



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

December 2, 2019

MEMORANDUM

TO: Honorable Justin P. Wilson  
Comptroller of the Treasury

FROM: Jim Arnette, Director  
Division of Local Government Audit

A handwritten signature in black ink, appearing to read "Jim Arnette".

SUBJECT: Cash Shortages and Other Thefts  
for Tennessee Municipalities and Other Organizations Subject to  
Contract Audit or Oversight for Fiscal Years Ended 2017 and Earlier

The Division of Local Government Audit has compiled the enclosed cash shortages and other thefts exhibits for the fiscal years ended 2017 and earlier for municipalities and other organizations subject to contract audit or oversight. The information contained herein is based upon information in investigative reports released by the Division of Investigations of the Tennessee Comptroller's Office as well as contract audits submitted by Certified Public Accounting firms to our division. As of the date of this memo, seventeen of the 2017 contract audits have not been filed with our office.

The enclosed exhibits represent instances of reported cash shortages and other thefts, including balances from prior years, which have not been resolved through restitution, insurance, write-off, or other means. Following is a summary of total audited entities by type in relation to the number of entities reporting current and/or prior-year balance(s) in the exhibits.

Description		Total Number of Entities	Reporting Cash Shortages and Thefts
Municipalities		342	37
Schools	Internal School Funds	148	22
	Public Charter Schools	59	0
Quasi Governments	Utility Districts	177	4
	Housing Authorities	85	16
	Other Quasi Governments <sup>1</sup>	192	4
Nonprofits, Other <sup>2</sup>		262	3
Total		1265	86

Additionally, the following unaudited entities reported cash shortages and other thefts:

Entity Type	Description	Total Number of Entities	Reporting Cash Shortages and Thefts
Unaudited Entities	Nonprofit Organizations	Not Available	4
	School Support Organizations	Not Available	4
	Volunteer Fire Departments	Not Available	1
Total		Not Available	9

Please let me know if you have any questions regarding the information provided.

Enclosures: Exhibit A – Schedule of Cash Shortages and Other Thefts  
 Exhibit B – Explanations of Cash Shortages and Other Thefts

This report is available at <https://www.comptroller.tn.gov/>

<sup>1</sup> “Other Quasi Governments” include, but are not limited to, joint ventures between governments, legally separate component units of other governments, human resource agencies, development districts, and community action agencies.

<sup>2</sup> “Nonprofits, Other” include nonprofit and for-profit organizations that are audited as required by state contracts and agreements in connection with public dollars received by the respective organizations.

**Report of Cash Shortages and Other Thefts  
Municipalities and Other Organizations Subject to Contract Audit or Oversight  
Reported in Comptroller Investigative Reports and Annual Financial Audits  
Fiscal Years Ended 2017 and Earlier**

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 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for Fiscal Years Ended 2017 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<b>MUNICIPALITIES</b>							
<b>Adams</b>							
1. General Government	6/30/2016	(3)	\$ 3,500	\$ 775	\$ 0	\$ (775)	\$ 0
<b>Alcoa</b>							
2. Education Department	6/30/2014	3/3/2014	344,204	194,876	0	(41)	194,835
<b>Allardt</b>							
3. Water Department	6/30/2017	(3)	540	0	540	0	540
<b>Burlison</b>							
4. General Government	6/30/2017	3/7/2018	748	0	748	(748)	0
<b>Chapel Hill</b>							
5. General Government/Fire Department	6/30/2013	(3)	3,130	3,130	0	0	3,130
<b>Clarksville</b>							
6. Broadband Division	6/30/2017	(3)	585	0	585	(585)	0
Gas, Water and Sewer Department	6/30/2016	6/17/2016	47,518	47,518	0	(5,940)	41,578
Parks and Recreation Department	6/30/2017	(3)	59	0	59	(59)	0
<b>Collinwood</b>							
7. General Government	6/30/2013	4/7/2014	879	879	0	0	879
Recreation Department	6/30/2013	4/7/2014	1,865	1,865	0	0	1,865
Water Department	6/30/2013	4/7/2014	91,682	38,256	0	0	38,256
Water Department	6/30/2012	(3)	76,497	76,497	0	(40,000)	36,497
General Government	6/30/2009	2/6/2012	20,375	20,375	0	(319)	20,056
Water Department	6/30/2009	2/6/2012	63,803	63,803	0	(960)	62,843
<b>Cornersville</b>							
8. General Government	6/30/2015	(3)	7,023	7,023	0	(7,023)	0
Police Department	6/30/2015	(3)	1,000	1,000	0	(1,000)	0
<b>Decherd</b>							
9. Water and Sewer Department	6/30/2017	9/18/2017	210,774	0	210,774	0	210,774

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<b>Dyer</b>							
10. General Government	6/30/2014	(3)	225	225	0	(225)	0
<b>Elizabethton</b>							
11. Electric Department	6/30/2017	(3)	3,000	0	3,000	0	3,000
<b>Gadsden</b>							
12. General Government	6/30/2013	12/10/2014	35,241	35,241	0	0	35,241
<b>Gallatin</b>							
13. General Government	6/30/2017	4/19/2017	1,173	0	1,173	(1,173)	0
<b>Harriman</b>							
14. Recreation Department	6/30/2013	(3)	25,000	25,000	0	0	25,000
<b>Jackson</b>							
15. General Government	6/30/2017	(3)	17,400	0	17,400	(700)	16,700
Health and Sanitation Department	6/30/2017	(3)	521	0	521	(521)	0
Public Welfare and Community Service	6/30/2016	(3)	770	770	0	(770)	0
<b>Jellico</b>							
16. General Government	6/30/2013	6/5/2014	96,450	96,450	0	0	96,450
<b>Knoxville</b>							
17. Finance Department	6/30/2017	(3)	1,446	0	1,446	(1,446)	0
Public Works Department	6/30/2017	(3)	5,000	0	5,000	(5,000)	0
<b>Lakeland</b>							
18. General Government	(4)	(3)	5,961	5,961	0	0	5,961
General Government	(4)	(3)	32,259	12,759	0	(4,760)	7,999
<b>Lenoir City</b>							
19. Board of Education	6/30/2017	(3)	8,162	0	8,162	(8,162)	0
<b>Luttrell</b>							
20. General Government	6/30/2016	6/2/2016	120,506	120,506	0	(54,500)	66,006
<b>Mason</b>							
21. General Government	6/30/2014	7/19/2016	75,744	75,744	0	(75,744)	0

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<b>Entity Name</b>	<b>Fiscal Year First Reported (1)</b>	<b>Comptroller Investigative Report Release Date (2)</b>	<b>Original Amount of Shortage</b>	<b>Beginning/ Carry-Forward Balance</b>	<b>Current Year Increase</b>	<b>Current Year Reduction</b>	<b>End of Year Balance</b>
Water Department	6/30/2014	7/19/2016	602,865	602,865	0	(602,865)	0
<b>Maury City</b>							
22. Accounting Department	6/30/2013	(3)	2,300	2,300	0	(2,300)	0
<b>23. Memphis</b>							
General Services Division	6/30/2017	(3)	5	0	5	0	5
Public Works Division	6/30/2017	(3)	9,489	0	9,489	0	9,489
Public Works Division	6/30/2017	(3)	21,000	0	21,000	0	21,000
Library Division	6/30/2016	(3)	917	917	0	0	917
Public Works Division	6/30/2016	(3)	258	258	0	0	258
Police Division	6/30/2015	(3)	4,800	302	0	0	302
Public Works Division	6/30/2015	(3)	40	40	0	0	40
General Government	6/30/2014	(3)	24,012	24,012	0	0	24,012
<b>Morristown</b>							
24. Police Department	6/30/2015	7/8/2015	6,000	500	0	(500)	0
<b>Mount Pleasant</b>							
25. Police Department	(4)	(3)	1,578	0	1,578	(1,578)	0
<b>Oakland</b>							
26. General Government	6/30/2016	4/18/2017	1,352	1,352	0	(1,352)	0
Parks and Recreation Department	6/30/2016	4/18/2017	6,631	6,631	0	(6,631)	0
<b>Philadelphia</b>							
27. General Government	6/30/2013	5/14/2014	6,714	4,985	0	0	4,985
<b>Pittman Center</b>							
28. General Government	6/30/2017	12/20/2017	600	0	600	0	600
<b>Ridgely</b>							
29. General Government	6/30/2016	(3)	73	73	0	(73)	0
<b>Rockwood</b>							
30. General Government	6/30/2012	2/27/2013	32,725	32,725	0	0	32,725
<b>Rogersville</b>							
31. Water Department	6/30/2017	4/18/2018	263,574	0	263,574	0	263,574

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<b>Samburg</b>							
32. General Government	6/30/2016	2/15/2017	31,759	31,759	0	(3,381)	28,378
<b>Scotts Hill</b>							
33. General Government	6/30/2017	(3)	893	0	893	(893)	0
<b>Sevierville</b>							
34. Electric Department	6/30/2017	(3)	5,998	0	5,998	(2,240)	3,758
<b>Tellico Plains</b>							
35. Water and Sewer Department	6/30/2015	9/21/2015	819	819	0	0	819
<b>Unicoi</b>							
36. General Government	6/30/2013	(3)	671	671	0	(671)	0
<b>37. Whiteville</b>							
Water and Sewer Department	6/30/2016	(3)	1,878	1,878	0	(1,878)	0
General Government	6/30/2016	(3)	439	439	0	(439)	0
General Government	6/30/2015	(3)	728	680	0	(680)	0
General Government	6/30/2014	(3)	5,128	3,842	0	(3,842)	0
General Government	6/30/2013	(3)	11,291	5,741	0	(2,650)	3,091
<b>Total Municipalities</b>			<b>\$ 2,347,577</b>	<b>\$ 1,551,442</b>	<b>\$ 552,545</b>	<b>\$ (842,424)</b>	<b>\$ 1,261,563</b>
<b>INTERNAL SCHOOL FUNDS</b>							
<b>Claiborne County Schools</b>							
38. Powell Valley Elementary School	6/30/2017	4/19/2017	\$ 6,694	\$ 0	\$ 6,694	\$ 0	\$ 6,694
<b>Clarksville-Montgomery County Schools</b>							
39. Kenwood Middle School	6/30/2017	(3)	151	0	151	(151)	0
Montgomery Central High School	6/30/2017	(3)	242	0	242	(242)	0
<b>Clinton City Schools</b>							
40. South Clinton Elementary School	6/30/2016	(3)	390	390	0	0	390
<b>Davidson County Schools</b>							
41. Glenclyff High School	6/30/2015	(3)	2,814	2,814	0	(2,814)	0

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<b>Dyersburg City Schools</b>							
42. Dyersburg High School	6/30/2014	(3)	3,085	3,085	0	0	3,085
<b>Fayette County Schools</b>							
43. Buckley-Carpenter Elementary School	6/30/2017	(3)	17	0	17	0	17
Northwest Elementary School	6/30/2015	(3)	191	191	0	0	191
Oakland Elementary School	6/30/2017	(3)	17	0	17	0	17
Oakland Elementary School	6/30/2016	(3)	50	50	0	0	50
<b>Giles County Schools</b>							
44. Richland High School	6/30/2017	(3)	800	0	800	0	800
<b>Hamilton County Schools</b>							
45. Red Bank High School	6/30/2017	(3)	400	0	400	(400)	0
Tyner Academy	6/30/2017	(3)	1,450	0	1,450	(1,450)	0
<b>Hancock County Schools</b>							
46. Hancock County Middle/High School	6/30/2016	(3)	900	900	0	(900)	0
<b>Hardeman County Schools</b>							
47. Bolivar Central High School	6/30/2015	(3)	1,500	1,355	0	(400)	955
Toone Elementary School	6/30/2017	5/21/2018	2,125	0	2,125	(840)	1,285
Toone Elementary School	6/30/2017	(3)	11	0	11	0	11
<b>Henry County Schools</b>							
48. Henry County High School	6/30/2016	(3)	658	658	0	(304)	354
<b>Humboldt City Schools</b>							
49. East End Elementary	6/30/2017	(3)	475	0	475	0	475
<b>Humphreys County Schools</b>							
50. Lakeview Elementary School	6/30/2013	7/10/2014	8,983	7,203	0	0	7,203
<b>Jackson-Madison County Schools</b>							
51. Liberty Technology Magnet High School	6/30/2017	(3)	144	0	144	0	144
Madison Academic High School	6/30/2017	(3)	200	0	200	0	200
<b>Lawrence County Schools</b>							
52. EO Coffman Middle School	6/30/2013	(3)	6,350	6,350	0	0	6,350

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<b>Lincoln County Schools</b>							
53. Ninth Grade Academy	6/30/2017	(3)	10	0	10	(10)	0
<b>Marion County Schools</b>							
54. Whitwell High School	6/30/2010	6/10/2014	35,332	27,491	0	(11,114)	16,377
<b>Robertson County Schools</b>							
55. Springfield High School	6/30/2017	(3)	1,291	0	1,291	0	1,291
<b>Sequatchie County Schools</b>							
56. Sequatchie County Middle School	6/30/2012	10/13/2016	18,322	18,322	0	0	18,322
<b>Shelby County Schools</b>							
57. Charjean Elementary School	(4)	(3)	731	0	731	0	731
Germantown Middle School	6/30/2017	(3)	714	0	714	0	714
Kate Bond Middle School	6/30/2017	(3)	1,339	0	1,339	0	1,339
Trezevant High School	(4)	(3)	5,749	0	5,749	0	5,749
Manassas High School	6/30/2016	(3)	3,500	3,500	0	0	3,500
White Station High School	6/30/2016	(3)	1,120	1,120	0	0	1,120
Chimneyrock Elementary School	6/30/2015	(3)	2,924	2,924	0	0	2,924
Cordova High School	6/30/2015	(3)	1,056	176	0	0	176
Hamilton High School	6/30/2015	(3)	9,178	9,178	0	0	9,178
Alton Elementary School	6/30/2014	(3)	1,107	1,107	0	0	1,107
Arlington High School	6/30/2014	1/16/2014	171,954	171,954	0	0	171,954
Carver High School	6/30/2014	(3)	814	814	0	0	814
Chickasaw Middle School	6/30/2014	(3)	1,102	1,102	0	0	1,102
Colonial Middle School	6/30/2014	(3)	1,000	1,000	0	0	1,000
Corry Middle School	6/30/2014	(3)	1,814	1,814	0	0	1,814
Evans Elementary School	6/30/2014	(3)	1,458	1,458	0	0	1,458
Frayser High School	6/30/2014	(3)	9,000	9,000	0	0	9,000
Germanshire Elementary School	6/30/2014	(3)	860	860	0	0	860
Holmes Road Elementary School	6/30/2014	(3)	350	350	0	0	350
Holmes Road Elementary School - SACC Program	6/30/2014	(3)	24,928	24,928	0	(24,928)	0
Kingsbury High School	6/30/2014	(3)	3,375	3,375	0	0	3,375
Kirby High School	6/30/2014	(3)	1,500	1,500	0	0	1,500
Lester Middle School	6/30/2014	(3)	1,922	1,922	0	0	1,922
Melrose High School	6/30/2014	(3)	11,377	3,928	0	0	3,928
Newberry Elementary School	6/30/2014	(3)	9,830	9,830	0	0	9,830

