



COMPTROLLER'S INVESTIGATIVE REPORT

Town of Mason

March 22, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

March 22, 2023

Town of Mason Mayor and Board of Alderman
12157 Main Street
Mason, TN 38049

and

Shelby County Board of Education
160 S. Hollywood Street
Memphis, TN 38112

Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Mason, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the Offices of the District Attorneys General of the 25th Judicial District and 30th 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 blue outline of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Town of Mason

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Mason. The investigation was initiated after town officials reported questionable transactions by the former mayor. After town officials provided additional information concerning employee work schedules, investigators expanded the scope to include payroll expenditures. The investigation was initially limited to selected records for the period from December 1, 2015, through September 30, 2022 but was later expanded to include limited selected payroll records from the Memphis-Shelby County School System for the period of March 1, 2019, through July 30, 2022. The results of the investigation were communicated with the Offices of the District Attorneys General of the 25th Judicial District and 30th Judicial District.

BACKGROUND



The Town of Mason (Town), located in Tipton County, Tennessee, is governed by a mayor and a board of six aldermen who are elected to four year terms. In February 2015, an alderman was appointed to fill the vacancy of Town mayor. Before taking office as mayor, the alderman had served as vice mayor since November 2014. In December 2016, the former mayor was elected to fill the unexpired term she was appointed to. The former mayor left office in November 2018 after her reelection bid failed.

In March 2018, Reva Marshall (Marshall) entered into a contract with the Town to act as a financial consultant and in March 2019, she became the Town's finance and certified municipal finance officer (CMFO) designee on a full-time basis. Marshall's responsibilities included payroll, invoice processing, payment of town expenses, ACHs, and processing tax documents. Marshall left her employment with the town in July 2022. In addition to Marshall's employment with the town, she has been a full-time employee with the Memphis-Shelby County School System since 2014.

Michele Scott (Scott) was hired as the Town's full-time human resources manager in July 2018. Her responsibilities include pre-screening applicants, onboarding new employees, developing training materials, managing legal complaints, and a variety of other personnel related tasks. Between 2019-2020, Scott also worked as the Town's office manager in addition to her role as human resources manager. In addition to Scott's employment with the town, from August 2021 to

October 2022 Scott was a full-time employee with the Memphis-Shelby County School System (MSCSS).

The Town employs an average full-time staff of 20 employees consisting of administrative, public works, law enforcement, and firefighter personnel. All department heads are classified and designated as full-time salaried nonexempt employees, meaning they must work at least 80 hours per two-week pay period to earn and receive their full approved salary. Pursuant to the federal Fair Labor Standards Act (FLSA), if an employer pays a salaried nonexempt employee on a salary basis, actual time worked by the employee must be tracked and recorded for all hours worked. If they work less than the required 80 hours, they are paid at the hourly rate based on their salary times the number of hours actually worked. If they work more than the required 80 hours, they are entitled to compensatory time in addition to the salary for the extra hours worked.

In March 2022, the Tennessee Comptroller's Office exercised its statutory authority to supervise the financial affairs of the Town of Mason in an effort to improve the town's fiscal condition. The Comptroller is granted the authority to direct the town's financial affairs under Tenn. Code Ann. § 9-21-403(c). As part of the Comptroller's oversight, local officials are required to repay longstanding interfund loans, maintain a balanced budget, provide monthly financial records and reports to the Comptroller's Office, and implement policies to address audit findings.

RESULTS OF INVESTIGATION

1. FORMER TOWN OF MASON FINANCE OFFICER REVA MARSHALL IMPROPERLY RECEIVED AT LEAST \$80,421.89 IN WAGES, EMPLOYER PAID BENEFITS AND REIMBURSEMENTS FROM THE TOWN OF MASON

Between March 2019 and July 2022, former Finance Officer Reva Marshall received at least \$80,421.89 in improper payroll payments consisting of unearned salary compensation, employer paid benefits, and reimbursements from the town as follows:

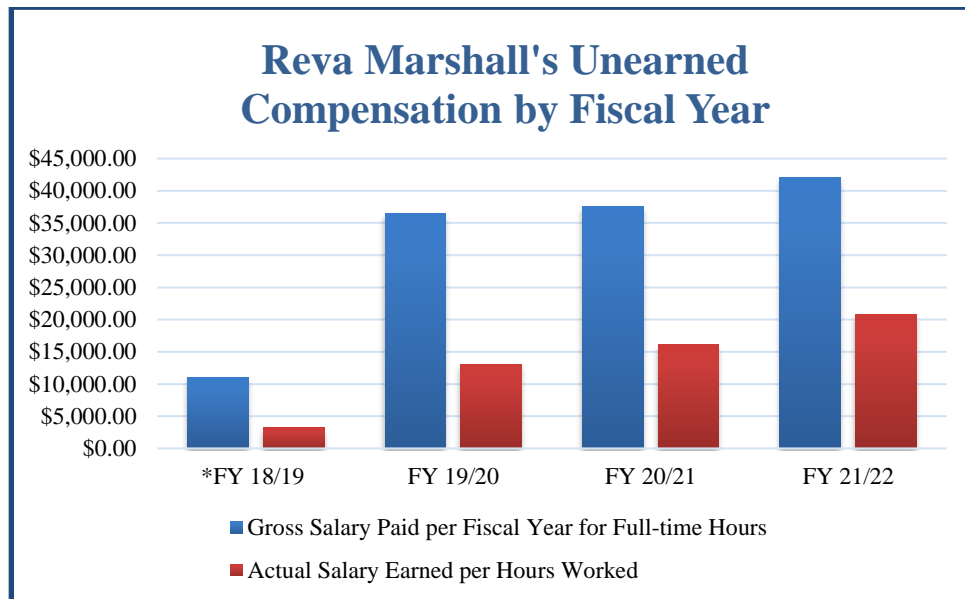
A. Marshall received unearned salary compensation totaling \$74,260.16 while employed as a full-time town employee

As the town's finance officer, Marshall was a full-time salaried employee who worked remotely and without direct supervision. While Marshall had control of her work schedule, she was still expected to meet and perform the 40 hours per week, 80 hours per bi-weekly pay period, work requirement for salaried nonexempt employees. Marshall approved her own timesheets, in addition to processing payroll for all town employees each pay period.

