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COMPTROLLER OF THE TREASURY
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DIVISION OF LOCAL GOVERNMENT AUDIT
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June 4, 2012

MEMORANDUM

TO: Honorable Justin P. Wilson
Comptroller of the Treasury

FROM: James R. Arnette, Director
Division of Local Government Audit

SUBJECT: Report of Cash Shortages and Other Thefts and Judicial Actions in County
Offices/Departments as Reported in Annual Financial Reports for the Year
Ended June 30, 2011, and Certain Special Reports

The Division of Local Government Audit has prepared the enclosed schedules of cash shortages and other thefts and judicial actions reported in annual financial reports for the year ended June 30, 2011, and certain special reports for Tennessee's 89 county governments audited by our division and for six counties audited by CPA firms.

If you have any questions, please let me know.

Enclosures

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

**REPORT OF CASH SHORTAGES AND OTHER THEFTS AND JUDICIAL ACTIONS
IN COUNTY OFFICES/DEPARTMENTS AS REPORTED IN ANNUAL FINANCIAL
REPORTS FOR THE YEAR ENDED JUNE 30, 2011, AND CERTAIN SPECIAL REPORTS**

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Division of Local Government Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Reports for the Year Ended June 30, 2011
and Certain Special Reports

County/Office or Department	Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	(1) Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Anderson</u>							
1. Office of County Clerk	2008-09	\$ 5,314.13	\$ 1,209.87	0.00	(1,209.87)	0.00	11-30-11
<u>Benton</u>							
2. Office of County Clerk	2010-11	55.00	0.00	55.00	(55.00)	0.00	2-28-12
<u>Cannon</u>							
3. Office of County Executive	2010-11	37,259.22	0.00	37,259.22	0.00	37,259.22	2-27-12
<u>Cheatham</u>							
4. Office of Road Superintendent	2007-08	68,281.11	33,713.75	0.00	(3,150.00)	30,563.75	3-5-12
<u>Cocke</u>							
5. Office of Clerk and Master	1996-97	101,821.73	40,340.00	0.00	(900.00)	39,440.00	12-15-11
<u>Coffee</u>							
6. Office of Sheriff	2010-11	4,768.06	0.00	4,768.06	0.00	4,768.06	2-17-12
<u>Cumberland</u>							
7. Office of Director of Schools	2008-09	8,893.20	8,893.20	0.00	(8,893.20)	0.00	1-9-12
8. Office of Sheriff	2010-11	1,437.00	0.00	1,437.00	0.00	1,437.00	1-9-12
<u>DeKalb</u>							
9. Office of General Sessions Court Clerk	2007-08	8,501.00	8,501.00	0.00	(8,501.00)	0.00	9-30-11
<u>Dickson</u>							
10. Office of County Clerk	2009-10	13,193.83	2,776.00	0.00	0.00	2,776.00	9-28-11
<u>Fayette</u>							
11. Office of Director of Schools	2009-10	177,629.93	22,129.93	0.00	(5,000.00)	17,129.93	11-4-11

(Continued)

Division of Local Government Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Reports for the Year Ended June 30, 2011
and Certain Special Reports (Cont.)

County/Office or Department	Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	(1) Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Fentress</u>							
12. Sharp/Alticrest Volunteer Fire Department	2007-08	\$ 2,032.00	\$ 544.00	\$ 0.00	\$ 0.00	\$ 544.00	10-28-11
<u>Franklin</u>							
13. Probation Office	2010-11	7,445.00	0.00	7,660.00	(7,660.00)	0.00	9-28-11
<u>Gibson</u>							
14. Office of Road Supervisor	2010-11	453.55	0.00	453.55	0.00	453.55	10-3-11
<u>Hardeman</u>							
15. Solid Waste Department	2007-08	3,032.47	3,032.47	0.00	(1,700.00)	1,332.47	2-21-12
<u>Henry</u>							
16. Office of Sheriff	2005-06	162,656.91	93,693.00	0.00	0.00	93,693.00	11-14-11
<u>Hickman</u>							
17. Emergency Management Agency	2009-10	2,042.81	2,042.81	0.00	0.00	2,042.81	10-26-11
<u>Johnson</u>							
18. Office of County Mayor	2010-11	41,495.55	0.00	41,495.55	0.00	41,495.55	9-30-11
<u>Lake</u>							
19. Office of County Mayor	2009-10	202,344.63	53,344.63	0.00	0.00	53,344.63	9-22-11
20. Office of Sheriff	2010-11	742.00	0.00	742.00	(742.00)	0.00	9-22-11
<u>Lauderdale</u>							
21. Office of Sheriff	2010-11	4,102.70	0.00	4,102.70	(4,102.70)	0.00	2-6-12

(Continued)

Division of Local Government Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Reports for the Year Ended June 30, 2011
and Certain Special Reports (Cont.)

County/Office or Department	Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	(1) Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Marion</u>							
22. Election Office	2009-10	\$ 27,170.93	\$ 27,170.93	0.00	0.00	27,170.93	9-22-11
23. Hometown Volunteer Fire Department	2009-10	94,823.91	87,023.91	0.00	0.00	87,023.91	9-22-11
<u>McNairy</u>							
24. Office of Circuit Court Clerk	2007-08	13,528.19	4,405.00	0.00	(1,014.50)	3,390.50	3-2-2012
<u>Monroe</u>							
25. Office of Sheriff	2008-09	30,646.08	10,000.00	0.00	0.00	10,000.00	1-30-12
26. Office of Sheriff	2009-10	10,651.30	10,651.30	0.00	0.00	10,651.30	1-30-12
<u>Moore</u>							
27. Office of Sheriff	2010-11	1,391.00	0.00	1,391.00	(891.00)	500.00	9-21-11
<u>Morgan</u>							
28. Office of County Clerk plus court ordered amount for audit costs	2009-10 2009-10	54,611.33 0.00	910.62 11,562.00	0.00 0.00	(910.62) 0.00	0.00 11,562.00	2-28-12 2-28-12
<u>Obion</u>							
29. Office of County Clerk	2010-11	511.00	0.00	511.00	(511.00)	0.00	12-16-11
<u>Overton</u>							
30. Office of Director of Accounts/Budgets	2010-11	18,913.33	0.00	18,913.33	0.00	18,913.33	10-4-11
31. Office of Director of Schools	2010-11	1,567.60	0.00	1,567.60	0.00	1,567.60	10-4-11
<u>Polk</u>							
32. Office of Director of Schools	2007-08	1,047.45	1,047.45	0.00	0.00	1,047.45	1-27-12
<u>Putnam</u>							
33. Park View Elementary School Cafeteria	2009-10	6,564.98	3,564.58	0.00	(3,564.58)	0.00	2-23-12

Division of Local Government Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Reports for the Year Ended June 30, 2011
and Certain Special Reports (Cont.)

County/Office or Department	Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	(1) Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Rhea</u>							
34. Office of Circuit and General Sessions Courts Clerk	2010-11	\$ 5,297.00	\$ 0.00	\$ 5,297.00	\$ 0.00	\$ 5,297.00	2-27-12
<u>Rutherford</u>							
35. Offices of County Mayor and Sheriff	2009-10	14,551.56	9,351.56	0.00	(5,200.00)	4,151.56	10-26-11
36. Office of Circuit, General Sessions, Juvenile Courts Clerk	2009-10	745.85	745.85	0.00	(745.85)	0.00	10-26-11
37. Office of Register	2010-11	76.00	0.00	76.00	(76.00)	0.00	10-26-11
<u>Sequatchie</u>							
38. Office of Sheriff	2006-07	8,669.00	7,943.26	0.00	(150.00)	7,793.26	10-18-11
39. Office of Sheriff	2007-08	2,011.81	814.81	0.00	(814.81)	0.00	10-18-11
40. Office of County Clerk	2007-08	4,248.51	510.00	0.00	(150.00)	360.00	10-18-11
41. Office of Director of Schools	2008-09	31,710.00	1,040.00	0.00	(1,040.00)	0.00	10-18-11
<u>Smith</u>							
42. Office of Circuit and General Sessions Courts Clerk	2010-11	76,007.61	0.00	76,007.61	(36,258.63)	39,748.98	1-31-12
<u>Stewart</u>							
43. Office of Sheriff	2009-10	150.00	150.00	0.00	(150.00)	0.00	2-10-12
<u>Sullivan</u>							
44. Office of Sheriff	2010-11	72.17	0.00	72.17	(72.17)	0.00	1-25-12
<u>Summer</u>							
45. Office of Director of Schools	2009-10	657.84	657.84	0.00	(657.84)	0.00	3-5-2012

(Continued)

Division of Local Government Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Reports for the Year Ended June 30, 2011
and Certain Special Reports (Cont.)

County/Office or Department	Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	(1) Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Tipton</u>							
46. Office of County Executive	2007-08	\$ 4,324.95	\$ 3,992.95	\$ 0.00	\$ (3,992.95)	\$ 0.00	1-30-12
<u>Unicoi</u>							
47. Office of General Sessions Court Clerk	2005-06	22,222.00	12,891.50	0.00	0.00	12,891.50	11-17-11
48. Office of Director of Schools	2009-10	20,967.36	8,790.00	0.00	0.00	8,790.00	11-17-11
<u>Wayne</u>							
49. Office of Sheriff	2010-11	6,261.87	0.00	6,261.87	0.00	6,261.87	9-29-11
<u>Williamson</u>							
50. Recreation Department	2005-06	45,037.43	40,375.93	0.00	(2,480.00)	37,895.93	12-13-11
51. Office of County Clerk	2008-09	3,386.18	3,386.18	0.00	0.00	3,386.18	12-13-11
52. Animal Control Department	2009-10	106,446.17	106,446.17	0.00	0.00	106,446.17	12-13-11
53. Twenty-fourth Judicial District Drug Task Force	2009-10	5,565.00	0.00	5,565.00	0.00	5,565.00	7-11-11
Total		\$ 1,473,337.24	\$ 623,652.50	\$ 213,635.66	\$ (100,593.72)	\$ 736,694.44	

Other Audits/Reviews:

54. Davidson (2)	2010-11	\$ 215,306.59	\$ 0.00	\$ 215,306.59	\$ (123,552.14)	\$ 91,754.45	
55. Shelby (2)	2010-11	982,548.00	0.00	982,548.00	(900,000.00)	82,548.00	

Footnote:

- (1) The ending report cash shortage amount is as of the last day of field work.
- (2) Audits of these entities are performed by other auditors; therefore, these shortages are not tracked by the Division of Local Government Audit.

Division of Local Government Audits
Summary of Other Thefts and Judicial Actions
As Reported in Annual Financial Reports for the Year Ended June 30, 2011

County Office/Department	Description
1. Anderson	County Mayor Rex Lynch resigned from office after pleading guilty to various charges related to sales tax fraud.
2. Campbell	Director of Schools Dr. Michael Martin and Title I Director Karen Bundren resigned after pleading guilty to various charges related to falsifying transcripts.
3. Cannon	Employees of the Solid Waste Department removed scrap metal from the county's convenience center for personal gain.
4. Fayette	An employee of the School Department improperly received disability benefits.
5. Giles	No recovery is expected from the theft of a laptop computer and tires valued at \$1,500 from the Emergency Management Office.
6. Hardin	Employees of the Solid Waste Department removed scrap metal from the county's convenience center for personal gain.
7. Hawkins	An employee of the Sheriff's Department removed some narcotics from the evidence room.
8. Houston	The Sheriff's Department could not account for all of its firearms.
9. Johnson	An employee of the Solid Waste Department allowed his son to remove scrap metal for personal gain resulting in an undetermined cash shortage.
10. Lewis	Road Superintendent Ronnie Barnell and Highway Department employee Pete Burns were indicted on November 2, 2011, on various charges.
11. Macon	An employee of the County Mayor's Office was paid \$3,824.76 for work not performed.
12. Maury	An employee of the Office of Circuit and General Sessions Courts Clerk falsified certain documents.
13. Roane	The county clerk's satellite office in the City of Harriman was burglarized, and items missing included \$30 cash and 20 automobile decals.

