



## COMPTROLLER'S INVESTIGATIVE REPORT

### Town of Toone

*September 9, 2022*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

September 9, 2022

Town of Toone Mayor  
and Board of Aldermen  
2005 TN-138  
Toone, TN 38381

Town of Toone Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Toone, 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 25<sup>th</sup> 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

## Town of Toone

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Toone. The Comptroller's Office initiated the investigation after town officials questioned the oversight of the town's assets by the former police chief. This investigation was limited to selected records for the period from January 1, 2015, through November 30, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 25<sup>th</sup> Judicial District.

### BACKGROUND



The Town of Toone (town) is in Hardeman County, Tennessee, and is governed by a mayor and six aldermen (board) who are elected to serve four-year terms. The town's police department is funded through the town's annual budgetary process.

The town police chief is a part-time employee of the town and is responsible for the operations of the police department. In addition to his police chief responsibilities of overseeing the department with three part-time police officers, the former chief (chief) acted as the town's purchasing agent and coordinator for two federal programs that the

town participated in: the Law Enforcement Support Office (LESO) and the Federal Surplus Personal Property Donation Program (FSPPDP).

LESO allows eligible law enforcement agencies to receive Department of Defense excess personal property and use the property for operational purposes. The town can also dispose of the property through a sale, donation, or transfer to other eligible entities after meeting certain requirements. LESO is offered exclusively to law enforcement agencies for an annual fee, which in 2021 was \$400. After the fee is paid, any property acquired through LESO is given to participating agencies at no cost. FSPPDP is managed by the U.S. General Services Administration and allows qualifying state organizations and municipalities to purchase surplus personal property that the federal government no longer needs at a significantly reduced price, usually 3-5% of the original acquisition cost. Guidelines for both federal programs require that the property must be put into use within a year of initial receipt and remain in use for at least one year. After these requirements are met, both programs allow participating entities to use and dispose of the acquired property at their discretion.

While participating in both LESO (since 2014) and FSPPDP (since 2019), the town was responsible for all expenses associated with the transport and delivery of property, and in some instances, the maintenance and repairs of the property, all of which represented significant costs to the town’s budget. The chief’s intended purpose of participating in both LESO and FSPPDP was to generate profit for the town and help fund the police department.

In addition to participating in LESO and FSPPDP, the town purchased various assets and services through retail vendors using available funds in the town’s budget. As the town’s purchasing agent, the chief often initiated and oversaw retail transactions on the town’s behalf. The chief served in this position from 2001 until his resignation in July 2021.

## RESULTS OF INVESTIGATION

### 1. FORMER POLICE CHIEF INITIATED QUESTIONABLE TRANSACTIONS FOR THE TOWN’S WEAPONS INVENTORY

Our investigation revealed that while serving as the town’s police chief and purchasing agent, the chief initiated the following questionable transactions related to the police department’s weapons inventory:

#### A. The chief allowed two former police officers to keep their department-issued weapons upon their resignation without proper board authorization.

The chief was responsible for the oversight of the police department’s equipment and other assets. During the course of the investigation, town officials became aware of two handguns, both Springfield Armory 9mms, that were in the possession of two former police officers (**Refer to Exhibit 1**). The town had previously purchased the weapons for the police officers to use only while on duty. One former officer, who resigned in 2012, informed investigators that he attempted to turn in his weapon back to the chief upon his resignation, but the chief told him that he was going to request that town officials let him keep the weapon. According to the former officer, this request never materialized. The second former officer, who resigned in 2018, told investigators that upon his resignation, he attempted to give his weapon back to the chief. However, the chief acted outside of his authority and

told the second former officer that he could keep the weapon.

**Exhibit 1**



*The two weapons the chief allowed former town police officers to keep following their resignation.*

Investigators reviewed board meeting minutes and confirmed that the transfers of weapons to the former officers were never presented to or approved by the board. Investigators were unable to verify whether the chief ever apprised any town officials about the two weapons. The weapons in question were given back to the town in February 2022. The chief declined to meet with investigators to discuss these transactions.

