid holiday time off. Investigators do not question employees taking time off for holidays; however, investigators question why the district paid Grindstaff her regular salary in addition to holiday compensation totaling \$21,129.25.

C. Leave

Grindstaff received unauthorized leave compensation totaling \$24,496.25, of which \$18,605.75 and \$5,890.50 was vacation and sick leave pay, respectively. Grindstaff's employment agreement authorized "agreed vacation periods, business trips, sick leave, or other periods common to her position:" however, due to a lack of records, investigators could not determine the agreed upon leave terms. The leave payments are unauthorized because there was no record of Grindstaff's leave accruals, usage, or balances, and Grindstaff received all leave payments in addition to her salary each pay period.

D. Bonuses

Grindstaff received unauthorized bonuses totaling at least \$5,825.00 for the period August 1, 2016 to June 6, 2019. Investigators found no board of commissioner authorization for bonuses, plus the bonuses were not paid through the district's payroll system. Therefore, applicable federal taxes were not deducted, and this compensation was not included and reported on Grindstaff's annual federal Forms W-2. The district maintained no non-payroll accounting records prior to August 1, 2016; therefore, investigators could not determine if the district paid Grindstaff additional bonuses in previous periods.

For the period April 18, 2019 through June 6, 2019, Grindstaff worked for Bluff City (city) in addition to the district. During this period, Grindstaff received her regular salary, two holidays, and 105.5 hours of overtime from the district, while at the same time the city paid Grindstaff between 17 and 40 hours per week. Neither the utility district’s attorney nor the district’s board of commissioners were aware of Grindstaff’s additional work for the city. As previously noted, there were no time records or other documents maintained to support Grindstaff’s actual hours worked for the district. Grindstaff’s questionable overtime and holiday compensation during this period were already included as unauthorized compensation previously in this report; however, the large number of paid work hours for both entities makes her compensation during this period more improbable. The following table summarizes Grindstaff’s hours paid when she worked for both the district and the city:

Grindstaff Hours Paid - April 24, 2019 through June 6, 2019									
Bristol-Bluff City Utility District				Bluff City			Combined Hours Analysis		
Check Date	Salary	Overtime	Holiday	Hourly Total (A)	Check Date	Hourly Total (B)	Bi-Weekly Combined Hours (A+B)	Average Weekly Hours **	Average Daily Hours **
4/24/2019	80.0	29.5	8.0	117.5	4/26/2019	26.0	143.5	84.8	17.0
					5/3/2019	32.0			
5/10/2019	80.0	34.0	0.0	114.0	5/10/2019	27.0	173.0	86.5	17.3
					5/17/2019	40.0			
5/23/2019	80.0	33.0	0.0	113.0	5/24/2019	22.0	175.0	87.5	17.5
					5/31/2019	17.0			
6/7/2019 *	72.0	9.0	8.0	89.0	6/7/2019	30.0	136.0	68.0	13.6
Average Totals							156.9	81.7	16.3

This table represents a bi-weekly analysis of Grindstaff’s combined district (paid bi-weekly) and city (paid weekly) hours paid during the period 4/18/2019 to 6/6/2019. Pay periods for each entity were different; therefore, investigators used hours paid by check date due to check dates being similar for both entities.

* Check date was after final day of employment (6/6/2019)

** Based on five-day work week for both entities.

2. GRINDSTAFF DIRECTED QUESTIONABLE PAYMENTS TO AND PROVIDED LIFE INSURANCE FOR HER FATHER TOTALING AT LEAST \$132,907.13

For the period March 30, 2016 to June 21, 2019, Grindstaff directed questionable payments to and provided life insurance for her father totaling at least \$132,907.13. The following table summarizes these questionable payments and benefits by calendar year:

Questionable Payments or Benefits to Grindstaff's Father					
Calendar Year	Bi-Weekly Pay	Bonus	Other Pay	Life Insurance Premiums	Total
2016	\$ 29,400.00	\$ -	\$ 3,100.00	\$ -	\$ 32,500.00
2017	36,750.00	-	2,145.00	-	38,895.00
2018	36,750.00	750.00	4,379.98	313.29	42,193.27
2019	<u>\$ 19,110.00</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208.86</u>	<u>\$ 19,318.86</u>
Total	<u>\$ 122,010.00</u>	<u>\$ 750.00</u>	<u>\$ 9,624.98</u>	<u>\$ 522.15</u>	<u>\$ 132,907.13</u>

