



STATE OF TENNESSEE

REVIEW OF FUNDS ADMINISTERED BY
THE DISTRICT ATTORNEY GENERAL
AND
JUDICIAL DISTRICT DRUG TASK FORCE
TWENTY-FOURTH JUDICIAL DISTRICT



FOR THE YEAR ENDED JUNE 30, 2010



REVIEW OF FUNDS
ADMINISTERED BY THE DISTRICT ATTORNEY GENERAL
AND
JUDICIAL DISTRICT DRUG TASK FORCE

TWENTY-FOURTH JUDICIAL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
JAMES R. ARNETTE
Director

This report is available at www.tn.gov/comptroller

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Review Highlights

Review of Funds
Administered by the District Attorney General
and
Judicial District Drug Task Force
Twenty-fourth Judicial District
For the Year Ended June 30, 2010

Scope

Our review included an examination of funds administered by the district attorney general for the year ended June 30, 2010. In addition, our review included an examination of the judicial district's drug task force fund administered by the task force's board of directors for the year ended June 30, 2010.

Results

The review resulted in 12 findings. We reviewed these findings and recommendations with the district attorney general and representatives of the drug task force. Details of these findings, recommendations, and management's responses, as a result of our review, are presented in the Findings, Recommendations, and Financial Section of this report.

The following are summaries of the findings from our review:

- ◆ The Board of Directors did not assume oversight responsibility.
- ◆ The Drug Task Force had a cash shortage of \$5,565 at March 25, 2011.
- ◆ Officials were unable to locate their policies and procedures manual.
- ◆ Official prenumbered receipts were not issued for miscellaneous collections and seized property.
- ◆ Some seized funds were not deposited to the bank account or with the county trustee within three days of the award.
- ◆ Cash, guns, drugs, jewelry, and equipment under the control of the Drug Task Force were misused, stolen, and/or lost.
- ◆ Deficiencies were noted in inventory records.
- ◆ Documentation was not on file to support some purchases charged to Drug Task Force credit cards.
- ◆ The Drug Task Force director falsified an invoice on a construction project.
- ◆ Competitive bids were not solicited for a vehicle and vehicle liability insurance.
- ◆ The Drug Task Force director authorized a payment for law enforcement training for the administrative assistant without board approval.
- ◆ The Drug Task Force director did not prepare a list of contraband property for destruction to the court on an annual basis.

INTRODUCTORY SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

August 16, 2011

To the Members of the General Assembly
of the State of Tennessee, and
The Honorable Bill Haslam, Governor
of the State of Tennessee

Ladies and Gentlemen:

Transmitted herewith is our review of funds administered by the District Attorney General and the Judicial District Drug Task Force for the year ended June 30, 2010, for the twenty-fourth judicial district of the State of Tennessee. A separate review dated July 11, 2011, was conducted in each of the judicial districts of the funds administered by the District Attorneys General and Judicial District Drug Task Forces; however, the results of the review on the twenty-fourth judicial district were omitted from that report due to the subsequent completion of a special investigation.

A copy of this report has been forwarded to the district attorneys general of the 31 judicial districts and to various other state and local government officials.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Officials of the District Attorney General's Office
and Judicial District Drug Task Force
June 30, 2010

Officials:

Hansel McCadams, District Attorney General
Steve Lee, Judicial District Drug Task Force Director
Tim Cunningham, Interim Judicial District Drug Task Force Director
Leona Simoneau Longworth, Judicial District Drug Task Force Administrative Assistant

Judicial District Drug Task Force Board of Directors:

Hansel McCadams, District Attorney General
Sammy Davidson, Hardin County Sheriff
Roy Wyatt, Decatur County Sheriff
Monte Belew, Henry County Sheriff

INTRODUCTION

This is a report of our review of funds administered by the District Attorney General and the Judicial District Drug Task Force for the year ended June 30, 2010, for the twenty-fourth judicial district of the State of Tennessee. A separate review was conducted in each of the 31 judicial districts of the funds administered by the District Attorneys General and Judicial District Drug Task Forces. The results of our review of the twenty-fourth judicial district are presented in this report. The results of our reviews of the other judicial districts were presented in a separate report dated July 11, 2011, which is available at www.tn.gov/comptroller.

BACKGROUND

The twenty-fourth judicial district comprises Benton, Carroll, Decatur, Hardin, and Henry counties. The main office is located in Carroll County with branch offices located in other counties. The district attorney general had funds on deposit with the Henry County trustee where the district attorney general resides. The county trustee maintained a District Attorney General Fund and a Drug Task Force Fund.

District Attorney General Fund

The District Attorney General Fund is used primarily to account for fees received from violating the Fraud and Economic Crimes Prosecution Act of 1984. In addition, this fund accounts for other sources of revenues received by the District Attorneys General, such as: grants, investment income, miscellaneous refunds, contributions, and other local revenues.

Drug Task Force Fund

Some judicial districts have established multi-jurisdictional drug task forces under the leadership of the district attorneys general. These drug task forces were created by contract (mutual aid agreement) between the participating district attorneys general and city and county governments, and were approved by their respective legislative bodies. Each judicial district drug task force, which generally includes sheriffs and police chiefs of participating law enforcement agencies within each judicial district, is governed by a board of directors.

Drug task force funds should be deposited with the county trustee in the county of each district attorney general's residence or another county designated by the district attorney general. The county trustees should credit these funds to the Judicial District Drug Fund.

