



## COMPTROLLER'S INVESTIGATIVE REPORT

### Warren County Memorial Airport

*December 7, 2022*

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



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

December 7, 2022

Warren County Executive  
and Members of the County Commission  
201 Locust Street  
McMinnville, TN 37110

Warren County Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Warren County Memorial Airport, 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 31<sup>st</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", with a long horizontal flourish extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## WARREN COUNTY MEMORIAL AIRPORT

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Warren County Memorial Airport. The investigation was initiated after the Comptroller's Division of Local Government Audit issued a finding in the Fiscal Year Ended June 30, 2020 Annual Financial Report that a cash shortage of at least \$6,086.74 existed at the Warren County Memorial Airport. This investigation was limited to selected records for the period from May 1, 2019, through June 30, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 31<sup>st</sup> Judicial District.

### BACKGROUND



Warren County Memorial Airport (airport) is a county-owned airport in McMinnville, Tennessee. The airport, at the time of the investigation, was overseen by a five-member airport commission whose duties include complete control of the airport including management and operations. However, on September 1, 2022, four members of the board were replaced and the board was expanded to seven members. The airport commission reports to the Warren County Commission each quarter the full and complete details of the work performed and all revenues and expenditures. The public use airport began operation in October 1948, and provides airplane hangars, fuel, and pilot supplies. The airport is open 24 hours a day, 7 days a week. The airport is part of the Warren County government, with

revenues and expenditures budgeted and processed through the county's General Fund. Revenues generated by the airport consist of the sale of aircraft fuel and monthly hangar and storage rentals.

The creation and operation of airport authorities is governed pursuant to *Tennessee Code Annotated*, Section 42-3-101 et. seq. The airport commissioners report to the county and must follow certain county policies such as the use of purchase orders for budgetary operations, depositing collections within three days with the county trustee, and following county personnel policies. However, the day-to-day operations performed by airport employees are under the oversight of the airport commission and as such, the employees' actions reflect management's oversight or lack thereof, and the deficiencies taking place within the day-to-day activities are the

airport commission's responsibility. The five-member airport commission board was in effect during the period of this investigation.

## RESULTS OF INVESTIGATION

- **FORMER AIRPORT COMMISSIONERS FAILED TO CORRECT DEFICIENCIES PREVIOUSLY REPORTED BY THE OFFICE OF THE COMPTROLLER OF THE TREASURY**

Former airport commissioners failed to correct deficiencies reported in a Comptroller's Special Report dated September 11, 2012, which detailed findings from July 1, 2007, through September 30, 2011. This report identified deficiencies including a cash shortage, voided receipts, missing receipts, unaccounted airplane hangar rental revenue, and improper fuel usage. The report recommended that the airport commission implement internal controls, review reconciliations of reports, and investigate variances. However, the airport commission failed to implement the recommendations provided in the 2012 report, which resulted in a second investigation, based on the same criteria as the 2012 report. Eight years after the 2012 special report, the Comptroller's Division of Local Government Audit issued the Warren County Annual Financial Report for the period ended June 30, 2020, that contained the same recommendations as the previously issued special report.

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Providing adequate oversight and establishing internal controls reduces the risks that errors or intentional misappropriations will remain undetected. Investigators noted the following deficiencies in internal controls and compliance:

**Deficiency 1: The airport had numerous operational deficiencies**

We noted the following operational deficiencies:

- A. The former airport commission did not review or reconcile aircraft fuel purchased for resale with revenue received from sales. The failure to review and reconcile aircraft fuel purchased for resale with revenue increases the risk that errors or misappropriation will not be detected timely.
- B. The former airport commission did not review or reconcile hangar and storage space rental fees with collections. There are established rental fees for each aircraft hangar or storage space depending on the size; therefore, the airport commission should have an estimated amount of monthly revenue based on occupancy. In the November 4, 2019 airport commission minutes, the airport manager presented a monthly business report for October 2019 stating total

aircraft fuel sales of \$15,680.15 and total deposits of \$18,205.28. The difference in sales and deposits was \$2,525.13, which should have been aircraft hangar and storage space rent. The amount reported as hangar rent and deposited with the county trustee was \$7,845.66. However, the manual deposit worksheet showed collections of \$7,565.66, and the computer-generated sales report for October 2019 showed collections of \$6,340. A manual calculation of expected total income produced from the hangars was performed by investigators from information provided by the airport for the number of hangars owned, multiplied by the hangar fee, and should have totaled approximately \$6,940 per month (which appears to not include end cap storage and community hangar space). The failure to reconcile monthly hangar revenue with the amount of income the units produced could result in misappropriations or failure to detect errors timely. Investigators were unable to reconcile the reports due to insufficient accounting records; therefore, investigators could not determine whether all revenue was collected for rentals or if collections were properly deposited with the county.

- C. The former airport commission failed to utilize their own computer system, which could produce numerous reports to account for the financial activity of the airport. Instead, manually generated deposit worksheets for collections were used for revenue deposited with the county trustee. This deficiency not only undermines the validity of the revenue deposited, but also avoids a precise computer-generated cut-off date at which all revenue and reports should be reconciled. The airport commission should follow good business practices and require the airport manager to produce computer-generated reports and reconciliations as required by their internal control policies.



commissioners who have hangars rented. All accounting records should be maintained on a current basis.

- F. The former airport commission failed to provide proper safeguards over equipment. Investigators were informed the airport's computer experienced hardware failure due to what appeared to be water damage and could not be used for an undetermined amount of time. Airport commission should ensure equipment is properly safeguarded and operating effectively.
- G. The former airport commission had not adopted a policy for the use of airport-owned vehicles. Investigators were informed by a former airport commissioner that he observed a former airport manager driving an airport-owned vehicle for personal reasons for approximately two weeks. The former airport commissioner did not reprimand or take the vehicle from the former airport manager. We reviewed the internal control policies and noted no policy on the use of airport-owned vehicles. Officials should adopt written policies on the use of airport-owned vehicles. Failure to adopt written use policies for airport-owned vehicle can result in increased liability to the airport.
- H. The former airport commission did not ensure security cameras were properly functioning. Investigators were informed security cameras were inoperable, and this issue went unnoticed or unreported for an unknown amount of time. Security equipment should be periodically inspected to ensure the equipment is properly functioning.

**Deficiency 2: Some former airport commissioners had conflicts of interest with the operations of the airport**

Some former airport commissioners owned planes, rented hangar spaces, purchased fuel from the airport, and voted to establish the cost of aircraft hangar rents and fuel prices. Additionally, these former commissioners had keys to the offices and to the fuel station. *Tennessee Code Annotated*, Section 12-4-101, is the general conflict of interest statute that applies in all counties. This statute prohibits anyone who votes for, lets out, or in any manner supervises any work or contract from having a direct financial interest in that contract, purchase, or work, and it requires disclosure of indirect financial interests by public acknowledgment.

According to Warren County's Code of Ethics, officials, or employees with responsibility to vote on a measure should disclose personal interest in voting matters,

“with any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on a measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.”

These same provisions apply to disclosing personal interest in non-voting matters.

If the airport commission fails to implement and maintain internal controls at the airport, the county has the authority to, and should, implement whatever controls it deems necessary for the continued

operation of the airport as an ongoing concern and to ensure that airport transactions are free of material misstatements.

Airport commission indicated that they have corrected or intend to correct these deficiencies.

---