



COMPTROLLER'S INVESTIGATIVE REPORT

Crockett County Mayor's Office

June 4, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

June 4, 2024

Crockett County Mayor's Office
and Crockett County Commissioners
10 South Bells Street
Alamo, TN 38001

Crockett County Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Crockett County Mayor's Office, 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 28th 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

Crockett County Mayor's Office

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Crockett County Mayor's Office. The investigation was initiated after the Comptroller's Division of Local Government Audit identified and reported irregularities involving purchases made with a Crockett County credit card. The investigation was limited to selected records for the period December 1, 2014, through October 31, 2022; however, investigators expanded the scope to include suspected payroll irregularities for the period May 1, 2013, through April 30, 2024. The results of the investigation were communicated with the Office of the District Attorney General of the 28th Judicial District.

BACKGROUND



Crockett County (county), Tennessee is governed by an elected mayor and a 24-member board of commissioners. The Crockett County Mayor's Office (mayor's office), located in Alamo, Tennessee, employs two individuals for accounting functions: a bookkeeper and an administrative assistant. Tenn. Code Ann. § 5-6-108 provides that the county mayor is the accounting officer and general agent of the county and is charged with the care and custody of county property. Pursuant to Tenn. Code Ann. § 5-6-116, the county mayor is authorized to employ clerical assistants needed in the performance of the duties of the office of county mayor, and "[t]he county mayor shall establish the compensation of any such assistant within the amount appropriated for such purpose by the county legislative body."

Michelle Spraggins was hired as a full-time bookkeeper for the mayor's office on December 1, 1999. Spraggins was responsible for purchasing, which included issuing checks and recording payments into the accounting software, preparing payroll for all county employees, attending county meetings, preparing meeting minutes and agendas, preparing county budgets, and assisting with other office duties as needed. On April 17, 2024, Spraggins was suspended without pay from her position with the mayor's office.

RESULTS OF INVESTIGATION

1. BOOKKEEPER MICHELLE SPRAGGINS MISAPPROPRIATED COUNTY FUNDS TOTALING AT LEAST \$167,458.62

Between May 1, 2013, and April 30, 2024, Spraggins knowingly misappropriated county funds totaling at least \$167,458.62 from the mayor's office by using county-issued Bancorp South credit cards for personal purchases, including personal monthly Verizon cell phone bills (\$101,069.22), and received unauthorized payroll and benefits (\$66,389.40).

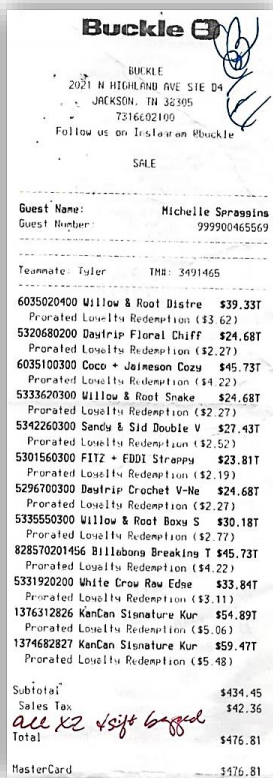
A. Spraggins misappropriated county funds by making unauthorized personal purchases totaling at least \$101,069.22

- *Spraggins made unauthorized personal purchases using the mayor's office credit card totaling at least \$65,696*

Investigators discovered unauthorized personal purchases totaling at least \$65,696 on the mayor's office credit card statements. Prior to January 2016, Spraggins used a county credit card issued to the mayor. In January 2016, Spraggins was issued a county credit card with her name affixed to be used for county-affiliated purchases outside of local vendors.

Investigators analyzed the county credit card statements and corresponding receipts and found that between March 1, 2015, and October 31, 2022, Spraggins transacted unauthorized personal purchases totaling at least \$65,696. These purchases included but were not limited to clothing items, cosmetics, cat and dog food, gasoline, groceries, jewelry, party and school supplies, toys, and outdoor furniture. Additional unauthorized personal purchases were made for multiple baby care items, including, but not limited to, diapers, wipes, highchairs, and a stroller. The unauthorized personal purchases were from retailers such as Victoria's Secret, Buckle, Marshalls, Journeys, Amazon, Toys "R" Us, and Walmart (**Refer to Exhibit 1**).