**B. The chief initiated and the board approved transactions that violated the town’s purchasing policy and state law.**

In February 2021, the chief requested and the board approved the sale of department weapons to police officers for \$1 each (**Refer to Exhibit 2**). The chief stated to investigators that he wanted to upgrade the police department’s weapons. During these transactions, the chief bought two of the weapons himself. Even though the board approved the sale of the weapons, investigators question the legitimacy and transparency of the transactions that the chief initiated.

Investigators attempted to speak with all six members of the board but were only able to speak with three aldermen. According to the three aldermen, when the chief asked the board to approve the sale of the weapons to the officers, he spoke as if he was acting in the best interest of the town, and their understanding of what they were actually voting on was unclear. The aldermen stated that they felt as though they did not receive all relevant details pertaining to the sale of the officers’ weapons, and they believed they were misled in making their decision. Additionally, the three aldermen informed investigators that the town’s board meetings were often rushed, unorganized, and accompanied with a lack of transparency and general confusion. It is the duty of each board member to fully understand the details of resolutions prior to their voting on the resolutions, know the various town policies, and be familiar with the state statutes that govern those resolutions.

**Exhibit 2**



*The chief’s town-issued weapons – CZ Scorpion and Kimber – that he purchased for \$1.00*

*Town-issued weapons –  
Springfield Armory  
9mms and .45mm –  
that Toone police  
officers purchased for  
\$1.00*



According to the town’s 2014 purchasing policy, with the approval of the board, any property declared as surplus with an estimated value of \$100 or more may be sold at auction. Furthermore, Tenn. Code Ann. § 6-54-125, states that it is unlawful for current municipal employees to purchase any property declared surplus except through bids at a public auction during the duration of their employment or six months thereafter.

Investigators question this transaction since it violated both the town’s purchasing policy and state statute. The chief should not have submitted this proposal to the board, and the board should not have voted on the proposal. The chief informed investigators that he was unaware that the transaction violated the town’s purchasing policy and state statute. Investigators could not verify through documented board meetings that this transaction reflected the chief’s proposal in all aspects, and therefore question the chief’s lack of transparency. Additionally, no documentation was found by investigators to verify whether the weapons in question were properly declared as surplus property by town officials before being sold.

On November 19, 2021, the chief voluntarily agreed to return the two weapons he purchased. Additionally, on February 7, 2022, two of the five police officers voluntarily agreed to return the weapons they had previously purchased.

**C. The chief conducted a weapon trade-in transaction without proper board authorization thus incurring a loss of \$630 to the town.**

In November 2018, the chief traded his town-issued police department handgun, a Para Ordinance, in exchange for a Kimber 1911 (described in Finding 1.B.), without proper authorization from the board. The town purchased the Para Ordinance in June 2013 for \$700, and town officials informed investigators the handgun was fully serviceable with no operational flaws. During the transaction, the chief consulted a vendor and obtained a trade-in value of \$350 for this weapon, essentially incurring a \$350 loss to the town.

The chief then purchased a new weapon that he used as the town police chief, a Kimber 1911, for \$825 by applying the \$350 trade-in obtained from the Para Ordinance, thus leaving a balance of \$475. The chief then paid \$280 using town funds with a check signed by himself and the former town mayor. This check was not approved by the board and violated the town’s purchasing policy, which requires board approval for expenditures exceeding \$250. The chief paid the remaining \$195 in cash using personal funds.

See the table below detailing the transaction:

Description of Transaction		Amount	Town Loss/ Questionable Payment
<b>Trade-in of Para Ordinance</b>	Town's Acquisition Cost	\$700	
	<i>Less:</i> Trade-in Value	(350)	
	Loss to Town	350	\$350
<b>Purchase of Kimber 1911</b>	Town's Acquisition Cost	\$825	
	<i>Less:</i> Trade-in Value from Para Ordinance	(350)	
	<i>Less:</i> Town Check	(280)	\$280
	<i>Less:</i> Cash Paid by the Chief	(195)	
<b>Total</b>		<b>\$0</b>	<b>\$630</b>

Investigators question the \$630 loss the town incurred in the transaction under the chief's oversight.