An examination of Marshall's payroll records and corresponding timesheets establish that she was paid her full salary for working full-time hours (80 hours) each pay period even though her timesheets reflected considerably less hours actually worked. From March 2019 through July 2022, Marshall submitted 88 timesheets reflecting approximately 2,908 hours of actual time worked. However, she improperly received compensation for 7,000 hours (87 pay periods at 80 hours and one partial pay period at 40 hours) of work. Marshall worked an average of 33.4 hours per pay period. Investigators noted six pay periods where Marshall worked less than 20 hours per pay period, with as little as 11.75 hours worked one pay period, yet she still

received compensation for 80 hours per pay period. In total, Marshall received \$74,260.16 in unearned salary compensation for 4,092 hours (7,000 less 2,908) she did not work. Investigators also found that during her final month of employment, Marshall received two paychecks for the same pay period, resulting in \$700 of unearned compensation.

The chart below presents the difference between the compensation Marshall received for 7,000 hours versus the compensation she earned for the approximate 2,908 hours actually worked.



*FY 18/19 contains March 2019-June 2019

Investigators verified with the town mayor and board of aldermen (board) that all salaried nonexempt employees, including Marshall, are expected to work at least 40 hours per week, 80 hours per pay period, to earn their respective salaries.

B. Marshall received payroll benefits totaling \$6,085.68 from the town for hours not worked

Marshall received town-paid payroll benefits totaling \$6,085.68 for 4,092 hours of work she did not perform. This amount represents prorated matching benefits and payments for Medicare, Social Security, and unemployment insurance cost that the town incurred.

C. Marshall improperly received \$76.05 in reimbursements from the town

As an employee of the town, Marshall was eligible to receive reimbursements for various expenses related to official town business in accordance with the town's travel policy. While analyzing the expense reimbursements from the town, investigators found Marshall improperly received \$76.05 by requesting and receiving duplicate reimbursements for travel expenses she incurred while attending CMFO trainings on two separate occasions, one of which Marshall claimed sick leave at MSCSS. Marshall completed two expense reimbursement forms, listing

her hotel stays and per diem for meals for each day. However, examination of the supporting documentation revealed both of the hotel receipts had two meals charged to each of them, resulting in an excess reimbursement of \$76.05.

Summary of Reva Marshall's Misappropriation from the Town	
Description	Amount
A. Unearned Salary Compensation from Town	\$74,260.16
B. Unearned Payroll Benefits received from Town	6,085.68
C. Improper Reimbursements	76.05
Reva Marshall's Total Misappropriation from the Town	\$80,421.89

Marshall stated to investigators she was performing a full-time job while working part-time hours for the town. Marshall admitted town officials had not apprised her that she would be paid her full salary no matter how many hours she worked.

2. REVA MARSHALL IMPROPERLY RECEIVED AT LEAST \$22,642.14 IN WAGES AND EMPLOYER PAID BENEFITS FROM THE MEMPHIS-SHELBY COUNTY SCHOOL SYSTEM

Between March 2019 and July 2022, Marshall received at least \$22,642.14 in improper payroll payments consisting of overlapping hours and other employer paid benefits from the Memphis-Shelby County School System (MSCSS) as follows:

A. Marshall submitted timesheets reflecting the same time worked for both the town and MSCSS totaling \$20,374.83

In addition to her employment with the town, Marshall has been a full-time employee with MSCSS since 2014. At MSCSS, Marshall works a schedule of 40 hours per week, onsite. Investigators compared Marshall's town timesheets with her MSCSS timesheets and found 312 days with an overlap of time where Marshall received compensation from both entities for the same hours, a practice called double-dipping. Marshall claimed to be working for both entities simultaneously for approximately 812 hours between March 2019 and July 2022. This resulted in \$20,374.83 in improper payroll compensation Marshall received from MSCSS.

For example, the chart below presents Marshall's duplicate time reporting on May 4, 2020.

MSCSS timesheets		Town timesheets		Overlap Time	Overlap Hours
Start Time	End Time	Start Time	End Time		
08:30AM	04:30PM	12:08 PM	03:52 PM	12:08 PM – 3:52 PM	3:44

Investigators confirmed with MSCSS officials that Marshall was not allowed to perform work for an outside entity while on the clock for MSCSS. MSCSS policy specifically states that employees shall not engage in any secondary employment duties during time required to fulfill responsibilities of their primary position with the school system.

B. Marshall received payroll benefits totaling \$2,267.31 from MSCSS for unsupported hours worked

Marshall received MSCSS employer paid payroll benefits totaling \$2,267.31 for 812 overlapping hours. This represents prorated matching benefits and payments for Medicare, Social Security, unemployment insurance cost, and Tennessee Consolidated Retirement System (TCRS) employer contributions that MSCSS incurred.

Summary of Reva Marshall’s Misappropriation from MSCSS	
Description	Amount
A. Overlapping Hours from MSCSS	\$20,374.83
B. Overlapping Payroll Benefits from MSCSS	2,267.31
Reva Marshall’s Total Misappropriation from MSCSS	\$22,642.14

Marshall admitted to investigators that if she had some down time while on the clock at MSCSS she would also clock in remotely and do work for the town.