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Northside High School	6/30/2014	(3)	2,073	2,073	0	0	2,073
Oak Forest Elementary School	6/30/2014	(3)	765	765	0	0	765
Peabody Elementary School	6/30/2014	(3)	18,000	18,000	0	0	18,000
Ross Elementary School	6/30/2014	(3)	299	299	0	0	299
Southwest Prep Academy School	6/30/2014	(3)	1,180	1,180	0	0	1,180
Trezevant High School	6/30/2014	(3)	11,877	11,877	0	0	11,877
William H. Brewster Elementary School	6/30/2014	(3)	4,000	4,000	0	0	4,000
Wooddale Middle School	6/30/2014	(3)	1,900	1,900	0	0	1,900
<b>Sullivan County Schools</b>							
58. Sullivan North High School	6/30/2017	1/27/2017	1,200	0	1,200	(1,200)	0
<b>Sumner County Schools</b>							
59. Bethpage Elementary School	6/30/2017	(3)	29	0	29	(29)	0
Rucker-Stewart Middle School	6/30/2017	(3)	55	0	55	0	55
Station Camp Elementary School	6/30/2017	(3)	187	0	187	0	187
William Burrus Elementary School	6/30/2017	(3)	111	0	111	(111)	0
<b>Total Internal School Funds</b>			<b>\$ 402,980</b>	<b>\$ 360,743</b>	<b>\$ 24,142</b>	<b>\$ (44,893)</b>	<b>\$ 339,992</b>
<b>UTILITY DISTRICTS</b>							
60. Chuckey Utility District and Cross Anchor Utility District	6/30/2013	8/18/2014	\$ 209,454	\$ 207,390	\$ 0	\$ 0	\$ 207,390
61. Crab Orchard Utility District	12/31/2017	(3)	1,300	0	1,300	(1,300)	0
62. Webb Creek Utility District	12/31/2014	9/3/2014	43,929	43,929	0	0	43,929
<b>Total Utility Districts</b>			<b>\$ 254,683</b>	<b>\$ 251,319</b>	<b>\$ 1,300</b>	<b>\$ (1,300)</b>	<b>\$ 251,319</b>
<b>HOUSING AUTHORITIES</b>							
63. Oliver Springs Housing Authority	9/30/2017	5/3/2018	\$ 149,517	\$ 0	\$ 149,517	\$ (14,236)	\$ 135,281
64. Smyrna Housing Authority	12/31/2015	(3)	14,210	14,210	0	0	14,210
65. South Pittsburg Housing Authority and South Pittsburg Elderly Housing Authority	6/30/2015 6/30/2015	12/17/2015 7/14/2015	273,956	273,956	0	(12,405)	261,551

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<b>66. Other Related Thefts - Tenant Income Falsifications</b>							
Chattanooga Housing Authority	12/31/2017	(3)	132,656	20,852	132,656	(111,234)	42,274
Cleveland Housing Authority	6/30/2017	(3)	6,180	93,644	6,180	(99,824)	0
Columbia Housing & Redevelopment Corp.	12/31/2017	(3)	3,560	0	3,560	0	3,560
Columbia Housing & Redevelopment Corp.	12/31/2016	(3)	820	730	0	(494)	236
Dickson Housing Authority	6/30/2014	(3)	4,971	1,070	0	(550)	520
Etowah Housing Authority	9/30/2016	(3)	69,221	67,131	0	(6,720)	60,411
LaFollette Housing Authority	9/30/2017	(3)	795	0	795	(795)	0
Lewisburg Housing Authority	12/31/2011	(3)	4,559	4,944	2,477	(2,314)	5,107
Martin Housing Authority	9/30/2015	(3)	6,068	8,973	3,987	(7,860)	5,100
Murfreesboro Housing Authority	3/31/2017	(3)	76,220	112,787	76,220	(161,477)	27,530
Oak Ridge Housing Authority	9/30/2015	(3)	13,812	4,123	8,941	(3,246)	9,818
Shelbyville Housing Authority	12/31/2015	(3)	2,307	1,202	0	(1,202)	0
Sweetwater Housing Authority	12/31/2015	(3)	5,456	233	0	(4)	229
<b>Total Housing Authorities</b>			<b>\$ 764,308</b>	<b>\$ 603,855</b>	<b>\$ 384,333</b>	<b>\$ (422,361)</b>	<b>\$ 565,827</b>
<b>NONPROFIT ORGANIZATIONS</b>							
67. Faith Specialized Care Services, Inc.	12/31/2016	(3)	\$ 2,465	\$ 2,465	\$ 0	\$ (2,465)	\$ 0
68. Madison-Haywood Developmental Services, Inc.	6/30/2016	(3)	202	202	0	(202)	0
69. United Neighborhood Health Services, Inc.	1/31/2016	(3)	2,500	2,500	0	(2,500)	0
<b>Total Nonprofit Entities</b>			<b>\$ 5,167</b>	<b>\$ 5,167</b>	<b>\$ 0</b>	<b>\$ (5,167)</b>	<b>\$ 0</b>

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Municipalities and Other Organizations Subject to Contract Audit or Oversight  
as Reported in Comptroller Investigative Reports and Annual Financial Audits for Fiscal Years Ended 2017 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry- Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<i>OTHER GOVERNMENTAL ENTITIES</i>							
70. Bradley-Cleveland Community Services Agency	6/30/2017	(3)	\$ 1,350	\$ 0	\$ 1,350	\$ 0	\$ 1,350
71. Douglas-Cherokee Economic Authority, Inc.	6/30/2018	9/13/2018	22,036	0	22,036	0	22,036
72. Upper Cumberland Human Resource Agency	6/30/2017	(3)	261	0	261	0	261
73. Watauga River Regional Water Authority	6/30/2015	5/4/2015	11,325	11,325	0	0	11,325
<b>Total Other Governmental Entities</b>			<b>\$ 34,972</b>	<b>\$ 11,325</b>	<b>\$ 23,647</b>	<b>\$ 0</b>	<b>\$ 34,972</b>
<b>Total Audited Entities</b>			<b>\$ 3,809,687</b>	<b>\$ 2,783,851</b>	<b>\$ 985,967</b>	<b>\$ (1,316,145)</b>	<b>\$ 2,453,673</b>
<i>UNAUDITED ENTITIES</i>							
<i>NONPROFIT ORGANIZATIONS</i>							
74. Community Prevention Coalition of Jackson County	Unaudited	5/13/2019	\$ 46,335	(6)	\$ 46,335	(6)	(6)
75. Lewis County Soil Conservation District	Unaudited	11/7/2018	2,713	(6)	2,713	(6)	(6)
76. Mississippi River Corridor – Tennessee, Inc.	Unaudited	2/20/2019	1,083,264	(6)	1,083,264	(6)	(6)
77. Volunteer Energy Cooperative	Unaudited	11/28/2018	994,981	(6)	994,981	(6)	(6)
<i>SCHOOL SUPPORT ORGANIZATIONS</i>							
78. Balmoral Ridgeway Elementary School PTO - Shelby County Schools	Unaudited	6/11/2018	2,487	(5)	2,487	(5)	(5)
79. Cumberland Elementary School PTO - Metro Nashville Public Schools	Unaudited	11/20/2018	17,725	(5)	17,725	(5)	(5)
80. H.G. Hill Middle School PTO - Metro Nashville Public Schools	Unaudited	3/21/2019	31,490	(5)	31,490	(5)	(5)
81. South Middle School Trojan Athletic Booster Club - Franklin County Schools	Unaudited	11/8/2018	4,927	(5)	4,927	(5)	(5)

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for Fiscal Years Ended 2017 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<b><i>VOLUNTEER FIRE DEPARTMENTS</i></b>							
82. Keith Springs Volunteer Fire Department	Unaudited	1/24/2019	20,293	(5)	20,293	(5)	(5)
<b>Total Unaudited Entities</b>			<b>\$ 2,204,215</b>	<b>n/a</b>	<b>\$ 2,204,215</b>	<b>n/a</b>	<b>n/a</b>

**Footnotes:**

- (1) Annual audit reports are located on the Division of Local Government Audit's website at <https://www.comptroller.tn.gov/advanced-search.html>.
- (2) Comptroller investigative reports are located on the Division of Investigation's website at <https://www.comptroller.tn.gov/office-functions/investigations/find.html>.
- (3) No separate investigation was conducted by the Tennessee Comptroller of the Treasury, Division of Investigations.
- (4) Annual audit reports did not include cash shortages and thefts information; however separate schedules were filed with the Division of Local Government Audit.
- (5) Organizations that do not have a statutory annual audit requirement, carry-forward amounts, reductions for restitution, insurance, and/or write-off amounts, and ending balances are not available.
- (6) Organizations that do not have an audit for the current period due to changes in funding or certain situations, current year increase amounts, reductions for restitution, insurance, and/or write-off amounts, and ending balances are not available.

**Division of Local Government Audit  
Explanations of Cash Shortages and Other Thefts  
Municipalities and Other Organizations Subject to Contract Audit or Oversight  
as Reported in Comptroller Investigative Reports and Annual Financial Audits  
for Fiscal Years Ended 2017 and Earlier**

***Municipalities***

**1. Adams**

*General Government* – A former city recorder wrote a \$3,500 check to herself from city funds according to documentation provided by the current city recorder.

Disposition: The former city recorder repaid \$2,725 to the city, which resulted in an ending balance of \$775 that was resolved as of June 30, 2017.

**2. Alcoa**

*Education Department* – At the request of the District Attorney General for the Ninth Judicial District, the Office of the Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, performed an investigative audit of suspected financial irregularities by the former treasurer of the Tennessee Attendance Supervisors Steering Committee. During the course of the audit, investigators discovered the former treasurer had also served as the former federal projects administrative assistant for the Alcoa City School District and as the former treasurer for the East Tennessee Attendance Supervisors Association. Therefore, the scope of the audit was expanded to include transactions that involved these entities. The scope covered the period from July 1, 2007, through May 16, 2013; however, it was expanded as necessary. An investigative report was issued on March 3, 2014, by the Office of the Tennessee Comptroller of the Treasury that revealed a cash shortage of at least \$344,204.

The former federal projects administrative assistant submitted falsified invoices for payment from the Alcoa City School District's federal projects grants program to the City of Alcoa that totaled \$270,344. In addition, the investigative audit of the Alcoa City School District's credit card transactions disclosed this individual improperly charged \$55,874 to the district for personal use by exclusively using MasterCard Business, Wal-Mart, and Staples credit cards. The former federal projects administrative assistant for the Alcoa City School District submitted \$17,986 in unauthorized travel expenses to the City of Alcoa for reimbursement by forging school officials' signatures on travel claims to indicate approval in order to receive unauthorized reimbursements.

Disposition: The Alcoa City School District is seeking restitution through the court system and from the city's insurer to recover the funds. As of June 30, 2017, the insurer paid the city \$149,000. In addition, restitution payments of \$369 have been made, which resulted in an ending balance of \$194,835.

**3. Allardt**

*Water Department* – A \$540 cash shortage related to water fund collections was reported during the audit for the fiscal year ended June 30, 2017. City officials are not certain what happened to these funds.

Disposition: The city filed a claim with its insurance company, which is pending as of June 30, 2017.

**4. Burlison**

*General Government* – An investigative report for the Town of Burlison was issued by the Office of the Tennessee Comptroller of the Treasury on March 7, 2018. An investigation of selected records of the town disclosed a former town recorder used public funds on three occasions to pay \$748 of personal expenses. During an interview with the individual, she admitted to investigators that she paid her personal auto loan with public funds through one of the town's online bank accounts; however, investigators discovered two other personal transactions of which one was for a personal medical bill. The town recorder also informed investigators that her personal online accounts and the town's two accounts were "tied" together at the same banking institution. Bank officials informed investigators the town recorder tied the accounts together by using the same pin number.

Disposition: The former employee subsequently refunded the town \$748 for the three personal transactions. The town recorder resigned from office on October 17, 2017. The former town recorder was indicted by the Tipton County Grand Jury on three counts of theft under \$1,000 and three counts of official misconduct on March 5, 2018.

**5. Chapel Hill**

*General Government – Fire Department* – The audit for the Town of Chapel Hill for the fiscal year ended June 30, 2013, reported the town identified a fictitious invoice, theft of property, and misuse of town assets. Town officials notified the appropriate authorities, and the Tennessee Bureau of Investigation investigated the allegations.

Disposition: Town officials terminated the responsible employee and took steps to strengthen their internal controls. Subsequent to June 30, 2013, the case went to court, and the former employee was indicted on theft of property between \$1,000 and \$10,000 and ordered to pay \$3,130 of restitution to the town. The town had not received restitution as of June 30, 2017.

**6. Clarksville**

*Broadband Division* – A review of internal controls at the City of Clarksville indicated a jump box valued at \$500 was missing from a maintenance garage. In addition, an employee used a missing gas card on two occasions to put gas in his personal vehicle.

Disposition: As of June 30, 2017, the employee involved in these incidents resigned, returned the missing jump box valued at \$500, and he paid restitution of \$85 for the gas purchases for his personal vehicle.

## Exhibit B

*Gas, Water and Sewer Department* – The Office of the Tennessee Comptroller of the Treasury, in conjunction with the Clarksville Police Department, investigated allegations of malfeasance related to the Gas, Water and Sewer Department. It was determined a former materials management technician misappropriated gas and water funds of at least \$47,518.