Investigators obtained independent appraisals of all nine weapons described in Finding 1 from three separate gun dealers and used the lowest of the three prices to determine the approximate loss the town incurred from the disposition of the weapons. The loss from the trade-in of the Para Ordinance in the finding above is also factored into the total loss the town suffered. Investigators concluded that the town incurred a total loss of approximately \$5,647.97 from the disposition of these weapons. See the table below for a detailed summary of the total loss.

**Summary of Total Loss on Disposition of Weapons**

Description		Fair Market Value	Sales Price	Loss Incurred
<b>A</b>	Springfield Armory 9mm	\$350.00	-	(\$750.00)
	Springfield Armory .45mm	400.00	-	
<b>B</b>	Springfield Armory 9mm	499.99	\$1.00	(\$4,267.97)
	Springfield Armory 9mm	350.00	1.00	
	Springfield Armory 9mm	499.99	1.00	
	Springfield Armory 9mm	325.00	1.00	
	Springfield Armory 9mm	499.99	1.00	
	Kimber 1911 .45	950.00	1.00	
	CZ Scorpion	1,150.00	1.00	
<b>C</b>	Loss from Trade-in of Para Ordinance	-	-	(\$630.00)
<b>Total</b>		<b>\$5,024.97</b>	<b>\$7.00</b>	<b>(\$5,647.97)</b>
				<b>Total Loss</b>

## 2. THE FORMER POLICE CHIEF PROVIDED QUESTIONABLE OVERSIGHT OF THE TOWN’S ASSETS RESULTING IN UNAUTHORIZED USE AND LACK OF ACCOUNTABILITY

During the process of verifying the town’s assets and reconciling property records, investigators noted the following:

### A. The chief retained several of the town’s assets at his personal residence without proper authorization and any legitimate purpose.

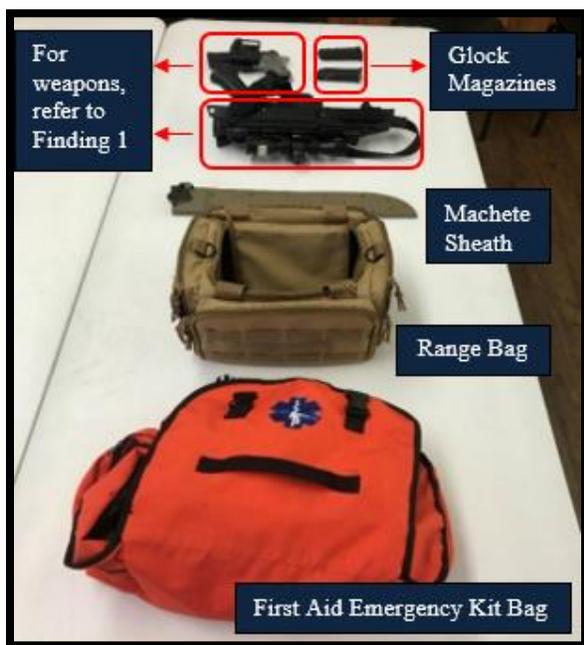
The chief retained the items listed below at his personal residence without proper authorization from town officials and without any legitimate purpose, some of them since 2012:

	Item	Quantity	Source	Town’s Acquisition Cost
1	First Aid Emergency Kit Bag	1	Unknown	Unknown*
2	Machete Sheath	1	LESO	\$0
3	Range Bag	1	Retail	35
4	Glock magazines	2	Retail	52
5	Lower for AR-15**	1	Retail	150
<b>Total</b>				<b>\$237</b>

\*The chief informed investigators that he had the first aid emergency kit bag in his attic at his residence since 2012, and that he obtained it while he worked for the Toone Fire Department. Due to the lack of documentation, investigators were unable to determine how the town acquired the item or its acquisition cost.

\*\*The lower for the AR-15 is the gunstock (a component) of the rifle.

### Exhibit 3



*Items the chief returned to town officials on November 19, 2021, upon investigators’ inquiries.*

Investigators question the chief’s decision to retain these items at his residence since these assets belonged to the town and should be retained on the town’s premises. Upon his resignation in July 2021, the chief failed to return these items to town officials or apprise town officials where these items were located.