3. TOWN OF MASON HUMAN RESOURCES MANAGER MICHELE SCOTT IMPROPERLY RECEIVED AT LEAST \$40,622.68 IN WAGES AND EMPLOYER PAID BENEFITS FROM THE TOWN OF MASON

Between July 2018 and July 2022, Human Resources Manager Michelle Scott received at least \$40,622.68 in improper payroll payments consisting of unearned salary compensation and other employer paid benefits from the town as follows:

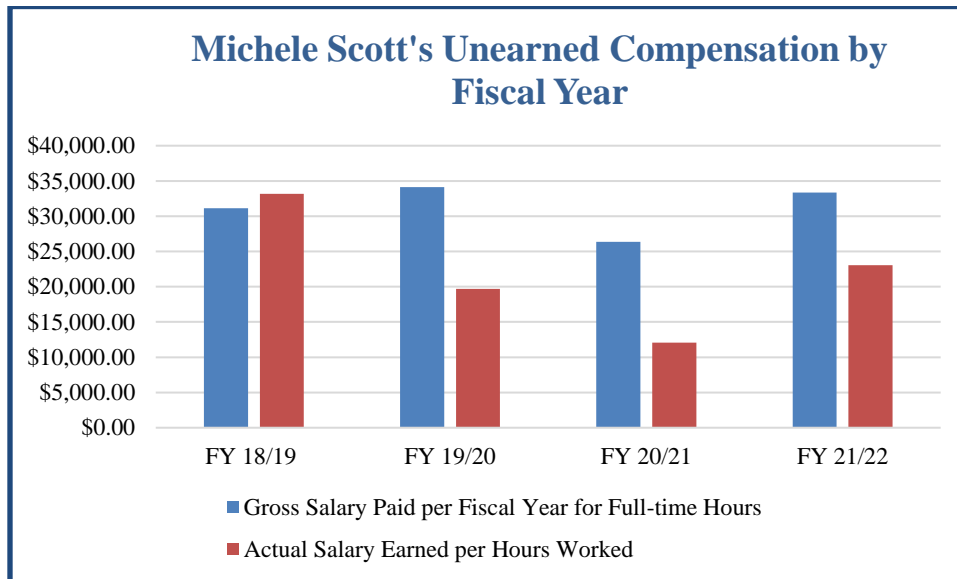
A. Scott received unearned salary compensation totaling \$37,693.19 while employed as a full-time town employee

As the town’s human resources manager, Scott was a full-time salaried nonexempt employee who originally worked onsite for the town. In September 2018, Scott became a part-time employee working remotely offsite with no direct supervision. In March 2019, Scott was reclassified as a full-time employee, but continued to work remotely without supervision. Scott had control of her work schedule but was still expected to meet the required work hours based on her classification at the respective times, 40 hours per bi-weekly pay period as a part-time employee and 80 hours per bi-weekly pay period as a full-time employee.

An examination of Scott’s payroll records and corresponding timesheets show she was paid for the full-time hours she was required to work, based on her classification during the respective pay period, even though the timesheets she submitted reflected less hours actually

worked. From July 2018 to July 2022, Scott submitted 106 timesheets (92 pay periods at full-time, 14 pay periods at part-time) showing that she only actually worked approximately 5,392 hours. However, Scott improperly received compensation for 7,920 hours. Investigators noted Scott worked full-time hours for six pay periods examined, all of which took place during the time Scott was an onsite employee. In total, Scott received \$37,693.19 in unearned salary compensation for 2,528 hours (7,920 less 5,392) she did not work.

The below chart presents the difference between the compensation Scott received for 7,920 hours versus the compensation earned for the 5,392 hours she claimed to work.



Investigators confirmed with the mayor that, as a salaried nonexempt employee, Scott was expected to work full-time hours. The mayor further advised investigators he was not aware of Scott receiving a full-time salary and only working part-time hours.

B. Scott received payroll benefits totaling \$2,929.49 from the town for hours not worked

Scott received town-paid payroll benefits totaling \$2,929.49 for 2,528 hours of work she did not perform. This amount represents prorated matching benefits and payments for Medicare, Social Security, and unemployment insurance cost that the town incurred.

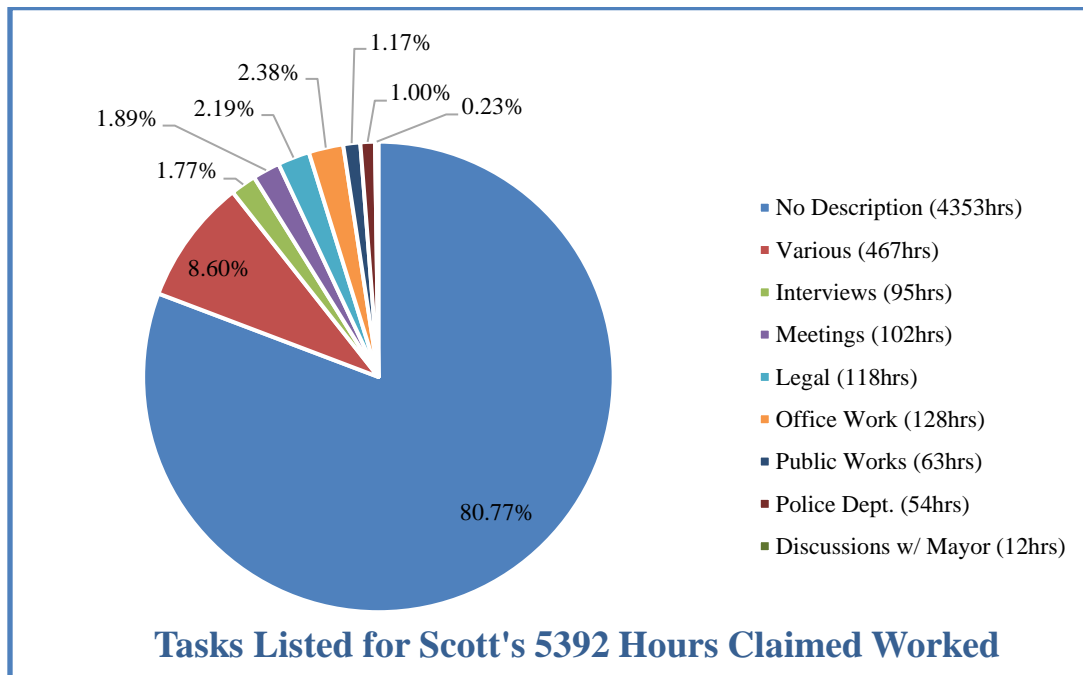
Summary of Michele Scott's Misappropriation from the Town	
Description	Amount
A. Unearned Salary Compensation from Town	\$37,693.19
B. Unearned Payroll Benefits received from Town	2,929.49
Michele Scott's Total Misappropriation from the Town	\$40,622.68