(Continued)

Division of Local Government Au
Summary of Other Thefts and Judicial Actions
As Reported in Annual Financial Reports for the Year Ended June 30, 2011 (Cont.)

County Office/Department	Description
14. Sullivan	Highway Commissioner Allan Pope was convicted of theft, and employee David Campbell pled guilty to charges related to theft.
15. Sullivan	An employee of the Office of Circuit and General Sessions Court was indicted for official misconduct for modifying court-ordered interest rates on her personal civil judgments.
16. Sumner	An employee of the School Department was charged with purchasing personal items with school funds.

Division of Local Government Audit
Explanations of Cash Shortages in County Offices/Departments
As Reported in Annual Financial Reports for the Year Ended June 30, 2011, and
Certain Special Reports

1. Anderson County - Office of County Clerk

The audit of Anderson County for the 2008-09 year reported a cash shortage of \$4,104.26 resulting from documents that had not been entered into the accounting records. This \$4,104.26 cash shortage was collected by the county clerk from a former employee's family on November 24, 2009. During the billing cycle for 2009-10 business tax collections, the county clerk discovered an additional four checks totaling \$1,209.87 that had been channeled through the office without being accounted for on the official records. The county received restitution for the additional cash shortage on December 28, 2010.

2. Benton County - Office of County Clerk

On June 22, 2011, we performed a cash count of the county clerk's cash drawer to determine if the amount of cash on hand agreed with amounts reflected in the accounting records. The results of our cash count revealed that the cash drawer was short \$55. However, there were various undated IOU notes in the drawer, which totaled \$55. The clerk advised us that she occasionally took cash out of the drawer to purchase gifts or other items and would put in an IOU note to document the amount she borrowed. Also, the clerk stated that she had allowed an employee to use \$24 of the funds to purchase her car registration on June 2, 2011. We were unable to determine how long the other funds may have been missing from the cash drawer. We were also unable to determine a total of funds, which may have been used during the audit period for personal purposes and then replaced. The county clerk liquidated the cash shortage on June 22, 2011, by depositing personal funds totaling \$55 into the cash drawer.

3. Cannon County - Office of County Executive

A special report on the Cannon County REACH After-School Program dated February 27, 2012, for the period July 1, 2008, through March 31, 2011, reported a cash shortage of at least \$37,259.22 existed at March 31, 2011, and resulted from the following:

- A. In 12 instances from June 2009 to February 2010, amounts ranging from \$100 to \$1,300 were transferred from the REACH checking account into the executive director's personal checking account totaling \$6,230. These amounts included cash advances from the County Executive's Office as well as checks from citizens for horseshow entry fees.

Exhibit C

- B. During the period examined, the executive director requested that funds from the county's General Fund be deposited into the REACH checking account for the annual horseshow fundraiser. Rather than depositing these funds intact into the REACH account, we noted that on July 10, 2009, the executive director received cash back from the deposit totaling \$1,450, which is unaccounted.
- C. Disbursements from the REACH and "Good Ole Days" checking accounts required the signatures of the executive director and her assistant. On July 10, 2009, we noted a check made payable to "Cash" for \$3,000 from the REACH account that included the required two signatures. However, during our investigation, the assistant advised us that she had never seen the check, and her signature on the check had been forged.
- D. In July 2009, the executive director disbursed funds totaling \$622 from the REACH checking account to a friend for \$250 and to her friend's mother for \$372. Both disbursements had the required two signatures; however, no supporting documentation for these disbursements could be located. During our investigation, the assistant advised us that she had never seen these checks, and her signature on these checks had been forged.
- E. Six instances were noted from April 2009 to July 2010, where reimbursements were requested from the County Executive's Office and received by the executive director totaling \$5,115.63. In the course of our investigation, we discovered that in all six instances the documentation provided to the County Executive's Office for these reimbursements had been fabricated by the executive director.
- F. From September 2008 to January 2010, purchases totaling \$7,970.50 were made from Walmart, Sam's Club, Dollar General, and HSBC Business Solutions. The executive director would make the purchases on account or by credit card, keep the receipts, and send the receipts to the County Executive's Office to be paid by the county's General Fund. These purchases were purportedly for the REACH program and Christmas gifts for the students; however, we could not account for these disbursements through interviews or observations at the REACH sites. Purchased items included HDTVs, laptop computers, vacuum cleaners, printers, video cameras, digital cameras, network routers, radios, calculators, clothing, knife sets, pet carriers, gold fish, a fish tank and gravel, and Sam's Club memberships for friends and their relatives. We were advised by the REACH site coordinators that the executive director did provide some children small inexpensive gifts for Christmas.
- G. From June 2008 to July 2010, gift cards totaling \$3,929.50 were purchased from Walmart and Dollar General by REACH directly through the county's General Fund or through requests for reimbursements by the executive director. These gift cards were for

Exhibit C

purchases from Applebee's, Logan's, Verizon, Burger King, Wendy's, Amazon, Sonic, Cracker Barrel, and Crown Gold Card and were purportedly for the children in the REACH program. Our interviews with REACH site coordinators noted that two \$50 gift cards were given to each REACH site for miscellaneous purchases for the school year. The \$50 gift cards given to each REACH site have not been included in the \$3,929.50 portion of the cash shortage.

- H. From July 2010 to September 2010, six payments totaling \$1,999.25 were paid to the minor son of the executive director from the REACH checking account. These payments were purportedly for work performed for the REACH program. During our investigation, the individual responsible for approving the timesheets advised us that her signature of approval had been forged on the timesheets. In addition, the timesheets included time worked on the weekends when the REACH facilities were closed. These funds were deposited into the personal account of the executive director.
- I. The executive director requested duplicate reimbursements from the county's General Fund on ten occasions from June 2008 to August 2009, totaling \$560.76. Each of these reimbursements had been previously paid through the REACH checking account, the "Good Ole Days" fundraiser account, or previously reimbursed by the county's General Fund.
- J. The executive director maintained a REACH petty cash fund of approximately \$325. During the period under investigation, we noted the following disbursements totaling \$904.42 that should not have been paid from the petty cash fund:
 - 1. The executive director requested and received reimbursement from the county's General Fund for a purchase previously paid from the petty cash fund totaling \$20.68.
 - 2. The executive director requested and received reimbursement from the county's General Fund for the purported purchase of Christmas gifts, inmate meals, and miscellaneous purchases totaling \$883.74. It should be noted that inmates working at the REACH sites as litter or maintenance crews were provided three meals a day at the Cannon County jail.
 - 3. The purported purchase of the Christmas gifts were purchases made at Shoe Carnival, Off the Hanger, TSC, and Hibbets. These purchases had no supporting documentation. We were advised by the site coordinators that the executive director did provide some children small, inexpensive gifts for Christmas.

Exhibit C

K. The executive director requested and received reimbursements from the county's General Fund for the purported purchase of inmate meals and gifts from her personal funds totaling \$1,013.80. As previously noted, inmates working at the REACH sites as litter or maintenance crews were provided three meals a day at the Cannon County jail. The following schedule presents these reimbursements from the county's General Fund to the executive director for the reimbursements of inmate meals.

Date	Amount	Payee
11-28-08	\$ 8.79	Hardee's
12-30-08	23.96	Sonic
12-16-08	33.67	DJ's Pizza & Steaks
3-23-09	45.79	Cracker Barrel
3-25-09	15.43	Cracker Barrel
(1)	7.06	Sonic
4-13-09	2.38	McDonald's
5-13-09	57.59	Shoe Carnival
5-7-09	27.54	Dollar General Market
5-17-09	16.57	Dollar General Market
5-13-09	53.84	Kwik Mart
5-13-09	6.49	Hardee's
5-8-09	8.45	McDonald's
5-16-09	13.72	Hardee's
5-17-09	32.45	McDonald's
(1)	121.85	Kitchen Check
5-29-09	10.85	McDonald's
5-28-09	15.54	Captain D's # 205917
5-26-09	73.51	Kwik Mart
5-28-09	30.45	Subway
6-3-09	10.78	Hardee's
6-1-09	32.82	Quick Shop Market
6-9-09	8.41	Bi-rite
6-6-09	32.71	West End Tobacco Shop
6-4-09	26.49	West End Tobacco Outlet
6-4-09	10.83	McDonald's
6-2-09	18.69	No business name available
6-11-09	27.24	West End Tobacco Outlet
6-5-09	3.26	McDonald's
6-12-09	33.36	Quick Shop Market
6-26-09	77.00	Captain D's
5-12-10	60.00	Lions Den
5-12-10	12.00	Lions Den
5-12-10	54.28	McDonald's
Total	<u>\$ 1,013.80</u>	

(1) No date available.

Exhibit C

- L. The executive director submitted reimbursement requests from the county's General Fund for a monthly utility bill paid on behalf of a friend totaling \$100 to Middle Tennessee Electric Company and for purchases at Dollar General Market totaling \$156.57 for bath rugs and shower hooks. Both of these disbursements totaling \$256.57 were made in June 2009.
- M. Travel reimbursements were requested and paid by the county's General Fund to the executive director for REACH related travel. Our investigation of these reimbursements noted a \$70 travel claim paid on April 20, 2009, for travel on March 23, 2009. The executive director then submitted another claim for the same date and was again reimbursed \$70. In addition, we noted a travel claim paid to the executive director totaling \$59.80 in March 2010, the same day the executive director was on sick leave. These two overpayments totaled \$129.80.
- N. The executive director administered an American Recovery and Reinvestment Act (ARRA) grant entitled the Emergency Food and Shelter Program. This grant totaled \$3,600 and was for the emergency payment of rent and other necessities for low income residents of Cannon County. The executive director diverted \$1,600 of these grant proceeds to her personal account. In addition, the executive director had \$575 paid from the county's General Fund directly to her landlord; however, the documentation sent to the county to support this rent payment was from another individual who had no knowledge of the grant program and received no rent assistance. The executive director diverted additional grant proceeds for a friend's utilities (same individual as in D. and L.) totaling \$175 and his rent totaling \$850. The executive director disbursed the remainder of the grant for the rent of another REACH employee totaling \$400. Therefore, the entire \$3,600 grant was not properly expended.
- O. In July 2009, the executive director requested and received reimbursement from the county's General Fund purportedly for the purchase of fundraiser supplies totaling \$476.99. The executive director had previously requested and received a cash advance for \$4,820 for the purchase of these supplies to be used for the horseshow fundraiser.

The following table summarizes the above-noted cash shortage:

<u>Item</u>	<u>Amount</u>
A.	\$ 6,230.00
B.	1,450.00
C.	3,000.00
D.	622.00
E.	5,115.63
F.	7,970.50
G.	3,929.50
H.	1,999.25
I.	560.76
J.	904.42
K.	1,013.80
L.	256.57
M.	129.80
N.	3,600.00
O.	<u>476.99</u>
Total Cash Shortage	<u>\$ 37,259.22</u>

The following internal control weaknesses contributed to the opportunity for the cash shortage to occur: 1) the Cannon County Office of County Executive did not adequately review documentation submitted for reimbursement or payment and did not correct deficiencies noted in prior years' audit reports, 2) records of invoices to support expenditures were either nonexistent or incomplete, and 3) REACH management did not correct the deficiencies reported in prior-year audit reports.