The former employee misappropriated city funds during the period January 2011 through January 2016 by making personal purchases using a Gas and Water Department purchasing card issued to him. He purchased items such as children's tennis shoes and clothing, health and beauty products, and many other items that were not used for legitimate city purposes. The individual fabricated requisition forms and other documentation to disguise the personal nature of the purchases. In addition, the former technician logged fictitious items into the Gas and Water Department's inventory system, which resulted in false and misleading inventory records.

Disposition: On January 26, 2016, the employee was terminated by utility department officials. The Montgomery County Grand Jury indicted the former materials management technician on three counts of theft over \$10,000, one count of official misconduct and ten counts of forgery on June 6, 2016. As of June 30, 2017, the employee made restitution payments of \$5,940.

*Parks and Recreation Department* – A review of internal controls at the City of Clarksville indicated a possible cash shortage was discovered by a city accountant. On July 7, 2017, a golf course cashier admitted she took approximately \$59 from the cash drawer to make the drawer balance. A copy of the cashier's shortage report indicated the cashier waited ten days to replace the missing funds in the cash drawer. In addition, the cashier falsified records by using a fictitious name and phone number in the system.

Disposition: As of June 30, 2017, the employee was terminated, and the city received \$59 for full restitution.

### 7. **Collinwood – (June 30, 2013)**

The audit for the City of Collinwood for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$94,426. An investigative report released by the Office of the Tennessee Comptroller of the Treasury on April 7, 2014, revealed thefts attributed to the same city recorder during the period July 1, 2012, through July 31, 2013. The thefts resulted from the following:

*General Government* – Property tax records reflected a former city recorder collected \$879 in cash from certain taxpayers; however, she did not deposit the tax collections in a city bank account.

Disposition: As of June 30, 2017, the shortage balance remained \$879.

## **Exhibit B**

*Recreation Department* – Comptroller investigators determined a former city recorder failed to deposit at least \$1,865 of municipal swimming pool cash collections in a city bank account.

Disposition: The shortage balance remained \$1,865 as of June 30, 2017.

*Water Department* – A former recorder misappropriated at least \$91,682 of utility cash collections. The recorder was responsible for collecting, recording and depositing customer utility payments. Comptroller investigators discovered the recorder did not deposit all cash collections she received and recorded. For example, during May and June in 2013, she recorded more than \$19,000 of cash collections; however, she deposited only \$117 of cash in the city’s utility bank account.

Disposition: The former city recorder was indicted on March 14, 2014, by the Wayne County Grand Jury on one count of theft over \$60,000. Restitution of \$53,426 had been made as of June 30, 2017, which resulted in an ending shortage balance of \$38,256.

### **Collinwood – (June 30, 2012)**

*Water Department* – The audit for the City of Collinwood for the fiscal year ended June 30, 2012, revealed a cash shortage of \$76,497 in the Water Department that was attributed to two city recorders who were responsible for collections.

Disposition: Restitution of \$40,000 had been made as of June 30, 2017, which resulted in a remaining balance of \$36,497. Both former city recorders have been indicted by the Wayne County Grand Jury for other thefts investigated by the Office of the Tennessee Comptroller of the Treasury.

### **Collinwood – (June 30, 2009)**

The audit for the City of Collinwood for the fiscal year ended June 30, 2009, reported misappropriated municipal collections of at least \$84,178. An investigative report released by the Office of the Tennessee Comptroller of the Treasury on February 6, 2012, detected certain thefts attributed to the same city recorder that are summarized as follows:

*General Government* – During July 1, 2008, through September 30, 2010, a former city recorder failed to deposit at least \$20,375 of receipted municipal collections that were identified as meter deposits, traffic citations and building permits into a city bank account.

*Water Department* – A former city recorder misappropriated at least \$63,803 of utility collections during July 1, 2008, through September 30, 2010. The recorder did not deposit all cash collections she received and recorded. In addition, paper records for certain utility customers were destroyed or discarded. Auditors discovered the amounts related to these missing records were equal to the cash shortages in the city recorder’s bank deposits.

Disposition: The former city recorder was indicted on January 12, 2012, by the Wayne County Grand Jury on one count of theft over \$60,000. The individual was reported as deceased as of July 9, 2014. Partial restitution of \$1,279 was received for these shortages as of June 30, 2017.

**8. Cornersville**

*General Government* – The audit for the Town of Cornersville for the fiscal year ended June 30, 2015, reported a shortage of \$7,023 because the town did not follow its personnel and employee compensation policies, and certain employees were overpaid for vacation, sick and severance pay. Additionally, the town made payments that were not earned for vacation pay.

*Police Department* – The annual audit also revealed a shortage of \$1,000 due to the unauthorized sale of guns by a former employee.

Disposition: As of the fiscal year ended June 30, 2017, the shortages of \$8,023 were written off by the town.

**9. Decherd**

*Water and Sewer Department* – The Office of the Tennessee Comptroller of the Treasury, in cooperation with a criminal investigator from the Twelfth Judicial District Attorney General, investigated allegations of malfeasance related to the City of Decherd Water and Sewer Department. Officials of the City of Decherd identified questioned purchases and brought their concerns to the attention of the Comptroller's Office and the District Attorney's Office.

An investigative report for the Water and Sewer Department was issued by the Office of the Tennessee Comptroller of the Treasury on September 18, 2017. A former Decherd Water and Sewer Department superintendent, along with a local business owner, engaged in a fraudulent billing and kickback scheme that cost the city at least \$210,774.

The former Water and Sewer Department superintendent assisted a local business owner to create at least 65 fraudulent invoices to the city that totaled at least \$210,774 during the period January 2012 through August 2014. Investigators determined that the former superintendent signed and approved the fraudulent invoices on behalf of the city and submitted them for payment to the Finance Department as legitimate bills to facilitate the scheme. The former superintendent acknowledged that he facilitated this fraudulent billing scheme, and he told investigators that the local business owner shared the proceeds from this arrangement with the former superintendent and another former city employee.

Investigators established through invoice examination, interviews and inspections of sewer facilities, that the local business owner submitted fraudulent invoices to the city for equipment, supplies, chemicals and services. In addition, records obtained from this individual revealed that he never purchased, paid for, possessed, or recorded in inventory the items that were falsely billed to the city in this fraudulent invoice scheme.

**Exhibit B**

Disposition: These matters were referred to the local district attorney general. The Franklin County Grand Jury indicted each of the former employees on one count of theft over \$60,000 in September 2017. In addition, the city filed a complaint in the Franklin County Circuit Court seeking \$492,405 in restitution, \$1,000,000 in compensatory damages and \$1,000,000 in punitive and exemplary damages. As of June 30, 2017, the shortage balance remained \$210,774.

**10. Dyer**

*General Government* – According to an internal investigation performed by the city, it appeared a former city employee deleted financial transactions from the city's computer system, physically removed or destroyed hard copies of receipts, and appropriated cash payments for personal purposes. It was determined \$225 was misappropriated by the former employee.

Disposition: The former city employee resigned on March 6, 2014, and has not been legally prosecuted. As of June 30, 2017, the city determined it will not pursue the shortage and wrote off the \$225 balance.

**11. Elizabethton**

*Electric Department* – During the fiscal year ended June 30, 2017, the department alleged an employee stole power valued at \$3,000.

Disposition: The employee was terminated. As of June 30, 2017, the employee filed suit against the city, and the matter remains unresolved.

**12. Gadsden**

*General Government* – The audit for the Town of Gadsden for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$35,241 in connection with an investigation conducted by the Office of the Tennessee Comptroller of the Treasury. An investigative report was issued on December 10, 2014, for the period April 1, 2009, through December 31, 2013. The investigation detailed a cash shortage summarized below that resulted because the former mayor/fire chief diverted municipal funds for his personal use.

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Summary of Amounts Diverted for Personal Use by Former Mayor/Fire Chief

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Gasoline, cigarettes, and food items charged to the town from a local convenience store	\$ 33,775
Wal-Mart, Lowes, J & W Surplus and Office Max purchases that appeared to be for personal benefit and were not in the town's possession	1,416
Community center rental revenue – check payment cashed and used for personal benefit	50
	<hr/>
	\$ 35,241

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Additional purchases of \$39,925 were questioned in the Office of the Tennessee Comptroller of the Treasury's investigative report. However, investigators could not determine if these disbursements related to municipal purposes.

Disposition: The former mayor's term of office ended May 4, 2013, and he resigned as the town's fire chief on February 24, 2014. The investigative audit recommended that town officials take steps to seek recovery of \$35,241. Additionally, the shortage and other findings addressed in the investigation were reviewed with the local district attorney general. As of June 30, 2017, no restitution payments had been made, and the court case was pending.

**13. Gallatin**

*General Government* – An investigative report for the City of Gallatin was issued by the Office of the Tennessee Comptroller of the Treasury on April 19, 2017. Allegations of malfeasance that were investigated revealed a former administrative assistant misappropriated \$1,173 of city funds during the period June 2016 through December 2016.

The former employee perpetrated the misappropriation by withholding city cash collections from deposits, by taking change funds from her cash drawer and by manipulating the city's accounting system. Certain collection records were not prepared, and various city collections were not recorded. The individual stated to investigators she stole the cash because she needed it to pay personal bills and expenses.

Disposition: The employee was terminated on December 5, 2016. This matter was referred to the local district attorney general. The Sumner County Grand Jury indicted the former administrative assistant on one count of theft over \$1,000 and one count of official misconduct in April 2017. As of the fiscal year ended June 30, 2017, the former employee paid \$1,173 for restitution.

**14. Harriman**

*Recreation Department* – The audit for the City of Harriman for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$25,000. As a result of weaknesses in the city's internal control policies and procedures and collusion of related employees, approximately \$25,000 of athletic youth concession sales was misappropriated during fiscal years 2012 and 2013. Financial staff of the city detected the shortages while conducting an analytical review of concession receipts from the prior year.

Disposition: City officials have taken steps to strengthen internal controls over concession sales. The city also reported the matter to proper authorities and took appropriate personnel action. At June 30, 2017, no restitution payments had been made although the city continued to pursue collection of the outstanding amounts.

**15. Jackson**

*General Government* – During the annual audit, city personnel discovered rental payments had not been received for 28 months for a rental property owned by the city and rented by a city employee.

Disposition: The city and their attorney agreed to a promissory note that will be paid monthly until May 2024. As of June 30, 2017, the city collected \$700, which resulted in a remaining cash shortage balance of \$16,700.

*Health and Sanitation Department* – A \$521 deposit was either lost or stolen during the process of performing daily operations.

Disposition: As of June 30, 2017, this cash shortage balance decreased to zero.

*Public Welfare and Community Service* – On June 27, 2016, a deposit drop bag was stolen at the T. R. White Sportsplex, the city’s seventeen-field baseball/softball complex. The amount for deposit included in the bag was \$770.

Disposition: As of the fiscal year ended June 30, 2017, the cash shortage balance was reported as zero because it has been determined there are no means to recover the funds through legal actions.

**16. Jellico**

*General Government* – An investigative report issued by the Office of the Tennessee Comptroller of the Treasury on June 5, 2014, reported misappropriated municipal collections of at least \$96,450. The Comptroller’s Office, in conjunction with the Tennessee Bureau of Investigation, conducted an investigative audit that detailed the thefts during the period January 1, 2011, through December 31, 2012. The thefts resulted from the following:

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Summary of Amounts Misappropriated by Former City Recorder	
Cash collections diverted for personal use	\$ 71,525
Unauthorized payroll checks	2,313
Unauthorized travel and expense reimbursements	3,835
Unauthorized fuel purchases	5,987
Undocumented checks for petty cash	4,228
Unauthorized Lowe’s gift cards	80
Unauthorized groceries and fuel	128

**Exhibit B**

Customer checks not deposited	<u>8,354</u>
	<u>\$96,450</u>

According to the investigative report, additional disbursements of \$16,617 were questioned. However, due to the poor condition of the city's accounting records and the lack of adequate documentation on file, investigators could not determine if these disbursements were related to municipal purposes.

Disposition: On May 16, 2014, the former city recorder was indicted by the Campbell County Grand Jury on charges of theft over \$60,000 and official misconduct. As of the fiscal year ended June 30, 2017, the unrecovered balance remained at \$96,450.

**17. Knoxville**

*Finance Department* – A financial analyst in the department discovered a counterfeit check was passed and cashed against the city's Bank of America account in North Carolina during December 2016. It appears a check written by the city for \$1,446 to a city vendor was stolen from the vendor's mailbox, and a counterfeit check was produced with the same check number and amount made payable to an individual.

Disposition: As of June 30, 2017, this matter was investigated by the Knoxville Police Department, but there was no resolution. The Bank of America reimbursed the city for \$1,446.

*Public Works Department* – Two mowers valued collectively at \$5,000 were stolen from a City of Knoxville Public Works lot. The lot was unsecured, and the mowers were stored there temporarily while construction was conducted on a facility. It appears the keys may have been left in the mowers. According to certain police investigative findings, it was determined an employee in the department was the perpetrator.

Disposition: The employee was terminated from employment with the city. As of June 30, 2017, the employee returned one of the mowers and paid restitution of \$2,500 to the city for the other mower.

**18. Lakeland – (June 30, 2015)**

*General Government* – During the fiscal year ended June 30, 2015, an employee used a city credit card for unauthorized personal purchases of \$5,961.

Disposition: As of June 30, 2015, the employee was terminated, and a police report was filed regarding the incident. The former employee has not paid restitution to the city.

**Lakeland – (June 30, 2013)**

*General Government* – A special investigation conducted by Watkins Uiberall, PLLC, Certified Public Accountants was released in August 2011. The investigation

determined a theft of \$32,259 was a result of cash receipts stolen by a city employee from June 2008 through August 2011.

Disposition: As of the fiscal year ended June 30, 2014, the employee was terminated and was sentenced to pay restitution to the city of \$55,259 consisting of \$32,259 in stolen funds and special investigation fees of \$23,000. As of June 30, 2017, the former employee paid a total of \$24,260 for monthly restitution payments to the city, and a balance of \$7,999 remained unpaid.

**19. Lenoir City**

*Board of Education* – The annual audit for the fiscal year ended June 30, 2017, reported a cash shortage of \$8,162. Management discovered the cash was stolen by a cafeteria employee.

Disposition: The employee resigned on May 10, 2017. Charges were filed, and the Loudon County Grand Jury returned an indictment. As of June 30, 2017, the former employee paid complete restitution of \$8,162.