The chief stated to investigators that over the years working as the police chief, he accumulated items and failed to return them due to a lack of oversight. Only after investigators’ inquiries, the chief returned items #1-4 (from the table above) on November 19, 2021, (**Refer to Exhibit 3**) and item #5 (from the table above) on November 20, 2021.

**B. The chief allowed a former town employee to retain town assets at his personal residence without proper authorization and any legitimate purpose.**

The chief allowed a former town employee (employed from 2016 through 2020), who transported town property, to maintain the items listed below at his residence:

	Item	Quantity	Source	Town's Acquisition Cost
1	Hydro-hurst Pumps	2	LESO	\$0
2	Brush Guards	2	Unknown	Unknown*
3	Trailer Battery	1	Unknown	Unknown*

\*Due to a lack of documentation for the brush guards and trailer battery, investigators were unable to determine how the items were acquired and the town's acquisition costs.

**Exhibit 4**

The former employee told investigators that around 2018-2019, he stored two hydro-hurst pumps at his residence due to a lack of storage space at the police department, and that he never used the equipment because they were missing certain components needed to operate properly. The chief told investigators that due to his lack of oversight, he did not know how the pumps ended up at the former employee's house, or that the pumps could have ended up there by accident. On November 4, 2021, one day prior to meeting with investigators, the former employee returned the pumps to town officials (**Refer to Exhibit 4**).



*The pumps the former employee returned to town officials one day prior to meeting with investigators.*

Regarding other town assets, town officials were only aware of one brush guard that was missing and stated it had previously been attached to a vehicle the town had acquired through FSPPDP. Town officials and the former employee could not recall how the town acquired the second brush guard. Lastly, the trailer battery in question was used on a trailer whose winch was battery operated. Due to a lack of documentation, investigators were unable to determine the town's acquisition costs for these items. The chief told investigators that he allowed the former employee to keep these items at their personal residence; however, investigators found no legitimate purpose that would allow the former employee to retain these items at their residence (since this employee was no longer employed by the town). The former employee stated to investigators that he didn't have the means to transport the items to town officials. On November 19, 2021, after investigators' inquiries, the chief retrieved these items from the former employee's residence and returned them to town officials.

Investigators question the chief’s oversight for allowing the former employee to keep these items at their residence without any current town-related purpose or authorization from town officials. The chief told investigators that upon his resignation in July 2021, he should have followed-up with the former employee to coordinate the return of the equipment.

**C. Under the chief’s oversight, two of the town’s electric utility carts were left at a repair shop for at least two years.**

Our investigation further revealed that the following items were left at a repair shop in Humboldt, Tennessee, for approximately two years:

	Item	Quantity	Source	Town’s Acquisition Cost
1	Electric Utility Carts	2	FSPDP	\$800

According to the invoice provided by town officials (**Refer to Exhibit 5**), the electric utility carts had been at the repair shop since June 2019. The carts were initially taken to the repair shop to be evaluated for repairs needed to make the carts operable. However, the chief declined to have the repairs performed due to the estimated cost to repair both carts and subsequently left the carts at the shop where they remained until 2021 when investigators inquired of their location. The chief did not inform any town officials where the carts were stored. In September 2021, town officials located the carts at the repair shop in Humboldt, and arranged to have them transported back to the town. In total, the town paid \$445 for the carts to be evaluated and towed back to the town.

**Exhibit 5**

Date	Invoice No.	Terms	All Sales are Final		
09/28/21	5415	Due on receipt			
Item	Description	Quantity	Rate	Amount	
Labor	Shop Labor to evaluate 2 carts Dropped off: 6/12/19 On 12/3/19 the customer told us not to repair the carts because of cost	2	80.00	160.00T	
Rollback Pickup	Delivery to above address - Privitt's Wrecker (carts do not run) Per conversation with Mayor Jackie Kelley on 9/28/21, we agree to not charge a daily storage fee for these units if the carts are removed from our property on or before 10/15/21		285.00	285.00T	

Invoice indicating the carts were dropped off in 2019 and picked up in 2021.