4. Cheatham County - Office of Road Superintendent

The audit of Cheatham County for the 2007-08 year reported a cash shortage of \$68,281.11 in the Highway Department. Our investigation revealed that from February 5, 2007, through December 18, 2007, the Highway Department bookkeeper fraudulently issued 16 vendor checks totaling \$68,281.11 for personal use. On August 15, 2008, the bookkeeper was found guilty of theft of \$60,000 or more, was sentenced, and ordered to pay restitution totaling \$68,211.11 to the Highway Department. An unpaid cash shortage of \$30,563.75 existed as of June 30, 2011.

5. Cocke County - Office of Clerk and Master

The audit of the Constitutional Officers – Agency Fund for the 1996-97 year reported details of a \$101,821.73 cash shortage in the Office of Clerk and Master. The former clerk and master, Charles Chesteen, pled guilty to theft and conversion of office funds and was ordered to pay restitution totaling \$101,821.73. His surety bond

company paid the office \$50,000 during a previous year, and as of June 30, 2010, Mr. Chesteen has paid \$12,382 toward liquidating the remaining shortage, leaving a balance due the county of \$39,440.

6. Coffee County - Office of Sheriff

In October 2010, a court officer employed by the Sheriff's Department became physically unable to work due to illness. We were unable to determine the last day the employee worked; however, this employee was paid, based on an average of 80 regular hours every two weeks, from accumulated sick and annual leave through December 21, 2010, when all leave balances were exhausted.

Based on our interviews with Sheriff's Department and other county personnel, we discovered that this employee did not return to work until after March 15, 2011, and was only able to come to the office for short periods of time due to illness. We were unable to verify the time this employee was actually on the job after March 15, 2011. We examined this employee's payroll records from December 22, 2010, through June 22, 2011. Effective June 23, 2011, the department began using employee sign-in sheets reconciled with their payroll.

Our examination of the payroll records from December 22, 2010, through June 22, 2011, revealed the following deficiencies:

- A. The Sheriff's Department did not follow its personnel policies related to time reporting. These personnel policies provide that timesheets reflect actual hours worked and leave taken for each employee, and the timesheets are to be signed by the employee and reviewed by a department head or supervisor for accuracy. Timesheets for all court officers are routinely signed by the employee, the court officer's supervisor, and the sheriff. During the period December 22, 2010, through June 22, 2011, the timesheets for this employee were only signed by the sheriff.
- B. Although all leave balances had been exhausted and the employee was absent from work, the county continued to pay the employee from December 22, 2010, through March 15, 2011. During this period, we noted five timesheets for this employee that were prepared and signed by other Sheriff's Department personnel at the direction of the sheriff. These timesheets were approved by the sheriff and reflected that the court officer worked 80 regular hours every two weeks and received a total of \$4,499.96. In addition, this employee was also paid for leave that he would have earned during the period totaling \$268.10. Therefore, this employee was paid a total of \$4,768.06 for work he did not perform and leave he did not earn.

7. **Cumberland County – Office of Director of Schools**

The audit of Cumberland County for the 2008-09 year reported a cash shortage of \$8,893.20 in the School Maintenance Department as of November 4, 2009. This cash shortage resulted from a recycling company paying \$11,175.69 in cash to Maintenance Department truck drivers for the sale of scrap metal. The truck drivers remitted the \$11,175.69 to the maintenance supervisor; however, the maintenance supervisor could not document the use of \$8,893.20 from the sale of the scrap metal. The district attorney general advised us that the case will not be prosecuted and is now closed; therefore, the balance has been written off.

8. **Cumberland County - Office of Sheriff**

A cash shortage of \$1,437 existed in collections received at the Juvenile Detention Center for the period July 1, 2007, through April 5, 2010. Court mandated fees were receipted at the Juvenile Detention Center and deposited with the Sheriff's Department until the juvenile judge stopped assessing detention fees to juvenile inmates in 2010. We tested collections from July 1, 2007, through April 5, 2010, and our tests revealed that \$3,296 was collected at the juvenile facility; however, only \$1,859 was remitted to and deposited into the sheriff's official bank account. We noted the following deficiencies in the Juvenile Detention Center's collection procedures that allowed the shortage to occur without being detected.

- A. Collections were not properly safeguarded. Juvenile Detention Center collections were placed in an unlocked desk drawer until they were taken to the Sheriff's Department.
- B. Juvenile Detention Center receipts were not reconciled with amounts deposited with the Sheriff's Department.
- C. Juvenile Detention Center receipts were not deposited with the Sheriff's Department within three days of receipt. Of the receipts deposited with the Sheriff's Department, some were held by the Juvenile Detention Center for up to 65 days before they were receipted by the Sheriff's Department. Section 5-8-207, *Tennessee Code Annotated*, requires all public funds be deposited within three days of collection.

9. **DeKalb County - Office of General Sessions Court Clerk**

The audit of DeKalb County for the 2007-08 year reported a cash shortage of \$8,501 in the Office of General Sessions Court Clerk. This shortage resulted from numerous bank deposits for the period April 2008 through June 2008 being less than the amount of deposits posted to the general ledger. Tonya Page, a former office employee, was indicted by the DeKalb County Grand Jury on the charge of theft in excess of \$1,000. The employee entered into a plea agreement on October 15, 2010, that required the employee to pay restitution of \$8,501 plus court costs. Payment was received on January 3, 2011.

10. Dickson County - Office of County Clerk

A special report dated March 8, 2010, for the period January 1, 2009, through September 30, 2009, reported a cash shortage of \$13,193.83. Our investigation discovered numerous individual transactions had been manipulated and/or altered with the funds diverted from the office for the personal use of an employee. On August 16, 2010, the defendant pled guilty and was sentenced to four years probation and ordered to pay restitution of \$15,470, which includes \$2,276 for audit costs to Dickson County. The county's insurance carrier paid the county \$12,693.83 on September 29, 2010, leaving a balance due the county of \$2,776.

11. Fayette County - Office of Director of Schools

On April 27, 2010, a special report was issued on the Fayette County School Food Service Department for the period July 1, 2007, through December 15, 2009. This report disclosed that the food service supervisor circumvented purchasing procedures, resulting in a cash shortage of \$142,433. In addition, the food service supervisor altered time sheets of a part-time cafeteria worker, resulting in a cash shortage of \$35,196.93. Three individuals have been indicted by the Fayette County Grand Jury. In May 2010, the School Department's insurance carrier paid the department \$149,500. Also, as a result of plea arrangements, one individual paid \$6,000 to the department in November 2010, and another individual paid \$5,000 in April 2011, leaving a balance due the department of \$17,129.93.

12. Fentress County - Sharp/Alticrest Volunteer Fire Department

The audit of Fentress County for the 2007-08 year reported a cash shortage of \$2,032 at the Sharp/Alticrest Volunteer Fire Department. This shortage resulted from the misappropriation of county funds by a captain in the volunteer fire department. On September 24, 2008, the captain pled guilty to one count of theft over \$500 and one count of theft over \$1,000. The former captain was ordered to pay restitution of \$2,032 to Fentress County and \$1,556 to the Sharp/Alticrest Fire Department (\$150 monthly payments beginning November 1, 2008) plus court costs and was sentenced to four years of unsupervised probation. The former captain made only one payment during the year ended June 30, 2009, and in July 2009, the court issued a petition to revoke probation. Subsequent to June 30, 2010, the defendant sustained injuries that do not allow him to work; therefore, the court has suspended payments until the defendant is medically cleared to return to work. Therefore, at June 30, 2011, the balance of restitution owed to Fentress County remained \$544.

13. Franklin County - Probation Office

During the annual audit of Franklin County for the year ended June 30, 2010, we discovered several irregularities concerning receipts, deposits, and daily collection logs in the Franklin County Probation Office. As a result of these irregularities and with the assistance of the Tennessee Bureau of Investigation, we conducted a special investigation to include transactions from July 1, 2009, through December 31, 2010. A special report was issued May 27, 2011, that identified a cash shortage of at least \$7,445 in the Probation Office at December 31, 2010.

Exhibit C

The Probation Office is staffed by the probation officer and a deputy who perform all duties of the office. Funds are collected from probationers, receipts are issued to the probationers, and payees and amounts are listed on daily collection logs. Collections would subsequently be remitted to the county Trustee’s Office. The cash shortage noted above resulted from cash collections not being remitted to the Trustee’s Office or otherwise accounted for properly. The following table details the variances in collections where total receipts exceeded the amounts deposited with the trustee.

Date Deposited With Trustee	Amount Deposited With Trustee	Receipts Issued By Probation Office	Cash Shortage
11-25-09	\$ 2,320	\$ 2,860	\$ 540
12-4-09	3,277	3,662	385
12-10-09	2,215	2,905	690
12-23-09	2,250	3,650	1,400
1-6-10	1,230	1,830	600
1-8-10	1,255	1,755	500
1-19-10	2,500	3,350	850
1-22-10	1,745	2,450	705
2-5-10	3,735	4,210	475
2-26-10	3,170	3,880	710
7-2-10	695	975	280
8-6-10	1,065	1,075	10
8-30-10	2,380	2,680	<u>300</u>
Total Cash Shortage			<u><u>\$ 7,445</u></u>

The following internal control deficiencies contributed to the cash shortage:

- A. The office did not issue official receipts for collections as required by Section 9-2-104, *Tennessee Code Annotated (TCA)*. Instead, the office used prenumbered generic receipts. The use of generic receipts exposes the office to risks that collections may not be accounted for properly. For example, the prenumbered receipt sequence was not sequential but varied from book to book; therefore, we could not determine if we had all of the receipts that were issued. The table below reflects days where deposits with the trustee exceeded receipts or where no supporting receipts were found. The actual number of receipt books that could be missing cannot be determined; therefore, the actual amount of cash collected cannot be determined.

Date Deposited With Trustee	Amount Deposited With Trustee	Receipts Issued By Probation Office	Missing Receipts
3-24-10	\$ 4,095	\$ 2,084	\$ 2,011
3-31-10	1,635	0	1,635
4-8-10	1,950	0	1,950
4-13-10	2,136	0	2,136
4-19-10	2,540	0	2,540
4-26-10	1,825	0	1,825
5-28-10	1,250	190	1,060
6-7-10	1,905	0	1,905
6-15-10	3,025	0	3,025
6-17-10	2,470	0	2,470
6-28-10	2,543	815	1,728
Total	\$ 25,374	\$ 3,089	\$ 22,285

- B. In several instances, the Probation Office did not deposit funds with the county trustee within three days of collection. Section 5-8-207, *TCA*, requires county officials to deposit public funds within three days of collection. The delay in depositing funds increases the risks of fraud and abuse.
- C. The office did not reconcile receipts issued with deposits. Rather, amounts were listed on daily collections logs, and those logged amounts were remitted to the county trustee. However, it appears that several entries on the daily collection logs had amounts that were changed and/or deleted. In addition, several daily collection logs were not presented to us for our examination.
- D. Duties were not segregated adequately. The probation officer was responsible for depositing collections, reconciling the daily collections, issuing receipts, and maintaining case files for the Probation Office.
- E. Funds were not adequately safeguarded. The probation officer informed us that collections were routinely left in unlocked desk drawers, or if locked, the key was maintained in an adjacent unlocked desk drawer. She further advised that at various times the office would be left unattended.
- F. Some receipts were marked “void” with no supporting documentation or without the original receipt attached as required by sound business practices.