**20. Luttrell**

*General Government* – An annual audit for the City of Luttrell reported a lack of financial oversight. As a result, the Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the City of Luttrell.

An investigative report was issued by the Office of the Tennessee Comptroller of the Treasury on June 2, 2016. The investigation revealed a former city recorder misappropriated city money that totaled at least \$120,506. The individual issued more than 140 checks to herself or a family member from September 11, 2012, until February 22, 2016. The former city recorder concealed her theft by falsifying signatures of the vice mayor or mayor on city checks. The individual recorded the checks as payments to legitimate city vendors, and she prepared false documentation to support various unauthorized payments. The former employee told investigators she needed the money to make ends meet.

Disposition: On May 18, 2016, the Union County Grand Jury indicted the former city recorder on one count of theft over \$60,000 and one count of tampering with evidence. As of the fiscal year ended June 30, 2016, the individual resigned from her position, and she promised to repay the money that was misappropriated. As of June 30, 2017, the city received \$4,500 from the former employee and \$50,000 from an insurance company which resulted in a shortage balance of \$66,006.

**21. Mason**

*General Government – Water Department* – An investigative report for the Town of Mason issued on July 19, 2016, by the Office of the Tennessee Comptroller of the Treasury reported misappropriated municipal collections of at least \$678,609. The Comptroller's Office, in conjunction with the Tennessee Bureau of Investigation, conducted an investigative audit for the period January 1, 2007, through March 24, 2015, that revealed the following:

## Exhibit B

- The former public works superintendent received unauthorized compensation pay of \$602,865 from the town's water fund. The unauthorized pay consisted of \$549,998 for overtime; \$32,411 for the sale of vacation time; \$11,620 for the sale of sick leave; and \$8,836 for holiday pay.
- The superintendent received questionable overtime compensation of \$75,744 from the town's general fund.

Disposition: The former public works superintendent resigned in March 2015. On June 11, 2016, he was indicted by the Tipton County Grand Jury on charges of official misconduct and theft over \$60,000. As of the fiscal year ended June 30, 2017, the former superintendent pled guilty to the charges of official misconduct, the charges of theft of property were dismissed by the court, and the town will not pursue the collection of the shortages.

### 22. Maury City

*Accounting Department* – During the audit for the Town of Maury City for the fiscal year ended June 30, 2013, the town's auditors noted there were instances in which certain amounts collected for utility reconnection services could not be traced as deposited into the town's bank accounts. The town reported \$5,010 was assessed and collected for reconnection services from January 2013 to March 2014. However, \$2,710 was identified as deposited, which resulted in unaccounted for collections of \$2,300.

Disposition: The \$2,300 balance was paid as of June 30, 2017.

### 23. Memphis – (June 30, 2017)

*General Services Division* – The audit for the City of Memphis for the fiscal year ended June 30, 2017, reported \$5 of stolen fuel. The incident was discovered by an employee who observed a former employee pouring gas into a personal vehicle from a city gas can.

Disposition: As of June 30, 2017, the \$5 balance had not been reimbursed. The employee's position was terminated on November 20, 2017.

*Public Works Division* – The annual audit for the city reported \$9,489 in out-of-class pay that was paid to an employee in error. The employee who received the payments was promoted to another position which initiated the out-of-class pay; however, the individual was not eligible to receive these payments. There was no evidence that indicated the payments were intentional acts related to fraud, waste, abuse or misuse.

Disposition: As of June 30, 2017, the \$9,489 balance had not been reimbursed.

*Public Works Division* – The annual audit reported three missing John Deer Zero Turn Mowers valued at \$21,000. The mowers were sent to General Services Fleet Management for repairs in August 2017.

Disposition: As of June 30, 2017, restitution had not been made.

**Memphis – (June 30, 2016)**

*Library Division* – The audit for the City of Memphis for the fiscal year ended June 30, 2016, reported \$550 of cash was missing when a bag was opened at the Cordova Library that contained receipts and opening cash from the previous day. In addition, it was reported \$367 of library deposits at the Cherokee Library did not clear during the bank reconciliation process, and it was determined they were apparently stolen.

Disposition: The incidents were investigated by the Memphis Police Division Economic Crimes and Internal Audit; however, there was insufficient evidence to determine who stole the funds. As of June 30, 2017, the \$917 balance had not been reimbursed.

*Public Works Division* – The audit for the City of Memphis for the fiscal year ended June 30, 2016, reported an employee submitted a fraudulent report from a doctor to support \$258 of leave time that was claimed by the individual.

Disposition: As of June 30, 2017, the \$258 balance was unresolved, and the employee involved in the incident was no longer employed by the city.

**Memphis – (June 30, 2015)**

*Police Division* – The audit for the City of Memphis for the fiscal year ended June 30, 2015, reported an employee embezzled approximately \$4,800 by submitting false payroll time records. The incident was discovered by a Police Division/Federal Bureau of Investigation joint task force.

Disposition: The employee was placed on administrative leave pending the conclusion of the investigation, and the individual subsequently resigned. As of June 30, 2017, restitution of \$4,498 had been paid to the city, which resulted in an ending balance of \$302.

*Public Works Division* – The audit for the City of Memphis for the fiscal year ended June 30, 2015, reported two employees requested money valued at \$20 from citizens while they performed their duties. In addition, an employee stole gasoline valued at \$20 from a city facility, and the individual was subsequently arrested for the incident.

Disposition: As of June 30, 2017, the \$40 shortage balance was unresolved. Two of the employees involved were no longer employed by the city, and one employee was hired again due to a decision by the Civil Service Commission to reverse the disciplinary action of termination.

**Memphis – (June 30, 2014)**

*General Government* – The audit for the City of Memphis for the fiscal year ended June 30, 2014, reported an employee of the City Court Clerk Office with expanded privileges embezzled \$24,012. The privileges allowed the employee to access, adjust

and approve transactions entered into the Electronic Ticket Information System (ETIS). The individual made adjustments to cash payments for traffic tickets paid by customers who had been issued motor vehicle citations by the City of Memphis.

Disposition: The clerk pled guilty to embezzlement in March 2015 and was terminated. The fraud was reported to the Office of the Tennessee Comptroller of the Treasury, and city officials took steps to strengthen internal controls. As of June 30, 2017, the city had not received restitution of \$24,012.

**24. Morristown**

*Police Department* – The audit for the City of Morristown for the fiscal year ended June 30, 2015, reported a theft of \$6,000 in the Police Department. As a result, the Office of the Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the City of Morristown Police Department.

An investigative report was issued by the Office of the Tennessee Comptroller of the Treasury on July 8, 2015. The investigation revealed a former police officer who was responsible for collecting cash received for the return of seized vehicles failed to deposit at least \$6,000. When the officer was interviewed by investigators regarding the missing money, \$5,500 of cash was recovered from his Police Department vehicle in which the officer claimed he had been holding the cash for approximately 35 days. However, the remaining \$500 of cash was not located. The officer altered records, failed to record or receipt the majority of the cash he collected, and he made a false entry in Police Department records to conceal his activities.

Disposition: This matter was referred to the local district attorney general. On July 1, 2015, the Hamblen County Grand Jury indicted the former officer on two counts of theft over \$1,000, one count of theft under \$500 and one count of official misconduct. As of June 30, 2017, the \$500 balance had been paid.

**25. Mount Pleasant**

*Police Department* – The annual audit reported a theft of \$1,578. An employee collected funds for traffic tickets, stole the money and destroyed the tickets.

Disposition: The employee was terminated, and the city recovered \$1,518 from the employee. The governing body considered the remaining \$60 as uncollectible, and it was written off as of June 30, 2017.

**26. Oakland**

*General Government* – An investigative report for the Town of Oakland was issued by the Office of the Tennessee Comptroller of the Treasury on April 18, 2017. An investigation of selected records of the town revealed disbursements for international phone calls made by the mayor resulted in a cash shortage of \$1,352. The mayor's use of the town's municipal cell phone for his private sector employment violated the town's personnel policy.

**Exhibit B**

Disposition: As of the fiscal year ended June 30, 2017, the \$1,352 shortage related to the mayor was paid to the town.

*Parks and Recreation Department* – An investigative report for the Town of Oakland Parks and Recreation Department was also issued by the Office of the Tennessee Comptroller of the Treasury on April 18, 2017. The investigation disclosed a former Parks and Recreation Department director resigned his position and accepted a position with the Fayette County School System as an athletic director. It was determined the director was inappropriately compensated \$6,061 by the Town of Oakland while he simultaneously received a salary from the school system.

In addition, improper use of the town’s Fuelman credit card while performing business for the school system resulted in a \$397 shortage. Finally, the director filed and received a travel reimbursement of \$173 from the school system for mileage while on an official school trip to Nashville, Tennessee; however, the director admitted to driving the town’s vehicle on the trip.

Disposition: The former director of the Parks and Recreation Department was indicted by the Fayette County Grand Jury on one count of theft of property of \$500 or less and two counts of official misconduct. As of the fiscal year ended June 30, 2017, \$1,909 was paid to the town, and the remaining balance of \$4,722 was written off.

**27. Philadelphia**

*General Government* – The audit for the City of Philadelphia for the fiscal year ended June 30, 2013, reported misappropriated funds in connection with an investigative report released by the Office of the Tennessee Comptroller of the Treasury on May 14, 2014. The report focused on the period January 1, 2013, through November 30, 2013.

According to the investigative report, the former city recorder cashed two unauthorized checks for \$638 made payable to her. The investigation also revealed city officials did not ensure that complete inventory records of high-risk, moveable property such as sound equipment and computers were maintained, or that all property purchased was available for municipal use. Subsequently, investigators were unable to locate sound equipment valued at more than \$600 purchased by a former mayor with city funds for use at a benefit concert.

The investigation also noted a matter that was investigated by local law enforcement officials. Municipal checks were stolen, and without the knowledge of the mayor and board of aldermen, 11 of the checks were completed for \$5,476 and cashed by either the individual who had taken the checks or by his acquaintances.

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Summary of Missing Municipal Funds and Equipment

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Two unauthorized checks cashed by former city recorder	\$ 638
Stolen checks cashed by non-municipal employees	5,476

Missing sound equipment	600
	<u>\$ 6,714</u>

Disposition: The unauthorized checks that were cashed by the former city recorder were referred to the local district attorney general. The Loudon County Grand Jury indicted the former city recorder on three counts of official misconduct and two counts of forgery in April 2014. The stolen checks that were cashed for \$5,476 resulted in several indictments. As of June 30, 2013, a payment of \$1,729 had been received, which resulted in a balance of \$4,985. As of June 30, 2017, no additional amounts for restitution had been collected by the City of Philadelphia, and the balance remained \$4,985.

**28. Pittman Center**

*General Government* – The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to traffic citations for the Town of Pittman Center. Subsequently, an investigative report was issued on December 20, 2017.

The investigation revealed town officials were unable to account for traffic fine collections of \$600. The collections were not receipted or deposited into a bank account for the town although it appeared they were collected. Five traffic citations were marked dismissed, or there was no payment information reported for the citations. An analysis of traffic court records and confirmations from the traffic offenders indicated these fines were collected by town employees.

Disposition: As of the fiscal year ended June 30, 2017, the shortage balance remained \$600.

**29. Ridgely**

*General Government* – During the fiscal year ended June 30, 2016, the Town of Ridgely discovered \$73 for personal charges by an employee had been billed to a certain store and paid by the town. The employee claimed the store clerk made a billing error because he intended for the charges to be billed to his personal charge account instead of the town's account.

Disposition: The employee agreed to reimburse the town for the personal charges. As of June 30, 2017, the town was reimbursed \$73.

**30. Rockwood**

*General Government* – The audit for the City of Rockwood for the fiscal year ended June 30, 2012, reported that credit card statements were not maintained, and receipts were not submitted and retained for the majority of credit purchases. In addition, the audit revealed many credit card purchases appeared to be for personal purposes.

An investigative report was released by the Office of the Tennessee Comptroller of the Treasury on February 27, 2013, for the period January 1, 2009, through January 31,

**Exhibit B**

2012. The report revealed the former city coordinator used a city credit card and a city store charge card to purchase property and services of at least \$32,725 for his personal benefit.

Summary of Purchases for Personal Benefit

Former City Coordinator	
Guns, ammunition and related items	\$ 11,900
Clothing	7,263
Cameras, lenses and photographic supplies	5,697
Online college courses	4,190
Other miscellaneous personal items	3,675
	<u>\$ 32,725</u>

Disposition: In February 2013, the Roane County Grand Jury indicted the former city coordinator on seven counts that included theft, credit card fraud and official misconduct. As of June 30, 2017, the case is awaiting trial, and the shortage balance remained \$32,725.

**31. Rogersville**

*Water Department* – The audit for the Town of Rogersville for the fiscal year ended June 30, 2017, reported a cash shortage of \$ 263,574. In addition, town officials notified the Comptroller’s Office regarding missing bank deposits. As a result, the Office of the Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation and the Town of Rogersville Police Department, investigated allegations of malfeasance related to the Water Department.

An investigative report was issued by the Office of the Tennessee Comptroller of the Treasury on April 18, 2018. The investigation revealed a former Water Department superintendent diverted cash collections of at least \$69,439 for his personal use that were never deposited into the Water Department’s bank account. The employee assigned the responsibility for making bank deposits to himself until a Water Department official revoked this duty on May 22, 2017. Subsequently, department records indicated the individual failed to deposit cash collections from 16 separate deposits.

In addition, the investigation disclosed the former Water Department superintendent prepared and signed an unauthorized check for \$500 made payable to a Water Department employee. The superintendent directed the employee to cash the check and return the cash to him to place in the collection drawer. The superintendent prepared a fraudulent invoice, which indicated the check was for the purchase of a motor hoist, jack stands and a tire changer. However, investigators determined the \$500 was used for the superintendent’s personal use instead of the purchase of equipment or for the Water Department’s collection drawer.

## Exhibit B

Additionally, the annual audit reported a theft of \$193,635. The investigation revealed the superintendent ordered the payroll clerk to add compensatory time to his leave balance for which he was not eligible according to applicable town policies. He ordered 1,818 hours in 2015, which resulted in \$63,975 compensation; 2,000 hours in 2016 that resulted in 2,320 hours for compensation of \$83,878; and 3,000 hours in 2017 for compensation of \$45,782.