The chief had complete oversight and control over these carts, and it was his responsibility to retrieve the carts from the shop after declining to have repair services performed. The town incurred expenses totaling \$1,245 for carts that were inoperable and could not be used by the town.

**D. Certain transactions under the chief’s oversight could not be verified.**

Due to insufficient and inadequate records, investigators could not substantiate certain transactions:

	Item	Quantity	Source	Amount	
1	Missing Non-Ballistic Carriers	4	FSPDP	\$100	Town’s Acquisition Cost
2	Missing Motorola Radio	1	Donated	700	Approximate Value
3	Unaccounted Sale Proceeds for a Trailer	1	LESO	900	Sale Price
<b>Total</b>				<b>\$1,700</b>	

According to available inventory records, the town should have received four non-ballistic carriers. Both the chief and town officials were unaware of the location of these items and questioned whether the town ever received them. Investigators attempted to confirm with the Tennessee Department of General Services (TDGS) that the town received the four carriers. Due to unreliable records kept by both the chief and TDGS, it is unclear whether the carriers were received by the town; therefore, investigators are unable to confirm the chief’s claim that the town never received the carriers.

Town officials stated that a Motorola radio was donated to the town by the local E911 center. According to the chief, he loaned “one radio” to a Hardeman County employee, and attempts were made by the chief and the employee to locate and return this radio (which has an approximate value of \$700). Town officials informed investigators that their attempts to find the radio were unsuccessful. In December 2021, the town received a check for \$700 from the Hardeman County employee to pay for the missing radio.

Town records show that a trailer was sold at auction on October 6, 2016, for \$900. However, no town records exist to verify whether this amount was ever deposited into the town’s official bank account.

The chief was responsible for implementing an accurate inventory system and maintaining the town’s property.

**Summary of Inventory Issues Under Former Police Chief’s Oversight**

Description of Issue	Number of Items In Question	Amount*
A. Items in the Chief’s Custody	6	\$237
B. Items in Former Town Employee’s Custody	5	0
C. Items Forgotten at a Repair Shop	2	1,245
D. Items Not Found or Could Not be Verified	6	1,700
<b>Total</b>	<b>19</b>	<b>\$3,182</b>

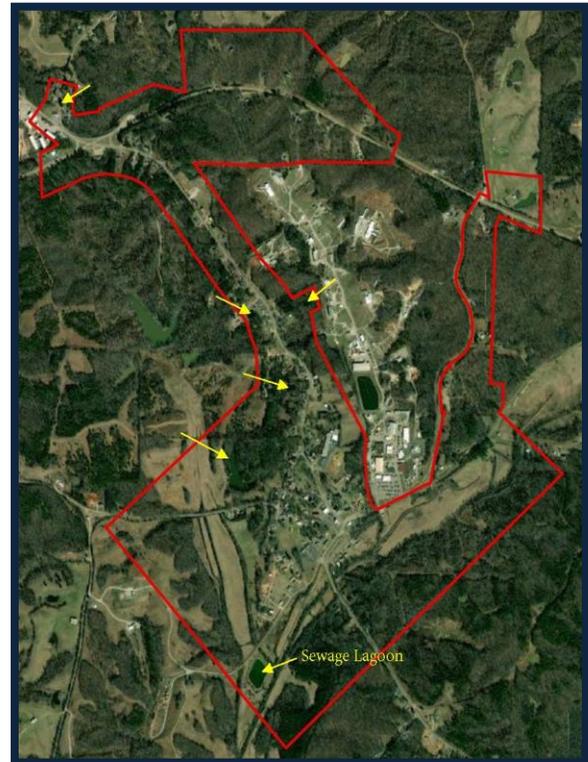
\*Even though the town obtained LESO and donated property free of charge, FSPPDP at a fraction of the cost, and retail purchases at full purchase price, the town incurred additional incidental costs such as shipping and handling, delivery and transport, general administrative expenses such as employees' time, and travel expenses such as lodging for overnight stays and travel per diem, if applicable.

\*\*Refer to Finding 3 for additional items under the chief's oversight that investigators discovered were being retained and used by a town alderman for his personal use.