Scott stated to investigators she never paid attention to her hours worked for the town because she was salaried. Scott admitted to investigators some of her incorrect hours were keypunch errors which should have been corrected. Also, Scott admitted she never worked some of the hours for the town and should not have been paid for them.

4. MICHELE SCOTT RECEIVED QUESTIONABLE SALARY FROM THE TOWN TOTALING \$87,270.56

Investigators question the remaining amount of compensation paid to Scott, totaling \$87,270.56, since work product to substantiate her timesheets could not be found. While Scott listed work tasks on some of her timesheets, such as “discussion with mayor, office work, interviews,” etc., investigators found no evidence to support that this work was actually performed. Investigators also noted on at least two occasions that the board voted to decrease Scott’s salary due to lack of work product produced. Investigators analyzed the approximate 5,392 total hours claimed to be worked by Scott and found that 80.77%, approximately 4,353 hours, had no description assigned to them.

The chart below presents the work tasks listed by Scott on her timesheets for the 5,392 hours of claimed work.



In addition, two-thirds of Scott’s salary was paid from the Town’s public works funds. These funds are enterprise funds, and expenditures are restricted to purposes directly related to public works operations per Tenn. Code Ann. § 7-34-115(a). As shown in the chart above, of the approximate 5,392 hours Scott claimed to have worked, 1.17% of this time was designated as directly related to public works related activities, approximately 63 hours.

5. MICHELE SCOTT IMPROPERLY RECEIVED AT LEAST \$10,242.36 IN WAGES AND EMPLOYER PAID BENEFITS FROM THE MEMPHIS-SHELBY COUNTY SCHOOL SYSTEM

Between August 2021 and July 2022, Scott received at least \$10,242.36 in improper payroll payments consisting of overlapping hours and other employer paid benefits from MSCSS as follows:

A. Scott submitted timesheets reflecting the same time worked for both the town and MSCSS totaling \$8,855.34

In August 2021, Scott began working as a full-time employee with MSCSS while still employed by the town. At MSCSS, Scott worked a full-time schedule of 40 hours a week onsite. Investigators compared Scott’s timesheets from the Town with her timesheets at MSCSS and found 127 days with an overlap of time where she received compensation from both entities for the same hours. Between August 2021 and July 2022, Scott claimed to be working for both the town and MSCSS simultaneously for approximately 264 hours. This resulted in \$8,855.34 in improper payroll compensation Scott received from MSCSS.

For example, the chart below presents Scott’s duplicate time reporting on December 14, 2021.

MSCSS timesheets		Town timesheets		Overlap Time	Overlap Hours
Start Time	End Time	Start Time	End Time		
08:00 AM	05:00 PM	12:40 PM	05:46 PM	12:40 PM - 5:00 PM	4:20

As noted above, MSCSS employees are prohibited from engaging in secondary employment duties during time required to fulfill responsibilities of their primary positions with the school system.

B. Scott received payroll benefits totaling \$1,387.02 from MSCSS for unsupported hours worked

Scott received MSCSS employer paid payroll benefits totaling \$1,387.02 for 264 overlapping hours. This represents prorated matching benefits and payments for Medicare, Social Security, unemployment insurance, and TCRS employer contributions cost that MSCSS incurred.

Summary of Michele Scott’s Misappropriation from MSCSS	
Description	Amount
A. Overlapping Hours from MSCSS	\$8,855.34
B. Overlapping Payroll Benefits from MSCSS	1,387.02
Michele Scott’s Total Misappropriation from MSCSS	\$10,242.36

6. THE FORMER MAYOR MISAPPROPRIATED AT LEAST \$8,774.43 FROM THE TOWN OF MASON FOR PERSONAL GAIN

Between December 1, 2015, and December 31, 2018, the former mayor misappropriated at least \$8,774.43 by obtaining unauthorized expense reimbursements, using her town issued credit card for unauthorized transactions, and receiving funds improperly disbursed from the Town’s General Fund for personal travel related expenses as follows:

A. The former mayor misappropriated funds totaling at least \$4,075.71 by receiving improper reimbursements from the Town

Between February 2017 and April 2018, the former mayor misappropriated Town funds totaling at least \$4,075.71 by receiving reimbursements for various expenses including travel, meals, personal expenses, etc. During her tenure as mayor, she traveled to various locations such as the African country of Liberia, New Orleans, Louisiana, and Staten Island, New York for which the town paid her claimed expenses. Investigators confirmed that the board of aldermen did not approve payment of such claimed expenses.