Disposition: The employee was terminated from his position on August 14, 2017. These matters were referred to the local district attorney general. On April 16, 2018, the Hawkins County Grand Jury indicted the former Water Department superintendent on one count of theft of property over \$250,000, one count of theft of property over \$60,000 and one count of official misconduct. As of June 30, 2017, no restitution payments had been paid.

### 32. **Samburg**

*General Government* – The audit for the City of Samburg for the fiscal year ended June 30, 2016, reported a cash shortage of \$31,759. As a result, the Office of the Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the City of Samburg.

An investigative report was issued by the Office of the Tennessee Comptroller of the Treasury on February 15, 2017. The investigation revealed a former city recorder misappropriated city funds of at least \$31,759. The individual perpetrated the misappropriation by diverting city cash collections of at least \$14,472 that she received on behalf of the city for property taxes, garbage pick-up and other city services for her personal use. In addition, the former employee also issued and transacted unauthorized city checks payable to her that totaled at least \$17,287 and retained the funds for her personal benefit.

Disposition: These matters were referred to the local district attorney general. On February 7, 2017, the Obion County Grand Jury indicted the former city recorder on one count of theft over \$10,000. As of the fiscal year ended June 30, 2017, the individual resigned from her position, and the shortage balance decreased to \$28,378 after the city reported a \$3,381 reduction in the current year balance.

### 33. **Scotts Hill**

*General Government* – During the fiscal year ended June 30, 2017, the town discovered a former employee received \$893 for unauthorized pay raises and benefits.

Disposition: As of June 30, 2017, the town reported the shortage balance was resolved.

### 34. **Sevierville**

*Electric Department* – The audit for the fiscal year ended June 30, 2017, reported a cash shortage of \$5,998. It appeared to management that a former employee removed funds from a cash drawer and replenished the drawer from excess cash funds retained in a secure location.

Disposition: As of June 30, 2017, the former employee repaid the electric system \$2,240.

**35. Tellico Plains**

*Water and Sewer Department* – The audit for the fiscal year ended June 30, 2015, reported a cash shortage of \$819 in the Water and Sewer Department. As a result, the Office of the Tennessee Comptroller of the Treasury investigated allegations that an employee had taken inventory items from the department during the period April 1, 2014, through May 9, 2014, and sold them as scrap metal. An investigative report issued on September 21, 2015, revealed the allegations were valid. However, the investigators were unable to determine the total value of the stolen items.

Disposition: As of June 30, 2017, the employee was terminated. Although no restitution payments have been received by the town, some of the stolen items were recovered from the scrapyard.

**36. Unicoi**

*General Government* – The audit for the Town of Unicoi for the fiscal year ended June 30, 2013, reported misappropriated municipal funds of \$657. Municipal funds were used to pay for meals for the spouses of board members and employees at a municipal function. In addition, the audit reported a cash shortage of \$14 because mileage was overstated for the town recorder on a reimbursement form that was tested.

Disposition: As of June 30, 2017, the town was reimbursed \$657 from the town's attorney, and it received an additional \$14 from the recorder.

**37. Whiteville – (June 30, 2016)**

*Water and Sewer Department* – The town is authorized to withhold certain amounts from employees' paychecks and remit the funds to a bank for employee benefits. During the fiscal year ended June 30, 2016, the town remitted \$1,878 more to the bank than was withheld from certain employees' payroll checks.

Disposition: As of the fiscal year ended June 30, 2017, the Board of Alderpersons forgave the \$1,878 receivable balance.

**Whiteville – (June 30, 2014, June 30, 2015 and June 30, 2016)**

*General Government* – The audits for the years ended June 30, 2014, June 30, 2015, and June 30, 2016, reported a shortage of \$5,856 because the town remitted payments in excess of voluntary withholdings from employee payroll checks for various insurance and bank payments.

Disposition: As of the fiscal year ended June 30, 2016, an additional shortage of \$439 was identified for the same matter described above, of which a reduction of \$1,286 was reported, which resulted in a remaining balance of \$4,961. As of the fiscal year ended June 30, 2017, the Board of Alderpersons forgave the \$4,961 receivable balance.

**Whiteville – (June 30, 2013)**

*General Government* – The audit for the Town of Whiteville for the fiscal year ended June 30, 2013, reported misappropriated funds related to overpaid payroll and related expenditures. An employee received workman’s compensation and compensation from the town for the same period. The employee also received sick leave and/or vacation pay in excess of the amount due to the employee. Overpayments due from the employee are summarized below.

Fiscal Year	Description	Amount
6-30-2013	Excess payroll compensation	\$ 1,808
	Payroll taxes and retirement	972
	Unearned vacation and sick leave	4,824
6-30-2012	Excess payroll compensation	1,958
	Payroll taxes and retirement	259
	Insurances and other payroll deductions	784
		\$ 10,605

Disposition: At June 30, 2013, the employee owed a total of \$10,605. The audit for the fiscal year ended June 30, 2014, reported additional overpaid payroll and payroll taxes of \$686. As of June 30, 2017, a payment of \$2,650 was received by the town during the current year, which resulted in a remaining balance of \$3,091. The town anticipates full restitution will be made when the employee receives a worker’s compensation settlement.

***Internal School Funds***

**38. Claiborne County Schools**

*Powell Valley Elementary School* – The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the Powell Valley Elementary School, and an investigative report was issued on April 19, 2017.

A former school bookkeeper misappropriated school collections of at least \$6,694 during the period January 2015 through January 2017. The former employee falsely recorded collections from current team members as collections from prior team members to conceal the misappropriation of cheerleading and dance team collections of at least \$4,246 that she retained for her personal benefit. In addition, the individual did not deposit into the school’s bank account at least \$1,982 she collected for a school-wide fundraiser. Finally, the former school bookkeeper intercepted and exchanged at least \$466 of checks payable to the school for school cash collections.

Disposition: The bookkeeper resigned from her position on January 13, 2017. These matters were referred to the local district attorney general. The Claiborne County

Grand Jury indicted the former bookkeeper on one count of theft of property over \$2,500 in April 2017. As of June 30, 2017, the unpaid cash shortage balance remained \$6,694.

**39. Clarksville-Montgomery County Schools**

*Kenwood Middle School:* A \$151 shortage resulted from the misappropriation of cash while in possession of the basketball coach.

Disposition: A police report was filed, and \$151 was recovered.

*Montgomery Central High School:* A \$242 shortage resulted from the misappropriation of cash while in possession of the track coach.

Disposition: A police report was filed, and \$242 was recovered.

**40. Clinton City Schools**

*South Clinton Elementary School* – The audit for the Clinton City Schools Internal School Funds for the fiscal year ended June 30, 2016, reported a cash shortage of \$390 at South Clinton Elementary School. While the school bookkeeper prepared a daily deposit, a delivery person entered the office to conduct school business. According to a limited review of a school camera, it appeared to management the delivery person stole \$390.

Disposition: As of June 30, 2017, the cash shortage balance remained \$390.

**41. Davidson County Schools**

*Glencliff High School* – The audit for the Davidson County Schools Internal School Funds for the fiscal year ended June 30, 2015, reported an estimated cash shortage of \$2,814 at Glencliff High School. Certain deposits for athletic events did not include supporting documentation for the ticket reconciliations or the deposits. The missing cash receipts were estimated based on average attendees at each sporting event for the year.

Disposition: As of June 30, 2017, the \$2,814 shortage was written off.

**42. Dyersburg City Schools**

*Dyersburg High School* – The audit for the Dyersburg City Schools Internal School Funds for the fiscal year ended June 30, 2014, reported a cash shortage of at least \$3,085 at Dyersburg High School. The shortage resulted when an assistant coach opened a bank account in the name of Dyersburg Special Events of which the director of schools had no knowledge. The coach used his personal social security number to open the account, and he deposited funds from an event sponsored by the school into the bank account. The total of the cash shortage could not be determined due to the condition of the accounting records for the unauthorized bank account.

Disposition: The assistant coach is no longer employed by the Dyersburg City Schools. According to the school system, the individual moved from Tennessee, and the local

district attorney will not be seeking an indictment or extradition. As of June 30, 2017, the \$3,085 shortage balance remained unchanged.

**43. Fayette County Schools**

*Buckley-Carpenter Elementary School* – Three instances were identified during the annual audit in which checks to vendors were pre-signed, and the amounts on the checks were based on internet or verbal quotes. However, the amounts on the actual receipts were less than the quotes due to various reasons such as items that were out of stock, etc. Although the receipts indicated a variance of \$17 was returned to the purchaser(s), this amount was not redeposited in the school's bank account.

Disposition: As of the fiscal year ended June 30, 2017, the shortage balance remained \$17.

*Northwest Elementary School* – The annual audit revealed a cash shortage of \$191 at Northwest Elementary School. After numerous attempts, the auditors were unable to verify the cash balance after school closed for the year.

Disposition: The school closed as of June 30, 2014, and it is currently identified as the Buckley-Carpenter Elementary School. As of June 30, 2017, the cash balance had not been reconciled.

*Oakland Elementary School* – The annual audit revealed there were some receipt totals that did not agree with actual amounts deposited in the bank. The discrepancies identified consisted of \$17.

Disposition: As of June 30, 2017, the shortage balance remained \$17.

*Oakland Elementary School* – A count of collection form dated September 28, 2015, for basketball game concession sales indicated \$1,081 should have been collected by a school cashier. However, a \$50 shortage resulted because the amount submitted was \$1,031.

Disposition: As of June 30, 2017, the shortage had not been reconciled.

**44. Giles County Schools**

*Richland High School* – A bookkeeper discovered \$800 was missing from a money bag in her desk drawer. The school attempted to reproduce the deposit from applicable receipts.

Disposition: The appropriate authorities were contacted to request an investigation. As of June 30, 2017, the shortage balance remained \$800, and there has been no significant activity related to the investigation.

**45. Hamilton County Schools**

*Red Bank High School* – A student tennis team member at Red Bank High School collected approximately \$400 for the purchase of long-sleeved t-shirts for the team.

## Exhibit B

The student reported he turned the money into the school office on May 19, 2017. Although the tennis coach was aware the collections occurred, the individual did not verify the collections were accounted for properly.

Disposition: As of June 30, 2017, the \$400 shortage had not been recovered, and it was written off.

*Tyner Academy* – A band director at Tyner Academy collected money at two schools for a band trip to Atlanta. The trip was cancelled, and the money was never deposited into a school account. The band director informed the school principal that the Band Boosters were handling the funds for the trip. However, the Band Boosters stated no funds were collected for a school trip. A \$1,350 shortage resulted according to payments that were collected from 16 people. Additionally, another incident occurred at the school in which an intruder gained access to a bookkeeper's office through a broken window, and \$100 was stolen. The money was stored overnight in a locked box inside the bookkeeper's desk.

Disposition: As of June 30, 2017, the \$1,350 shortage was referred to the district attorney. Since no money was recovered, \$1,350 was written off. In addition, the \$100 shortage was not recovered, and it was also written off.

### 46. Hancock County Schools

*Hancock County Middle/High School* – The audit for the Hancock County Schools Internal School Funds for the fiscal year ended June 30, 2016, reported a lack of financial oversight at Hancock County Middle/High School. An investigation by the director of schools identified approximately \$900 that appeared to relate to assets that were misappropriated by a former club fund sponsor.

Disposition: As of June 30, 2017, the employee suspected of the misappropriation resigned. The Hancock County Schools Board of Education decided at the March 2, 2017, board meeting not to pursue the \$900 shortage.

### 47. Hardeman County Schools

*Bolivar Central High School* – The audit for the Hardeman County Schools Internal School Funds for the fiscal year ended June 30, 2015, revealed the entire \$1,500 collected for the Central Idol event held on March 22, 2015, at Bolivar Central High School was stolen on March 23, 2015. Surveillance camera footage indicated the money was stolen by two students.

Disposition: The two students were ordered by the Juvenile Court of Hardeman County to pay restitution to the high school. As of June 30, 2017, the school had received \$545 for restitution.

*Toone Elementary School* – The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the Toone Elementary School, and an investigative report was issued on February 21, 2018.

## Exhibit B

A former teacher/sponsor misappropriated Junior Beta Club funds of at least \$2,125 during the period August 2016 through April 2017. The individual retained \$2,044 of funds that were collected by students during a candy fundraiser for her personal benefit. In addition, students and parents remitted \$81 directly to her to offset the cost for students to participate in the National Beta Club convention trip to Nashville in November 2016.

School officials initially confronted the former teacher/sponsor regarding the apparent shortage in April 2017 at which time she remitted \$840 to them. The individual claimed she collected certain funds on the day students departed for the convention, and she forgot she had this money. Subsequently, she divulged to Comptroller investigators that, without the knowledge or consent of school officials or parents, she retained and used some of the Junior Beta Club fundraiser collections to pay for personal expenses which included past-due house payments.

Disposition: The former teacher/sponsor resigned from her position on August 25, 2017. These matters were referred to the local district attorney general. The individual pled guilty to one count of theft over \$1,000 on February 16, 2018. As of June 30, 2017, the unpaid cash shortage balance remained \$1,285.

*Toone Elementary School* – A charitable fundraiser was conducted by a school employee at the Toone Elementary School. An envelope was placed in the school's safe on which it was noted \$223 was collected. However, this amount was never receipted by the office. Subsequently, other school personnel counted the collections, but only \$212 was in the envelope.

Disposition: As of June 30, 2017, the shortage balance remained \$11.

### 48. **Henry County Schools**

*Henry County High School* – The audit for the Henry County Schools Internal School Funds for the fiscal year ended June 30, 2016, revealed a cash shortage of \$658 at Henry County High School. A deposit for a fundraiser to sell car decals for cheerleaders should have resulted in \$952 of revenue. However, only \$294 was submitted for deposit by the coach of the cheerleaders.

Disposition: As of June 30, 2017, the cash shortage balance decreased to \$354 because 38 additional decals valued at \$304 were located.

### 49. **Humboldt City Schools**

*East End Elementary School* – It was reported in March 2017 that \$475 was stolen that was collected for Relay for Life fundraisers at the school. The money was reportedly carried in an employee's purse and left unattended in the individual's office when it was stolen.

Disposition: As of June 30, 2017, the \$475 shortage had not been recovered.

