



COMPTROLLER'S INVESTIGATIVE REPORT

Meigs County Emergency Communications District

October 11, 2022

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

October 11, 2022

Meigs County Emergency Communications District
Board Members
410 River Road
Decatur, TN 37322

Meigs County Emergency Communications District Board Members:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Meigs County Emergency Communications 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 9th 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", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

MEIGS COUNTY EMERGENCY COMMUNICATIONS DISTRICT

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Meigs County Emergency Communications District. The investigation was limited to selected records for the period July 29, 2011, through June 30, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 9th Judicial District.

BACKGROUND

Meigs County is in southeastern Tennessee and operates an emergency communications district that serves a population of approximately 13,000 residents.



The Meigs County Emergency Communications District (district), created through *Tennessee Code Annotated (TCA)*, Section 7-86-101, is governed by seven board members who are volunteers appointed by the Meigs County Mayor and confirmed by the Meigs County Commission to serve four-year terms. State statute tasks the board with oversight of the operations and finances of the district.

The district operates in the same building as the Meigs County Sheriff's Department and Meigs County Jail. District dispatchers

answer 911 emergency calls, route responders to the scenes of emergencies, and provide critical communications support as responders work to resolve emergencies. The day-to-day operations and finances of the district are managed by the director who reports to the board.

The district does not have the authority to levy or collect taxes but is funded primarily by a 911 surcharge collected by communications service providers. The providers send the surcharge to the Tennessee Department of Revenue, which remits the funds to the Tennessee Emergency Communications Board (TECB) for distribution to the individual local districts.

Use of local district funds is governed by the Emergency Communications statutes found in Sections 7-86-101 et. seq., *TCA*, the TECB, and a comprehensive accounting manual. Any use of district revenue must comply with Section 7-86-102(d), *TCA*, which requires funds received by districts "from all sources shall be used exclusively in the operation of the emergency communications district." All funds received by emergency communications districts (ECDs) are

public funds and are limited to purposes for the furtherance of 911 services. Pursuant to Section 7-86-306(a)(11), TCA, the TECB is required to establish operating standards concerning acceptable uses of revenue for ECDs. Accordingly, the TECB has established required, permissible, and prohibited uses of 911 revenue to ensure the appropriate expenditure and use of 911 funds by ECDs. Furthermore, the district is required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* prescribed by the Tennessee Comptroller of the Treasury.

The former director referred to in this report served during the period reviewed. The former director died on February 21, 2021.

RESULTS OF INVESTIGATION

1. THE FORMER DIRECTOR MISAPPROPRIATED AT LEAST \$1,084,188.60

Between July 29, 2011, and February 17, 2021, the former director misappropriated at least \$1,084,188.60, concealing the misappropriation by using the schemes listed in Table 1 below.

Table 1 Misappropriated Amounts by Source	
A. Checks to Real Vendors	\$946,720.95
B. Checks to Fictitious (Ghost) Vendors	\$137,359.00
C. Duplicate Travel Reimbursement	\$108.65
Total Amount Misappropriated	\$1,084,188.60

A. The former director created false invoices and cashed checks to four current or former vendors totaling at least \$946,720.95

1. The former director created at least 305 false invoices to support requests for vendor payment

Investigators found 305 false invoices that appeared to have been created by the former director. The former director submitted the falsified invoices to board members to obtain signed checks, which the former director cashed at a local bank. Investigators also found templates for forged invoices on the former director's work-assigned desktop computer. **[Refer to Exhibits 1 and 2.]**

2. The former director forged the signatures of board members and signature endorsements of vendors to cash the checks

A review of check images from the district's checking account indicated that some signatures by board members were unauthorized and were forged; furthermore, the checks written to vendors and cashed by the former director included forged check endorsement signatures of the vendors. Through a review of signatures on checks, investigators determined that most checks appear to have legitimate signatures from board members

between 2011 and 2015. However, checks cashed by the former director between 2016 and 2017 appear to have a mix of legitimate and forged board member signatures, and checks cashed by the former director between 2018 and early 2021 appear to have been forged.

Three current or former board members confirmed that their signatures were forged on a sample of checks. Additionally, four current or former vendors confirmed that their signatures were forged on the endorsement lines of checks cashed by the former director.

