



## COMPTROLLER'S INVESTIGATIVE REPORT

# City of Chattanooga Division of Transportation

*February 19, 2025*

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



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

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City of Chattanooga Mayor  
and City Council Members  
101 E 11<sup>th</sup> Street  
Chattanooga, TN 37302

City of Chattanooga Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Chattanooga Department of Transportation, 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 11<sup>th</sup> Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## City of Chattanooga Division of Transportation

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Chattanooga Division of Transportation. The investigation was initiated after the City of Chattanooga officials reported questionable payroll transactions. The investigation was limited to selected records for the period January 1, 2017, through December 31, 2022. The results of the investigation were communicated with the Office of the District Attorney General of the 11<sup>th</sup> Judicial District.

### BACKGROUND



The City of Chattanooga is located in Hamilton County, Tennessee, and was incorporated in 1839. As of 2023, the city has approximately 187,000 residents and is the fourth largest city in Tennessee. The Chattanooga Division of Transportation Traffic Operations Division (division) maintains city streets, including installing and maintaining traffic signals. The division's traffic signal electricians are responsible for performing routine maintenance of city traffic signals and responding to calls about malfunctioning traffic signals.

In June 2021, the City of Chattanooga Office of Internal Audit (OIA) performed an investigation of time reporting practices of traffic signal electricians that resulted in investigative findings of falsified overtime records. Prior to the OIA review of the division, Employee 1 and Employee 2 worked in the role of Traffic Signal Electrician 2, and Employee 3 worked as a Traffic Electrician 1. As a result of OIA's investigative findings, Employee 1 and Employee 2 received administrative hearing notices on June 14, 2021. Employee 2 resigned effective June 17, 2021, and Employee 1 resigned effective June 18, 2021. Employee 3 was promoted to Traffic Signal Electrician 2 on August 20, 2021; however, OIA performed additional analysis related to overtime records submitted by Employee 3 and issued an additional investigative finding regarding his falsified overtime on October 28, 2021. Employee 3 received an administrative hearing notice for November 19, 2021, and retired effective November 30, 2021.

In 2022, the portion of the division that included traffic signal electricians rebranded itself as the Smart City Division. Its oversight moved from the Division of Transportation to the Department of Technology Services.

## RESULTS OF INVESTIGATION

### 1. THREE FORMER TRAFFIC SIGNAL ELECTRICIANS MISAPPROPRIATED AT LEAST \$79,219.54 FROM THE CITY OF CHATTANOOGA DIVISION OF TRANSPORTATION

Three former traffic signal electricians misappropriated at least \$79,219.54 from the division by receiving compensation for time not worked. Traffic signal electricians are often called to work on evenings and weekends to address reports of malfunctioning traffic signals. The division rotates call-back duties (also referred to as call-outs) between each traffic signal electrician. The traffic signal electrician on call-back duty is typically on call for one calendar week and uses a city-issued cell phone to receive reports of malfunctioning traffic signals.

Upon receiving a call reporting a traffic signal malfunction, the traffic signal electrician responds by reviewing the traffic intersection on the city's computerized traffic signal application or by visiting the traffic intersection in person and assessing the reported malfunction. The City of Chattanooga *Employee Information Guide* (EIG) outlines pay guidelines for city employees responding to after-hours calls as follows:

Non-exempt employees who are unexpectedly called back to their office or a work area due to an urgent situation after normal working hours shall receive two (2) regular hours of call-back pay in addition to the actual number of hours worked.

Non-exempt employees who are expected to respond to an urgent situation by telephone or computer shall be paid for actual time worked when responding to each situation requiring an immediate response. If the employee is still needed to report to work after normal working hours, then he/she will receive two (2) additional hours of call-back pay in addition to the actual number of hours worked. Employees must log hours on a time sheet which will then be used as documentation to support changes in the City's time clock system and/or payroll system and will be submitted as part of the City's permanent payroll record. Compensable time shall not include the time it takes to travel to and from the office or work area by the most direct route.

Calls received by traffic signal electricians are documented on a monthly call log provided to the city by its cell phone service provider. Most calls regarding traffic signal malfunctions originate from the Hamilton County "911" Emergency Communications District (district), which are also documented as part of district dispatch records..

Investigators analyzed timesheets, payroll records, district dispatch records, call-back phone logs, and any available authorization of emergency overtime forms (AEOs) for the former traffic signal

electricians. Investigators found that phone logs and dispatch records did not support call-back claims made by the three former traffic signal electricians.