Eugenia R. Hall, Franklin County Probation Officer, was indicted by the Franklin County Grand Jury on May 2, 2011, on charges of theft between \$1,000 and \$10,000 and three counts of official misconduct. She resigned her duties as Franklin County Probation Officer on May 2, 2011. On June 30, 2011, Ms. Hall agreed to judicial diversion and to pay restitution of \$7,660. Ms. Hall paid \$7,600 on June 30, 2011, and \$60 on July 26, 2011.

14. **Gibson County - Office of Road Supervisor**

As a result of an investigation conducted by the Gibson County Sheriff's Department, our office received allegations of the theft of scrap metal by Highway Department employees. Our investigation of this allegation revealed a cash shortage of at least \$453.55 and noted the following deficiencies related to the sale of scrap metal:

- A. The Highway Department could not account for the sale of its scrap metal. The road supervisor advised us that he had an unwritten agreement with a local scrap metal hauler to transport the department's scrap metal to a local scrap metal recycling company. The agreement purportedly provided that the Highway Department would receive one-half of the proceeds from the sale of the department's scrap metal, and the hauler would keep one-half of the proceeds as his hauling fee. The Highway Department issued receipts to the hauler totaling \$1,734 for the period June 8, 2009, through August 4, 2010. We interviewed the road supervisor and his bookkeeper, and they disclosed that there were unknown quantities of cash that they had received from the scrap metal hauler in the office safe that had not been receipted. We then counted \$1,005 in cash from the office safe. We interviewed the scrap metal hauler, and he advised us that he had been hauling scrap metal for the Highway Department for about two years. He stated that he paid the road supervisor several payments in cash for scrap metal sales that he received from the local recycling company. Furthermore, the scrap metal hauler stated that he never received a receipt for any cash payments he made to the road supervisor. We solicited documentation from the local scrap metal recycling company to determine the dollar value paid to the hauler for the purchase of the Highway Department's scrap metal; however, the hauler apparently hauled his personal business scrap metal and the Highway Department's scrap metal in the same load; therefore, the recycler paid the hauler one amount for the entire load and could not differentiate between the hauler's metal and the department's metal.

The following deficiencies exist due to the arrangement:

1. There was no written contract to document this hauling arrangement.
2. The Highway Department did not maintain lists identifying the scrap metal picked up by the hauler.

3. The hauler comingled the Highway Department's metal with metal from his business when transporting the goods to the recycler.
4. The recycler could not identify whose scrap metal they were purchasing.
5. The Highway Department could not verify the value paid to the hauler for the department's scrap metal by the recycler; therefore, we cannot ascertain how much the Highway Department should have received for the sale of its scrap metal.
6. The Highway Department did not issue receipts for all collections from the hauler as required by Section 9-2-103, *Tennessee Code Annotated (TCA)*.
7. The Highway Department did not deposit all collections with the county trustee within three days of collections as required by Section 5-8-207, *TCA*.

Due to the combination of the above-noted deficiencies, we could not determine whether the department received the appropriate amount of money from the sale of scrap metal.

- B. We were advised by the Sheriff's Department that their investigation disclosed that two employees of the Highway Department allegedly sold a used county-owned culvert to a local recycling company. We interviewed the two employees, and the employees told us that they sold the scrap metal culvert to a local recycling company for \$853.55 in cash. Furthermore, the two employees advised us that they told the road supervisor what they had done due to the fear of losing their jobs. The employees told us that the road supervisor requested \$400 cash from the employees for the sale of the scrap metal culvert. In an interview with us, the road supervisor confirmed that he did request and receive the \$400. He further advised us that the two employees committed theft of county property and should have been terminated; however, he chose not to terminate them, did not bring any administrative actions against the employees, and did not report the theft to law enforcement. It should be noted that in our first interview noted in Part A. above, the road supervisor informed us that the cash we counted in the safe (\$1,005) was proceeds received from the scrap metal hauler; however, when questioned about the \$400 cash he received from the employees, he stated the \$400 had to be part of the money in the safe. The road supervisor did not report the theft to the county attorney and the district attorney general for them to determine the course of action to be taken concerning the two employees. Also, the road supervisor did not file a Fraud Reporting Form with the state Comptroller's Office as required by Section

8-4-501, TCA. This statute requires that a Fraud Reporting Form be filed within five working days of the time the official has knowledge that suspected unlawful conduct has occurred.

15. Hardeman County - Solid Waste Department

The audit of Hardeman County for the 2007-08 year reported a cash shortage totaling \$3,032.47 in the Solid Waste Disposal Fund. This cash shortage is composed of 1) collections received at the landfill and delivered to the Solid Waste Office totaling \$2,152.97 that were not entered into the accounting system or deposited with the county trustee, and 2) receipts issued by the Solid Waste Office for monthly collections of landfill fees assessed to residents and businesses totaling \$879.50 that were not deposited with the county trustee. Conrina Robertson, was sentenced on August 5, 2010, for theft of property and ordered to pay restitution. As of February 9, 2012, Ms. Robertson paid restitution of \$1,700, leaving an unpaid shortage of \$1,332.47.

16. Henry County - Office of Sheriff

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,658 in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds as a result of irregularities in the Office of Sheriff. Former Sheriff David Bumpus, former business manager Faye Scott, and former owner of Elite Firearms, Jason Ferren, all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the 2010-11 fiscal year, no restitution had been received. As of June 30, 2011, the cash shortage totaled \$93,693, which included the General (\$49,913), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds. On November 21, 2011, the Henry County Commission voted to agree to a consent judgment in the county's effort to try to recover money from the former sheriff basically agreeing to settle a civil lawsuit for \$160,000.

17. Hickman County - Emergency Management Agency

The audit of Hickman County for the 2009-10 year reported that the Tennessee Bureau of Investigation conducted an investigation of the Hickman County Emergency Management Agency (EMA) and the Hickman County Emergency Medical Services (EMS), which revealed that Terry Cloud, the director of the EMA, and Michael Lynn, the director of the EMS, misappropriated drugs and medical supplies for their personal use. These misappropriations for personal use resulted in a cash shortage of \$2,042.81. On October 26, 2010, Mr. Lynn pled guilty to official misconduct, received two years supervised probation, and was ordered to pay restitution of \$840.25. On December 21, 2010, Mr. Cloud pled guilty to official misconduct, received two years supervised probation, and was ordered to pay restitution of \$1,202.56. The former director of EMA and the former director of EMS had not paid any restitution leaving an unpaid shortage of \$2,042.81 at June 30, 2011.

18. Johnson County - Office of County Mayor

A cash shortage of \$36,037.86 existed in the office at June 30, 2011. As a result of this cash shortage, we extended certain audit procedures, which resulted in an increase in the cash shortage to \$41,495.55 at August 24, 2011. This cash shortage resulted from an employee of the County Mayor's Office not remitting solid waste transfer station collections (\$40,695.55) to the county trustee and not remitting sewer inspection collections (\$800) to the State Department of Environment and Conservation. We informed the county mayor of this cash shortage on August 24, 2011, and he immediately suspended the suspected employee.

Certain customers make payments at the solid waste transfer station and are issued receipts at the point of collection. These collections are remitted to the County Mayor's Office daily. Our review of transactions at the transfer station revealed no deficiencies. Other solid waste customers are billed by the County Mayor's Office. We reviewed collection and deposit records in the County Mayor's Office and discovered certain days' collections (\$21,958.15) had never been deposited with the county trustee. In addition, we discovered several customer checks (\$18,737.40) for solid waste collections had not been receipted but had been deposited with the county trustee to replace other cash collections that had been receipted. These above-noted deficiencies totaled \$40,695.55.

Table 1 below details the cash collections totaling \$21,958.15, which had not been remitted to the county trustee by the County Mayor's Office. Table 2 details the unreceipted checks totaling \$18,737.40, which were remitted to the county trustee and substituted for cash that had been receipted. Table 3 details cash receipts totaling \$800, which were received on behalf of the state Department of Environment and Conservation in August 2011, which had not been remitted to the state.

TABLE 1

<u>Dates of Collection</u>	<u>Total Collections</u>	<u>Total Deposits</u>	<u>Cash Shortage</u>
3-15-11 to 4-13-11	\$ 22,115.68	\$ 14,993.84	\$ 7,121.84
5-3-11 to 5-31-11	31,967.79	26,805.31	5,162.48
6-17-11 to 6-30-11	15,235.92	10,219.78	5,016.14
8-1-11 to 8-12-11	8,973.76	4,316.07	4,657.69
Total	<u>\$ 78,293.15</u>	<u>\$ 56,335.00</u>	<u>\$ 21,958.15</u>

TABLE 2

Payer	Check Number	Check Date	Cash Shortage
Robert Lee Stout	239	11-12-10	\$ 3,265.60
Bill or Evelyn Farmer Shouns Manor	5064	12-15-10	54.08
Apartments	6842	12-9-10	18.72
Brown Enterprises, Inc	3641	12-14-10	23.84
State of Tennessee	42474251	12-17-10	5,115.00
Mountain Side Apartments	6498	12-20-10	30.16
State of Tennessee	42715438	2-11-11	5,115.00
State of Tennessee	42988373	4-13-11	<u>5,115.00</u>
Total			<u>\$ 18,737.40</u>

TABLE 3

Payer	Receipt Number	Receipt Date	Cash Shortage
Swift	COU-46-375	8-4-11	\$ 100.00
Woodward	COU-46-376	8-8-11	100.00
Horn	COU-46-377	8-9-11	500.00
Colson	COU-46-380	8-16-11	<u>100.00</u>
Total			<u>\$ 800.00</u>
Total Cash Shortage			<u>\$ 41,495.55</u>

Our examination revealed the following deficiencies were factors that contributed to the cash shortage:

- A. We noted significant delays in remitting daily collections from the County Mayor's Office to the county trustee. Records reflected as many as 35 days elapsed between the date some funds were collected and the date the funds were deposited. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collecting funds. Sound business practices dictate that all collections be deposited on a daily basis to minimize the risk of fraud and abuse. The delay in depositing funds allows large amounts of cash and checks to accumulate in the office.

- B. The County Mayor's Office did not always issue receipts in sequential order or at the point of collection. Likewise, numerous alterations were made to the accounting records, including voiding receipts that appeared to have been properly issued and voiding/adjusting invoices related to accounts receivable. Many of these alterations were made to customer accounts related to the checks noted in Table 2 above. These deficiencies existed due to a lack of management oversight.
- C. Independent reconciliations of the monthly customer summary reports generated by the solid waste transfer station with the transfer station collections remitted to the County Mayor's Office or with total collections remitted to the county trustee were not performed. Management reviews of the reconciliations act as a deterrent to fraud and abuse and ensure that errors that are discovered get corrected properly.
- D. Duties were not segregated adequately in the County Mayor's Office. The one employee of the office was responsible for maintaining the accounts receivable records along with receipting and remitting transfer station collections to the county trustee's office. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a material weakness in internal controls that increases the risk of unauthorized transactions.

19. Lake County - Office of County Mayor

The audit of Lake County for the 2009-10 year reported irregularities in the Lake County Mayor's Office involving checks issued to a payee named Purchase Power. Purchase Power is a payment mechanism provided by the Pitney Bowes Company enabling its customers to pay for postage and other office related expenses. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper, Kim Keeling, issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The county's insurance company paid the county \$149,000 on October 12, 2010, leaving a balance due the county of \$53,344.63. Ms. Keeling pled guilty to theft over \$60,000 on January 24, 2011, and was sentenced to ten years in the Tennessee Department of Correction with probation after serving one year in the Lake County jail. In addition, Ms. Keeling was ordered to pay the county restitution of \$53,344.63; however, no restitution has been paid.