All nonconfidential financial operations should be expended through these Judicial District Drug funds under the administration of the county mayors/executives. The directors of the drug task forces should submit requisitions to the county mayors/executives for goods and services, which would then be obtained through the county's purchasing system. Cash transactions for confidential funds should be requisitioned and disbursed under the supervision of each drug task force director and chairman.

BASIS OF ACCOUNTING

The various governmental funds are accounted for using the modified accrual basis of accounting.

FINANCIAL SUMMARY

Total revenues and expenditures of the funds for the twenty-fourth judicial district, as well as beginning and ending balances for the year examined, are presented below:

<u>Funds</u>	<u>Balance</u> <u>7-1-09</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other</u> <u>Financing</u> <u>Sources (Uses)</u>	<u>Balance</u> <u>6-30-10</u>
District Attorney General	\$ 17,885	\$ 20,421	\$ (12,642)	\$ 0	\$ 25,664
Drug Task Force	244,430	540,007	(631,057)	(11,683)	141,697
Total	<u>\$ 262,315</u>	<u>\$ 560,428</u>	<u>\$ (643,699)</u>	<u>\$ (11,683)</u>	<u>\$ 167,361</u>

Separate schedules of all funds available and expended for the judicial district are included in the Findings, Recommendations, and Financial Section of this report.

SCOPE

This review includes an examination of funds administered by the district attorney general for the year ended June 30, 2010. In addition, the review includes an examination of the administration of the judicial district drug task force funds by the Drug Task Force's Boards of Directors for the year ended June 30, 2010. Our review consisted of tests of records and auditing procedures that we considered necessary in the circumstances.

Findings and recommendations, as a result of our review, are presented in the Findings, Recommendations, and Financial Section of this report. The judicial district had 12 material findings. We reviewed these findings and recommendations with the district attorney general and representatives of the Drug Task Force to provide an opportunity for their response. The written responses from the Drug Task Force Board of Directors and the Henry County Sheriff are included in this report. Other officials made oral responses; however, these oral responses have not been included in this report.

**FINDINGS, RECOMMENDATIONS
AND FINANCIAL SECTION**

TWENTY-FOURTH JUDICIAL DISTRICT

We conducted our annual review of funds administered by the district attorney general and the Judicial District Drug Task Force (DTF) for the year ended June 30, 2010. However, due to allegations concerning the DTF, we extended our review of the DTF, with the assistance of the Tennessee Bureau of Investigation (TBI), through March 25, 2011. A review of our findings and recommendations, as a result of our review, is presented below. Many of the deficiencies noted are the result of management's failure to install internal control procedures and provide adequate oversight. Several of these deficiencies resulted in the theft of cash and property, the questionable use of property seized or owned by the DTF, and an abuse of authority and position. The written responses of the DTF Board of Directors and the Henry County Sheriff are paraphrased in this report.

FINDING 10.01 **THE BOARD OF DIRECTORS DID NOT ASSUME OVERSIGHT RESPONSIBILITY**

The Board of Directors of the DTF did not assume oversight responsibility for DTF operations. The minutes of the board did not reflect any discussions of the DTF's financial operations, major purchases or acquisitions, personnel policies, controls over evidence and confiscations, and the status of cases.

RECOMMENDATION

The Board of Directors should meet regularly to approve and review the DTF's financial operations, major purchases or acquisitions, personnel policies, controls over evidence and confiscations, and the status of cases.

MANAGEMENT'S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees with the recommendation. The DTF is under the direction of an interim director, and the board is currently meeting twice a month to review and approve the policies and operations of the DTF.

FINDING 10.02 **THE DRUG TASK FORCE HAD A CASH SHORTAGE OF \$5,565 AT MARCH 25, 2011**

The DTF had a cash shortage of \$5,565 at March 25, 2011. This cash shortage is composed of \$4,065 that we reported in Finding 09.01 in the Review of Funds Administered by District Attorneys General at June 30, 2009, plus an additional \$1,500 of cash seized in three cases the Tennessee Department of Safety awarded to the DTF that we could not trace to the DTF's accounting records or bank deposits. We requested additional information from the DTF related to these cases and the location of the \$1,500; however, DTF officials could not locate the funds and had no explanation as to its disposition. As of the date of this review, the \$5,565 cash shortage has not been liquidated.

RECOMMENDATION

Officials should take steps to liquidate the \$5,565 cash shortage. Management should perform a risk assessment and analyze its internal control procedures over safeguarding cash.

MANAGEMENT'S RESPONSE – DTF BOARD OF DIRECTORS

Two of the seizures were actually awarded in April and November 2008. The board is continuing to research financial records to locate these funds. Additionally, claims will be filed against the surety companies holding the bonds of the employees involved to liquidate the shortages. The \$4,065 noted in the previous audit was never turned in or deposited with administrative personnel. At the request of the district attorney general, these shortages are still under investigation by the TBI.

AUDITOR'S REBUTTAL TO DTF BOARD OF DIRECTORS

As noted in our review for the year ended June 30, 2009, an undercover officer who was formerly with the DTF advised he turned over the \$4,065 to DTF administrative personnel.

FINDING 10.03 **OFFICIALS WERE UNABLE TO LOCATE THEIR POLICIES AND PROCEDURES MANUAL**

DTF officials were unable to provide us with copies of their policies and procedures manual that had been previously adopted by the Board of Directors. Without this manual, DTF employees have no guidance on operational policies and procedures. At a minimum, the Board of Directors should have written guidelines readily available to all DTF employees governing the use of cellular telephones, credit cards, and controls over inventory, seizures, and evidence.