Investigators found that in January 2018, the former mayor traveled to Monrovia, Liberia on a 10-day trip and received reimbursement for \$2,880.92 in various travel and personal expenses, including passport and Visa application fees, postage to mail her Visa application, mileage incurred to mail her passport application, immunizations, and airfare. **(Refer to Exhibit 1.)** According to a former town employee, the former mayor stated that the trip was a personal vacation. Investigators could not substantiate any benefit the town derived from the expense reimbursements paid related to the trip.

Exhibit 1

Receipts for Mayor’s Trip to Liberia	
Plane ticket: R/T Memphis to Monrovia- 01/18/2018 to 01/29/2018	\$2,268.00 ✓
Visa Application	\$ 251.00 20 ✓
Shots	\$ 190.00 ✓
Postage for Visa Application	\$ 50.25 ✓
Preliminary Reimbursement	\$2,759.25*** ✓

Partial supporting documentation submitted by the former mayor for her unauthorized trip to Liberia

In February 2018, the former mayor traveled to New Orleans, Louisiana to attend a three-day leadership training and received \$236.22 for expenses she incurred from the trip. Investigators confirmed that travel expenses associated with this trip were reimbursed directly to her by the

training program. However, she improperly requested and received a duplicate reimbursement from the town.

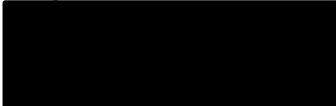
On April 13, 2018, the former mayor traveled to Staten Island, New York for a two-night stay. On April 11, 2018, she requested and received a travel advance check totaling \$277 for expenses related to the trip including an allowance of \$177 for three days of meals, in accordance with the State of Tennessee’s 2018 per diem rates, and two general admission tickets to attend the 2018 Union of Liberian Associations in the Americas (ULAA) Inaugural Ball. When questioned, the former mayor stated to investigators she could not remember why she traveled to New York.

In addition to her unauthorized trips, investigators found the former mayor misappropriated \$681.57 by obtaining reimbursement for a charge made on the town’s credit card, for the purchase of candy for a Halloween party that was made 39 days after the holiday, and a \$500 reimbursement that she received on November 22, 2018, for her personal vehicle insurance deductible (**Refer to Exhibit 2**). According to town aldermen, the former mayor claimed that she had a car accident during the course of town business; however, investigators substantiated that the former mayor was not in travel status when the accident occurred.

Exhibit 2

Date	Expense	Description	Cost
11/22/17	REFUND	Vehicle Deductible	\$500.00
Total Claimed:			\$ 500.00

Please attach receipt. Remember taxes are not reimbursed.


Date
11/22/17
 Approved By Date

The expense reimbursement form for the former mayor’s personal vehicle insurance deductible

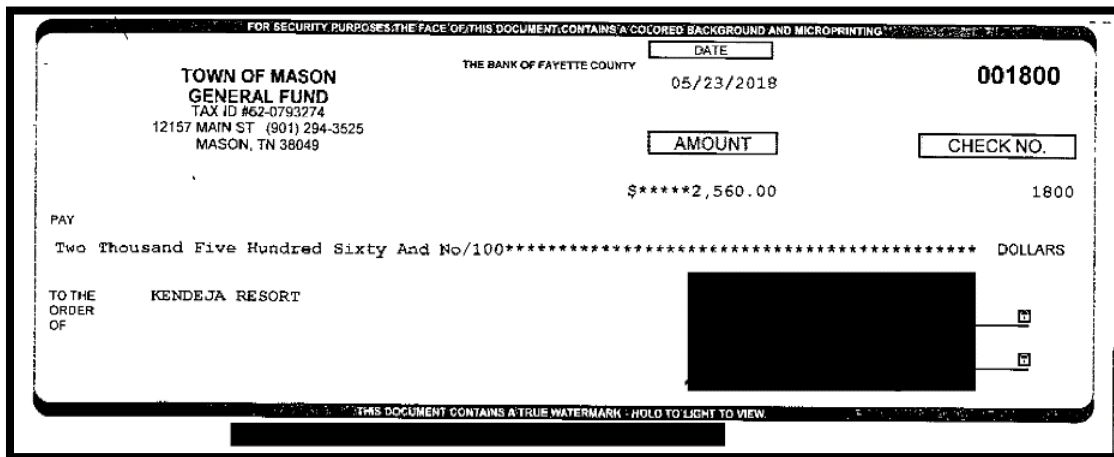
Investigators noted the former mayor approved many of her own expense reimbursement forms she submitted to the town, and in some instances did not complete the required expense form at all. According to the town’s travel policy, expenses qualifying for reimbursement must be directly related to the conduct of town business for which travel was authorized, and must be actual, reasonable, and necessary expenses related to official town business.

Investigators determined these expenses did not qualify for reimbursement since the former mayor's travel was not approved by the board, not documented as being presented to the board in any board meeting minutes, and the expenses were not related to any official town business. Investigators also could not substantiate any benefit the town derived from the expenses paid.

B. The former mayor misappropriated at least \$2,560 for a hotel stay on an unauthorized trip to Liberia

During her trip to Liberia, the former mayor attempted to use her Town issued credit card to pay her hotel bill; however, the card was declined because a travel notice was not filed with the bank prior to the trip. Investigators reviewed the town's General Fund bank statements and found that on May 25, 2018, a check totaling \$2,560 was issued from the town's General Fund to the Kendeja Resort, a hotel located in Liberia, to satisfy the outstanding hotel bill from the unauthorized trip to Liberia (**Refer to Exhibit 3**). The town's purchasing policy states that any purchase over \$2,500 must be authorized by the board. Investigators verified with a former town finance employee and town alderman that the check was never presented to the board for approval, nor was the trip authorized by the board.