Board members and vendors told investigators they never authorized the former director to sign or endorse checks in their names.

Exhibit 1

INVOICE	DATE
BILL TO Meigs Co, 911 410 River Rd Decatur, TN 37322	10-7-20
DESCRIPTION	TOTAL
Call for service	1090.00
Concrete around new pipe sections	

pcl 10-7-20
4182

TOTAL DUE
1090.00

Thank you for your business!

Example of a false invoice created by the former director for a vendor

732568

Invoice

SOLD TO Meigs Co 9-1-1		SHIP TO	
ADDRESS P.O. Box 352		ADDRESS	
CITY, STATE, ZIP Decatur, TN 37322		CITY, STATE, ZIP	
CUSTOMER ORDER NO.	SOLD BY	TERMS	F.O.B.
			DATE

ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
		Install NEW Toilet			
		Repair Flange			
		partstoBER			422 07
		partstoBER			250
		ord- 11-16-18 3449			672 07
					672 07

© 2015 Adams 5540 09-15

Example of actual invoice received from the same vendor in Exhibit 1

B. The former director created invoices for fictitious (ghost) vendors and cashed the district checks totaling at least \$137,359

Investigators reviewed every check made payable to two specific vendors and determined that every check included the former director’s signature as approval. In interviews with board leadership, board members indicated that they had never heard of these two vendors prior to discovering the theft of funds from the district. Investigators could not find evidence that these vendors ever existed. Additionally, the files collected by investigators from the former director’s office and from the district’s accounting files did not include any identifying information or invoices for these vendors.

C. The former director submitted a travel reimbursement twice to receive a duplicate payment totaling \$108.65

On January 11, 2019, the former director received a check as a reimbursement for travel expenses incurred for attending a training seminar. The check was signed by two board members prior to being cashed by the former director. On January 25, 2019, the former director requested reimbursement and ultimately received a second check using the same travel expenses used to support the reimbursement paid earlier in the month. The second check was

signed by one of the board members who signed the first check, then was signed for a second time by a board member who did not sign the first check. [Refer to Exhibit 3]

Exhibit 3

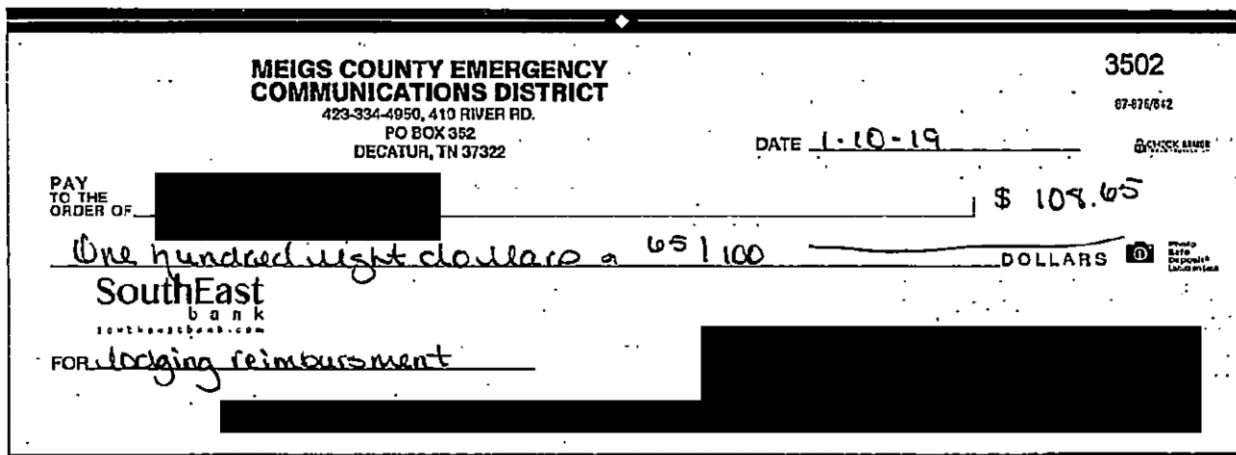


Image of first check received by the former director for training-related lodging expenses