RECOMMENDATION

Officials should provide written policies and procedures governing DTF operations to all employees. These policies and procedures should comply with all guidelines of the federal Bureau of Justice Assistance and the state Office of Comptroller of the Treasury.

MANAGEMENT'S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors had approved a policies and procedures manual; however, staff was not able to locate this and other records after the administrative assistant was terminated. There had been a manual available for previous audits. The board agrees with the recommendation and is presently adopting new policies and procedures to correct the deficiencies in this audit.

FINDING 10.04 OFFICIAL PRENUMBERED RECEIPTS WERE NOT ISSUED FOR MISCELLANEOUS COLLECTIONS AND SEIZED PROPERTY

The DTF did not issue receipts for the miscellaneous collection of funds. Sections 9-2-103 through 9-2-104, Tennessee Code Annotated, require prenumbered receipts to be issued for all collections. The DTF issued a document entitled “Receipt for Property” for items seized by agents; cash, cars, guns, and equipment; however, these receipts for property were not prenumbered. Sound business practice dictates prenumbered property receipts for all seized items.

RECOMMENDATION

Official prenumbered receipts should be issued for all miscellaneous collections as required by state statute. Prenumbered property receipts should be issued for all items seized by agents.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees with the recommendation. New prenumbered receipt books have been received for property and cash.

FINDING 10.05 SOME SEIZED FUNDS WERE NOT DEPOSITED TO THE BANK ACCOUNT OR WITH THE COUNTY TRUSTEE WITHIN THREE DAYS OF THE AWARD

The DTF did not deposit some seized funds to their bank account or with the county trustee within three days of award by the Tennessee Department of Safety. For example, we noted some seized cash awarded to the DTF was held for 209 days before being deposited with the county trustee. Section 5-8-207, Tennessee Code Annotated, requires officials to deposit all funds within three days of collection.

RECOMMENDATION

The DTF should deposit all seized funds awarded to the DTF by the Tennessee Department of Safety to their official bank account or with the county trustee within three days of the award.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees with the recommendation. Staff will follow state law and policy in regard to deposit requirements.

FINDING 10.06 **CASH, GUNS, DRUGS, JEWELRY, AND EQUIPMENT UNDER THE CONTROL OF THE DRUG TASK FORCE WERE MISUSED, STOLEN, AND/OR LOST**

Our examination disclosed the following abuse of property under the control of the DTF:

- A. DTF administrative assistant Leona Longworth admitted to the TBI that she removed drug evidence from the DTF office and sold the drugs for her personal benefit. She also admitted to removing and pawning jewelry that had been seized by the DTF. We were unable to determine which cases the drugs and jewelry came from due to poor inventory records. District Attorney General Hansel McCadams advised us and the TBI that he was aware of these incidents. No charges have been filed.
- B. Edgar Longworth, the administrative assistant's ex-husband, was contracted by DTF director Steve Lee to construct walls and partitions at the DTF's former office in the City of McKenzie (see Finding 10.09). While performing this work, Mr. Longworth informed us and the TBI that he stole drugs being held as evidence from a burn box. A burn box is a device used to destroy drugs by incineration. Mr. Longworth admitted he sold the stolen drugs for personal gain. Ms. Longworth also admitted to the TBI that Mr. Longworth gave her part of the proceeds from the sale of the stolen drugs. In an interview with us and the TBI, DTF director Steve Lee advised that he decided to destroy the rest of the drugs being stored in the burn box once he and District Attorney General McCadams had determined the cases associated with that drug evidence had been adjudicated. The drugs were then destroyed based on a court order. DTF director Steve Lee stated he did not know exactly what kind of and the number of drugs stolen from the burn box because he did not reconcile the court order of drugs to be destroyed with the drugs in the burn box before their destruction. In an interview with us, District Attorney General McCadams stated that DTF director Steve Lee told him about the stolen drugs but recommended charges not be filed against Mr. Longworth for the alleged incidents due to a lack of evidence. No charges have been filed.
- C. The DTF moved its office from the City of McKenzie to the current site in the Town of Henry around August 2010. For several months, the DTF used trustees from the Henry County jail to assist the DTF in its relocation and to perform various maintenance tasks for the DTF at the new location. District Attorney General McCadams also advised us he initiated a plan for trustees from the Henry County jail to restore a surplus military Hummer obtained by the DTF. While performing the various maintenance tasks, the trustees were often left unsupervised in the shop area of the DTF where drug evidence was stored. As a result of the lack of supervision, the inmates gained access to drugs. DTF director Steve Lee discovered these trustees had compromised some of the drug investigation files; smoked crack cocaine and marijuana; and stole cash, old coins, and other equipment. Officials with the Henry County Sheriff's Department also discovered these trustees had introduced

drugs into the jail facility. District Attorney General McCadams advised us and the TBI that he was aware of these incidents. No charges have been filed.