Exhibit 3



General Fund check for the hotel bill from the unauthorized trip to Liberia

C. The former mayor misappropriated at least \$2,138.72 in unauthorized credit card transactions

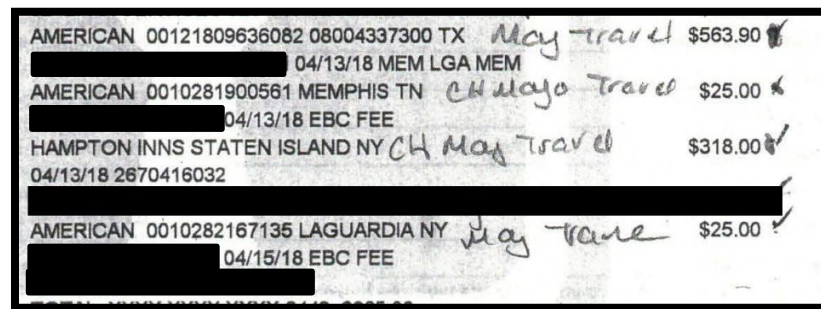
The former mayor was issued a BancorpSouth credit card in December 2015 to use for Town related expenses. Investigators confirmed the former mayor kept her credit card on her person during her term as mayor. Investigators reviewed the town's BancorpSouth credit card statements and found she misappropriated at least \$2,138.72 by using her credit card for unauthorized travel related purchases.

Investigators found that before the former mayor's trip to Liberia, she used her town issued credit card at the Arlington, Tennessee post office to pay \$40 in postage for her passport

application. Investigators also found that while in Liberia, the former mayor used her town issued credit card to purchase meals totaling \$177. Following this purchase the credit card had a hold put on it since the bank had not been notified of her overseas travel. In total, the former mayor misappropriated \$217 in credit card purchases associated with her unauthorized trip to Liberia.

Investigators also confirmed that while the former mayor was in Staten Island, New York, she used her town issued credit card to charge hotel fees, as well as airplane tickets and baggage fees associated with the trip, totaling \$931.90 (**Refer to Exhibit 4**). Town aldermen informed investigators there was no reason for her to stay overnight in Staten Island. Board meeting minutes confirmed that no such travel was approved.

Exhibit 4



Credit card statement showing unauthorized travel related charges in Staten Island, New York

Town credit card statements revealed the former mayor misappropriated \$989.82 in various other travel expenses including a hotel in Little Rock, Arkansas for which no travel was approved and a charge for a rental vehicle that was rented for a total of 14 days. The vehicle was rented for the former mayor and town aldermen to use to attend a training, but none of the aldermen attended trainings during this time, and the former mayor attended training on only two days during that time. Investigators could not substantiate an official reason to use the vehicle for the other 12 days in the rental period.

Summary of the Former Mayor's Misappropriation	
Description	Amount
A. Improper Reimbursements Misappropriations	\$4,075.71
B. Unauthorized Trip and Hotel Payment	2,560.00
C. Unauthorized Credit Card Transactions	2,138.72
The Former Mayor's Total Misappropriation	\$8,774.43

The Town did not receive a benefit from any of the trips the former mayor took, nor did the town benefit from the other improper expense reimbursements and credit card charges made by her. Investigators noted the former mayor served as the first check signor on two of her own misappropriated reimbursement checks and approved many of her expense reimbursement forms.

Town officials stated they were often denied access by town personnel to review the town's credit card statements and other necessary financial documents needed to ensure the town's funds were being properly disbursed.

7. INVESTIGATORS IDENTIFIED \$11,818.67 OF QUESTIONABLE AND UNSUPPORTED CREDIT CARD TRANSACTIONS AND REIMBURSEMENTS FACILITATED BY THE FORMER MAYOR

Investigators identified questionable credit card transactions facilitated by the former mayor on her town issued credit card and expense reimbursements she received from the town. Investigators could not substantiate if these transactions were related to official town business or that they benefited the town in any way.

A. Investigators identified 89 questionable credit card transactions totaling \$11,604.09 facilitated by the former mayor on her Town issued credit card

Investigators found the following questionable transactions facilitated by the former mayor:

- Questionable travel expenses totaling \$2,099.60. These transactions included 11 hotel stays within the State of Tennessee totaling \$1,951.86. These transactions also included \$147.74 in fuel expenses.
- Questionable purchases of meals totaling \$1,462.42. The majority of the meal purchases, 17 out of 21, were at restaurants local to the town.
- Questionable purchases at retail establishments such as Walmart, Amazon, Office Depot, etc. totaling \$5,891.65. Investigators could not find adequate documentation to support the purchases and could not confirm the town received all items purchased.
- Questionable monthly subscription services totaling \$2,150.42. The services included GoDaddy and an electronic fax service. Investigators could not confirm if these services were used by the town.

The town did not maintain adequate documentation for these purchases. Therefore, investigators could not determine whether these purchases were exclusively for the benefit of the town.

B. Investigators identified six questionable reimbursements totaling \$214.58 received by the former mayor

Investigators identified six questionable reimbursements requested and received by the former mayor dated between April 25, 2017, and December 14, 2017 totaling \$214.58, consisting of

\$116.38 in mileage expenses, \$25.41 in meals, \$57.79 for admission to a local banquet, and a \$15 handwritten amount.

The former mayor was eligible to receive expense reimbursement for mileage incurred to attend local events; however, investigators question the purchase of the banquet ticket since reimbursement for mileage was not requested with the ticket. Investigators also could not substantiate that she incurred the mileage expenses during the course of official town business. Investigators question the meal purchases because there was no associated overnight travel as required per the town policy and question the handwritten amount since no documentation detailing the expense was provided.