On May 12, 2015, the district board of commissioners authorized Grindstaff's father to perform part-time work for the district. The district primarily paid him through its accounts payable system instead of the payroll system. Investigators found no non-payroll accounting records prior to August 1, 2016. The district payments and life insurance benefits provided to Grindstaff's father are questionable due to the following:

- The district consistently paid him \$1,470 every two weeks totaling \$122,010 for the period 2016 to 2019. Investigators found no board of commissioner meeting minutes, time records, invoices, or other supporting documentation authorizing this pay, detailing what work was performed, or documenting the hours worked.
- On November 20, 2018, Grindstaff directed a bonus of \$750 to her father. Investigators found no authorization for this bonus by the board of commissioners.
- Grindstaff directed additional payments, in addition to the bi-weekly payments, to her father totaling \$9,624.98. Investigators found no board of commissioner meeting minutes, time records, invoices, or other supporting documentation authorizing these additional payments.
- Beginning April 2018, the district began paying Grindstaff's father's monthly life insurance premium of \$34.81, which totaled \$522.15 for the period 2018 to 2019. Generally, part-time employees or contracted labor do not receive district benefits unless authorized by the board of commissioners, and investigators found no board authorization for payment of these premiums.
- The district did not issue any annual federal Forms W-2 (employee) or Forms 1099 (contractor), deduct taxes, or submit compensation and tax information to the IRS for payments and benefits to Grindstaff's father for at least calendar years 2016 to 2018.

3. GRINDSTAFF PAID UNAUTHORIZED BONUSES TO EMPLOYEES TOTALING AT LEAST \$24,025

Grindstaff directed bonuses to employees totaling at least \$24,025, without authorization by the board of commissioners. The payments ranged from \$75 to \$3,350 each. The district paid these bonuses from its accounts payable system instead of the payroll system; therefore, appropriate taxes were not deducted, and this compensation was not reported on employees' annual federal Forms W-2.

4. GRINDSTAFF DIRECTED QUESTIONABLE PAYMENTS TO HER AUNT TOTALING \$24,200

Grindstaff directed four separate payments to her aunt during the period totaling \$24,200, and investigators found insufficient supporting documentation detailing these payments. In addition, there was no board of commissioner authorization documented in board meeting minutes for these payments. Based on an inventory conducted by current district management, it appears equipment was purchased from Grindstaff's aunt, but it is unclear why separate checks were issued and if the total value of the equipment was at least equivalent to the district payments. In October 2016, Grindstaff issued three checks to her aunt (October 4, 2016 - \$9,200; October 7, 2016 - \$3,480; October 13, 2016 - \$2,320) totaling \$15,000. Investigators only found supporting documentation for the \$9,200 payment, which documented the purchase of a backhoe. It is unclear whether Grindstaff purchased this backhoe from her aunt or if it was already owned by the district. On February 7, 2018, Grindstaff issued an additional \$9,200 check to her aunt, and investigators found no supporting documentation for this payment. Due to the district's lack of a proper equipment inventory listing and supporting documentation, investigators could not determine what, if anything, the district received for the payments.

5. GRINDSTAFF MADE OTHER QUESTIONABLE DISBURSEMENTS TOTALING \$13,897.33

Grindstaff made other questionable disbursements totaling \$13,897.33. These transactions include \$5,614.71 (Table A) supported by invoice or receipt and \$8,282.62 (Table B) with no supporting documentation. Investigators could not determine whether these disbursements were exclusively for the benefit of the district.

On August 6, 2018, the district paid \$648.28 for carburetor and trim switch repairs on a "Hurricane" boat. Grindstaff's father was listed on the repair invoice, and investigators found a boat matching the description of that repaired at Grindstaff's father's residence (**See Exhibit 1**). According to multiple district employees, Grindstaff's father kept the boat stored at the district facility, but the boat was never used for district purposes.

Table A		
Date	Amount	Description
9/15/2016	\$ 278.59	2 pairs of shoes (\$120 each)
2/7/2017	37.96	Women's hot pink slip on shoes
3/27/2017	347.50	Vet medical visit and lab tests
4/3/2017	326.12	Animal euthanasia and cremation
6/19/2017	251.26	Above ground pool cleaner
6/28/2017	744.77	Portable PA System
7/14/2017	325.00	24 pack of tanning bed bulbs
8/3/2017	303.14	Portable speaker
10/5/2017	275.90	10 tanning bed bulb starter units
6/14/2018	195.28	Above ground pool pump
6/15/2018	715.59	Pool filter, 325 square foot
8/6/2018	648.28	Deckboat repair (SEE EXHIBIT 1)
12/7/2018	519.99	Portable speaker
1/3/2019	328.38	2 exercise watches
1/3/2019	16.68	2 exercise watch straps
1/3/2019	29.94	3 exercise watch straps
1/9/2019	145.24	1 exercise watch
3/14/2019	51.52	Cell phone arm band
3/18/2019	30.98	Cell phone arm band
Various	27.33	4 online music payments
Various	15.26	6 TV episode purchases
Total	\$ 5,614.71	