- D. DTF director Steve Lee admitted to us and the TBI that he allowed DTF administrative assistant Leona Longworth to have or to use certain confiscated items. Ms. Longworth took home two utility trailers that had been confiscated by the DTF. She later bartered one of the trailers for \$200 worth of mechanical work on a personal vehicle. She also admitted to the TBI she sold a set of speakers removed from a seized vehicle. Both utility trailers were returned to the DTF by the TBI.
- E. DTF director Steve Lee advised us and the TBI that he allowed DTF administrative assistant Leona Longworth to periodically take home two DTF four-wheelers and to take possession of two handguns and other DTF equipment and materials. It should be noted these assets have been recovered by the TBI.
- F. DTF director Steve Lee admitted to us and the TBI that he delivered a large screen television that had been seized by the DTF to administrative assistant Leona Longworth's home. He swapped the large screen television for a smaller television belonging to Ms. Longworth and returned it to the DTF office. Ms. Longworth's smaller television was subsequently auctioned off by the DTF. The large screen television was returned to the DTF by the TBI.
- G. During the examination of the DTF inventory, the TBI returned a car stereo system found at DTF director Steve Lee's home that had been removed by the director's son from confiscated vehicles that were later sold at auction. The TBI also returned a gold bracelet with diamonds and a laptop computer to the DTF that were in the custody of the director's son. It should be noted the son admitted to the TBI he took these items from the DTF.
- H. District Attorney General McCadams advised us and the TBI that he had occasionally used equipment confiscated by the DTF such as a Harley Davidson motorcycle, golf cart, go-cart, four-wheeler and trailer, and BMW Z-3 for personal use. It should be noted the BMW Z-3 was maintained at an airport hanger for limited use by certain other individuals. We could not determine whether this vehicle was used in the local drug enforcement program as required by Section 53-11-201, TCA, or driven for personal use.
- I. Our examination also disclosed that District Attorney General McCadams drives a Cadillac CTS that was seized by and awarded to the DTF. We could not determine whether this vehicle was used in the local drug enforcement program as required by Section 53-11-201, TCA, or driven for personal use. While driving the seized vehicle, the district attorney general used a DTF gasoline credit card to purchase fuel.
- J. During an interview with Henry County Sheriff Monte Belew, the sheriff admitted to us and the TBI that District Attorney General McCadams allowed him on occasion to drive a DTF confiscated vehicle (BMW Z-3). The

vehicle was used by the sheriff to attend certain ceremonial events and for personal use.

- K. DTF director Steve Lee gave a 150-horsepower surplus boat motor to a DTF agent. The agent advised us and the TBI that he sold the motor along with his personal boat. However, on April 20, 2011, interim DTF director Tim Cunningham wrote a letter to us stating the agent had returned the boat motor to the DTF.
- L. While performing an inventory at the DTF, we noted six cases of file boxes labeled "Finished Cases – Hardin County" that apparently had been compromised. Some of the evidence bags that contained cash and drugs had been ripped open and were empty. The six boxes of case files were old cases that may have been adjudicated and should have been destroyed; however, due to poor inventory controls, we could not determine if the file boxes had contained items that were stolen, or if the evidence had been properly destroyed.
- M. We found the following DTF equipment at the Henry County Sheriff's Department: golf cart, John Deere Gator, backhoe, and forklift. It should be noted these assets have been returned to the DTF.
- N. DTF director Steve Lee allowed his son, who is not a DTF employee, to use a DTF vehicle to commute back and forth to work from McKenzie to Jackson, and he also allowed his son to use another DTF vehicle to move personal property from a storage facility. Also, the director allowed his son to have possession of a DTF firearm. It should be noted these assets have been recovered by the TBI and returned to the DTF.
- O. During the course of the investigation, District Attorney General McCadams returned a handgun, two assault rifles, three heat imaging devices, and a projector to the DTF. The district attorney general told us and the TBI these items had been maintained at his residence. He further stated the handgun and one of the assault rifles were used for his personal protection.
- P. District Attorney General McCadams disclosed to us and the TBI that he had flown on the DTF airplanes and helicopter on numerous occasions that were not related to official DTF operations. Furthermore, he allowed the Henry County High School administration to use the helicopter to fly dignitaries to football games.
- Q. DTF officials allowed a local university to use a DTF vehicle. A DTF agent informed us and the TBI that he had seen a DTF vehicle at a local business in McKenzie. Upon further investigation by the TBI, it was determined the vehicle did in fact belong to the DTF. Accompanied by the TBI, we interviewed the business owner, who was the shooting coach for a local university, to ascertain how the DTF vehicle was obtained. The business owner disclosed that District Attorney General McCadams and DTF director

Steve Lee had allowed the local university to use the vehicle for the past two years.

RECOMMENDATION

Management should strengthen internal controls over seized property. Seized property should be tagged, recorded in an inventory control system, and properly safeguarded until the case is disposed. Seized property should not be used by management for their personal benefit or loaned to other individuals. Management should allow only employees of the DTF to use DTF vehicles for official DTF purposes. All equipment and firearms owned by the DTF should be used exclusively for drug enforcement and/or drug education purposes as required by Section 39-17-420(c), TCA.