20. Lake County - Office of Sheriff

The office had a cash shortage of \$742 in the commissary operation at June 30, 2011. The commissary account ledger reflected that there should be a bank balance of \$4,525 at June 30, 2011. However, the commissary bank account balance was only \$3,783, resulting in a cash shortage of \$742. This cash shortage resulted from a combination of internal control deficiencies, the failure to properly maintain

and reconcile accounting records, the purchase of supplies from the commissary account, which could have exceeded profits earned by \$3,610, and receipts totaling \$202 that were posted to the accounting records that were not deposited to the bank. Due to these deficiencies, there could be other collections, which have not been accounted for properly and have not yet been detected. Since there was a lack of reliable accounting records, we were unable to determine the exact make-up of the cash shortage. On August 19, 2011, we informed the sheriff of the \$742 cash shortage. On August 29, 2011, the sheriff deposited a refund check from the county General Fund totaling \$3,610 to reimburse the commissary for the supplies purchased and \$202 from his personal funds for the missing bank deposit; therefore, we consider these steps as having liquidated the cash shortage.

21. Lauderdale County - Office of Sheriff

During the audit of the Sheriff's Department, we questioned various undercover transactions of a county deputy, and the deputy admitted to us that he falsified some paperwork on his agent's activity log. As a result, our office and the Tennessee Bureau of Investigation (TBI) began an investigation of the agent's activity log for the period July 1, 2009, through June 30, 2010, and a review of payroll records and cell phone usage. Our investigation revealed falsified entries related to drug buys and informant payments totaling \$3,595. In addition, the deputy admitted to personal cell phone usage totaling \$350.30 and the falsification of compensatory time records totaling \$157.40. Therefore, the various amounts of the cash shortage totaled \$4,102.70; however, due to falsified records, the amount of the shortage could be higher. The deputy reimbursed the sheriff's confidential funds account \$1,275 in April 2010, \$525 in June 2010, and \$2,302.70 in June 2011, which liquidated the \$4,201.70 cash shortage. The deputy's employment was terminated on March 1, 2011.

The following events and internal control weaknesses are related to the cash shortage:

1. Details related to the falsified entries in the agent's activity log totaling \$3,595 were as follows:
 - A. On September 10, 2009, the deputy recorded a \$350 purchase of cocaine from confidential funds; however, he later admitted that he actually purchased a .38 caliber handgun for the \$350 and paid a confidential informant \$175 to complete a \$525 transaction. According to the deputy, the Bureau of Alcohol Tobacco, Firearms, and Explosives (ATF) reimbursed him for this transaction. The ATF later advised us they did reimburse the deputy for the handgun purchase and payment to the confidential informant; however, the deputy never receipted these funds back into the confidential account. According to the deputy, he placed flour in a bag as evidence of a drug buy in case auditors asked for evidence of the purchase.

Exhibit C

- B. On September 12, 2009, the agent's activity log reflected a \$100 loan of confidential funds to a confidential informant. The sheriff had previously advised the deputy to never loan money to an informant. This loan was never repaid.
 - C. On November 7, 2009, the deputy recorded a \$1,200 purchase of a green leafy substance and a \$75 payment to a confidential informant. The deputy later admitted this transaction never occurred, but was recorded to cover for other unaccounted transactions. When auditors asked for evidence in this case, the deputy presented two pounds of marijuana seized from another case.
 - D. On December 16, 2009, the deputy recorded a \$250 purchase of a green leafy substance and a \$75 payment to a confidential informant. The deputy admitted to signing the name of an ATF agent as a witness to the transaction. The deputy also stated that he was not sure if this transaction was legitimate or bogus. However, no drugs related to this buy were ever submitted as evidence.
 - E. On January 16, 2010, the deputy recorded a \$500 payment to a confidential informant in the agent's log. The deputy advised that this entry was false, and that he had used these funds personally.
 - F. On June 7, 2010, the deputy recorded an \$870 payment to relocate a confidential informant. The deputy admitted that this amount was an estimate of loans he had made to confidential informants that he was never repaid. This entry was made in an attempt to account for the unauthorized loans.
2. The September 2009 cell phone bill for the deputy reflected \$350.30 of charges for text messages. The deputy admitted these charges were for personal use and that he would reimburse the county for these charges.
 3. For the period July 1, 2009, through July 31, 2010, the county paid compensatory time to the deputy totaling \$9,978.42. The time records were all properly approved by management. When questioned about the amount of compensatory time he had worked, the deputy admitted to overstating the compensatory time during this period for 10.5 hours, which calculates to an overpayment of \$157.40.
 4. During our investigation, we noted seven instances where evidence collected on cases was not sent to the TBI's crime lab for testing.

The following table summarizes the cash shortage:

<u>Description</u>	<u>Date</u>	<u>Amount</u>
Falsified Entries	9-10-09	\$ 350.00
"	9-10-09	175.00
"	9-12-09	100.00
"	11-7-09	1,200.00
"	11-7-09	75.00
"	12-16-09	250.00
"	12-16-09	75.00
'	1-12-10	500.00
'	6-7-10	<u>870.00</u>
Subtotal		\$ 3,595.00
Personal Cell Phone Usage		350.30
Unearned Compensatory Time		<u>157.40</u>
Total Identified Cash Shortage		<u>\$ 4,102.70</u>

22. Marion County - Election Office

A special report dated August 25, 2010, for the period July 1, 2003, through March 31, 2010, reported that a cash shortage of \$27,170.93 existed in the Marion County Election Office. This cash shortage resulted from 107 warrants being improperly issued to 34 individuals for work that was not performed for the Election Office. Ms. Holly Henegar, administrator of elections, was indicted by the grand jury on October 4, 2010.

23. Marion County - Haletown Volunteer Fire Department

A special report dated October 20, 2010, for the period January 1, 2005, through April 12, 2010, reported a cash shortage of at least \$94,823.91 in the Haletown Volunteer Fire Department (HVFD). This cash shortage resulted from checks written on HVFD bank accounts to pay personal expenses of Mr. B. J. Henegar, the secretary/treasurer (\$92,620.25), together with \$2,203.66 cash withheld from bank deposits of private donations and a county contribution. Mr. Henegar remitted personal funds totaling \$7,800 to the HVFD, leaving a cash shortage balance of \$87,023.91 at April 12, 2010. Mr. Henegar was indicted by the grand jury on October 4, 2010.

24. McNairy County - Office of Circuit Court Clerk

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 from eight bank deposits in the Office of Circuit Court Clerk. A former office employee, Dana Siegler, admitted taking the funds and has restored the

\$13,528.19 in missing funds to the office. On June 20, 2008, Ms. Seigler pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, and immediately granted probation. In addition, she was ordered to pay \$4,405 for restitution to the county for audit expenses. As of June 30, 2011, Ms. Seigler had paid \$1,014.50 on the restitution for the audit expenses leaving unpaid restitution of \$3,390.50.

25. Monroe County - Office of Sheriff

The audit of Monroe County for the 2008-09 year reported a cash shortage of \$30,646.08 in the Office of Sheriff as of October 22, 2008. This cash shortage resulted from the failure to account properly for all collections resulting from operations of the commissary. The county's insurance company paid the county \$20,646.08 in May 2009 (the cash shortage less a \$10,000 deductible). On January 15, 2010, the former commissary bookkeeper was indicted by the county's grand jury for theft over \$10,000. The original case was dismissed on July 20, 2011. However, the bookkeeper was re-indicted and a court hearing on the charges was set for February 13, 2012.

26. Monroe County - Office of Sheriff

The audit of Monroe County for the 2009-10 year reported a cash shortage of \$10,651.30 existed in the Sheriff's Office as of June 30, 2010. Commissary collections for several days between February 11, 2010, and April 19, 2010, had not been deposited to the office bank account or otherwise accounted for properly. There have been no criminal charges filed relating to this shortage as of the date of the county's audit report.

27. Moore County - Office of Sheriff

On May 19, 2011, deputy sheriff Larry Campbell reported that several county and personal items were stolen from his two personal vehicles parked at his residence. Mr. Campbell lives in Franklin County; therefore, the Franklin County Sheriff's Office was called to investigate. According to the offense report, missing items belonging to Moore County totaled \$1,391 and consisted of confidential drug fund cash (\$1,181), a digital recorder (\$100), a cell phone (\$100), and a money bag (\$10). In addition, a diamond ring owned by Mr. Campbell's wife was stolen. Deputy Campbell explained that he had been out of work since April 20, 2011, due to knee surgery, at which time the county's items were in his vehicle. The offense report noted no forced entry to the vehicles, and Mr. Campbell admitted that the vehicles were never locked while parked at his residence. Moore County filed an insurance claim, and subsequently received a check for \$891, which is less a \$500 deductible.

28. Morgan County - Office of County Clerk

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 at December 14, 2010. The state Comptroller's Office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, Carol Hamby, the county clerk, deposited \$47,200.71, leaving an

unpaid cash shortage of \$7,410.62 at December 22, 2010. On February 18, 2011, the Criminal Court of Morgan County accepted a plea of guilty to charges of official misconduct and violation of the three-day deposit law. Ms. Hamby was ordered to pay the remaining cash shortage, the cost of the extended audit (\$11,562), and court costs. Also, on February 18, 2011, Ms. Hamby resigned as Morgan County Clerk and submitted payment of \$6,500 to be applied toward the agreed obligations. On March 17, 2011, Ms. Hamby paid the remaining cash shortage balance of \$910.90 and \$610.50 in court costs. However, there have been no payments toward the extended audit cost of \$11,562.

29. Obion County - Office of County Clerk

From February 2, 2009, through November 2, 2010, a deputy clerk removed cash from the office cash drawer 11 times totaling \$310 for her personal use. Each time this was discovered, the county clerk allowed the deputy to liquidate the shortage by depositing personal funds back into the cash drawer. On November 3, 2010, the county clerk performed a surprise cash count on the deputy clerk's cash drawer and determined the cash drawer was short \$201. The deputy clerk was again allowed to leave the office and return with personal funds to repay the \$201 cash shortage. The county clerk then requested the resignation of the deputy clerk, and the deputy resigned her position on November 3, 2010. On November 4, 2010, the county clerk notified our office of the above-noted circumstances, and requested we perform a review of the deputy's receipts compared with funds in her cash drawer. Our investigation of the records confirmed that from February 2, 2009, through November 3, 2010, there were 12 instances totaling \$511 where the deputy clerk's cash drawer was short. The deputy clerk had informed the county clerk that she did not know how the cash shortages occurred; however, during an interview with auditors, the deputy clerk admitted to removing funds from her cash drawer for personal use. On July 8, 2011, the former deputy clerk pled guilty to the theft of property and received one year probation and 100 hours of community service.

30. Overton County - Office of Director of Accounts and Budgets

Our office received allegations concerning the misappropriation of funds at the Solid Waste Department. Those allegations led to an investigation by our office concerning the sale of scrap metal by a department employee to a recycling company. During the period January 1, 2008, through August 19, 2011, an employee of the Solid Waste Department was paid \$18,913.33 in cash and checks from a recycling company for the sale of department scrap metal. These sale proceeds were not deposited with the county trustee to be appropriated through the budgetary process. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." The employee advised us that the proceeds from the sales were used to purchase water, soft drinks, snacks and cigarettes for prisoners who worked at the department as well as for department employees. Management was unable to document the use of the proceeds from the sale of the scrap metals; therefore, a cash shortage of \$18,913.33 existed at August 19, 2011. The director of the Solid Waste

Department and the employee stated that this practice of selling scrap metal to buy miscellaneous items for the department and inmate workers has been going on for several years.