Spraggins concealed her misappropriations by recording payments to various inaccurate expense line items. For example, cat food purchases were recorded as an expense for rabies control. Spraggins also recorded payments for clothing to the expense account of "other public health and welfare" and falsely indicated on the receipts and purchase orders (POs) that the items were for nonprofit organizations such as The Carl Perkins Center, County Appointed Special Advocates (CASA), Crockett Christmas Store, and Friend2Friend. Investigators confirmed that these items were not purchased for the respective departments and organizations. Investigators interviewed officials with the organizations referenced in the expense records and determined that only one of these organizations had received monetary donations from the county. Officials for the remaining organizations stated they had never received any type of donation from the county.



Receipts submitted by Spraggins for unauthorized personal purchases.

Spraggins told investigators that she reconciled her own county-issued credit card statements by recording payments to various expense line items and ensuring that there were receipts for the purchases. Spraggins asserted that other county departments used her county-issued credit card for purchases and signed their names on the receipts they submitted. Spraggins claimed to have purchased items for other county departments and families in need as well. Spraggins also stated that she had not seen any questionable purchases on her county-issued credit card statements that someone could not explain.

Investigators confirmed that other county departments did not use Spraggins' county-issued credit card as she claimed. Instead, they routinely used charge accounts or their respective department's county-issued credit card to purchase supplies. Inadequate oversight and minimal segregation of duties within the mayor's office enabled Spraggins to make unauthorized purchases, improperly record payments to various expense line items, and reconcile credit card statements and payments, thereby concealing her misappropriations for more than seven years.

- Spraggins misappropriated county funds by paying her personal Verizon cell phone bill totaling at least \$35,373.22

Investigators identified monthly charges to Verizon for cell phone services on the county's credit card statements. Prior to January 2016, these charges appeared on the county credit card issued to the mayor. Beginning in January 2016, these charges appeared on the county credit card issued to Spraggins. The mayor's office could not provide details for the associated charges. Investigators confirmed all official county cell phone bills were paid by check.

Investigators determined that a Verizon account, established in January 2004, belonging to Spraggins, was paid using the county-issued credit card. As of November 14, 2023, the Verizon account consisted of three cell phone lines and connectivity services for three Apple Watches. Due to Verizon's record retention policy, records prior to January 2015 could not be obtained.

Investigators analyzed the available records provided by Verizon and compared the information to county credit card statements. Investigators discovered that between January 2015 and October 2022, Spraggins knowingly made personal unauthorized purchases to Verizon using county-issued credit cards totaling at least \$35,373.22 for her family cell phone plan. Other charges to the county-issued credit cards found on her Verizon bills included Apple Air Pods, a Disney+ subscription, cloud storage, and cell phone accessories.

Investigators confirmed with county officials that Spraggins was not authorized to make payments to Verizon for her personal cell phone bill with a county-issued credit card.

Summary of Unauthorized Personal Verizon Payments by Fiscal Year

Fiscal Year	Amount
2014-2015 (December-June)	\$ 1,949.53
2015-2016	4,858.88
2016-2017	4,171.99
2017-2018	3,638.82
2018-2019	3,707.52
2019-2020	5,141.70
2020-2021	5,511.68
2021-2022	5,023.15
2022-2023 (June-October)	1,369.95
Total	\$35,373.22

Spraggins claimed that the Verizon charges on the county-issued credit cards were not for her personal Verizon bill. However, investigators confirmed that the three cell phone numbers associated with the Verizon account belonged to Spraggins and two of her children.

B. Spraggins improperly received \$66,389.40 in unauthorized wages and employer-paid benefits

Between May 14, 2013, and April 12, 2024, Spraggins received \$66,389.40 in unauthorized wages and employer-paid benefits from the county as follows:

- *Spraggins improperly received payroll payments totaling \$58,124.15*

While serving as bookkeeper, Spraggins was responsible for all payroll functions for county employees. Spraggins was also responsible for preparing budget worksheets, making budget entries, and ensuring that county departments were not operating over budget. Spraggins' full-time salary was approved by the County Commission and paid from the county mayor's employee salary account.

Investigators analyzed payroll records and discovered that Spraggins received additional unauthorized payroll compensation from the county mayor's General Fund "other contracted services" line item account. Funds in this account were intended to pay outside vendors for contract services performed. Investigators discovered that on May 14, 2013, Spraggins paid herself \$5,000 for contracted services, the total amount budgeted for the "other contracted services" account in the fiscal year 2012-2013. On September 12, 2013, Spraggins began paying herself \$208.33 each pay period from this account, totaling \$4,999.92 each fiscal year. Investigators found that Spraggins received 259 unauthorized payroll payments.