**E. The chief did not ensure the town complied with LESO and FSPPDP requirements**

The purpose of participating in both LESO and FSPPDP is for state and local agencies to acquire surplus property to be used for the benefit of the citizens the agencies serve. Guidelines for both programs require that the property must be put into use within a year of initial receipt and remain in use for at least one year. The chief's intention of acquiring property was to hold the property for the length of time required, and then to sell the property for a profit, in some cases without ever being used. Essentially, the chief's speculative practices defied the purpose of both programs. Investigators also noted that property was being acquired through both programs at an excessive rate when compared to the relative size and other characteristics of the town. For example, at least ten boats were purchased at a total cost of \$1,404 through FSPPDP during the 2020-2021 fiscal year. Investigators question whether each boat was put into use as required by FSPPDP.

**Exhibit 6**



*The yellow arrows denoting the locations of five ponds within boundaries of the town, shown in red line.*

**Exhibit 6** is a map of the Town of Toone's town limits. The yellow arrows denote the bodies of water within town limits. There are five ponds on private properties – four of the ponds average less than half an acre each, the fifth pond is approximately two acres, and the town owns and maintains a sewage lagoon. Due to the relatively small number of bodies of water in the town, investigators question the town's ability to put all 10 boats to use, and therefore cannot confirm that the town was meeting the program's requirements.

**3. UNDER THE FORMER POLICE CHIEF'S OVERSIGHT, A TOWN ALDERMAN USED THE TOWN'S LAWMOWER FOR PERSONAL USE AND RETAINED THE TOWN'S BUSH HOG AT HIS PERSONAL RESIDENCE**

The chief allowed a town alderman (alderman), who was also a part-time employee of the town's street department, to take custody of the following items and retain the items at their personal residence:

	Item	Quantity	Source	Town's Acquisition Costs
1	Lawnmower	1	LESO	\$0
2	Bush Hog	1	Unknown	Unknown*

\*Due to a lack of documentation, investigators were unable to determine how the bush hog was acquired and the town's acquisition cost for this item.

The alderman admitted to investigators he used the lawnmower to mow his lawn. The alderman further stated that the chief allowed him to remove the lawnmower from the police department

**Exhibit 7**



*The lawnmower investigators verified in the alderman's garage.*

premises and use it to mow the town's grass after he finished repairing it. The alderman stated the lawnmower had been stored at his personal premises since fall 2020 (about a year total), and he kept it because no one had asked him to bring it back. The chief told investigators that he allowed the alderman to take custody of the lawnmower, repair it, and use it to mow the town's grass, not for personal use. However, investigators question the chief's statement since he knew the lawnmower was in need of repairs, and the alderman used his own money to repair it without ever being reimbursed by the town.

Upon his resignation in July 2021, the chief failed to apprise town officials of the location of this lawnmower, which was deemed unaccounted for until investigators verified that it was in the alderman's garage on November 5, 2021 (**Refer to Exhibit 7**). Following investigators' request, the alderman

returned the lawnmower to town officials on November 6, 2021.

The chief allowed the alderman to store a bush hog on his personal property while the alderman used it to mow the town's grass; however, the chief failed to apprise town officials of the location of the bush hog. In March 2021, after town officials inquired about the bush hog, the alderman returned the bush hog to the town.

**4. THE TOWN RECORDER IMPROPERLY PAID INVOICES RESULTING IN AT LEAST \$4,067.46 IN QUESTIONABLE DISBURSEMENTS**

Our investigation noted the following questionable disbursements:

**A. The town recorder paid at least four duplicate invoices.**

The town recorder erroneously paid at least four duplicate invoices, three of which were for surplus property acquired through FSPPDP. The payments resulted in \$667.46 in overpayments as noted in the table below:

Invoice #	Date	Vendor	Amount Paid in Duplicate
1	1/14/2019	General Services Financial Mgmt.	\$100.00
2	1/15/2019	General Services Financial Mgmt.	150.00
3	1/27/2019	General Services Financial Mgmt.	100.00
4	4/19/2019	Brooks Auto Service	317.46
<b>Total</b>			<b><u>\$667.46</u></b>

The town recorder advised investigators that she erroneously paid these invoices due to her lack of oversight, and that no one discovered the errors or brought it to her attention.