**50. Humphreys County Schools**

*Lakeview Elementary School* – The audit for the Humphreys County Schools Internal School Funds for the fiscal year ended June 30, 2013, reported disbursements for items that did not appear to relate to legitimate school purchases. As a result, the Office of the Tennessee Comptroller of the Treasury released an investigative report on July 10, 2014, for the period August 1, 2009, through November 30, 2013. The report revealed a former teacher inappropriately used the school’s Wal-Mart credit card for personal purchases of \$8,983 for items such as alcoholic beverages, clothing, food, cosmetics, a camera, iPad, DVDs, scrapbooking supplies, an Xbox membership and gift cards.

Disposition: The teacher resigned her employment with Lakeview Elementary School. The former teacher admitted she used the school’s credit card for personal purchases for which she repaid \$1,780 to the school. As of June 30, 2017, the balance of the unpaid cash shortage remained \$7,203.

**51. Jackson-Madison County Schools**

*Liberty Technology Magnet High School* – The school’s internal auditor discovered a former basketball coach cashed a check written to the high school during the fiscal year. It appeared the majority of the proceeds were used for basketball activities such as purchases for meals and hotel costs. However, receipts to support the purchases, and the remaining unused funds, were not submitted to the office until an investigation was conducted by certain school employees and the internal auditor. It was determined an unsubstantiated balance of \$144 remained after the investigation.

Disposition: As of the fiscal year ended June 30, 2017, the employee resigned, and the board of education did not demand restitution. The shortage balance remained \$144 at year end.

*Madison Academic High School* – The school’s internal auditor discovered that a bank deposit was \$100 short on April 6, 2017. In addition, the annual audit revealed an additional cash shortage of \$100.

Disposition: As of June 30, 2017, the cash shortage balance remained \$200.

**52. Lawrence County Schools**

*EO Coffman Middle School* – The annual audit for Lawrence County Schools Internal School Funds for the fiscal year ended June 30, 2013, reported a cash shortage of \$6,000 at EO Coffman Middle School. During the audit it was discovered that start-up change was not being re-deposited by a former bookkeeper when school events were completed. An additional \$350 was identified as unaccounted for during the 2013-2014 fiscal year.

Disposition: The bookkeeper was employed by the school system until November 2013. As of June 30, 2017, the unpaid cash shortage balance remained \$6,350.

**53. Lincoln County Schools**

*Ninth Grade Academy* – The annual audit disclosed a \$10 cash shortage. School personnel reviewed resale activities, and they discovered a theft by an employee.

Disposition: As of June 30, 2017, the employee resigned and repaid \$10 to the school.

**54. Marion County Schools**

*Whitwell High School* – The audit for the Marion County Schools Internal School Funds for the fiscal year ended June 30, 2010, reported a misappropriation. As a result, an investigative report was released by the Office of the Tennessee Comptroller of the Treasury on June 10, 2014. The report revealed misappropriated cash collections of at least \$35,332 by a former bookkeeper at Whitwell High School during the period July 1, 2009, to October 31, 2010.

The former bookkeeper did not record these collections in the school's accounting records or deposit them into the school's bank account. The misappropriation was concealed by the former employee by depositing un-receipted checks to replace some of the misappropriated cash collections and by providing false account information to teachers, administrators and auditors.

Disposition: The Marion County Grand Jury indicted the former bookkeeper on one count of theft over \$10,000 and one count of vandalism on April 7, 2014. As of June 30, 2017, the school had received restitution of \$18,955 from the former bookkeeper which resulted in a cash shortage balance of \$16,377.

**55. Robertson County Schools**

*Springfield High School* – The annual audit reported unaccounted for cash of \$1,291. It appeared that \$1,118 of gate funds was missing. In addition, \$173 for fundraiser collections was missing or was accounted for in a different account.

Disposition: As of June 30, 2017, the cash shortage balance remained \$1,291.

**56. Sequatchie County Schools**

*Sequatchie County Middle School* – The Office of the Tennessee Comptroller of the Treasury, assisted by the Sequatchie County Sheriff's Office, investigated allegations of malfeasance related to the Sequatchie County Middle School. An investigative report was issued on October 13, 2016.

The investigation revealed a former bookkeeper misappropriated school funds of at least \$14,922. The former employee substituted unrecorded checks collected from fundraising activities for some of the cash she retained. The individual opened all the mail and recorded and deposited all school collections during the period July 1, 2010, through June 30, 2012, to further conceal the misappropriation.

In addition, it was determined the former bookkeeper misappropriated school athletic collections estimated at more than \$3,400 by failing to deposit the proceeds of ticket sales for at least six softball or basketball games. Investigators were unable to

determine the exact amount of misappropriated athletic collections because the individual apparently discarded or destroyed all of the records for the six events.

Disposition: The Sequatchie County Sheriff's Department served an arrest warrant on the former bookkeeper in April 2016. Subsequently, the former employee was charged with one count of theft over \$10,000. As of the fiscal year ended June 30, 2017, the cash shortage balance remained \$18,322.

**57. Shelby County Schools**

*Charjean Elementary School* – A financial secretary failed to secure a \$731 deposit.

Disposition: The financial secretary's position was terminated. As of June 30, 2017, the \$731 shortage had not been recovered.

*Germantown Middle School* – A suspected theft occurred when a financial secretary failed to deposit \$714 in the bank.

Disposition: The financial secretary's position was terminated. As of June 30, 2017, the \$714 shortage had not been recovered.

*Kate Bond Middle School* – A financial secretary failed to secure a \$1,339 deposit.

Disposition: The financial secretary's position was terminated. As of June 30, 2017, the \$1,339 shortage had not been recovered.

*Trezevant High School* – A \$5,749 shortage was attributed to \$4,084 of missing senior dues; a \$779 shortage for candy sales for a girls' basketball fundraiser; and \$886 for deposits in transit.

Disposition: As of June 30, 2017, the \$5,749 shortage had not been recovered.

*Manassas High School* – The principal wrote a check payable to himself for \$1,000, and the assistant principal withdrew \$2,500 of cash from the school's bank. There were no receipts provided for either transaction.

Disposition: As of June 30, 2017, the \$3,500 shortages had not been recovered. The principal and assistant principal resigned their positions.

*White Station High School* – The financial secretary reported undeposited cash of \$1,120 that had been left in the school over a school break was missing from the school safe.

Disposition: As of June 30, 2017, the \$1,120 shortage had not been recovered, and the financial secretary remained an employee of the school district.

## Exhibit B

*Chimneyrock Elementary School* – The school's financial secretary could not account for shortages of \$2,924, of which \$1,817 was related to a lost School Age Childcare deposit.

Disposition: As of the fiscal year ended June 30, 2017, the financial secretary offered to make restitution for the \$1,817 shortage through payments, and the remaining \$1,107 balance was being investigated by the Memphis Police Department.

*Cordova High School* – A financial secretary at the school failed to properly secure school funds of \$1,056, and the money was stolen from the employee's desk drawer.

Disposition: As of the fiscal year ended June 30, 2015, the financial secretary signed a promissory note to repay the district, and a payment of \$880 was made by the secretary which resulted in a remaining balance of \$176. As of June 30, 2017, the shortage balance had not changed.

*Hamilton High School* – During an annual audit, \$9,178 of deposit shortages were identified based on a review of the May 31, 2015, bank reconciliation. The shortages were attributed in part to incomplete receipts and certain unrecorded transactions.

Disposition: As of June 30, 2017, the shortages had not been recovered, and the former financial secretary was employed by a different school in the district.

*Alton Elementary School* – The school had unauthorized charges of \$606 that resulted from fraudulent activities and unexplained deposits in transit of \$501 that dated retroactively from 2013.

Disposition: As of June 30, 2017, the \$1,107 shortage had not been recovered by the school, and the financial secretary was still employed by the district during this period.

*Arlington High School* – An investigative report issued on January 16, 2014, by the Office of the Tennessee Comptroller of the Treasury disclosed misappropriated and missing internal school funds at Arlington High School in the Shelby County School System. The investigation focused on the period July 1, 2008, through June 30, 2010.

The investigative report revealed the former financial secretary misappropriated school collections of \$142,307 and retained the cash for her personal benefit. To conceal the misappropriation, the former financial secretary altered, destroyed and discarded school records. The former financial secretary also made personal purchases on the school's VISA card of \$566. An additional \$29,081 of misappropriated collections from ticket sales related to basketball games, football games and other activities such as winter concerts and locker fees was discovered.

Disposition: These matters were referred to the local district attorney general. The Shelby County Grand Jury indicted the former financial secretary on one count of theft over \$60,000 in December 2013. As of June 30, 2017, no restitution had been made, and the shortage balance remained \$171,954.

## Exhibit B

*Carver High School* – A burglary occurred at the school, and a deposit of \$814 was stolen from a safe.

Disposition: The incident was investigated by the Memphis Police Department. As of June 30, 2017, the shortage had not been recovered by the school.

*Chickasaw Middle School* – The school's financial secretary did not reconcile a bank account in a timely manner, and deposit shortages of \$1,102 were discovered.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Colonial Middle School* – A suspected courier theft of \$1,000 was reported.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Corry Middle School* – A review of the school's bank reconciliation indicated receipted funds of \$1,814 were not deposited in the school's operating account.

Disposition: The financial secretary resigned. As of June 30, 2017, the shortage had not been recovered by the school.

*Evans Elementary School* – The school's financial secretary forged the name of the principal on various unauthorized checks. In addition, certain collections submitted to the financial secretary by teachers and other individuals were missing. It was determined that unrecorded checks were swapped for cash collections. The total amount of the shortages reported was \$1,458.

Disposition: The financial secretary resigned and was indicted. As of June 30, 2017, the shortage had not been recovered by the school.

*Frayser High School* – The school's financial secretary failed to receipt and deposit \$9,000.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Germanshire Elementary School* – A courier theft of \$860 was suspected in this school.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Holmes Road Elementary School* – A courier theft of \$350 was suspected in this school.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Holmes Road Elementary School – SACC Program* – A review of the School Age Child Care (SACC) Program revealed \$44,728 of tuition payments should have been collected for the period. After the tuition payments of \$19,800 for the period were verified and recorded, a variance of \$24,928 resulted, and the SACC program coordinator resigned.

## Exhibit B

Disposition: As of June 30, 2017, the \$24,928 shortage was written off as uncollectible.

*Kingsbury High School* – A teacher collected funds that were submitted to the school's financial secretary, and a shortage of \$3,375 resulted.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Kirby High School* – A courier theft of \$1,500 was suspected.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Lester Middle School* – Bank deposits were not made on a timely basis. As a result, \$600 could not be properly verified as deposited into the school's bank account. In addition, the school discovered there were unexplained deposits in transit of \$1,322 that dated retroactively to 2013.

Disposition: As of June 30, 2017, the \$1,922 shortages had not been recovered by the school, and the financial secretary was no longer employed by the school district.

*Melrose High School* – During the review of the school's regular audit, it was determined an employee operated the school's concession stand for which unaccounted funds of \$3,733 were reported. In addition, a wrestling stipend of \$4,744 was paid to an employee who did not coach; however, it was determined the school did not have a wrestling team during the period. A trip expense claim revealed overpayments to employees of \$780 and overpayments of \$2,120 for trip expenses.

Disposition: As of June 30, 2014, the shortage had been reduced by \$7,449, which resulted in an ending balance of \$3,928 that had not been recovered as of June 30, 2017.

*Newberry Elementary School* – The School Age Child Care (SACC) Program coordinator submitted a receipt book to the school that was not part of the school's inventory. The receipt book revealed receipts written for \$9,830 were never submitted to the school office, and the receipts in question were considered missing.

Disposition: The SACC coordinator was terminated. As of the fiscal year ended June 30, 2017, the shortage had not been recovered by the school.

*Northside High School* – A shortage of \$1,283 was noted during the review of the school's bank reconciliation. In addition, the school discovered there were unexplained deposits in transit of \$790 that dated retroactively to 2013.

Disposition: As of June 30, 2017, the \$2,073 shortage had not been recovered by the school, and the financial secretary was employed by another school in the district.

*Oak Forest Elementary School* – A courier theft of \$765 was suspected in this school.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

## Exhibit B

*Peabody Elementary School* – School Age Child Care (SACC) Program collections of \$18,000 were never submitted to the school’s office for receipting, depositing and recording in the school’s accounting system.

Disposition: The SACC coordinator and the financial secretary resigned. As of June 30, 2017, the shortage had not been recovered by the school.

*Ross Elementary School* – A courier theft of \$299 was suspected in this school.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*Southwest Prep Academy School* – A financial secretary made cash withdrawals of \$1,180 from the school’s operating account that appeared to be used for personal purchases.

Disposition: As of June 30, 2017, the secretary’s employment had been terminated, and the shortage had not been recovered by the school.

*Trezevant High School* – The school’s financial secretary misappropriated funds of \$11,877 for which the secretary’s employment was terminated.

Disposition: As of June 30, 2017, the shortage had not been recovered by the school.

*William H. Brewster Elementary School* – During the review of the School Age Child Care (SACC) Program, the audit revealed some financial records were missing and not properly completed. The SACC payment schedules indicated the payments were not properly posted or recorded in the school’s accounting system nor were they deposited in the school’s operating account. It was determined the shortage was \$4,000.

Disposition: Employment was terminated for the SACC program coordinator and the financial secretary. As of June 30, 2017, the shortage had not been recovered by the school.

*Wooddale Middle School* – A financial secretary failed to enter transactions into the school’s accounting records, which resulted in unaccounted funds of \$1,900.

Disposition: The secretary resigned and signed a promissory note to repay \$1,900. As of June 30, 2017, the shortage had not been recovered by the school.

### 58. Sullivan County Schools

*Sullivan North High School* – The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the Sullivan North High School, Sullivan County Department of Education. An investigative report was issued on January 27, 2017.

According to the investigative report, a former bookkeeper misappropriated school funds of at least \$1,200 from admissions charged for athletic events during August 16,

2016, through September 10, 2016. The former employee recorded false amounts on related ticket reconciliation forms, prepared false receipts, and she made false entries in the school's accounting system to conceal her actions.

Disposition: The bookkeeper was terminated from her employment with the Sullivan County Department of Education on September 14, 2016. This matter was referred to the local district attorney general. The Sullivan County Grand Jury indicted the former bookkeeper on one count of theft over \$1,000 and four counts of forgery on January 18, 2017. As of June 30, 2017, complete restitution was paid by the former employee.

**59. Sumner County Schools**

*Bethpage Elementary School* – An overage charge of \$29 occurred on the school's credit card.

Disposition: As of June 30, 2017, Commerce Bank issued a \$29 credit and reversed the charge.