Spraggins stated that salaried employees were paid at their agreed-upon salary rate, which was budgeted. She also asserted that she began receiving an additional \$5,000 per year as a contracted worker for attending meetings and recording meeting minutes, which she claimed was approved by the mayor.

Investigators confirmed with the mayor that he was unaware Spraggins was receiving additional monies from the "other contracted services" line item account. Investigators were informed that Spraggins was only authorized to receive a base salary that was approved by the County Commission, with no other supplemental pay. Additionally, attending meetings and recording meeting minutes was part of Spraggins' regular job duties.

Spraggins maintained primary control over the accounting functions of the mayor's office. Without management oversight and sufficient segregation of duties, she was able to issue improper payroll checks from the "other contracted services" line item account to herself through regular payroll without detection.

- *Spraggins received improper payroll benefits totaling \$8,265.25 for unauthorized wages*

Spraggins received improper payroll benefits totaling \$8,265.25 for unauthorized wages posted to the county mayor's General Fund "other contracted services" account. This amount represents matching benefits and payments for Social Security, Medicare, and

Tennessee Consolidated Retirement System (TCRS) contribution costs that the county incurred.

Summary of Michelle Spraggins' Misappropriation	
Description	Amount
Unauthorized Personal Purchases	\$65,696.00
Verizon Unauthorized Personal Purchases	35,373.22
Unauthorized Wages	58,124.15
Improper Payroll Benefits Received	8,265.25
Total Misappropriation	\$167,458.62

2. INVESTIGATORS IDENTIFIED AT LEAST \$36,207.85 IN QUESTIONABLE CREDIT CARD PURCHASES

Investigators identified at least \$36,207.85 in questionable credit card purchases made using Spraggins' county-issued credit card. These purchases occurred at various retail establishments including, but not limited to, Amazon, Bed Bath & Beyond, Fred's, Merle Norman, TJ Maxx, and Walmart. The items purchased consisted of Christmas decor, electronics, and travel accommodations. These questionable credit card purchases either lacked accompanying receipts to support the purchases or were not identified as county purchases. Therefore, investigators could not determine who made the purchases or if these purchases were for the sole benefit of the county.

3. MICHELLE SPRAGGINS ALTERED DOCUMENTS TO CONCEAL HER MISAPPROPRIATION

In October 2022, the Comptroller's Division of Local Government Audit (audit) made an inquiry into the mayor's office year-end financial review. In response to this inquiry, Spraggins presented falsified documents to audit staff and county officials to justify the questionable charges for the Verizon cell phone service and department store purchases. The falsified receipts from Verizon were created using copies of previously paid Verizon bills emailed to Spraggins' government email address with the account number removed. Spraggins attempted to conceal the payments on the county-issued credit cards by writing erroneous reasons for the Verizon payments. In one instance, Spraggins noted "monthly EMS antennas & extenders" or "Mi-Fi Extenders" on the receipts and then recorded the expense to the county building communication's budgetary line item (**Refer to Exhibit 2**). Spraggins also made multiple purchases of items, such as Apple Air Pods, and used duplicate receipts to conceal the purchases.

Exhibit 2

The collage consists of three overlapping documents. On the left is a BancorpSouth BusinessCard statement for Michelle Spraggins, dated December 23, 2019, showing a total payment of \$487.25. In the center is a Crockett County Government Purchase Order for \$487.25, listing items such as 'Monthly extenders & MiFi router-courthouse'. On the right is a Verizon payment confirmation email sent to Michelle Spraggins at her county email address, dated Thursday, December 12, 2019, for a payment of \$487.25.

Verizon payment for \$487.25 (left). Fictitious PO with line-item expense recorded to county buildings communication (middle). Payment confirmation was sent to Spraggins' county email address with the description "Monthly extenders & MiFi router-courthouse" (right).

4. MICHELLE SPRAGGINS FORGED DOCUMENTS TO CONCEAL HER MISAPPROPRIATION

Investigators were advised that Spraggins forged county employees' names on receipts and POs to conceal her misappropriation by making it appear that other individuals were making or requesting the purchases.

Spraggins told investigators that the employees signed their names on the receipts. However, investigators confirmed that purchases were not made on behalf of the county department listed and multiple signatures on POs and receipts did not belong to the individuals listed on those documents.

On June 3, 2024, the Crockett County Grand Jury indicted Michelle Spraggins for one count of Theft of Property over \$60,000, one count of Fraudulent Use of a Credit Card over \$60,000, one count of Forgery over \$60,000, and one count of Official Misconduct.