MANAGEMENT'S RESPONSE – DTF BOARD OF DIRECTORS

- A. This matter was referred to the TBI for investigation, and the district attorney general advised auditors he was aware of the situation. The district attorney general was made aware of the matter by the TBI seven days before the audit occurred. The employee's employment was terminated by District Attorney General McCadams after being briefed by the TBI. No drug court prosecution was compromised by these thefts.
- B. This matter is under continued investigation by the TBI since Edgar Longworth would not give a statement to DTF director Steve Lee in 2008. No drug court cases were compromised by these thefts.
- C. The Board of Directors has identified three inmates as still serving their original sentences. A violation of probation charge was placed against one inmate due to his admitted involvement in the drug use, and his probation was revoked. No drug court cases were compromised by these thefts since all drugs involved in these thefts were completed cases. The DTF will no longer use inmate labor for any purpose.
- D. This matter is being investigated by the TBI. Policies and procedures have been adopted to reflect the auditor recommendations.
- E. This matter is being investigated by the TBI. Policies and procedures have been adopted to reflect the auditor recommendations.
- F. This matter is being investigated by the TBI. Policies and procedures have been adopted to reflect the auditor recommendations.
- G. This matter is being investigated by the TBI. Policies and procedures have been adopted to reflect the auditor recommendations.
- H. These items were not for personal use. However, they were used in events not exclusively drug enforcement or drug prevention related. As explained to auditors, three of these items were used in local parade activities in 2007 and 2008 within the twenty-fourth district. Vehicles and other items secured at the airport were limited to specific agents and uses.

- I. Vehicles were assigned to District Attorney General McCadams to conduct business of the DTF and his office and were used for those purposes. This vehicle (Cadillac CTS) has been sold and replaced with a state surplus vehicle. The DTF will be issuing state-contracted or state surplus vehicles when funding is available, and seized vehicles will be sold. The Board of Directors has adopted policies and procedures to reflect this issue.
- J. This vehicle (BMW Z-3) was authorized for official and ceremonial use by Sheriff Belew for two days and was returned.
- K. The item (150 horsepower surplus boat motor) has been sold through an on-line auction. Policy has been adopted to reflect the auditor recommendation.
- L. Files are being inventoried for destruction. Policies are being reviewed to reflect the auditor recommendation.
- M. The Henry County Sheriff's Department impound lot was used as an additional storage location for DTF property. Some items were at the Henry County Fairgrounds. DTF staff had property moved to the impound lot and later to the DTF lot. The TBI was not involved in this property relocation.
- N. This matter is being investigated by the TBI. Policies and procedures have been adopted to reflect the auditor recommendations.
- O. These items were properly checked out by written inventory forms and shown to auditors, with the exception of one assault rifle. All firearms were used in a demonstration program at a Paris civic club engagement by District Attorney General McCadams days before the auditor inventory, and this use was explained to auditors. The district attorney general possesses weapon-carry commission authority with drug task forces by state law. Additionally, District Attorney General McCadams possesses a Tennessee state-issued gun carry permit. The district attorney general will continue to carry these firearms as part of his duties with the DTF and for personal protection. They remain properly assigned to the district attorney general by written inventory receipts.
- P. All flights were for flight training or government business, though not always exclusive to drug operations. Use by school administration was a joint effort with the Henry County School System for pre-game activities in November 2007, as witnessed by the public, not "to fly dignitaries to football games." DTF has participated with three other public school systems, all considered our drug education and prevention partners, in events involving the helicopter in 2008 and 2009. Specific policy will be adopted to clarify use.
- Q. Authority had been granted to a local school entity for a one week trip. This is not a private business. DTF's current insurance policy does cover this driver as an insured per the written policy terms.

MANAGEMENT'S RESPONSE – HENRY COUNTY SHERIFF MONTE BELEW

- C. The Henry County Sheriff's Office never had any proof that drugs were introduced into the correctional facility. We drug tested each inmate but never found any drugs in or around our facility.
- J. I used the vehicle (BMW Z-3) as I would any other county government issued vehicle. I was in uniform each time I drove the vehicle except for one occasion. I was unaware I could not drive a DTF seized vehicle as the sheriff of Henry County and as a board member of the DTF.
- M. We allowed the DTF to use our secured area to store equipment as we do several other agencies.

AUDITOR'S REBUTTAL TO DTF BOARD OF DIRECTORS

- H., I. On April 25, 2011, we interviewed District Attorney General Hansel McCadams. During this interview, General McCadams advised that he used the BMW Z-3 for personal use. This use included trips to Paris, Cookeville, Savannah, and Nashville. On July 18, 2011, during a review of these findings and recommendations, General McCadams advised us that he did not use the BMW Z-3 or the Cadillac CTS for personal use, but did not necessarily use them for task force related activity. In addition, General McCadams advised us he felt he had the authority as the Twenty-fourth Judicial District Attorney General to use these vehicles since he was the district attorney 24 hours a day. We could not determine whether these vehicles were used in the local drug enforcement program as required by Section 53-11-201, TCA, or driven for personal use.
- J. On March 29, 2011, we interviewed Henry County Sheriff Monte Belew. Sheriff Belew advised us that District Attorney General Hansel McCadams allowed him to drive the BMW Z-3 on various occasions while it was located at his department. Sheriff Belew also advised that on some of these occasions he used it for personal use. We could not determine whether this vehicle was used in the local drug enforcement program as required by Section 53-11-201, TCA, or driven for personal use.
- M. Various DTF equipment was secured at the Henry County Sheriff Department's impound lot; however, the backhoe and forklift were located at the Henry County Fairgrounds, and the golf cart and John Deere Gator were located at a local gun club. These items were moved to the Henry County Sheriff Department's impound lot when it was discovered that we were performing an inventory of DTF equipment. DTF equipment should be used exclusively for drug enforcement and/or drug education purposes as required by Section 39-17-420(c), TCA.
- O. We question the propriety of maintaining two assault rifles and three heat imaging devices at a personal residence.