The following internal control deficiencies were noted from the method described above regarding the sale of scrap metal. These deficiencies resulted from a lack of management oversight.

- A. The Solid Waste Department did not maintain lists detailing the items sold as scrap, and sales tickets from the recycler were not on file to support the sale proceeds.
- B. The cash and checks received from the recycler were not deposited with the county trustee.
- C. The employee circumvented the department's budgetary and purchasing processes by purportedly purchasing items with the sale proceeds. The checks received from the recycler had to be converted to cash to purchase the items.

31. Overton County - Office of Director of Schools

Our office received allegations concerning the misappropriation of funds at the School Maintenance Department. Those allegations led to an investigation by our office concerning the sale of scrap metal by a department employee to a recycling company. During the period January 1, 2008, through August 19, 2011, an employee of the Maintenance Department was paid \$2,046.40 in cash and checks from a recycling company for the sale of scrap metals. A check for \$478.80 was made payable to the school maintenance employee since scrap was sold under his personal account; however, the \$478.80 was subsequently remitted to the Board of Education, leaving an unaccounted for balance of \$1,567.60. The \$1,567.60 sale proceeds were not deposited with the county trustee to be appropriated through the budgetary process. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." The employee advised us that the \$1,567.60 was used to purchase water, coffee, soft drinks, snacks, and employee lunches. The employee further advised that some of the money may have been used as benevolence funds. Management did not provide any documentation to support the disbursement of these scrap sale proceeds; therefore, a cash shortage of \$1,567.60 existed at August 19, 2011.

The following internal control deficiencies were noted from the method described above regarding the sale of scrap metal. These deficiencies resulted from a lack of management oversight.

- A. The Maintenance Department did not maintain lists detailing the items sold as scrap, and sales tickets from the recycler were not on file to support the sale proceeds.
- B. The funds received from the recycler were not deposited with the county trustee.
- C. The maintenance employee circumvented the department's budgetary and purchasing processes by purportedly purchasing items with the cash.

32. Polk County – Office of Director of Schools

The audit of Polk County for the 2007-08 year reported a cash shortage of \$1,047.45 in the School Department, resulting from a School Department maintenance employee using a department owned welding machine and materials associated with welding for his personal benefit. The employee entered into a plea agreement on March 23, 2009, that required the maintenance employee to pay restitution of \$1,047.45 to the School Department. However, as of June 30, 2011, no payments have been received.

33. Putnam County - Park View Elementary School Cafeteria

The audit of Putnam County for the 2009-10 year reported that a contracted certified public accountant conducted an investigation at the Park View Elementary School Cafeteria for the period August 10, 2010, through September 24, 2010, and concluded that collections of cash totaling \$3,281.38 and checks totaling \$3,283.60 had not been deposited to the cafeteria fund, resulting in a cash shortage totaling \$6,564.98. On October 18, 2010, an envelope with some of the missing checks totaling \$3,000.40 was delivered through interoffice mail to Park View Elementary School. Therefore, as of October 19, 2010, funds still missing totaled \$3,564.58. The results from the CPA's review have been forwarded to the district attorney general. On June 3, 2011, the cash shortage was written-off when the General Purpose School Fund disbursed funds to the Central Cafeteria Fund for the cash and checks that were not recovered.

34. Rhea County - Office of Circuit and General Sessions Courts Clerk

In November 2011, a customer questioned employees about the remaining balance owed on the customer's case. The customer had made a payment the previous week; however, the receipt for that payment had been voided in the computer system, and the funds were not credited to the customer's case or otherwise accounted for. The circuit and general sessions court clerk began an investigation into this matter and discovered that between September 28, 2011, and December 12, 2011, employee Kelly Marsh had voided 15 receipts totaling \$5,297, after issuing a receipt to each customer and collecting funds for the amount of each receipt. These funds were not credited to customers' cases or otherwise accounted for. In December 2011, the clerk reported the matter to the district attorney general, and the district attorney general requested that the Tennessee Bureau of Investigation (TBI) investigate the matter. On December 19, 2011, Ms. Marsh was interviewed by the TBI and

admitted voiding the receipts and taking office funds for personal use. Ms. Marsh was dismissed from employment on the same day. On February 6, 2012, Ms. Marsh was indicted by the Rhea County Grand Jury for theft of property. Ms. Marsh's first court date was set for March 1, 2012. As of the date of the county's audit report, no restitution has been made.

35. Rutherford County - Offices of County Mayor and Sheriff

The audit of Rutherford County for the 2009-10 year reported that from January 1, 2007, through August 8, 2008, an employee of the Sheriff's Department filed medical, dental, comprehensive benefits, and pharmacy claims totaling \$14,551.56 for ineligible persons. Subsequently, the employee signed a promissory note with Rutherford County to make restitution. These note payments are being withheld from the employee's bi-monthly payroll checks by the Rutherford County Finance Office. As of June 30, 2011, \$4,151.56 remains outstanding on this note.

36. Rutherford County - Office of Circuit, General Sessions, and Juvenile Courts Clerk

The audit of Rutherford County for the 2009-10 year reported that on October 19, 2010, the circuit, general sessions, and juvenile courts clerk notified our office of missing cash collections she had discovered in the Office of General Sessions Court. On November 1, 2010, a former employee confessed to diverting office funds for her personal use. In each of the instances where the deputy diverted funds for her personal use, she did not issue a receipt for the funds and withdrew a like amount of funds. The deputy was indicted by the grand jury on theft over \$500, received judicial diversion, and one year probation. The deputy paid restitution of \$745.85 and \$2,029 for the cost of the audit on March 31, 2011.

37. Rutherford County - Office of Register

On November 29, 2010, the register discovered that cash from the money bag totaling \$66 was missing, and on December 27, 2010, the register discovered an additional \$10 was missing. As a result, on December 29, 2010, the register filed a Fraud Reporting Form with our office informing us of these cash shortages. Subsequently, our office conducted an investigation; however, due to a lack of internal controls, we were unable to determine who may have taken the funds.

The office maintained a money bag to store petty cash totaling \$125 plus funds for nine cash drawers totaling \$225. At the end of the day, each employee placed their cash on hand (\$25) into the money bag for the night. Each morning the bag was passed to each employee to take out \$25 to reestablish their cash drawer for the day. This money bag was stored in a locked area; however, all employees had access to the key for this area.

The following internal control deficiencies provided opportunity for these funds to be misappropriated:

- A. All employees used the same money bag to store their cash on hand.
- B. All employees physically handled the money bag twice a day.
- C. All employees had access to the key where the money bag was stored.
- D. Petty cash and operating cash on hand was comingled.

The register liquidated the cash shortage of \$76 from personal funds.

38. Sequatchie County - Office of Sheriff

The audit of Sequatchie County for the 2006-07 year reported a cash shortage of \$8,669 in the commissary operation at the Sheriff's Department. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for properly. On December 18, 2008, a former employee entered into a judicial diversion agreement on charges related to this cash shortage and has agreed to pay restitution of \$8,551.26. The difference of \$117.74 (\$8,669 - \$8,551.26) between the original shortage amount and the agreed to restitution amount was written-off. The county received restitution of \$150 during 2010-11 year leaving a balance of \$7,793.26 at June 30, 2011.

39. Sequatchie County - Office of Sheriff

The audit of Sequatchie County for the 2007-08 year reported a cash shortage of \$2,011.81 in inmate funds (personal funds taken from a person at the time of his arrest) at the Sheriff's Department. This cash shortage resulted from receipted funds not being deposited to the official bank account or being accounted for otherwise. During 2009-10 year, employees of the Sheriff's Department made contributions of \$1,197 to apply toward the cash shortage. The remaining balance of \$814.81 was repaid from unidentified funds in the inmate/commissary account that were turned over to the county on January 18, 2011.

40. Sequatchie County - Office of County Clerk

The audit of Sequatchie County for the 2007-08 year reported a cash shortage of \$4,248.51 in the Office of County Clerk. This shortage resulted from several motor vehicle title application transactions that had been altered by an employee of the office. The county's insurance carrier has paid \$3,248.51 toward the shortage reducing the outstanding shortage amount to \$1,000 on June 30, 2009. This former employee entered into a plea agreement on April 27, 2009. The first \$1,000 received in restitution collected thereafter will be remitted to the county for the deductible, and any restitution collected thereafter will be remitted to the bonding company. Restitution of \$150 was received for the 2010-11 year leaving an unpaid balance of \$360.00.

41. Sequatchie County - Office of Director of Schools

The audit of Sequatchie County for the 2008-09 year reported a cash shortage of \$31,710 in the School Department. On January 25, 2010, School Department officials notified auditors that a payroll discrepancy had been discovered. During the period July 1, 2006, through January 21, 2010, the payroll bookkeeper had issued checks totaling \$31,710 to herself in excess of her allowable compensation. The payroll bookkeeper resigned her position on January 21, 2010. On May 24, 2010, the Sequatchie County Grand Jury indicted the former bookkeeper on one count of theft of property of at least \$10,000 but less than \$60,000 and one count of official misconduct. The payroll bookkeeper was sentenced to four years with six months' probation and 100 hours community service on June 27, 2011. The county's insurance carrier has paid \$30,670 toward the shortage reducing the outstanding shortage to \$1,040. The \$1,040 is the School Department's deductible and will not be recovered from the litigant; therefore, this amount has been written off.

42. Smith County - Office of Circuit and General Sessions Courts Clerk

On September 26, 2011, as a result of the bank alerting the circuit court clerk that her bank account would be overdrawn, the clerk informed our office of suspected irregularities with deposits in General Sessions Court. We compared receipts with deposits from July 1, 2010, through September 30, 2011, in both Circuit and General Sessions Courts. Our procedures identified a cash shortage of \$75,012.61 in General Sessions Court and \$995 in Circuit Court on September 27, 2011. These amounts include receipts collected but not deposited totaling \$64,995.36 in General Sessions Court and \$995 in Circuit Court plus receipts voided without supporting documentation of \$10,017.25 in General Sessions Court. Checks and money orders totaling \$35,596.63 and \$662 were deposited in General Sessions and Circuit Courts, on September 28, 2011, and September 30, 2011, respectively, which reduced the cash shortage to \$39,415.98 in General Sessions Court and \$333 in Circuit Court on September 30, 2011.

Our investigation revealed significant delays in depositing daily collections into the circuit and general session's courts clerk's official bank accounts. Office records reflected that as many as 141 days lapsed between the date some funds were collected and the date the funds were deposited. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collecting funds. Also, sound business practice dictates that all collections be deposited daily to minimize the risk of fraud and abuse. The delay in depositing funds allows large amounts of cash and checks to accumulate in the office.

We determined that office collections from November 19, 2010, through September 28, 2011, totaling \$64,995.36 and \$995 had not been deposited to the General Sessions and Circuit Courts respective official bank accounts.

Exhibit C

We were advised that deputy clerk Susan Garcia was responsible for making bank deposits for General Sessions Court and often made deposits for Circuit Court. On September 28, 2011, Ms. Garcia advised the Tennessee Bureau of Investigation and us that she had taken cash for personal use and checks from deposits of General Sessions Court and one deposit from Circuit Court. Ms. Garcia would delay making deposits until cash from current collections could be used to complete the deposit with the checks and money orders from previous days.