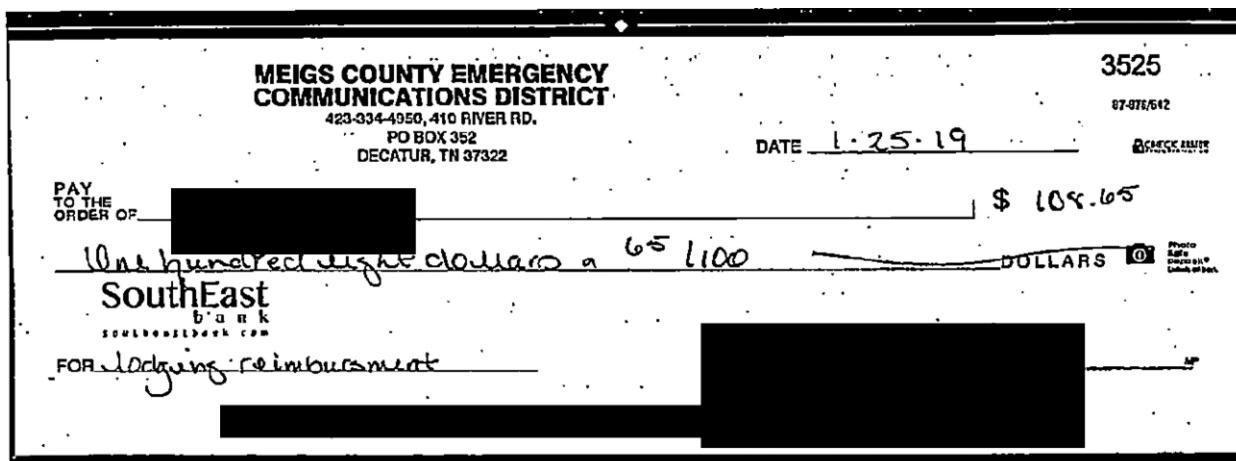


Image of the second check received by the former director for the same expenses

2. THE FORMER DIRECTOR USED WORK-ASSIGNED ASSETS FOR PERSONAL USE

Investigators found that the former director used the district's mailbox to receive collection letters and late payment notices for personal bills. The former director also used a work-assigned cell phone for personal use.

3. THE FORMER DIRECTOR FALSIFIED INFORMATION IN FINANCIAL REPORTS PROVIDED TO BOARD MEMBERS

Board leadership told investigators that the former director provided falsified budget-to-actual reports to the board. Investigators reviewed budget-to-actual reports created by the former director and provided to the board and found that the former director omitted expenditures

from financial reports to conceal the misappropriation and convince the board that the district's spending was within budget.

As a result of the death of the former director in February 2021, any further criminal investigation or prosecution in this matter is now abated.

Pursuant to *Tennessee Code Annotated*, Section 20-5-103, the death does not abate any civil cause of action that the Meigs County Communications District might otherwise have against the estate or personal representative of the former director for recovery of misappropriated or converted funds.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to the former director's ability to misappropriate funds without prompt detection. These deficiencies included:

Deficiency 1: The board of directors failed to segregate financial duties and did not provide adequate oversight to protect and oversee the financial resources of the district

- A. The board entrusted the district's checkbook and bank statements to be maintained, reviewed, and reconciled by the former director

The former director was responsible for the bookkeeping function of the district. The former director was the only person charged with the possession and maintenance of the district's financial documents, including the district's checkbook and bank statements. With sole possession of the checkbook, the former director was able to falsify checks on a near-daily basis without the knowledge of the board.

Board members not only authorized the former director to perform reconciliations of the district's checkbook and bank statements, but also provided the bank with the post office box of the district instead of an address for board leadership. The contents of the district's post office box were regularly gathered by secretarial staff and delivered to the former director. As a result, the former director was able to intercept bank statements. The board did not receive or review the district's bank statements at its meetings and did not ensure that someone other than the former director perform reconciliations of the district's bank account. Providing adequate oversight by reviewing and reconciling bank statements in a timely manner reduces the risks that errors or intentional misappropriations will occur and remain undetected.