- P. On April 25, 2011, we interviewed District Attorney General Hansel McCadams. During this interview, General McCadams advised he flew on the DTF airplanes and helicopter on numerous occasions that were not related to DTF operations. General McCadams advised he allowed Henry County High School administration the use of the helicopter during four football games. We confirmed the DTF helicopter did fly various dignitaries to football games. DTF equipment should be used exclusively for drug enforcement and/or drug education purposes as required by Section 39-17-420(c), TCA.
- Q. This business owner, who coached a local university's shooting team, was allowed the use of the vehicle to take the team to shooting events. DTF vehicles should be used exclusively for drug enforcement and/or drug education purposes as required by Section 39-17-420(c), TCA.

AUDITOR'S REBUTTAL TO HENRY COUNTY SHERIFF MONTE BELEW

- C. On March 24, 2011, the TBI interviewed the Henry County Jail Administrator, Captain Steve Page. Captain Page advised that DTF director Steve Lee went to the Henry County jail to interview inmates and investigate the incident. Director Lee recovered cocaine that had been brought into the jail along with tattoo guns.
- J. On March 29, 2011, we interviewed Henry County Sheriff Monte Belew. Sheriff Belew advised auditors that District Attorney General Hansel McCadams allowed him to drive the BMW Z-3 on various occasions while it was located at his department. Sheriff Belew also advised that on some of these occasions he used it for personal use. We could not determine whether this vehicle was used in the local drug enforcement program as required by Section 53-11-201, TCA, or driven for personal use.
- M. Various DTF equipment was secured at the Henry County Sheriff Department's impound lot; however, the backhoe and forklift were located at the Henry County Fairgrounds, and the golf cart and John Deere Gator were located at a local gun club. These items were moved to the Henry County Sheriff Department's impound lot when it was discovered that we were performing an inventory of DTF equipment. DTF equipment should be used exclusively for drug enforcement and/or drug education purposes as required by Section 39-17-420(c), TCA.

FINDING 10.07 **DEFICIENCIES WERE NOTED IN INVENTORY RECORDS**

The DTF had prepared inventory listings of seized cash, drugs, firearms, vehicles, and miscellaneous items; however, the following deficiencies were noted when we compared the inventory listings with actual items on hand:

A. CONFISCATED CASH

We reviewed the inventory of confiscated cash to determine the validity of the inventory, and the following exceptions were noted:

1. Inventory records incorrectly reflected 18 cases that had seized cash totaling \$347,355 as being on hand in the DTF vault or deposited in the DTF bank account; however, this cash had been deposited with the Henry County trustee.
2. Five cases with cash totaling \$3,935 were found in the safe at the DTF office; however, these cases were not included in the inventory records.

B. CONFISCATED DRUGS

Inventory records reflected 557 cases with seized drugs being held as evidence on hand at the DTF office; however, we were unable to verify this in 297 of the 557 cases.

We observed 310 additional cases with seized drugs held as evidence on hand that were not included in the inventory records.

C. CONFISCATED VEHICLES

Inventory records reflected 53 confiscated vehicles on hand; however, we were unable to locate 29 of the vehicles. Inventory records indicated that six of the confiscated vehicles were being used by the DTF or the McKenzie Police Department, and one confiscated vehicle had been donated to Carroll County for vocational students to use in a mechanics class.

We observed 26 additional confiscated vehicles that were not included in the inventory records.

D. CONFISCATED PROPERTY

Inventory records reflected 11 items of various types of confiscated property that we were unable to locate.

We inventoried 73 additional items of various types of confiscated property that were not included in the inventory records.

E. CONFISCATED FIREARMS

Inventory records reflected 40 confiscated firearms that should be on hand; however, we were unable to locate eight of those firearms.

Also, we observed 40 additional confiscated firearms that were not included in the inventory records. Of these 40 confiscated firearms, 23 were not tagged to indicate: a case number, litigant's name, or confiscating officer, but were simply stored as evidence in the DTF vault.

F. DTF FIREARMS AND OTHER PROPERTY

Inventory records reflected four DTF firearms that we were unable to verify as being on hand. We also inventoried 16 additional firearms that were not included on the DTF inventory. The inventory records reflected only two items as DTF property: a 1991 Harley Davidson motorcycle and a thermal imager located at the Paris Landing Fire Department. The thermal imager was not physically inspected by us, and we were advised the motorcycle was at a repair shop.

We identified an additional 579 items that were not found on any of the DTF inventory records. We did not attempt to categorize these additional items to any of the above-noted inventory classifications. The 579 items included: two airplanes, a helicopter, riding lawn mowers, all terrain vehicles, televisions, electric welders, farm tractors, federal surplus equipment, and hand tools.

RECOMMENDATION

Inventory records are an important internal control procedure and should accurately reflect complete information on all seized property as well as all property donated to or purchased by the DTF. Inventory records should be continually updated to reflect new acquisitions and disposals. All confiscated or seized cash, firearms, drugs, vehicles, and other property should be specifically identified, accurately recorded on inventory records, and should be under the control of the DTF.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees that written inventory records are grossly inaccurate. The employee responsible for inventories had her employment terminated, and some records cannot be found. New DTF employees have worked to remove inaccuracies since receipt of these report findings and inventory. All firearms have been accounted for, and additional vehicle records are being sought. The DTF will work with auditor inventories to ascertain correct written inventories in all categories.