**B. The town recorder paid an invoice for items the town never received.**

On November 25, 2020, the town recorder paid an invoice totaling \$3,400. The invoice was from TDGS for the purchase of a wheeled excavator and blade through FSPPDP; however, the town never received the items. TDGS reimbursed the town on November 9, 2021, for \$3,400.

**Summary of Questionable Disbursements by Town Recorder**

Questionable Disbursements	Total
Four Invoices Paid in Duplicate	\$667.46
Invoice Paid for Items not Received	3,400.00
<b>Total</b>	<b><u>\$4,067.46</u></b>

**5. INVESTIGATORS QUESTION WHETHER PROPER BIDDING PROCEDURES WERE FOLLOWED IN THE SALE OF A BULLDOZER OWNED BY THE TOWN**

In May 2016, the town obtained a 1988 Military Case 1150E bulldozer (**Refer to Exhibit 8**) through LESO, at no cost. Under the chief's oversight, the bulldozer was retained for the program's required period and was later sold on October 28, 2017, at a local auction company in Bolivar, Tennessee. The bulldozer received bids at public auction and was sold to the highest bidder for \$42,500. The auction also charged the buyer a 10% commission fee and sales tax, for a total cost of \$50,893.75. A few days after the auction, the buyer was unable to pay for the bulldozer, and the sale was cancelled. On November 20, 2017, the bulldozer was purchased by the former Hardeman County mayor for \$33,000. According to records of the sale obtained from the auction, the former mayor paid a reduced commission fee of approximately 6%, for a total cost of \$35,000. Investigators noted that the total cost of the bulldozer to the original bidder was approximately \$15,893.75 higher than the total cost the former mayor paid.

Investigators spoke with the former mayor, who stated that he participated in the original auction bidding via phone with the auctioneer and informed investigators that he believed he was the second highest bidder. According to the former mayor, he contacted the auction about buying the bulldozer when the original sale was cancelled. Investigators questioned the auctioneer who negotiated the deal between the former mayor and the town about the details of the transaction. The auctioneer claimed that the former mayor actively participated in the bidding process during the auction where the bulldozer was originally sold and confirmed that the former mayor was the second highest bidder for the bulldozer. According to the auctioneer, after the former mayor approached him, he contacted the chief to negotiate the sales price of the bulldozer. The agreed sales price was \$33,000. The chief failed to ensure the bulldozer was sold through proper bidding procedures and did not ensure the town received the highest possible price.

Subsequent to apprising investigators of how he purchased the bulldozer, the former mayor provided a copy of his cancelled check for \$35,000 written to the auction company. The former mayor then informed investigators that before he bought the bulldozer, he was told by an auction employee that he was the third highest bidder. According to the former mayor, the second highest bidder had declined the offer to buy the bulldozer after the original buyer backed out of the sale.

**Exhibit 8**



*The Case bulldozer originally owned by the town that was sold to the former Hardeman County mayor.*

Investigators requested documentation from the auction for the bid history on the bulldozer to confirm who was the second highest bidder; however, no such documentation was presented. According to the auction, the only documents they have related to the sale are bank statements and an auction settlement sheet that details the original buyer's cost, commission fee, and sales tax charged. Due to a lack of documentation of bid history, there is no evidence to support the former mayor being the second highest bidder of the bulldozer, and therefore investigators question if the bulldozer was sold through proper bidding procedures at the highest possible price.