**A. Employee 1 received at least \$41,020.62 in unearned wages and employer-paid benefits**

Employee 1 received at least \$41,020.62 in unearned wages and employer-paid benefits from the division for time not worked. Of this amount, investigators noted that between January 2017 and April 2021:

- Call-back records were unsupported by the call-back phone log or dispatch records totaling \$38,784.65 in unearned wages and employer-paid benefits, and
- Call-back records were falsified to increase the unearned wages and employer-paid benefits totaling \$2,235.97.

**B. Employee 2 received at least \$25,158.38 in unearned wages and employer-paid benefits**

Employee 2 received at least \$25,158.38 in unearned wages and employer-paid benefits from the division for time not worked. Of this amount, investigators noted between January 2017 and April 2021:

- Call-back records were unsupported by the call-back phone log or dispatch records totaling \$23,290.10 in unearned wages and employer-paid benefits, and
- Call-back records were falsified to increase the unearned wages and employer-paid benefits totaling \$1,868.28.

**C. Employee 3 received at least \$13,040.54 in unearned wages and employer-paid benefits**

Employee 3 received at least \$13,040.54 in unearned wages and employer-paid benefits from the division for time not worked. Of this amount, investigators noted between April 2017 and November 2021:

- Call-back records were unsupported by the call-back phone log or dispatch records totaling \$11,473.05 in unearned wages and employer-paid benefits, and
- Call-back records were falsified to increase the unearned wages and employer-paid benefits totaling \$1,567.49.

**Summary of Misappropriation**

<b>Former Traffic Signal Electrician</b>	<b>Amount</b>
A. Employee 1	\$41,020.62
B. Employee 2	\$25,158.38
C. Employee 3	<u>\$13,040.54</u>
<b>Total</b>	<b><u>\$79,219.54</u></b>

In February 2025, the City of Chattanooga received a \$5,000 check for deposit on behalf of Employee 1 and a \$2,000 check for deposit on behalf of Employee 2.

**2. THE CITY OF CHATTANOOGA OFFICE OF INTERNAL AUDIT AND DEPARTMENT OF TECHNOLOGY SERVICES FAILED TO COOPERATE EFFECTIVELY WITH INVESTIGATORS**

**A. The City of Chattanooga Office of Internal Audit did not report allegations to the Comptroller’s Office as required by state statute**

The City of Chattanooga Office of Internal Audit (OIA) first received the allegations of electricians falsifying overtime records in May 7, 2021. OIA performed its own investigation of the allegations before reporting their investigative conclusions to the Comptroller’s Office on June 9, 2021. Tenn. Code Ann. § 8-4-503 states, “A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time to the office of the comptroller of the treasury.” Tenn. Code Ann. § 8-4-502(3) defines “a reasonable amount of time” as no more than five working days.

OIA continued analysis of the matter and failed to report additional allegations within the division. After turning over the initial investigative file to Comptroller investigators, OIA analyzed reported time and GPS records of Employee 3. OIA auditors sent an update on the status of this review to division management in an email on July 12, 2021, in which said they would consider asking the Comptroller’s Office for assistance in obtaining records. They did not request such assistance, and did not report information related to the allegation to the Comptroller’s Office at that time.

In a letter dated October 28, 2021, OIA informed the former division director that auditors had found evidence that Employee 3 had also falsified call-back claims for overtime. OIA did not share this information with the Comptroller’s Office at that time. OIA gave the Comptroller’s Office this information at the request of the Comptroller’s Office after investigators learned of the OIA findings during an interview.

Investigators met with the City of Chattanooga’s internal audit director, audit committee chair, and chief legal counsel in March and April 2022 to communicate the responsibility of local government officials to report suspected fraud, waste, and abuse. Despite these



meetings, investigators learned in November 2022 that OIA had received an additional allegation and was reviewing the matter without reporting it to the Comptroller's Office. OIA staff shared the content of the allegation with division management, who warned the subject of the allegation that he was under investigation. OIA's failure to report allegations to the Comptroller's Office and sharing allegations with potential witnesses interfered with the Comptroller's Office investigation.