Furthermore, we determined through a review of all receipts voided by Ms. Garcia that for the period July 1, 2010, through September 30, 2011, at least \$10,017.25 of receipts had been voided with no documentation to support the voided transaction. In many instances, the fees due had been adjusted or eliminated. These changes were not supported by case files or rule docket entries. This amount has been included in the cash shortage presented below.

Ms. Garcia remitted checks and money orders totaling \$36,258.63, which was subsequently deposited to General Sessions Court (\$35,596.63) and Circuit Court (\$662) on September 28, 2011, and September 30, 2011, respectively. These checks and money orders had been kept by Ms. Garcia out of the office.

The following table details the cash shortage as well as the subsequent deposit of checks and money orders:

Court	Deposit Date	Amount Deposited	Total of Receipts	Cash Shortage	
				Sessions	Circuit
Sessions	11-19-10	\$ 9,592.39	\$ 9,598.39	\$ 6.00	\$ 0
Sessions	1-5-11	13,957.89	14,057.89	100.00	0
Sessions	1-11-11	5,555.89	5,565.89	10.00	0
Sessions	7-1-11	15,077.30	15,677.30	600.00	0
Sessions	8-1-11	0.00	16,701.51	16,701.51	0
Sessions	8-9-11	0.00	13,035.70	13,035.70	0
Sessions	8-17-11	0.00	16,568.69	16,568.69	0
Sessions	8-24-11	0.00	9,193.36	9,193.36	0
Sessions	8-26-11	0.00	8,680.10	8,680.10	0
Sessions	9-8-11	4,773.02	4,873.02	100.00	0
Circuit	9-20-11	0.00	995.00	0.00	995.00
Total Cash Shortage from Receipts				\$ 64,995.36	\$ 995.00
Less: Sessions checks/money orders deposited 9-28-11				\$ (35,596.63)	\$ 0.00
Less: Circuit checks/money orders deposited 9-30-11				0.00	(662.00)
				\$ 29,398.73	\$ 333.00
Add: Cash shortage from general sessions voided receipts				10,017.25	0.00
Cash shortage balance, September 30, 2011				\$ 39,415.98	\$ 333.00

On December 5, 2011, Susan Garcia was arraigned on charges of theft.

43. Stewart County - Office of Sheriff

In the fall of 2009, the sheriff suspected a dispatcher of theft and contacted the Tennessee Bureau of Investigation to perform an investigation. It was determined that the dispatcher had taken sexual offender registry fees of \$150 that had been paid to the Sheriff's Department in December 2008. The dispatcher pled guilty to official misconduct charges on September 21, 2010, and was ordered to pay restitution of \$150 to the county. The dispatcher paid restitution on July 28, 2011.

44. Sullivan County - Office of Sheriff

On February 4, 2011, the Sheriff's Department received information alleging an employee was using a county credit card to purchase fuel for her private vehicle. The allegation was investigated by the Tennessee Bureau of Investigation and resulted in employee Lori Delp's employment with the Sheriff's Department being terminated on February 7, 2011. On May 10, 2011, Ms. Delp pled guilty to one count of theft under \$500, received pretrial diversion, and was ordered to pay restitution of \$72.17. The restitution was paid in August and September 2011.

45. Sumner County - Office of Director of Schools

The audit of Sumner County for the 2009-10 year reported that on June 4, 2010, the School Department's internal auditor informed us that an employee had purchased personal items with school funds. A review of the records revealed questionable purchases of at least \$657.84. On June 7, 2010, the director of the school's daycare advised the internal auditor that she had purchased personal items with school funds. The School Department terminated the employment of the daycare director on June 8, 2010. On January 14, 2011, the former employee pled guilty to one count of theft of property over \$500. The former employee was sentenced to one year probation and ordered to pay restitution of \$657.84 to the Sumner County School Board. On February 15, 2011, the former employee paid restitution of \$657.84 to the Sumner County Board of Education.

46. Tipton County - Office of County Executive

The audit of Tipton County for the 2007-08 year reported a cash shortage of \$4,324.95 in the county's General Fund. An investigation by the Tennessee Bureau of Investigation and the Tipton County Sheriff's Department revealed that a litter control officer used a county fuel card to purchase gasoline for his personal vehicles. On May 4, 2009, the defendant pled guilty to theft charges and received judicial diversion and was ordered to pay restitution of \$4,324.95 within 20 months. As of June 30, 2011, the former employee had completed all payments for the restitution.

47. Unicoi County - Office of General Sessions Court Clerk

The audit of Unicoi County for the 2005-06 year reported a cash shortage of \$21,431 as of June 30, 2006, and an additional \$791 cash shortage in 2006-07 for a total cash shortage of \$22,222 as of June 30, 2007. During the 2008-09 year, the county received a check totaling \$9,330.50 in settlement of a claim filed with the former clerk's bonding company for the period ended August 31, 2006. On March 23, 2009,

the County Commission voted to discontinue any litigation against a second bonding company for nonpayment of the claim; however, the County Commission did not formally write-off the remaining cash shortage. Therefore, the unpaid balance of \$12,891.50 is reflected as a cash shortage.

48. Unicoi County – Office of Director of Schools

A special report dated June 28, 2010, for the period July 1, 2009, through May 25, 2010, reported a cash shortage of \$20,967.36. This cash shortage resulted from the disbursement of School Department funds for personal expenses of Ms. Angie Williams, the School Department's finance director. Ms. Williams resigned her position as director of finance on May 25, 2010, and she liquidated the cash shortage of \$20,967.36 with personal funds on May 27, 2010. The former director of finance pled guilty to theft over \$10,000 on January 6, 2011, and was sentenced to 90 days confinement, ten years probation, and payment of restitution of \$8,790 for the additional cost of the audit. The costs of the audit remained unpaid at June 30, 2011.

49. Wayne County - Office of Sheriff

At June 30, 2011, the office had a cash shortage of \$6,261.87 from the sale of a surplus vehicle. This cash shortage resulted from sale proceeds being receipted but not being deposited to the official bank account or being accounted for otherwise.

On January 31, 2011, the office sold a 2007 Ford Explorer XLT through an internet auction site. The vehicle was sold for \$5,825 plus the transaction fee charged by the auction site of \$436.87. The purchaser arrived at the Sheriff's Office on February 4, 2011, to take possession of the vehicle. Deputy Henry Williams handled the transaction for the Sheriff's Office, and receptionist Belinda Graham wrote a receipt for \$6,261.87 for the transaction coded as "cash."

During our examination, it was determined that the receipt of \$6,261.87 was not deposited to the bank or recorded in the official cash journal. A search of the office failed to discover the missing money. Deputy Williams first stated that he received the payment in the form of a check and that he contacted the issuer's bank and verified sufficient funds. Subsequently, Deputy Williams stated that he did not remember whether the payment was cash or check. Receptionist Graham stated that she wrote the receipt upon the instruction of Deputy Williams, without ever counting or even seeing the actual funds. She had been hired as the receptionist in January 2011 and was new to the position.

The sheriff contacted the purchaser who stated that he had given Deputy Williams the payment in cash contained in an envelope, and that Deputy Williams had placed the envelope in an orange bank bag without counting the money. Sheriff Wilson confirmed that the office does use orange bank bags. The sheriff subsequently contacted the Tennessee Bureau of Investigation (TBI) and filed a fraud report with the state Comptroller's Office. The matter is currently under investigation by the TBI.

Exhibit C

It should be noted that after the discovery of the missing sale proceeds, a check was written to GovDeals from the county's General Fund totaling \$436.87 for payment of the transaction fee. It should also be noted that due to a dispute over the stated versus actual mileage on the car, the sheriff and Deputy Williams decided to refund \$650 of the purchase price. Deputy Williams obtained a check totaling \$650 from the county's General Fund made payable to the purchaser. Therefore, this sale has cost Wayne County \$6,261.87 in missing sale proceeds, \$436.87 for the transaction fee, and \$650 for the refund to the buyer for a total of \$7,348.74

Our examination identified the following internal control deficiencies, which resulted from a lack of management oversight over risks related to safeguarding assets:

- A. Collections were received by one employee and receipted by another employee who did not have possession of or even count the money.
- B. The receipt for the sale of the vehicle was not included in the official cash journal. The official cash journal is the office's control record and should reflect all financial activity.
- C. The sale proceeds were not deposited to the bank or subsequently remitted to the county trustee for deposit into the county's General Fund within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*.
- D. Vehicle mileage details were not reviewed for accuracy on the internet auction website.
- E. Management did not make any attempt to determine if the funds were posted to the official cash journal or deposited to the official bank account.

50. Williamson County - Recreation Department

The audit of Williamson County for the 2005-06 year reported a cash shortage of at least \$45,037.43, as of June 30, 2006, at the Fairview Recreational Center. This cash shortage resulted from collections that were not deposited or otherwise accounted for properly. On October 6, 2008, the defendant pled guilty and was sentenced to four years probation and ordered to pay restitution to Williamson County. On October 7, 2008, the defendant signed a promissory note with Williamson County. The promissory note states that the debtor shall pay the principal amount in full no later than 48 months from November 1, 2008. As of June 30, 2011, this individual had paid restitution totaling \$7,141.50, leaving an outstanding cash shortage of \$37,895.93.

51. Williamson County - Office of County Clerk

The audit of Williamson County for the 2008-09 year reported a cash shortage of \$3,386.18 in the Office of County Clerk. In December 2008, the county clerk discovered that collections from a title application transaction totaling \$1,877.68 had been diverted for an employee's personal use. On December 29, 2008, the employee admitted to fraudulently substituting funds to cover the diversion of funds, and the county clerk terminated the employee for mishandling the funds. Subsequently, the county clerk's bookkeeper and auditors discovered two additional title applications totaling \$1,508.50 had been stolen. Therefore, the amount of funds diverted from the office totaled \$3,386.18 (\$1,877.68 plus \$1,508.50). On November 10, 2009, the defendant pled guilty to one count of theft over \$1,000 and one count of forgery. The defendant was sentenced to two years' probation, and ordered to pay restitution of \$3,386.18 to Williamson County. As of June 30, 2011, no restitution had been paid, leaving the outstanding cash shortage of \$3,386.18.

52. Williamson County - Animal Control Department

A special report dated July 26, 2010, for the period May 17, 2005, through March 31, 2010, reported a cash shortage of at least \$106,446.17 from receipts that were not deposited with the county or otherwise accounted for properly. On November 15, 2010, Ms. Kerraina Jensen pled guilty to theft over \$60,000 and was sentenced to eight years' confinement, which was suspended to eight years' probation, and was ordered to pay restitution of \$106,446.17. As of June 30, 2011, no restitution had been paid, leaving the outstanding cash shortage of \$106,446.17.

53. Twenty-fourth Judicial District Drug Task Force

The Drug Task Force (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 release of the Review of Funds Administered by Judicial District Drug Task Forces for the year ended June 30, 2010, the \$5,565 cash shortage had not been liquidated.

54. Davidson County - Office of Trustee

After performing a thorough investigation of property tax transactions associated with the Manatron Taxman application and interviewing employees in the Metro Trustee's Office, the Metro Internal Auditor determined that \$91,754.45 was missing and \$123,552.14 had been removed and returned using a technique commonly referred to as a lapping scheme. Lapping involves stealing a customer's property tax payment and then using a subsequent customer payment to cover the previous customer's tax bill. These deficiencies can be attributed in part to a lack of segregation of duties and management's lack of monitoring modifications made to the Manatron Taxman system.