*Rucker-Stewart Middle School* – A bookkeeper utilized store reward cards to make personal purchases, which resulted in a \$55 shortage. The reward cards were earned by the school through purchases from Office Depot.

Disposition: As of June 30, 2017, the shortage balance remained \$55.

*Station Camp Elementary School* – A teacher returned student supplies purchased by parents and received a store gift card. The gift card was used to make personal purchases of \$187.

Disposition: As of June 30, 2017, the shortage balance remained \$187.

*William Burrus Elementary School* – A teacher lost a school credit card at Kroger. The card was fraudulently used at Kroger to purchase iTunes for \$111.

Disposition: As of June 30, 2017, Commerce Bank reversed the charges for \$111.

***Utility Districts***

**60. Chuckey Utility District and Cross Anchor Utility District**

The Chuckey Utility District and the Cross Anchor Utility District are separately chartered utility districts that have individual boards of commissioners and distinct water lines. The utility districts are located in the Town of Greeneville, Greene County, Tennessee, and they provide water utility services. The Chuckey Utility District reported 4,310 customers, and the Cross Anchor Utility District reported 3,131 customers according to their 2013 audit reports.

**Exhibit B**

The June 30, 2013, audits for the Chuckey Utility District and the Cross Anchor Utility District reported findings related to matters that were investigated by the Office of the Tennessee Comptroller of the Treasury. An investigative report was issued on August 18, 2014, that focused primarily on the period July 1, 2011, through September 30, 2013, at which time both districts shared a common staff that included upper management. The investigation focused on questionable transactions initiated by the retired general manager and her daughter who replaced her as general manager. The investigation questioned the following amounts:

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Summary of Questioned Transactions  
by the Retired General Manager and Former General Manager

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The retired general manager received bonuses in December 2012 that had not been approved by the board of commissioners.	\$ 25,056
The former general manager used district funds to purchase a computer for her personal benefit	2,064
Inconsistencies were noted regarding the interpretation, authorization and initiation date of an employment contract with the retired general manager.	182,334
	<hr/> <u>\$ 209,454</u>

The above issues were referred to the local district attorney. Additional disbursements of \$11,271 were questioned in the Comptroller's investigative report. District funds of \$7,671 were used for the retired general manager's retirement party, and the former general manager paid annual phone allowances of at least \$3,600 per individual to herself and certain other employees of the utility districts.

Disposition: The retired and former general managers were indicted on several counts of official misconduct and multiple counts of theft in November 2014. The computer purchased using \$2,064 of the district's funds for the former general manager's personal benefit was returned to the district. As of the fiscal year ended June 30, 2017, the shortage balance remained \$207,390.

**61. Crab Orchard Utility District**

The Crab Orchard Utility District is located in the City of Crossville, Cumberland County, Tennessee, and it provides water utility services. The district's 2017 audit reported 8,310 water customers.

A District employee stole approximately \$1,300 in March 2018. The theft occurred subsequent to the district's year end, but before the financial statements were issued.

Disposition: As of December 31, 2017, the employee paid full restitution, and the individual's employment was terminated.

**62. Webb Creek Utility District**

The Webb Creek Utility District is located in the City of Gatlinburg, Sevier County, Tennessee, and it provides water and wastewater utility services. The district’s 2014 audit reported 525 water customers and 107 wastewater customers.

The Office of the Tennessee Comptroller of the Treasury, in conjunction with the Fourth Judicial District Attorney General, performed an investigative audit of selected records of the Webb Creek Utility District for the period January 1, 2010, through April 30, 2013; however, the scope was expanded as necessary. An investigative report released by the Office of the Tennessee Comptroller of the Treasury on September 3, 2014, revealed questionable purchases of \$43,929 by various employees including the district manager and the assistant district manager. A summary of the purchases is listed as follows:

Summary of Questionable Purchases	
Gift purchases	\$ 19,320
Food purchases	7,965
Other questionable purchases	3,852
Missing electronic equipment	3,808
Unaccounted for gift cards	1,575
Personal use of cell phones	1,919
Unauthorized meal allowance	969
Entertainment purchases	647
Meals purchased	2,656
Unearned paid leave	1,218
	\$ 43,929

Disposition: The positions for the former district manager and the former assistant district manager were terminated on August 2, 2013. Utility district officials plan to seek restitution from responsible individuals for nonbusiness related purchases and to strengthen the district’s internal controls to include proper oversight of the district’s operations. In addition, the district filed a claim with its insurance company for reimbursement of questionable costs of \$43,929. As of the fiscal year ended December 31, 2017, the district was advised that the local district attorney will not prosecute anyone related to this matter, and the insurance company will not pay the claim if no one is charged.

***Housing Authorities***

**63. Oliver Springs Housing Authority**

The Oliver Springs Housing Authority (OSHA) is in the City of Oliver Springs, in Anderson, Morgan and Roane Counties in Tennessee, and it administers funds

received from the United States Department of Housing and Urban Development (HUD).

The Office of the Tennessee Comptroller of the Treasury, in conjunction with the Ninth Judicial District Attorney, the Oliver Springs Police Department, and HUD conducted an investigation of pertinent records of OSHA. Subsequently, an investigative report was issued on May 3, 2018. It was determined a cash shortage of at least \$149,517 existed at OSHA as of April 30, 2017.

An employee used her OSHA credit card and the executive director's OSHA credit card to purchase items for her personal use during December 1, 2015, through April 30, 2017. The payments were for various items such as property taxes to the Roane County Trustee, automobiles, Amazon purchases, PayPal transfers, a travel trailer, personal vehicle repairs, jewelry, clothes, two Yamaha Jet Skis, a 2001 Tahoe boat and trailer, etc.

Disposition: The employee was terminated in April 2017. As of September 30, 2017, \$14,236 was refunded by vendors, and \$135,281 remained unpaid by the former employee.

**64. Smyrna Housing Authority**

The Smyrna Housing Authority is located in the City of Smyrna, Rutherford County, Tennessee, and it administers funds received from the United States Department of Housing and Urban Development (HUD).

During the fiscal year ended December 31, 2015, the authority became aware of the potential misappropriation of tenant receipts by tracking tenant charges and receipts. As a result, an employee was questioned regarding unauthorized deletions of rent charges and other adjustments to tenant accounts. In addition, copies of money orders and checks were obtained, and it was determined they were made payable to the suspected employee instead of to the authority. The potential fraud was reported to the Office of the Tennessee Comptroller of the Treasury and to the local police.

Disposition: The local police department performed an investigation, and an indictment was charged against the former employee. As of December 31, 2017, the authority had not recovered the \$14,210 balance that was attributed to the theft.

**65. South Pittsburg Housing Authority and South Pittsburg Elderly Housing Authority**

The South Pittsburg Housing Authority (SPHA) and the South Pittsburg Elderly Housing Authority (SPEHA) are located in the City of South Pittsburg, Marion County, Tennessee, and they administer funds received from the United States Department of Housing and Urban Development (HUD). The authorities are separate legal entities, and they each have a board of commissioners. However, the housing authorities share office space and staff.

*Investigative Report Issued on July 14, 2015*

The Office of the Tennessee Comptroller of the Treasury conducted a special investigation of selected records of SPHA and SPEHA for the period December 21, 2009, through January 21, 2014, related to allegations of malfeasance. An investigative report released on July 14, 2015, revealed a former accounting director, a former public housing manager and various other employees misappropriated at least \$228,981.

According to the investigative report, the former accounting director used at least three schemes to perpetrate the misappropriation of at least \$127,980 from the housing authorities. The schemes included charging at least \$100,368 for personal purchases on a housing authority credit card. The purchases included hotel visits in Las Vegas and New Orleans and lodging expenses at a casino in Mississippi. Additionally, the individual issued fraudulent checks of least \$27,612 to herself, of which \$2,490 consisted of payroll checks.

A former public housing authority manager misappropriated at least \$5,405 from the South Pittsburg Housing Authority. Fraudulent activities included a \$2,756 trip to Chicago for a conference that the manager never attended, and personal purchases of at least \$2,649 on a Lowe's housing authority account. The purchases included lumber and other supplies to build a pavilion adjacent to the swimming pool at the former employee's home.

Investigators also determined \$95,595 of cash collections were misappropriated from the housing authorities by the former public housing manager and the former accounting director who were responsible for collecting cash and making deposits. Investigators discovered multiple employees shared the same collection drawers and bank deposits were frequently manipulated so that the cash included in deposits was less than the amount of cash collected.

*Investigative Report Issued on December 17, 2015*

Comptroller investigators continued to investigate certain other matters that related to SPHA and SPEHA, and an additional investigative report was issued on December 17, 2015, by the Office of the Tennessee Comptroller of the Treasury. The second report revealed a former executive director requested, received and transacted fraudulent SPHA checks of at least \$7,000 that were written to him, and housing authority commissioners received at least \$37,975 of unauthorized compensation for attending board meetings.

Disposition: These matters were referred to the local district attorney general. On June 1, 2015, the Marion County Grand Jury indicted the former accounting director on one count of theft over \$60,000 and one count of theft over \$10,000, and the former public housing manager was indicted on one count of theft over \$1,000. In addition, on December 7, 2015, the Marion County Grand Jury indicted the former executive director on one count of theft over \$1,000. As of the fiscal year ended June 30, 2017,

restitution had been paid for \$12,405, which resulted in a \$261,551 shortage balance related to both investigations.

**66. Other Related Housing Authority Thefts - Tenant Income Falsifications**

On a routine basis, housing authorities report thefts that are not the result of cash missing from the authorities, but the result of the housing authorities determining that a tenant receiving Section 8 housing assistance had misrepresented their household income, thus originally receiving more federal assistance than legally allowed. The housing authorities are allowed to keep one-half of the recovery amounts, and the Department of Housing and Urban Development receives the other half.

Disposition: Ending balances represent amounts that have not been recovered or resolved as of the respective housing authorities' fiscal year end.

***Nonprofit Entities***

**67. Faith Specialized Care Services, Inc.**

Faith Specialized Care Services, Inc., provides day services, supported living, respite, personal assistance and transportation to persons with intellectual disabilities as authorized by the State of Tennessee Department of Intellectual and Developmental Disabilities. Substantially all of the organization's revenues are derived from the State of Tennessee.

The audit for the fiscal year ended December 31, 2016, reported a cash shortage of \$2,465. Management reported three disbursement checks were paid by the bank with duplicate check numbers from disbursements that were previously approved. The items appeared on the month-end bank reconciliation, but they were not resolved in sufficient time to report the incidents to the bank for reversal of the transactions.

Disposition: As of December 31, 2017, the \$2,465 cash shortage was written off. The check payees were not employees of the organization, and they were unknown to management.

**68. Madison-Haywood Developmental Services, Inc.**

Madison-Haywood Developmental Services, Inc., (the Corporation) provides support to adults with intellectual disabilities through programs such as supported-living services, facility-based day services and industrial work opportunities for service recipients. The majority of revenue is derived from the State of Tennessee Department of Intellectual and Developmental Disabilities. The Corporation was created as a non-profit corporation under the laws of the State of Tennessee in 1972, and it has received tax-exempt status from the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code.

The audit for the fiscal year ended June 30, 2016, revealed several instances of gas theft. An off-duty employee used the Corporation's gas card multiple times for personal purchases that totaled \$202.

Disposition: As of June 30, 2017, the employee was terminated, and the \$202 shortage was repaid.

**69. United Neighborhood Health Services, Inc.**

United Neighborhood Health Services, Inc., (UNHS) is a nonprofit organization that operates primary care centers located in Davidson, Trousdale and Wilson Counties. The entity provides a broad range of primary health care services to a large medically under-served population. The United States Department of Health and Human Services provides substantial support to the organization for which it is obligated to comply with specified conditions and program requirements set forth by the grantor(s).

An employee misappropriated assets by circumventing the internal controls of UNHS. Management became aware of the situation through patient complaints regarding statements or collection letters the patients received for payments they had previously submitted to the organization. The employee was immediately terminated, and a claim was submitted to the insurance carrier of UNHS for the amount of the misappropriation. UNHS paid the required \$2,500 insurance deductible from federal funds, which is not in accordance with an applicable federal grant agreement.

Disposition: As of the fiscal year ended January 31, 2017, the insurance carrier of UNHS reimbursed the loss attributed to the misappropriation of assets by the former employee. In addition, UNHS adjusted the insurance deductible payment to be made from operating activities instead of federal funds, which eliminated questioned costs of \$2,500.

***Other Governmental Entities***

**70. Bradley-Cleveland Community Services Agency**

The Bradley-Cleveland Community Services Agency is located in the City of Cleveland, Bradley County, Tennessee. The agency is a quasi-governmental entity that administers programs and services to the general public, but primarily to elderly and low-income households. The funds for providing these programs and services are derived from state and local sources including grants with state agencies.

The annual audit reported a theft of \$1,350 in the general fund. A payroll clerk paid for his child support with agency funds, and a garnishment was not properly withheld from his check.

Disposition: As of June 30, 2017, the cash shortage balance remained \$1,350. Subsequently, the employee was terminated. The employee admitted the child support payments were improperly disbursed, and the individual's accrued annual leave payment was reduced by the amount owed upon termination.

**71. Douglas-Cherokee Economic Authority, Inc.**

The Douglas-Cherokee Economic Authority, Inc., is in the City of Morristown, Hamblen County, Tennessee. The authority sponsors the construction and operation of United States Department of Housing and Urban Development housing complexes for individuals age 60 and/or who are disabled. The primary source of funding for the authority is federal and state grants. Brookwood Terrace Apartments is a component unit of the authority, and it comprises 24 rental units located in Wartburg, Tennessee.

The Office of the Tennessee Comptroller of the Treasury investigated potential financial discrepancies at the Brookwood Terrace Apartments, and an investigative report was issued on September 13, 2018. Comptroller investigators reviewed the apartment's accounting records, bank statements and other documentation for the period October 1, 2012, through July 31, 2017. It was noted a cash shortage of at least \$22,036 existed on July 31, 2017. Economic authority officials were unable to account for cash rental payments received by a former office manager from some tenants that were not deposited into the office bank account for the period reviewed.

Disposition: The office manager resigned on June 9, 2017. As of June 30, 2017, the cash shortage balance remained \$22,036. This matter was referred to the local district attorney general. On August 15, 2018, the former employee pled guilty to one count of theft between \$10,000 and \$60,000.