**B. City of Chattanooga officials failed to retain GPS data from city vehicles assigned to traffic signal electricians**

During the scope of the investigation, the City of Chattanooga used Comet GPS trackers on city vehicles assigned to traffic signal electricians. In the summer of 2021, the City of Chattanooga transitioned the city vehicles assigned to traffic signal electricians to the Samsara GPS system. Officials in the Chattanooga Department of Public Works and the Chattanooga Department of Information Technology, which oversaw the transition from Comet to Samsara, did not retain a back-up of past Comet GPS data. As a result, investigators were unable to review GPS records. City of Chattanooga officials should ensure that retention policies are designed and implemented to prevent the loss of data.

**C. The City of Chattanooga Department of Technological Services took four months to provide investigators with readily available information**

Investigators first requested call-back phone records from the City of Chattanooga Department of Technological Services (DTS) on November 8, 2021. The DTS business manager did not provide all available records until March 8, 2022, four months after the investigators' initial request. OIA investigative workpapers revealed that in July 2021, the DTS business manager provided the same records to OIA auditors in 10 days. City officials should design and implement policies to ensure City of Chattanooga employees respond in a timely manner to Comptroller investigative or audit requests.

**INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES**

Our investigation revealed deficiencies in internal control and compliance, some of which contributed to the ability of former traffic signal electricians to obtain unearned compensation without prompt detection:

**Deficiency 1: Division management failed to segregate time approval duties and did not provide adequate oversight of the traffic signal electricians**

Through interviews and a review of time reporting policies, timesheets, and AEOs, investigators found that division management failed to segregate time approval duties and did not provide adequate oversight which led to questionable timekeeping practices.

- A. The division's standard operating procedures authorized traffic signal electricians to claim 2 hours of time worked for call-backs regardless of actual time worked in violation of city policy*

The 2015, 2019, and 2021 revisions of the City of Chattanooga’s EIG state, “If the employee is still needed to report to work after normal working hours, then he/she will receive two (2) additional hours of call-back pay in addition to the actual number of hours worked.” However, the 2018 revision of the division’s standard operating procedures states, “The call-out electrician shall earn for each callout a minimum of 2 hours per call out, unless a second call is received during the servicing of the first call, then actual time worked will be compensated in excess of the 2 hours.” Division procedures should align with City of Chattanooga policies.

*B. Division management did not review call-back phone logs, resulting in incomplete records*

In his interview with investigators, Employee 2 stated that he forwarded calls from the call-back phone to his personal cell phone. Investigators found that prior to July 2019, the call log for the call-back phone indicated when a call was forwarded. Investigators observed that calls claimed by Employee 2 were often denoted as forwarded. Beginning in July 2019, forwarded calls no longer appeared on the call-back log. Because division supervisors did not review supporting documentation when approving time, the supervisors did not discover this omission and did not know that the call-back records retained by the City of Chattanooga were ultimately incomplete. City of Chattanooga officials should design and implement policies and procedures to ensure that phone records for call-backs are maintained and reviewed.

*C. AEOs were not reviewed by a second approver*

AEOs submitted for call-back time claims made by traffic signal electricians contained lines for two approval signatures. However, investigators observed that throughout the scope of this investigation, AEOs were not reviewed or signed by a second approver. City of Chattanooga officials should review and implement time approval procedures to ensure and document the validity and accuracy of call-back claims by traffic signal electricians.

*D. Some AEOs were missing*

Investigators analyzed AEOs provided by division officials and found that not all call-backs claimed by the employees who misappropriated were supported by AEOs. Division officials should ensure that documentation is collected and maintained for all call-back claims.

*E. The division’s standard operating procedures were not finalized*

Multiple City of Chattanooga officials provided investigators with a copy of the division’s standard operating procedures. The procedures were documented on a Microsoft Word document with unaddressed tracked changes and comments. Division management also provided a copy of the OIA review of the procedures in which auditors recommended multiple changes to the policy; these suggested changes were not adopted.



**Deficiency 2: City of Chattanooga officials did not have a record retention policy for GPS data**

City of Chattanooga officials did not design or implement a record retention requirement for location and activity data collected from GPS devices on city vehicles. The City of Chattanooga had a records retention schedule that listed types of information and the lengths of time for which information must be retained throughout the scope of the investigation, but GPS records were not included in the retention schedule. Retaining data collected from GPS devices on City of Chattanooga vehicles would ensure that information is available for supervisory and oversight purposes. City of Chattanooga officials should consider designating and implementing a policy to ensure that GPS data is retained.

City of Chattanooga officials indicated that they have corrected or intend to correct these deficiencies.

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