FINDING 10.08 DOCUMENTATION WAS NOT ON FILE TO SUPPORT SOME PURCHASES CHARGED TO DRUG TASK FORCE CREDIT CARDS

Documentation was not on file to support purchases totaling \$8,623 charged to DTF credit cards. These undocumented charges included purchases for supplies, gasoline, lodging, meals, auto parts, and freight. Sound business practice dictates that documentation should be on file to support all purchases charged to credit cards.

RECOMMENDATION

The DTF should maintain detailed documentation to support all credit card charges.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees with the auditor recommendation. Records were in the possession of the former administrative assistant. New staff have found and reconciled some purchases.

FINDING 10.09 **THE DRUG TASK FORCE DIRECTOR FALSIFIED AN INVOICE ON A CONSTRUCTION PROJECT**

As mentioned in Finding 10.06(B), DTF director Steve Lee contracted with Edgar Longworth, the ex-husband of administrative assistant Leona Longworth, to construct walls and partitions at the DTF McKenzie office. After the work had been completed, the director created an invoice totaling \$720 for payment to Steve Nevells, the son of Ms. Longworth, instead of to Mr. Longworth, who actually performed the work. Ms. Longworth advised the TBI that DTF director Steve Lee approved the payment to someone other than the person who performed the work.

RECOMMENDATION

The DTF director should not falsify invoices. Invoices should be made by the person or vendor performing the service, and disbursements should be made to the individual or vendor that actually performed the contracted work.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

This matter is being investigated by the TBI. Policies and procedures have been adopted to reflect the auditor recommendations.

FINDING 10.10 **COMPETITIVE BIDS WERE NOT SOLICITED FOR A VEHICLE AND VEHICLE LIABILITY INSURANCE**

Our examination of the DTF’s purchasing procedures revealed the following deficiencies:

- A. The DTF purchased a new vehicle for \$24,066 without soliciting competitive bids. At the time of this purchase, the DTF was operating under the purchasing procedures of Carroll County, Chapter 23, Private Acts of 1975, as amended, which requires sealed bids to be solicited on all purchases in excess of \$10,000.
- B. Vehicle liability insurance for fiscal years 2009-10 (\$15,855) and 2010-11 (\$17,841) was purchased without soliciting competitive bids. At the time of these purchases, the DTF was operating under the purchasing procedures of Henry County, the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

The DTF should solicit competitive bids on all applicable purchases as required by statute.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

- A. This vehicle was purchased pursuant to state contract #12538 from Cardinal Motors of Louisville, Kentucky and Memphis, Tennessee, thus exempt by law from the bidding process. State contract information is available from the State of Tennessee Department of General Services, Motor Vehicle Management Department in Nashville, Tennessee.
- B. The Board of Directors agrees with the finding and recommendation. The insurance policy has been cancelled, and a new insurance policy obtained under the Tennessee Risk Management Program, a bid-exempt organization under the state bid law.

AUDITOR’S REBUTTAL TO DTF BOARD OF DIRECTORS

The purchasing practices of the DTF for the vehicle purchase were governed by the purchasing procedures of Carroll County, Chapter 23, Private Acts of 1975, as amended, which requires sealed bids to be solicited on all purchases in excess of \$10,000. Carroll County provided us no documentation that this vehicle was ever bid. We contacted the State of Tennessee, Department of General Services, and determined state contract #12538 was a state bid for the period October 1, 2009 through September 30, 2010. According to the Department of General Services, this contract number could not have been used by the DTF for the July 2009 purchase of the vehicle.

FINDING 10.11 **THE DRUG TASK FORCE DIRECTOR AUTHORIZED A PAYMENT FOR LAW ENFORCEMENT TRAINING FOR THE ADMINISTRATIVE ASSISTANT WITHOUT BOARD APPROVAL**

DTF director Steve Lee authorized a payment of \$2,500 from the DTF’s operational funds to the Tennessee Law Enforcement Training Academy to pay for the law enforcement training of administrative assistant Leona Longworth without the approval of the DTF Board of Directors. Ms. Longworth is a non-commissioned law enforcement employee.

RECOMMENDATION

The DTF director should seek approval from the Board of Directors for expending funds for law enforcement training for a non-commissioned law enforcement employee.

MANAGEMENT’S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees with the finding and recommendation. The employee’s employment was terminated, and a partial tuition refund was received.

FINDING 10.12 THE DRUG TASK FORCE DIRECTOR DID NOT PREPARE A LIST OF CONTRABAND PROPERTY FOR DESTRUCTION TO THE COURT ON AN ANNUAL BASIS

DTF director Steve Lee did not prepare and submit a list of contraband property for destruction to the court on an annual basis. The last order on file was issued by the Decatur County Circuit Court on January 20, 2009. Section 53-11-451(j)(1), Tennessee Code Annotated, requires a list of property proposed to be destroyed at a minimum of once annually. It should be noted that the above-mentioned order was not executed until March 23, 2009.

RECOMMENDATION

A list of contraband property for destruction should be compiled and submitted to the court at a minimum of once annually as required by state statute. Also, after order is approved by the court, the contraband property should be destroyed in a timely manner.

MANAGEMENT'S RESPONSE – DTF BOARD OF DIRECTORS

The Board of Directors agrees with the finding and recommendation.