**72. Upper Cumberland Human Resource Agency**

The Upper Cumberland Human Resource Agency is located in the City of Cookeville, Putnam County, Tennessee. The agency was established in 1973 in accordance with Title 13, Chapter 26, as amended, of *Tennessee Code Annotated*. This legislation provides a regional system to deliver human resource agency programs in the state's counties and cities. The majority of the agency's funding is from federal and state grants.

Employees at the Head Start Program noted that \$261 for a fundraiser was missing from the cash collections held at the Head Start School. There was no suspect identified after the local sheriff's office was contacted by employees.

Disposition: As of June 30, 2017, the cash shortage balance remained \$261.

**73. Watauga River Regional Water Authority**

The Watauga River Regional Water Authority is located in the City of Elizabethton, Carter County, Tennessee. The authority was established by the State of Tennessee, Private Chapter Number 29, House Bill Number 1979, Private Acts of 2001, for the purpose of developing a regional source of treated potable water to serve water customers in Carter County. The authority's primary source of funding is derived from customer surcharges that are billed to customers of the participating utility districts.

The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the Watauga River Regional Water Authority and the North

Elizabethton Water Cooperative. An investigative report issued on May 4, 2015, revealed a former accounting clerk misappropriated at least \$11,325 of utility cash collections during the period March 2014 through September 2014. The investigation disclosed the clerk falsely voided certain cash payments in the collection records and never recorded various collections in the district's accounting records to conceal the misappropriations. The clerk resigned from the district after investigators performed a surprise count of her cash drawer and discovered a \$100 shortage for which she could not provide an explanation.

Disposition: These matters were referred to the local district attorney general. On March 2, 2015, the Carter County Grand Jury indicted the former accounting clerk on one count of theft over \$10,000. The court ordered the former clerk to repay \$50 per month beginning in February 2016. The clerk violated parole conditions according to management, and she was returned to jail in Carter County, Tennessee. There have been no collections as of June 30, 2017.

### ***Unaudited Entities***

#### ***Nonprofit Organizations***

##### **74. Community Prevention Coalition of Jackson County**

The Community Prevention Coalition of Jackson County (CPCJC) is a 501(c)(3) nonprofit organization located in Gainesboro, Tennessee. CPCJC's mission is to reduce underage drinking and tobacco use and increase the community's capacity for the prevention of these activities in Jackson County. The coalition provides education and awareness programs for the county's youth. CPCJC's primary source of funds is from grants from the Tennessee Department of Mental Health and Substance Abuse Services and the United States Department of Health and Human Services.

The Office of the Tennessee Comptroller of the Treasury, in conjunction with the Federal Bureau of Investigation, the Office of Inspector General for the United States Department of Health and Human Services, and the Internal Revenue Service Criminal Investigation, investigated allegations of malfeasance related to CPCJC. An investigative report issued on May 13, 2019, revealed a former executive director misappropriated \$46,335 of coalition funds during January 2014 to December 2015.

The former executive director reimbursed himself for personal purchases, and he issued coalition checks to himself without the knowledge or consent of coalition board members. Additionally, during the investigation, the individual removed the coalition's financial records from the CPCJC office, and he apparently destroyed the records in a fire while they were in his custody. As a result, investigators were unable to determine the full extent of the misappropriation.

The former executive director wrote fraudulent reimbursement checks for \$28,717 to himself for personal purchases such as hunting supplies, a crossbow, and an electric bill; expenses for CPCJC that had already been paid; and a fictitious loan. During the

calendar years 2014, 2015, and 2016, the individual issued ten extra paychecks to himself that totaled \$17,618.

Disposition: The Federal Grand Jury in the Middle District of Tennessee returned a 48-count indictment against the former executive director on May 8, 2019, which included two counts of theft, 30 counts of wire fraud, and one count of the destruction of records. The former executive director was employed by CPCJC until 2017.

**75. Lewis County Soil Conservation District**

The Lewis County Soil Conservation District (LCSCD) is located in Hohenwald, Lewis County, Tennessee. LCSCD is a governmental entity specifically created under state statutes in the interest of the public health, safety, and welfare, for the purposes of preventing and controlling soil erosion, improving water quality and promoting stewardship of natural resources. The majority of its funding is derived from taxpayer dollars from the Tennessee Department of Agriculture.

The Office of the Tennessee Comptroller of the Treasury investigated possible malfeasance related to LCSCD. The Comptroller's Office initiated the investigation after officials from the Tennessee Department of Agriculture reported concerns regarding a cost-share project at the district. An investigative report issued on November 7, 2018, revealed a board member of LCSCD misappropriated district funds of at least \$2,713 during May 2016 through October 2016.

The board member requested assistance from LCSCD to stabilize a stream bank on his property, for which the district estimated the costs would not exceed \$15,000. The individual signed the standard application and agreement for assistance, and he acknowledged the district would reimburse him no more than 75% of the actual or estimated cost of the project (the maximum cost-share amount), whichever was less.

After the project was completed, the contractor provided the board member with an invoice for \$14,469 which he subsequently submitted to LCSCD. The district reimbursed the board member \$10,852 (75% of \$14,469). However, the investigators determined the board member paid the contractor \$9,448, and he retained \$1,404 to cover the value of the services and equipment he personally contributed to the project. As a result of submitting a false and inflated invoice, the individual received \$2,713 of excess public funds to which he was not entitled.

Disposition: The Comptroller's Office referred this matter to the District Attorney General of the Twenty-first Judicial District. The Franklin County Grand Jury indicted the board member on one count of theft over \$2,500 but under \$10,000 on November 5, 2018.

**76. Mississippi River Corridor – Tennessee, Inc.**

Mississippi River Corridor – Tennessee, Inc., (MRCT) was a 501(c)(3) nonprofit organization established in 2007 that was in Memphis, Tennessee. Its mission was to identify, conserve and enhance the region's natural, cultural and recreational resources to improve the quality of life and prosperity in West Tennessee. MRCT focused on economic development, land conservation, environment and wildlife preservation of the six counties along the Mississippi River, which comprise Shelby,

## Exhibit B

Tipton, Lauderdale, Dyer, Lake and Obion counties. MRCT funded its operations through donations and grants from state and federal agencies and private entities. The Tennessee Department of Transportation (TDOT), Division of Internal Audit, notified the Office of the Tennessee Comptroller of the Treasury and the United States Department of Transportation, Office of Inspector General, of deficiencies with grant reimbursements provided to MRCT by TDOT in July 2016, at which time all state funding and grant awards ceased. Subsequently, the Office of the Tennessee Comptroller of the Treasury conducted an investigation of selected records of the Mississippi River Corridor – Tennessee, Inc. This investigation was conducted in conjunction with the United States Department of Transportation, Office of Inspector General, and the Tennessee Valley Authority, Office of Inspector General.

The investigative report issued on February 20, 2019, revealed unallowable costs of \$1,083,264 that are summarized as follows:

- Reimbursements of \$452,197 related to improper bidding for a construction project at Reelfoot Lake for an interpretive visitor center
- Reimbursements for \$263,730 for which there was missing documentation for timesheets, documented travel and other related expenses
- Duplicate reimbursements of \$176,196 for various expenses related to grants
- Cost reimbursement payments from grantors for \$149,857 that were not allowed
- Reimbursements of \$30,197 that were based on false requests
- Reimbursement payments of \$11,087 from grantors for personal expenses

Disposition: The board of directors for MRCT voted to dissolve the nonprofit organization on March 1, 2017. However, the executive director continued operations without the board's knowledge, and she requested and received additional funding in May 2017. The Grand Jury of the United States District Court for the Middle District of Tennessee, Nashville Division, indicted the executive director on three counts of mail fraud on February 13, 2019.

### 77. **Volunteer Energy Cooperative**

The Volunteer Energy Cooperative (VEC) is an electric cooperative that was formed in 1935. The cooperative serves more than 96,000 members in 17 Tennessee counties. VEC is governed by a board of directors that consists of 12 members who represent these counties. The corporate office for VEC is located in Decatur, Meigs County, Tennessee.

The Office of the Tennessee Comptroller of the Treasury, in cooperation with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to VEC. The Comptroller's Office initiated the investigation at the request of the District Attorney General of the Ninth Judicial District after officials with VEC reported questionable transactions in the bank records. An investigative report issued on

November 28, 2018, revealed a former accountant misappropriated funds of at least \$994,981 during the period June 2011 through December 2017.

The former accountant initiated at least 242 unauthorized and undue payments of \$735,319 from a VEC account to his personal bank account during the period June 2011 through June 2016. The former employee also made at least 204 unauthorized and undue VEC payments of \$229,293 to a personal credit card account during the period August 2016 through December 2017. Finally, the individual initiated at least 48 unauthorized and undue VEC payments of \$30,369 for personal expenses to a credit card account in the name of a family member during the period August 2016 through November 2017.

Disposition: VEC terminated the former accountant's employment on January 2, 2018. This matter was referred to the District Attorney General for the Ninth Judicial District. The former VEC accountant was indicted on one count of theft over \$250,000 in November 2018.

### ***School Support Organizations***

#### **78. Balmoral Ridgeway Elementary School Parent-Teacher Organization**

The Office of the Tennessee Comptroller of the Treasury conducted an investigation of pertinent records related to the Balmoral Ridgeway Elementary School Parent-Teacher Organization (PTO) for the period August 1, 2016, through December 31, 2017. The investigative report released on June 11, 2018, revealed a former PTO president improperly used at least \$2,487 of organizational funds for personal use. The individual used the PTO's bank debit card to make unauthorized purchases from Walmart and the Memphis Zoo. In addition, she made a \$450 ATM withdrawal from a PTO account.

Disposition: This matter was referred to the local district attorney general. The Shelby County Grand Jury indicted the former president on one count of theft of property over \$1,000 on June 5, 2018. The former president repaid \$203, and the investigative audit recommended school officials should take immediate steps to seek recovery of the \$2,284 unpaid balance.

#### **79. Cumberland Elementary School Parent-Teacher Organization**

The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the Cumberland Elementary School Parent-Teacher Organization (PTO). The Comptroller's Office initiated the investigation after officials with the School Audit Department of the Metropolitan Nashville Public Schools reported questionable transactions in the PTO bank records. The investigative report issued on November 20, 2018, revealed a former PTO president misappropriated PTO funds of at least \$17,725 during the period October 2014 through October 2016.

The former PTO president obtained \$17,025 of cash from the PTO account for his personal benefit by signing and transacting at least 15 over-the-counter cash withdrawal slips. In addition, the individual used PTO funds of \$700 to purchase at least two gift cards for himself. According to records obtained from Regions Bank, one of the gift cards was used to make a payment on a personal debt to a state agency.

Disposition: This matter was referred to the local district attorney general. The Davidson County Grand Jury indicted the former president on one count of theft over \$10,000 in August 2018.

**80. H.G. Hill Middle School Parent-Teacher Organization**

The Office of the Tennessee Comptroller of the Treasury investigated allegations of malfeasance related to the H.G. Hill Middle School Parent Teacher Organization (PTO). The investigation was initiated by the Comptroller's Office after the officials at H.G. Hill Middle School reported questionable transactions in the PTO bank records. The investigative report released on March 21, 2019, revealed a former PTO president misappropriated PTO funds of at least \$31,490 during the period August 2014 through August 2017.

The former PTO president misappropriated PTO funds of \$8,475 by making at least 36 personal purchases using the PTO debit card. The debit card was used to pay home rent and car payments; to pay utility and cable bills; and to purchase clothing, furniture, snacks, cigarettes and other items for her personal benefit. In addition, the individual initiated at least 25 cash withdrawals via ATM transactions for \$6,832.

An analysis of detailed collection records, invoices from vendors, and bank deposit records revealed the former PTO president withheld cash collections for her personal benefit from the spring 2017 candy bar sale for \$10,102; the fall 2015 coupon book sale for \$2,090; and the 2015 and 2016 spirit wear sales for \$1,991. Finally, the individual prepared and transacted an unauthorized PTO check made payable to cash for \$2,000, and she retained the proceeds for her personal use.

Disposition: The Davidson County Grand Jury indicted the former PTO president on one count of theft over \$10,000 and one count of the fraudulent use of a credit or debit card on February 5, 2019.

**81. South Middle School Trojan Athletic Booster Club**

The Office of the Tennessee Comptroller of the Treasury, in conjunction with the Franklin County Sheriff's Office, investigated allegations of malfeasance related to the South Middle School Trojan Athletic Booster Club. The Comptroller's Office initiated the investigation after booster club and school officials reported questionable transactions in the booster club bank account. The investigative report issued on November 8, 2018, disclosed a former treasurer misappropriated booster club funds of at least \$4,927 during the period November 2016 to March 2017.

The former treasurer withheld cash collections of \$4,087 from concessions sales at seven home basketball games, and she retained the funds for her personal use. Additionally, the individual prepared and issued an unauthorized booster club check for \$840 to pay loans for her personal vehicles.

Disposition: This matter was referred to the local District Attorney General of the Twelfth Judicial District. The Franklin County Grand Jury indicted the former booster club treasurer on one count of theft over \$2,500 in November 2018.

*Volunteer Fire Departments*

**82. Keith Springs Volunteer Fire Department**

The Keith Springs Volunteer Fire Department (KSVFD) is located in Belvidere, Franklin County, Tennessee. Franklin County funds the KSVFD through a county fire tax and a percentage of the hotel/motel tax. In addition, the KSVFD holds fundraising events and applies for grant funding for large purchases.

The Office of the Tennessee Comptroller of the Treasury was informed of potential misappropriations of funds at KSVFD. As a result of these allegations, an investigation was performed for the period January 2015 through March 2018. An investigative report released on January 24, 2019, disclosed a former fire chief used department funds for unauthorized personal purchases of at least \$20,293

According to the investigative report, a former fire chief made unauthorized personal disbursements of \$10,805 from the KSVFD checking account. During the period under examination, the former fire chief used the KSVFD debit card for purchases including televisions, a vacation rental in Panama City Beach, food, gasoline, groceries, etc.

Bank statements for KSVFD reflected 17 withdrawals for \$8,635 for which no business purpose could be identified. In addition, questionable disbursements of \$853 from the fuel account were discovered.

Disposition: These matters were referred to the local district attorney general. The Franklin County Grand Jury indicted the former fire chief on one count of theft over \$10,000 on January 7, 2019. As of June 30, 2017, the shortage balance decreased by \$100.