
STATE OF TENNESSEE

**SPECIAL REPORT ON THE
JEFFERSON COUNTY FINANCE OFFICE**

**FOR THE PERIOD JULY 1, 2011,
THROUGH MARCH 7, 2014**



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JEFFERSON COUNTY FINANCE OFFICE
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November 12, 2014

To the Jefferson County Mayor, and
Jefferson County Board of County Commissioners
Jefferson County, Tennessee

On March 17, 2014, we received allegations of credit card irregularities at the Jefferson County Finance Office. Subsequently, we conducted an investigation of the allegations in coordination with the Tennessee Bureau of Investigation for the period July 1, 2011, through March 7, 2014. Our investigation identified a cash shortage of at least \$144,797.95. This cash shortage resulted from county checks remitted for payment of balances on the personal accounts of Teresa Crusenberry, an employee of the Finance Office.

We reviewed the findings resulting from this investigation with the Jefferson County Mayor and the district attorney general. These findings, recommendations, and management's response are presented in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Arnette", enclosed in a rectangular box.

Jim Arnette, Director
Division of Local Government Audit

cc: Honorable James Dunn, District Attorney General

**SPECIAL REPORT ON THE
JEFFERSON COUNTY FINANCE OFFICE**

For the Period July 1, 2011, through March 7, 2014

Background

On March 13, 2014, the finance director informed us that he had been contacted by a credit card company (Card Services) concerning payments on a personal credit card account that had been made by county checks. The county checks had been remitted for payment of balances on the personal account of Teresa Crusenberry, an employee of the Finance Office. We notified the district attorney general of these improprieties, and an agent with the Tennessee Bureau of Investigations (TBI) was assigned to assist in the investigation.

The following deficiencies were noted:

FINDING 2014-001 **THE FINANCE DEPARTMENT HAD A CASH SHORTAGE OF AT LEAST \$144,797.95 AS OF MARCH 7, 2014**
(Material Noncompliance Under *Government Auditing Standards*)

We examined disbursements made from the Finance Office to Card Services for the period July 1, 2011, through March 7, 2014. We also reviewed disbursements made by the Finance Office to other credit card companies, as well as payments to other selected vendors for the same time period. The TBI obtained documentation from the credit card companies and other vendors so we could determine the accounts to which the payments were credited. Based on our examination, we determined that as of March 7, 2014, Ms. Crusenberry had disbursed county funds of at least \$144,797.95 to pay her personal credit card and vendor accounts. These payments are summarized in the following table.

Vendor	Number of Checks	Amount
Card Services	31	\$ 77,627.63
Bank Card Center	35	58,949.77
U.S. Cellular	25	4,930.70
Kohl's	6	1,817.76
Chase Card Services	1	1,472.09
		<hr/>
Total Cash Shortage		\$ 144,797.95
Refunded by Card Services		<u>(6,564.61)</u>
Remaining Cash Shortage		<u><u>\$ 138,233.34</u></u>

In an apparent effort to conceal the improper payments, the accounting records had been altered so the name of the payee on the accounting records was in many instances different from the name of the actual payee on the check.

Ms. Crusenberry made the payments from various funds maintained by the Finance Office as summarized in the following table.

Fund	Number of Checks	Payments	Refunded by Card Services	Remaining Cash Shortage
General	89	\$ 123,423.35	\$ (6,564.61)	\$ 116,858.74
Solid Waste/Sanitation	2	5,017.04	0.00	5,017.04
Highway/Public Works	1	700.46	0.00	700.46
General Purpose School	2	3,758.87	0.00	3,758.87
Landfill	4	11,898.23	0.00	11,898.23
				0.00
Total		\$ 144,797.95	\$ (6,564.61)	\$ 138,233.34

The amount reflected in the above tables as “Refunded by Card Services” is the amount refunded to Jefferson County by Card Services on April 7, 2014. This amount was for payments processed by Card Services after they were informed by the finance director that the payments were not related to county expenses. As of the date of this report, the remaining cash shortage of \$138,233.34 has not been recovered.

In addition to the transactions discussed above, we are awaiting documentation from other vendors, which could result in an additional cash shortage amount. If any additional cash shortage is identified, it will be communicated in a future report.

A lack of management oversight, the failure of management to adequately segregate duties, and a software weakness that allowed the payee’s name on the check to be changed without updating the vendor list contributed to the opportunity for the cash shortage to occur and not be detected by county personnel.

Ms. Crusenberry stopped showing up for work on March 13, 2014; however, her employment was officially terminated on March 20, 2014. She was indicted by the Jefferson County Grand Jury on one count of theft over \$60,000 and official misconduct on August 25, 2014. She is awaiting trial on those charges.

RECOMMENDATION

County officials should take immediate steps to collect the remaining cash shortage totaling \$138,233.34. Steps should be taken to improve management oversight and internal controls to minimize the risk of misappropriation of county assets. Management should also ensure that the weakness in software controls, which allowed the name of the payee to be changed on the accounting records, is resolved.

FINDING 2014-002

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Material Weakness Under *Government Auditing Standards*)

Duties related to disbursing funds were not adequately segregated among the official and employees in the Office of Finance Director. The accounting software utilized by Jefferson County generates the actual check including the authorized signatures. The employees responsible for the disbursement of funds also issue purchase orders, process invoices for payment, print the checks, update the vendor list, and file the paid invoices. Likewise it should be noted that the employees also have control of the county issued credit cards. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions and is a material weakness in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Management should segregate duties to the extent possible using available resources. Also, management should exercise more control over the county's credit cards.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The Jefferson County Finance Department has implemented measures to correct the issues related to this finding. We believe the software weakness that was discovered due to this problem was a significant factor in the employee's ability to misappropriate funds. This problem has also been corrected. At this point the county has insurance coverage so there will not be a loss of taxpayer dollars.