District Attorney General
Twenty-fourth Judicial District
Balance Sheet
June 30, 2010

	District Attorney General Fund	Drug Task Force Fund	Total All Funds
<u>ASSETS</u>			
Cash:			
Cash on Hand	\$ 0	\$ 2,320	\$ 2,320
Cash in Bank		9,910	9,910
Equity in Pooled Cash and Investments:		0	
Cash with Trustee	24,650	95,011	119,661
Cash with Clerks, Register and Sheriff	9	131	140
Accounts Receivable	0	23,325	23,325
Due From Other Governments	1,065	13,421	14,486
Cash Shortage	0	5,565	5,565
		<hr/>	<hr/>
Total Assets	\$ 25,724	\$ 149,683	\$ 175,407
		<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Litigants, Heirs, and Others	\$ 60	\$ 7,986	\$ 8,046
		<hr/>	<hr/>
<u>Fund Balances</u>			
Unreserved:			
Undesignated	\$ 25,664	\$ 141,697	\$ 167,361
		<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 25,724	\$ 149,683	\$ 175,407
		<hr/> <hr/>	<hr/> <hr/>

District Attorney General
Twenty-fourth Judicial District
Summary of Financial Operations
For the Year Ended June 30, 2010

	District Attorney General Fund	Drug Task Force Fund	Total All Funds
<u>Revenues</u>			
Fines	\$ 0	\$ 45,533	\$ 45,533
District Attorney General Fees	20,063	0	20,063
Drug Task Force Forfeitures and Seizures	0	226,816	226,816
Proceeds from Confiscated Property	0	83,878	83,878
Other General Service Charges	0	630	630
Investment Income	0	2,004	2,004
Miscellaneous Refunds	358	10,527	10,885
Sale of Equipment	0	2	2
Sale of Property	0	2	2
Drug Control Grants	0	88,422	88,422
ARRA Grant #1	0	82,193	82,193
Total Revenues	\$ 20,421	\$ 540,007	\$ 560,428
<u>Expenditures</u>			
Salaries	\$ 0	\$ 11,750	\$ 11,750
Clerical Personnel	0	27,356	27,356
Other Salaries and Wages	0	62,312	62,312
Jury and Witness Fees	525	0	525
Social Security	0	6,375	6,375
State Retirement	0	8	8
Medical Insurance	0	487	487
Employer Medicare	0	1,377	1,377
Unemployment Insurance	0	1,457	1,457
Bank Charges	0	70	70
Communication	1,295	20,645	21,940
Confidential Drug Enforcement Payments	0	34,680	34,680
Dues and Memberships	0	885	885
Licenses	0	1,473	1,473
Maintenance and Repair Services - Buildings	0	2,059	2,059
Maintenance and Repair Services - Equipment	90	26,474	26,564
Maintenance and Repair Services - Office Equipment	0	408	408
Maintenance and Repair Services - Vehicles	0	84,000	84,000
Matching Share of Confiscated Property	0	10,566	10,566
Postal Charges	13	595	608
Printing, Stationery, and Forms	0	662	662
Rentals	0	20,744	20,744
Towing Services	0	600	600
Travel	1,349	21,284	22,633
Tuition	1,471	6,300	7,771
Veterinary Services	0	554	554
Remittance of Revenue Collected	0	12,899	12,899

(Continued)

District Attorney General
Twenty-fourth Judicial District
Summary of Financial Operations (Cont.)

	District Attorney General Fund	Drug Task Force Fund	Total All Funds
<u>Expenditures (Cont.)</u>			
Other Contracted Services	\$ 0	\$ 22,939	\$ 22,939
Animal Food and Supplies	0	644	644
Drugs and Medical Supplies	0	939	939
Electricity	0	6,255	6,255
Food Supplies	0	1,933	1,933
Gasoline	0	65,810	65,810
Instructional Supplies and Materials	0	1,527	1,527
Law Enforcement Supplies	0	4,491	4,491
Office Supplies	1,470	4,869	6,339
Uniforms	0	6,157	6,157
Utilities	0	846	846
Water and Sewer	0	150	150
Other Supplies and Materials	0	238	238
Buildings and Contents Insurance	0	665	665
Trustee's Commission	203	3,302	3,505
Other Charges	6,226	1,087	7,313
Vehicle and Equipment Insurance	0	15,855	15,855
Workers' Compensation Insurance	0	2,309	2,309
Communication Equipment	0	5,250	5,250
Furniture and Fixtures	0	2,005	2,005
Law Enforcement Equipment	0	29,322	29,322
Motor Vehicles	0	16,251	16,251
Total	\$ 12,642	\$ 548,864	\$ 561,506
<u>ARRA Grant #1</u>			
Other Salaries and Wages	\$ 0	\$ 39,998	\$ 39,998
Social Security	0	2,480	2,480
Medical Insurance	0	5,336	5,336
Employer Medicare	0	580	580
Unemployment Insurance	0	519	519
Motor Vehicles	0	33,280	33,280
Total ARRA Grant #1	\$ 0	\$ 82,193	\$ 82,193
Total Expenditures	\$ 12,642	\$ 631,057	\$ 643,699
Other Financing Sources (Uses):			
Transfers to District Attorneys' General Conference - Salary and Benefits	\$ 0	\$ (7,683)	\$ (7,683)
Transfers to Other Governmental Units in District - Salary and Benefits	0	(4,000)	(4,000)
Total Other Financing Sources (Uses)	\$ 0	\$ (11,683)	\$ (11,683)
Net Change in Fund Balances	\$ 7,779	\$ (102,733)	\$ (94,954)
Fund Balances, July 1, 2009	17,885	244,430	262,315
Fund Balances, June 30, 2010	\$ 25,664	\$ 141,697	\$ 167,361