Table B	
Description	Amount
Animal Hospital Charges	\$ 129.19
ATM Withdrawals	807.00
Drug Store Purchases	40.11
Eyeglasses Company Purchase	600.00
Florist Purchases	243.78
Medical Urgent Care Costs	327.31
Monthly Online Movie Subscriptions	65.64
Online Digital Entertainment Charges	204.00
Pet Store Purchases	877.21
Shoe Company Purchases	409.69
Other	\$4,578.69
Total	\$8,282.62

Exhibit 1



Investigators located this deck boat at Grindstaff's father's residence which matched the make and description of the deck boat the district paid to repair. Grindstaff's father's name was on the repair invoice.

On July 28, 2021, the Sullivan County Grand Jury indicted Tina Grindstaff on one count of Theft over \$250,000, one count of Theft over \$60,000, and two counts of Theft over \$2,500.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Bristol-Bluff City Utility District Investigative Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed internal control and compliance deficiencies, some of which contributed to the former district manager's ability to make unauthorized or questionable transactions without prompt detection. These deficiencies included:

Deficiency 1: The board of commissioners did not ensure an audit of the district’s financial statements was completed for fiscal years 2017 and 2018

The board of commissioners did not ensure an audit of its financial statements was completed for fiscal years ending July 31, 2017 and 2018. Section 7-82-401(a)(1), *Tennessee Code Annotated*, states, “The commissioners of each utility district shall cause an audited annual financial report to be made of the books and records of their district.” The district should undergo a timely annual audit to establish confidence with customers and outside parties that the district has complied with generally accepted accounting standards and used district funds appropriately in all material respects.

Deficiency 2: The district used an inadequate accounting software and did not provide timely financial information to the board of commissioners

Since at least fiscal year 2016, the district’s accounts payable system did not record transactions properly. For fiscal years 2017 to 2019, with the help of outside consultants, district personnel and the outside consultants recorded all non-payroll accounting entries into a new accounts payable system to properly prepare financial statements for overdue audits. During fiscal years 2017 to 2019, district personnel did not properly reconcile accounting and bank records, and the board of commissioners were not provided timely financial information, inhibiting their ability to assess performance and make informed decisions. The lack of proper bank reconciliations allowed for \$1,350 in bank errors to go unnoticed. District management should acquire and utilize a dependable accounting system to ensure the accuracy of financial statements. District staff should reconcile accounting and bank records monthly and provide them to the board of commissioners in a timely manner.

Deficiency 3: The board of commissioners did not establish and adopt an internal control manual or formal written personnel policies

The board of commissioners did not establish and adopt an internal control manual or formal written personnel policies. Section 9-2-102, *Tennessee Code Annotated*, requires utility districts to establish, document, and implement internal controls. In addition, the board of commissioners did not adopt official personnel policies; therefore, investigators could not determine if district hourly employees’ documented and paid overtime, holiday, and leave pay were appropriate. The lack of an adopted internal control manual and personnel policies increases the risk of financial misstatements and misappropriation.

Deficiency 4: The district manager did not maintain an equipment inventory list and supporting documentation for numerous disbursements

The district manager did not maintain an equipment inventory list and supporting documentation for numerous disbursements. Investigators could not determine if equipment was missing or whether certain undocumented disbursements were for the benefit of the district. Requiring an equipment inventory list and supporting documentation, such as invoices or receipts, allows district officials to verify the accuracy of equipment on-hand and that all disbursements are proper.

Deficiency 5: District personnel did not properly account for and report employee compensation and contractor payments

District personnel paid numerous employees through the district's accounts payable system instead of the payroll system, including payments to Grindstaff's father and employee bonuses. Therefore, this compensation was not properly reported on employees' federal Forms W-2 and appropriate taxes were not deducted. In addition, the district did not properly produce federal Forms 1099 to applicable contractors, or federal Forms 1096 to the IRS, for contractor payments during the majority of Grindstaff's tenure. The district should properly account for all employee compensation and contractor payments to ensure compliance with federal and state tax requirements.

The district board of commissioners indicated that they have corrected or intend to correct these deficiencies.