55. Shelby County – Office of Clerk and Master

During the year ended June 30, 2011, the county discovered that a clerk had stolen funds primarily related to old property tax sales. The Chancery Court sustained a loss of \$982,548 due to the theft of funds. The county submitted a claim to its insurance provider and received approximately \$900,000 resulting in a net loss of \$82,548.

Division of Local Government Audit
Explanations of Other Thefts and Judicial Actions in
County Offices/Departments (1)
As Reported in Annual Financial Reports for the Year
Ended June 30, 2011, and Certain Special Reports

1. Anderson County - Office of County Mayor

On January 5, 2011, County Mayor Rex Lynch resigned from office after being indicted by the Anderson County Grand Jury. On April 1, 2011, Mr. Lynch pled guilty in the Criminal Court of Anderson County to one felony count of conflict of interest, one felony count of sales tax fraud, and six misdemeanor counts of sales tax fraud. Mr. Lynch received probation and judicial diversion for each of those charges.

2. Campbell County - Office of Director of Schools

As noted in the 2009-10 audit report, Director of Schools Dr. Michael Martin and Title I Director Karen Bundren were indicted by the Campbell County Grand Jury. The indictments stemmed from the director of schools and Title I director allegedly falsifying transcripts of Ms. Bundren indicating she had a Doctor of Education Degree. The alleged falsified degree was presented to the Campbell County Finance Office and the State of Tennessee in December 2009. On September 26, 2011, Dr. Martin and Ms. Bundren both pled guilty to one count of theft between \$1,000 and \$10,000, one count of official misconduct, one count of forgery, two counts of tampering with governmental records, and two counts of falsifying educational and academic records. Dr. Martin and Ms. Bundren both resigned their positions during the year ended June 30, 2011.

3. Cannon County - Office of County Executive

Employees of the Solid Waste Department admitted to us that they had removed scrap metal from the county's convenience center and sold the metal for personal gain. The county executive advised us that since the employees weren't making much money, he had given them verbal approval to take scrap metal that was "given to them." Also, the county executive advised that sometime around the summer of 2010 he told employees that they could no longer take the scrap metal. However, based on statements from an employee, inmates who worked at the convenience center were allowed to remove the wiring from items, and at least one employee would sell the copper for the inmates. We could not determine the amount of and the value of the scrap metal sold. This unauthorized removal of scrap metal resulted in a loss of revenue for the county.

4. Fayette County - Office of Director of Schools

We received an allegation from the Fayette County School Department that one of its employees improperly received disability benefits. The School Department offers its employees disability benefits through one of its plan providers. We examined the

employee's time and attendance records and the disability claims filed, which were furnished to us by the plan provider. These claims disclosed the employee filed for and received disability benefits for two claims. The employee filed a claim on November 4, 2009, for the period October 9, 2009, through November 5, 2009, and was issued a payment totaling \$1,745.27. On December 29, 2009, the employee filed a second claim for the period November 22, 2009, through December 23, 2009, and was issued payment totaling \$1,994.72. The employee's payroll records for these periods revealed that the employee had also received regular payroll checks for these time periods. The employee's time and attendance records disclosed that the employee was absent from work on November 17 and 18, 2009, December 7, 2009, and absent one-half day on December 8, 2009, which were all taken as sick leave.

We interviewed the employee on May 25, 2011, and August 10, 2011, and on both occasions, the employee admitted to falsely filing and receiving disability benefits from the plan provider. The employee disclosed she was in her classroom during the periods noted above, with the exceptions of the dates when she was absent from work on sick leave. She further stated she received her regular payroll checks during the same periods she received the disability benefits. Currently, the employee is reimbursing the plan provider per an agreement for restitution.

5. Giles County - Office of Emergency Management

The audit of Giles County for the 2009-10 year reported a cash shortage of \$1,500 in the Giles County Emergency Management Office. The theft of a laptop computer and tires was reported to the state Comptroller's Office on January 12, 2010. A police report was filed with the Giles County Sheriff's Department. The person they suspect committed the theft has moved out of state, and the county's deductible is higher than the loss; therefore, no recovery from this loss is anticipated.

6. Hardin County - Office of County Mayor

On July 9, 2010, auditors received allegations concerning the removal of scrap metal from county dumpsters by employees of the Hardin County Solid Waste Department. As a result of our investigation, certain employees of the Solid Waste Department admitted to us that they had removed scrap metal from the county's Solid Waste Department and sold it for personal gain. One employee interviewed also maintains a personal scrap metal business. Management of the Solid Waste Department had knowledge of this illegal activity; however, they did not take corrective action. Auditors could not ascertain the amount and the value of the scrap metal sold. This practice by county employees resulted in a loss of revenue from the sale of scrap metal by the Solid Waste Department.

7. Hawkins County - Office of Sheriff

On April 19, 2011, the Sheriff's Department received information alleging an employee had improperly entered the interior evidence room located inside the Hawkins County Justice Center and removed some narcotics. The allegation was investigated by the Tennessee Bureau of Investigation and resulted in employee

Brad Depew's employment with the Sheriff's Department being terminated on April 21, 2011. On April 21, 2011, Mr. Depew was arrested and charged with tampering with evidence, theft, and burglary. As of September 13, 2011, this case had not been presented to a grand jury.

8. **Houston County - Office of Sheriff**

Our office received allegations of missing service firearms discovered during the September 1, 2010, change in administration in the Sheriff's Office. We were apprised by the new administration that they had performed an inventory review of service firearms. They obtained invoices of purchases totaling \$3,139 from a firearms supplier for the period March 10, 2005, through March 23, 2007. A comparison of the physical inventory of service firearms on hand with weapons purchased and shipped to the Sheriff's Department revealed that seven service firearms were unaccounted. We were able to confirm through records acquired from the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives that these firearms were currently registered to the Sheriff's Department. However, we were unable to locate invoices/checks in the County Mayor's Office as evidence that the firearms had been purchased and paid for by the county. The former sheriff advised us that several of his deputies may have personally purchased these service firearms; however, he provided us with no further documentation.

9. **Johnson County - Office of County Mayor**

As a result of allegations we received, our office performed an investigation concerning the removal of scrap metal from the solid waste transfer station by an employee of the Solid Waste Department. During this investigation, Solid Waste Director Tim Keene admitted to us that his son removed scrap metal from the transfer station and sold the metal for personal gain. Tim Keene's employment with the Solid Waste Department was terminated on April 18, 2011. We could not determine the amount and the value of the scrap metal sold. This unauthorized removal of scrap metal resulted in a loss of revenue for the county. This theft is currently under investigation by the Tennessee Bureau of Investigation.

10. **Lewis County - Office of Road Superintendent**

On November 7, 2011, pursuant to an investigation of the Lewis County Highway Department by the Tennessee Bureau of Investigation, Road Superintendent Ronnie Darnell and Highway Department employee Pete Burns were indicted by the Lewis County Grand Jury. Mr. Darnell was indicted on one count of unlawful disposal of hazardous waste, one count of theft of property under \$500, two counts of theft of property over \$1,000, one count of theft of property over \$10,000, and five counts of official misconduct. Mr. Burns was indicted on one count of unlawful disposal of hazardous waste. An arraignment hearing has been scheduled for December 19, 2011.

11. Macon County - Office of County Mayor

On April 21, 2008, the County Mayor's Office employed a part-time custodian who had been working as a guard in the Sheriff's Department to clean the Macon County Justice Center, which houses the sheriff's administrative offices, jail facility, and courts. On May 23, 2011, the sheriff denied the employee access to the sheriff's administrative offices and jail facility. However, based on the advice of the county attorney, the County Mayor's Office continued to pay this employee for work that she was not allowed to perform since she was denied access to the job site. The employee continued to submit timesheets for 30 hours per week to the county mayor for approval noting her lack of access to the jail facility. The county mayor signed the timesheets also noting her lack of access to the facility. This employee was paid a total of \$3,824.76 for work not performed from May 24, 2011, through August 23, 2011. Subsequent to August 23, 2011, the custodian was transferred to work at the courthouse until she was laid off on October 7, 2011.

12. Maury County - Office of Circuit and General Sessions Courts Clerk

On May 18, 2010, the Office of Circuit Court Clerk received a call from a probation officer inquiring about expunging the record of defendant #1. Research into the file led to the discovery that defendant #1 had not paid any fines and costs associated with the sentencing she received. It was also discovered that fees and costs had been removed from the computer records.

Further research on a defendant #2, who was related to the aforementioned caller, led to the discovery that fees and costs had been removed from defendant #2's records that should not have been. It was also discovered that a Court Action Report was filed on October 29, 2009, with the Department of Safety, falsely claiming that all fines and fees had been paid.

In October 2010, after the clerk investigated these discrepancies, the employment of the court employee who submitted the false Court Action Report was terminated. The clerk filed a Fraud Reporting Form with the state Comptroller's Office on November 3, 2010. Section 8-4-501, *Tennessee Code Annotated (TCA)*, requires that a fraud reporting form be filed within five working days of the time the clerk has knowledge that suspected unlawful conduct has occurred.

Our investigation further identified that a falsified document was used in court to suspend supervised probation on defendant #1 who had not paid any fines or costs. Section 39-16-504, *TCA*, states that it is unlawful to "knowingly make a false entry in, or false alteration of, a governmental record."

During the investigation, it was also noted that employees of the office share passwords, and passwords are not always secured. Each employee has their own user identification and password for the computer and the TNCIS system where information is entered and maintained on court cases. Fees and costs were removed from the pending court case of defendant #1 by an employee using another employee's password, who was out of the office that day. Sharing passwords

eliminates reliability on who is responsible, based on system information. Due to loose password security, we were unable to determine who knowingly made a false entry in, or false alteration of the governmental records for the cases of defendant #1 and defendant #2.

13. Roane County - Office of County Clerk

The county clerk maintains a satellite office in the City of Harriman, which is open for business one day a week. On April 26, 2011, an employee discovered that a burglary had occurred sometime between closing on April 19, 2011, and opening on April 26, 2011. Cash totaling \$30 and 30 state automobile decals were missing. The Harriman Police Department is investigating the theft.

14. Sullivan County - Highway

As noted in the 2009-10 audit report, Highway Commissioner Allan Pope and section foreman David Campbell were indicted by the Sullivan County Grand Jury on August 24, 2010, related to violations of the Uniform Road Law. The indictments stem from the alleged use of highway equipment to benefit private individuals while performing a series of projects in Blountville, Bluff City, and Piney Flats from November 2006 to March 2010. On November 5, 2010, Allan Pope was convicted of official misconduct, theft of services between \$10,000 and \$60,000, and private use of county equipment. Mr. Pope was removed from office upon conviction. On April 27, 2011, David Campbell pled guilty to one count of theft over \$10,000, two counts of official misconduct, and one count of private use of county equipment.

15. Sullivan County - Office of Circuit and General Sessions Courts Clerk

On October 12, 2011, court employee Melissa D. Fields was indicted on four counts of official misconduct for modifying court-ordered interest rates on her personal civil judgments. On May 26, 2011, Ms. Field's employment with the Office of Circuit and General Sessions Courts Clerk was terminated. As of November 4, 2011, a court date had not been set.

16. Sumner County - Office of Director of Schools

As of March 5, 2012, an ongoing investigation was being conducted at the Office of Director of Schools. The School Department's internal auditor informed us that an employee had purchased personal items with school funds. The employee turned herself in to police on February 20, 2012, and was charged with one count of theft over \$10,000. Due to the ongoing investigation, the amount of the missing funds could not be determined as of the date of the audit report.

Footnotes:

- (1) These findings are the result of other thefts or misappropriations of county assets. These findings were not listed on the Schedule of Cash Shortages, Exhibit A.