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

As the town's designated official with fiduciary oversight and custodial control over assets obtained through LESO, FSPPDP, and retail transactions, the chief was responsible for implementing an accurate inventory system and maintaining the accountability of the town's property. Our investigation revealed that under the chief's supervision, questionable oversight and systematic mismanagement practices over the town's assets existed in multiple areas. Additionally, our investigation revealed multiple deficiencies in internal control and compliance, some of which contributed to the above-noted discrepancies under the chief's control and oversight without prompt detection. These deficiencies included:

### **Deficiency 1: The town's board did not provide adequate oversight**

The board failed to provide adequate oversight of the town's assets and activities that the chief coordinated. The board did not question or scrutinize the chief on transactions under his management, and they did not require basic accountability to ensure the town's assets were managed with full transparency. The board did not ensure the town's assets were properly safeguarded, and that assets could only be used for authorized purposes. Certain aldermen informed investigators that they did not always know or were completely unaware of what the chief was buying or selling; they did not always know how much of the town's money the chief was spending on LESO or FSPPDP transactions; and that they did not always know of the location of the town's assets. Some aldermen questioned whether the town made any profit from the chief's transactions due to the lack of reporting or the lack of profit-loss analysis documentation. Certain aldermen informed investigators that they should have provided better oversight in these matters, and that the chief manipulated the board to get things approved the way he wanted, with no or minimal objections from the board.

The board actively participating in decision-making and requiring transparency and accountability provides effective oversight and control for ensuring town assets are used for authorized purposes.

### **Deficiency 2: The town did not have policies addressing certain operations**

Town officials failed to implement the following policies:

- **No Policy Addressing LESO and FSPPDP Transactions:** While the town had a purchasing policy outlining processes for obtaining goods and services through general retail transactions and bidding processes, the policy did not address procedures for obtaining and subsequent disposition of items acquired through LESO or FSPPDP. The chief utilized these programs to acquire and sell property in an effort for the town to generate a profit, but failed to retain documentation related to the acquisition and disposition of the town's property. The lack of documentation and a proper inventory system resulted in the town's inventory listings lacking detailed information, being unreliable, and the information the chief provided to investigators was insufficient to identify and locate all of the town's property.

- **No Inventory Policy:** The town had no policy addressing periodic inventory examination for town assets or establishing a change-of-custody system ensuring all property is properly accounted for in the town's records. The chief failed to implement a system establishing custodianship of the town's assets in his or other people's custody, which is a fundamental practice for accountability purposes. As noted in Findings 2 and 3 above, the lack of a custodial system resulted in town officials being unaware of where, and by whom, certain assets were being retained and used. In the instances noted, investigators discovered that the town's assets were used for unauthorized purposes.
- **No Personnel Policy:** The town had no policy addressing duties and responsibilities of the police chief, or any personnel policy at all. The chief stated to investigators that in his capacity as the police chief, he spent approximately 90% of his time managing LESO and FSPPDP transactions and only 10% of his time managing the police department. Certain police department officers and town officials told investigators that they rarely saw the chief performing his police chief functions or saw him at all for extended periods of time. The chief did not use time sheets to document his time worked.
- **No Travel Policy:** Since 2014, the chief and several of the town's employees made trips across the United States to pick up and transport property obtained through LESO and FSPPDP for the town. Some of these deliveries included back and forth trips outside of Tennessee, including military bases located in Texas, North Carolina, and Mississippi. Even though the town paid the employees for these trips, the town had no travel policy outlining and addressing travel reimbursement procedures. Although the town obtained the property from LESO or FSPPDP free of charge or for a fraction of the original cost, the town spent significant amounts of money on travel and transporting items to the town.

Implementing and enforcing policies and procedures is an effective control mechanism and good management practice for ensuring employees know what is expected of them and what procedures to follow for accountability purposes.

**Deficiency 3: Repeat audit findings pertaining to LESO and FSPPDP activities were not corrected**

Pursuant to Tenn. Code Ann. § 6-56-105, the town is required to obtain an annual audit of the accounts and records of all departments under its jurisdiction that receive and disburse funds. Investigators reviewed the town's audit reports, performed by an independent certified public accountant for fiscal year ending 2015 (issued September 30, 2016) through fiscal year ending 2020 (issued June 14, 2021) and noted repeat audit findings pertaining to LESO and FSPPDP transactions under the chief's control and oversight. These findings included deficiencies in the accountability of the town's assets, noncompliance, and possible abuse of LESO and FSPPDP that town officials failed to correct since 2015, and which represent root causes that contributed to the discrepancies found under the chief's oversight.

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