8. INVESTIGATORS IDENTIFIED \$45,691.81 OF OTHER QUESTIONABLE AND UNSUPPORTED CREDIT CARD TRANSACTIONS AND REIMBURSEMENTS BY TOWN EMPLOYEES

During the analysis of the town's credit card statements, investigators identified 333 questionable credit card transactions totaling \$45,163.02, for purchases related to travel, meals, retailers, services, subscription services, automotive repairs and maintenance, and miscellaneous expenses that were facilitated by other town officials and employees who were issued town credit cards. A portion of this total amount consists of \$13,893.75 in automotive repairs and maintenance purchases. The town did not keep a log detailing the various maintenance and repairs for the town's vehicles, and therefore investigators cannot substantiate if these purchases were made for vehicles the town owned. This total amount also includes \$1,368.60 in electronics purchases where the town could not account for the location of the items when asked by investigators.

Investigators also noted eight questionable reimbursements totaling \$528.79, requested by various town employees for expenses relating to travel, meals, automotive repairs, and a correction to an employee's paycheck. Investigators could not substantiate if the purchases were made in accordance with the town's reimbursement policy and could not determine if the reimbursements were paid by the town to benefit the citizens of Mason.

These questionable credit card purchases and expense reimbursements did not have receipts to support the purchases or did not meet the town's purchasing and travel policy criteria. Therefore, investigators could not determine whether these purchases were exclusively for the benefit of the town.

On March 6, 2023, the Tipton County Grand Jury indicted Reva Marshall on one count of theft over \$10,000, one count of theft under \$1,000, and one count of Official Misconduct.

On March 9, 2023, the Shelby County Grand Jury indicted Reva Marshall on one count of theft over \$10,000 and one count of Official Misconduct.

On March 6, 2023, the Tipton County Grand Jury indicted Michele Scott on one count of theft over \$10,000, one count of theft over \$2,500, and one count of Official Misconduct.

On March 9, 2023, the Shelby County Grand Jury indicted Michele Scott on one count of theft over \$10,000 and one count of Official Misconduct.

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

[Town of Mason Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls and compliance, some of which contributed to the former finance officer, HR director, and former mayor's ability to perpetrate their misappropriations without prompt detection:

Deficiency 1: The board and town officials did not provide adequate oversight of payroll operations

- The board adopted a policy classifying town employees as exempt salaried employees to avoid overtime wages; however, town employees do not qualify as exempt under the criteria set forth in the *Fair Labor Standards Act* (FLSA). The FLSA governs the requirements for exempt salaried employees. Eligible administrative employees must meet all three criteria set forth by the FLSA, (1) the employee must be compensated on a salary or fee basis at a rate not less than \$684 per week (\$455 per week prior to January 1, 2020); (2) the employee's primary duty must be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and (3) the employee's primary duty includes the exercise of discretion and independent judgment with respect to matters of significance. According to the town charter, matters of significance are decided solely by elected town officials, disqualifying any town employee from meeting the criteria required to meet FLSA description of exempt employees.

- The board failed to ensure payroll duties were properly segregated. Investigators noted that department heads approved their own timesheets. Adequate segregation of payroll duties enhances accountability over employee time reporting and reduces the risk that errors or intentional misappropriations will remain undetected.
- Town officials did not retain payroll documents to substantiate changes in employees' pay. Due to the lack of documentation, investigators could not verify that all changes in employees' pay were properly documented and applied to employee salaries. All compensation practices (payroll period, overtime, employee leave, holiday pay, etc.) should be properly authorized by ordinance by the board and documented in the minutes of its meetings. Additionally, all payroll records should be adequately maintained and document authorized pay rates, regular hours worked, overtime worked, and holiday time worked for each employee.
- The board did not vote on itemized payroll expenditures, resulting in a lack of transparency over changes in employees' pay. Certain aldermen informed investigators that town officials did not provide the board with detailed financial records necessary to vote on specific expenditures. As a result, the board was not knowledgeable of many employees' salaries and changes in pay. The board should be provided with detailed documentation that is necessary for decision making.
- The town did not employ adequate procedures to track employee leave balances. Investigators attempted to analyze employee leave balances; however, the town kept no supporting documentation such as leave requests or leave logs, and the town did not track leave in an accurate manner. As a result, investigators could not substantiate if employee leave balances were accurately tracked. The mayor or his/her designee should review and ensure timesheets are accurately calculated, maintained, and comply with the town's personnel policies.

Deficiency 2: The board and town officials did not provide adequate oversight and failed to implement effective internal controls over the use of the town's credit cards

Officials did not provide adequate oversight and did not design or implement effective internal controls over the use of the town's credit cards. Management is responsible for designing effective internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. "Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls" to protect funds, property, and other assets from fraud, waste, or abuse per Tenn. Code Ann. § 9-18-102(a). Providing adequate oversight and establishing internal controls reduces the risks errors or intentional misappropriations will remain undetected. The town had the following internal control deficiencies related to the use of credit cards:

- The town failed to establish a written credit card policy to provide guidance to town employees regarding the proper use of the town's credit cards, resulting in a lack of oversight over the town's finances. Without a formal credit card policy, employees are not properly advised of the limitations on their credit card purchases. The lack of a written credit card policy increases the risk of improper use or misappropriation of town funds.