- B. The board failed to adequately review the bank statements and related checks of the district

Four board members are listed as signatories on the district's checking account. Therefore, it is the responsibility of those board members to maintain and review check images; however, the signatory board members failed to perform these tasks. Requiring images of the backs of checks issued from the district's checking account would have provided both the board members and auditors with complete endorsement signature information that would allow for verification that checks designated to vendors are proper and reasonable, thereby reducing the risk of errors or intentional misappropriation of district funds. The images of the backs of checks should be obtained directly from the bank.

C. The former director created the financial reports and maintained the board minutes instead of the Treasurer/Secretary

According to board leadership, the former director was responsible for creating financial reports for the board and for maintaining copies of meeting minutes. According to the board bylaws, the director may serve as a designee in the performance of these duties. However, appointing the former director, who performs all bookkeeping duties for the district, undermined the board's ability to oversee the financial integrity of the district. Adequate segregation of duties reduces the risks that errors or intentional misappropriations will remain undetected.

D. The board failed to maintain and protect board records

District leadership could not locate the financial reports that had been provided to the board between June 2020 and February 2021. Failure to maintain adequate financial documentation increases the risk that errors or misappropriations could occur without prompt detection.

Deficiency 2: The board failed to ensure the correction of multiple repeat audit findings over a period of 13 years

The district's external auditors listed a series of findings during the tenure of the former director as seen in Table 2 below.

Table 2
Schedule of the District's Findings

Fiscal Year (July 1 – June 30)	Findings				
	Segregation of Duties	Spending Exceeded Budget	Lack of Internal Control Manual	Incorrect and/or Missing General Ledger Entries	Failure to Provide Images of Check Backs
2007-2008	First Written	First Written	N/A	N/A	N/A
2008-2009	Repeated	Repeated	N/A	N/A	N/A
2009-2010	Repeated	Repeated	N/A	N/A	N/A
2011-2012	Repeated	Repeated	N/A	N/A	N/A
2012-2013	Repeated	Repeated	N/A	N/A	N/A
2013-2014	Repeated	Repeated	N/A	N/A	N/A
2014-2015	Repeated	Repeated	N/A	N/A	N/A
2015-2016	Repeated	Repeated	N/A	N/A	N/A
2016-2017	Repeated	Repeated	First Written	First Written	N/A
2017-2018	Repeated	Repeated	Repeated	Repeated	First Written
2018-2019	Repeated	Repeated	Repeated	Repeated	Repeated
2019-2020	Repeated	Repeated	Repeated	Repeated	Repeated
2020-2021	Repeated	Repeated	Repeated	Repeated	Repeated

In each audit report for the year listed, the board chair and former director pledged to take specific steps to correct the findings in the next fiscal year. However, the findings remained uncorrected year after year. Additionally, the board minutes reviewed by investigators did not document any discussions among the board regarding the district's audit reports or corrective action plans. As a result, the findings repeated year after year, and in the case of the findings regarding the district's budget and general ledger, the problems worsened over time. Failure to timely implement appropriate internal controls and procedures to address findings and deficiencies increases the risk that errors or intentional misappropriation of district funds will continue to occur and remain undetected.

Deficiency 3: The Meigs County Sheriff's Department failed to maintain and protect an electronic asset in an ongoing investigation

Following the death of the district's former director which occurred concurrent to the start of this investigation, the former director's work-assigned cell phone was collected and retained by the Meigs County Sheriff's Department. Despite being aware of the active investigation being conducted by the Comptroller's Office, sheriff's department officials did not properly secure, log, or enter the phone as evidence, did not maintain documentation of the chain of custody of the cell phone, and ultimately released the cell phone to parties outside the sheriff's department and Comptroller's Office who deleted all data from the phone before Comptroller's Office investigators could review the phone for content potentially relevant to this case.

The Meigs County Sheriff's Department Policy *Property and Evidence Control* provides, "Whenever any officer of the Sheriff's Office takes charge of any item found, recovered or evidentiary property, the officer shall document the circumstances and turn then property over to the Evidence Custodian." Failure to follow department policy for storage and preservation of property and evidence increases the risk of interference with and compromise of ongoing investigations and the subsequent prosecution of criminal offenses. Proper storage of evidence and property lowers the risk for relevant evidence to become lost or destroyed and preserves the chain of custody for potential evidentiary admission during prosecutions or other legal actions.

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