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

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance, some of which contributed to Spraggins' ability to perpetrate her misappropriation without prompt detection.

Deficiency 1: County officials did not provide adequate oversight and failed to implement effective internal controls over the use of the county's credit cards and purchasing procedures

Officials did not provide adequate oversight and did not design or implement effective internal controls over the use of the county'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. Pursuant to Tenn. Code Ann. § 9-18-102, "[e]ach 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. Providing adequate oversight and establishing internal controls reduces the risk that errors or intentional misappropriations will occur and remain undetected. The county had the following internal control deficiencies related to the use of credit cards:

- The county failed to establish a written credit card policy to provide guidance to county employees regarding the proper use of the county's credit cards, resulting in a lack of oversight over the county's finances. Without a formal credit card policy, employees are not properly advised of the limitations and restrictions on their credit card purchases. The lack of a written credit card policy increases the risk of improper use or misappropriation of county funds.
- The county did not have adequate procedures to track the use of county-issued credit cards. Investigators discovered the county did not maintain a logbook or record of county employees who requested to use the county's credit cards for purchases. The county should provide written guidelines identifying those individuals who are entitled to use the credit cards and the authorized purposes for which the credit cards can be used. The guidance should include prohibitions against personal use of county credit cards, and employees sharing credit cards and should provide appropriate parameters for the business use of the credit cards.
- Purchase orders were not consistently used. The county's purchasing policy requires purchase orders/authorizations for all purchases over \$350. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. To strengthen internal controls over purchasing procedures and to document purchasing commitments, the county should issue purchase orders for all applicable purchases, including the date of issuance and the dollar amounts of items purchased. Invoices should be maintained on file to support all purchases. The failure to use purchase orders increases the risks of unauthorized purchases.

- County officials did not acquire or retain credit card statements, invoices, vendor receipts, or other adequate supporting documentation for numerous credit card transactions. Without proper supporting documentation, investigators could not determine whether certain disbursements were for the sole benefit of the county. Requiring and maintaining adequate supporting documentation, such as invoices or receipts, allows county officials to verify that all disbursements are proper and for the exclusive benefit of the county, and decreases the risk of errors or misappropriations occurring without prompt detection.
- County credit card purchases were not reconciled with monthly statements and reviewed by supervisory personnel. There were inadequate controls over the use of county-issued credit cards. Employees who used county-issued credit cards turned in receipts for most purchases; however, investigators discovered that administrative staff did not match or compare all receipts to the monthly credit card statements or review the credit card charges for appropriateness before payment. This greatly increases the risk that unauthorized or personal purchases can be made on a county-issued credit card without detection.

Deficiency 2: County officials failed to separate financial responsibilities adequately and to provide increased oversight when appropriate

County officials failed to separate financial duties adequately. Officials allowed Spraggins to make and approve purchases charged on the county's Bancorp South accounts, to record the payment expense in the accounting software, and to reconcile the purchases to the credit card statements. Spraggins was responsible for accounting, financial reporting, grant management, payroll, and personnel. She approved all invoices and made entries into the accounting software. Essentially, she maintained complete managerial control over these transactions. Investigators also discovered that she was the sole reviewer of her original credit card statements, which allowed her misappropriation scheme to remain undetected for over seven years.

Additionally, Spraggins was allowed to appropriate funds from the General Fund account "other contracted services" line item to pay herself an unauthorized additional salary. Separating financial duties adequately reduces the risk that errors or misappropriations will occur and remain undetected.

Deficiency 3: County officials did not sign employees' timesheets as evidence of review and approval

County officials did not review or sign employees' timesheets during the investigative period. County officials should review and ensure timesheets are accurately calculated, maintained, and comply with the county's personnel policies. Failure to review and approve timesheet records increases the risk of improper or incorrect payroll and benefit payments.

Deficiency 4: County officials paid state and local taxes

County officials paid state and local sales taxes on credit card purchases during the period reviewed. As a government entity, the county mayor's office possesses a sales tax-exempt status on the purchase of qualifying goods and services. Failure to follow proper purchasing procedures

in conjunction with the county mayor's office tax-exempt status increases the risk of unnecessary expenditures.

Deficiency 5: County officials failed to provide all county department heads with an annual report of budgetary spending from the General Fund

County officials did not provide all county department heads with records showing budget balances and expenditure amounts for spending purposes. For budgetary awareness, county department heads should be provided with an updated expenditure report of departmental spending each month.

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