- The town did not have adequate procedures to track the use of town issued credit cards. Investigators noted the town did not maintain a logbook that detailed town employees who requested to use the town's credit cards for purchases. The town issued BancorpSouth credit cards to a total of 16 individuals including various town officials, department heads, and employees. Investigators discovered employees were using town credit cards that were not issued to them, resulting in the inability to discern if purchases were made for the benefit of the town. The board should provide written guidance identifying those who are entitled to use the credit cards and the purposes for which the credit cards can be used. The guidance should prohibit personal use of town credit cards, prohibit employees sharing the credit cards, and provide guidance for the business use of the credit cards.
- Town officials did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for many credit card transactions. Investigators could not determine whether these disbursements were for the benefit of the town. Requiring adequate supporting documentation, such as invoices or receipts, allows management to verify the payment is proper and reasonable.
- Those with purchasing authority did not always issue purchase orders/authorizations. The town's purchasing policy requires purchase orders/authorizations for all purchases. Purchase orders/authorizations are necessary to control who has purchasing authority and to document purchasing commitments. The failure to properly issue purchase orders/authorizations increases the risk of unauthorized purchases.

Deficiency 3: The board and town officials did not provide adequate oversight of the town's General Fund checking account

Tenn. Code Ann. § 9-18-102(a) requires "Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls" to protect funds, property, and other assets from fraud, waste, or abuse. The town had unauthorized check signers listed on the General Fund checking account. According to Section 13 of the town's charter, "The board may designate other officers to sign such checks in the absence or disability of the mayor or town recorder". Investigators reviewed board meeting minutes and noted there were two check signers listed on the town's General Fund checking account that were not approved by the board, resulting in unauthorized access to the town's funds. Proper board approval of who is allowed access to the town's financial accounts safeguards the town's financial resources and reduces the risk of financial loss.

Deficiency 4: The town's cell phone policy did not provide adequate guidelines in the official use of assigned cell phones

The town's cell phone policy did not provide adequate guidelines for the official use of assigned cell phones. In January 2021, the town paid service fees for at least 17 cellular lines, 10 of which were cell phones issued to various town officials and department heads. The town's personnel policy addresses the use of cell phones; however, the policy does not specify who may use town cell phones. The board should provide written guidance by identifying those who are entitled to

town cell phones and the purpose for which the phones can be used to reduce the risk of abuse of town assets.

Deficiency 5: The town did not maintain a vehicle log to track maintenance and repairs for vehicles

The town did not maintain a vehicle log to track maintenance and repairs for town vehicles and did not adequately monitor, review, or scrutinize vehicle parts invoices charged to the town's credit card account. Vehicle parts invoices frequently did not include enough detail to determine which vehicle make and model the part would fit. As a result, investigators could not determine whether these purchases were exclusively for the benefit of the town.

Deficiency 6: The town had deficiencies related to employee travel

The investigation revealed the following deficiencies and noncompliance with the town's travel policy, which are a result of a lack of management's oversight and their failure to implement adequate internal control procedures over travel related transactions.

- The town did not ensure that records of proper authorization for travel were retained. Many credit card transactions and expense reimbursements reflected overnight travel in various locations within Tennessee; however, no documentation was provided to reflect if the employee was attending training or other official travel trips for the benefit of the town. Retaining supporting documentation in compliance with town policy helps ensure only approved travel is incurred by town personnel.
- The board did not ensure that town employees were following the town's travel policy pertaining to meals. The town reimburses employees for meals in accordance with the State of Tennessee's per diem rates, which requires that overnight travel must be associated with meal expenses. The analysis of credit card statements and expense reimbursements revealed many employees were using the town's credit cards to purchase meals that were not for official travel for overnight stay. The board should enforce the town's travel and meal policy to ensure the town only pays for meals associated with overnight travel and for official town business.

Deficiency 7: The town did not have a written inventory policy and did not maintain adequate inventory records

The town did not have a written inventory policy and did not adequately account for its equipment purchases. The town did not require perpetual inventory examination for town assets or establish a change-of-custody system ensuring all property is properly accounted for in the town's records. Investigators conducted an inventory count of the town's electronic equipment that was purchased during the period reviewed and found that the town could not account for \$1,368.60 worth of electronic equipment, including three laptops, a digital camera, and one home printer. Investigators performed a physical observation and noted inventory logs were incomplete. Management should maintain a current inventory of equipment purchased for the department. Without a written inventory policy, the board cannot ensure the town's assets are properly

safeguarded, and that assets are used for authorized purposes. A lack of accountability over the town's assets increases the risk of loss.

Deficiency 8: The town did not ensure consultants' duties were limited to their contractual agreed-upon services

From April 2016 to July 2022, the town contracted with multiple consultants to assist in various planning, information technology, and accounting functions within the town. According to the town's charter, "The vice mayor shall perform the duties of the mayor during the mayor's temporary absence or inability to act". Town employees stated that different consultants were sometimes left in charge in the mayor's absence, which is a violation of the town's charter and organizational chart. Aldermen and employees were often denied access by consultants to various financial documents to which they were entitled to examine. Investigators requested financial documents from town employees and were told only town financial consultants had access to town's financial records. Additionally, investigators witnessed decision making being exercised by consultants on matters delegated to the board and in direct conflict to decisions by the board. In one instance, a payment was board approved; however, financial consultants instructed employees to not mail the check.

Investigators also could not determine the benefit certain consultants provided to the town. The town entered a contract with a financial consultant to handle payroll processing and in house accounting matters. The town also contracts with a CPA firm for accounting matters outside the scope of work the contracted financial consultant performs. Tenn. Code Ann. § 6-56-402, requires each municipality to employ a certified municipal finance officer (CMFO) who has oversight responsibilities regarding the municipality's financial operations. The town financial consultant does not hold a CMFO designation, requiring the town to hire a third accounting firm to meet that requirement. The board should ensure the town follows the guidelines prescribed in the town's charter and follow the order of the town's organizational chart. The board should also review all consultants' contracts annually to assess benefit to the town and monitor all work performed.

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