



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

June 24, 2014

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, 2013, 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, 2013, and certain special reports for Tennessee's 89 county governments audited by the Comptroller's Office 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, 2013, AND CERTAIN SPECIAL REPORTS**

TABLE OF CONTENTS

	Exhibit	Page(s)
Schedule of Cash Shortages	A	3 - 7
Explanations of Cash Shortages	B	8 - 31
Summary of Other Thefts and Judicial Actions	C	32
Explanations of Other Thefts and Judicial Actions	D	33 - 34

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, 2013, 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	Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Anderson</u>							
1. Office of Director of Schools	2012-13	\$ 280.00	\$ 0.00	\$ 280.00	\$ 0.00	\$ 280.00	11-27-13
<u>Bedford</u>							
2. Office of Sheriff	2012-13	31,460.00	0.00	31,460.00	0.00	31,460.00	12-18-13
<u>Bledsoe</u>							
3. Ambulance Service Department	2012-13	2,568.04	0.00	2,568.04	0.00	2,568.04	2-12-14
<u>Bradley</u>							
4. Office of County Mayor	2012-13	3,314.00	0.00	3,314.00	(3,314.00)	0.00	11-12-13
<u>Cannon</u>							
5. Office of County Executive	2010-11	37,259.22	1,000.00	0.00	(1,000.00)	0.00	1-30-14
<u>Cheatham</u>							
6. Office of Road Superintendent	2007-08	68,281.11	25,713.75	0.00	(7,200.00)	18,513.75	2-27-14
<u>Cooke</u>							
7. Office of Clerk and Master	1996-97	101,821.73	38,465.13	0.00	(825.00)	37,640.13	11-26-13
<u>Crockett</u>							
8. Emergency Communications District	2012-13	88,764.00	0.00	88,764.00	0.00	88,764.00	1-30-14
9. Office of County Clerk	2012-13	4,324.00	0.00	4,324.00	(3,824.00)	500.00	1-30-14
<u>Cumberland</u>							
10. Veteran's Service Office	2012-13	134,244.58	0.00	134,244.58	(21,806.79)	112,437.79	2-27-14

(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, 2013, 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	Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Dickson</u>							
11. Office of County Clerk	2009-10	\$ 13,193.83	\$ 2,776.00	\$ 0.00	\$ 0.00	2,776.00	10-15-13
12. Ambulance Service Department	2011-12	3,954.25	3,954.25	0.00	(3,954.25)	0.00	10-15-13
<u>Fayette</u>							
13. Office of Director of Schools	2009-10	177,629.93	14,483.93	0.00	(750.00)	13,733.93	10-21-13
<u>Fentress</u>							
14. Sharp/Alicrest Volunteer Fire Department	2007-08	2,032.00	544.00	0.00	(544.00)	0.00	10-28-13
15. Library	2012-13	40,217.00	0.00	40,217.00	(7,000.00)	33,217.00	1-28-14
<u>Franklin</u>							
16. Office of Circuit, General Sessions, and Juvenile Courts Clerk	2012-13	3,046.25	0.00	3,046.25	0.00	3,046.25	12-19-13
<u>Grainger</u>							
17. Office of County Clerk	2012-13	10,095.20	0.00	10,095.20	(10,095.20)	0.00	2-21-14
<u>Greene</u>							
18. Office of County Clerk	2012-13	310.00	0.00	310.00	(310.00)	0.00	2-14-14
<u>Hardeman</u>							
19. Solid Waste Department	2007-08	3,032.47	332.47	0.00	(169.50)	162.97	10-28-13
<u>Hardin</u>							
20. Office of Circuit and General Sessions Courts Clerk	2012-13	15,008.00	0.00	15,008.00	0.00	15,008.00	2-10-14

(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, 2013, and Certain Special Reports (Cont.)

County/Office or Department	Fiscal Year Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Henry</u>							
21. Office of Sheriff	2005-06	\$ 162,656.91	\$ 73,852.00	\$ 0.00	\$ (9,492.50)	\$ 64,359.50	12-30-13
22. Office of General Sessions Court Clerk	2011-12	29,291.10	29,291.10	0.00	(29,291.10)	0.00	12-30-13
<u>Lake</u>							
23. Office of County Mayor	2009-10	202,344.63	33,244.63	0.00	(3,600.00)	29,644.63	2-18-14
<u>Lewis</u>							
24. Office of Trustee	2012-13	44,239.20	0.00	44,239.20	0.00	44,239.20	9-26-13
<u>Madison</u>							
25. Rabies Control Office	2011-12	5,308.00	5,308.00	0.00	(5,308.00)	0.00	11-27-13
26. Jackson-Madison Co. Regional Health Dept.	2012-13	4,508.75	0.00	11,198.75	0.00	11,198.75	11-27-13
27. Office of County Clerk	2012-13	4,248.13	0.00	4,248.13	(4,248.13)	0.00	11-27-13
<u>Marion</u>							
28. Hometown Volunteer Fire Department	2009-10	94,823.91	87,023.91	0.00	(87,023.91)	0.00	9-24-13
<u>Maury</u>							
29. Office of Circuit and General Sessions Courts Clerk	2012-13	2,207.00	0.00	2,207.00	(2,207.00)	0.00	3-5-14
30. Office of County Clerk	2012-13	10,070.14	0.00	10,070.14	(3,205.42)	6,864.72	3-5-14
<u>McNairy</u>							
31. Office of Circuit Court Clerk	2007-08	13,528.19	3,390.50	0.00	0.00	3,390.50	12-23-13
32. Office of Sheriff	2011-12	9,782.36	9,782.36	1,188.64	(4,529.62)	6,441.38	12-23-13
<u>Monroe</u>							
33. Office of Sheriff	2008-09	30,646.08	10,000.00	0.00	0.00	10,000.00	2-28-14
34. Office of Sheriff	2009-10	10,651.30	10,651.30	0.00	0.00	10,651.30	2-28-14

(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, 2013, 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	Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Morgan</u>							
35. Office of County Clerk	2009-10	\$ 54,611.33	\$ 8,758.00	\$ 0.00	\$ (585.00)	\$ 8,173.00	1-31-14
<u>Overton</u>							
36. Millard Oakley Public Library	2011-12	5,999.53	3,709.95	0.00	0.00	3,709.95	10-14-13
<u>Polk</u>							
37. Office of Circuit and General Sessions Courts Clerk	2012-13	2,702.28	0.00	7,112.46	(1,900.00)	5,212.46	2-5-14
<u>Putnam</u>							
38. Office of Assessor of Property	2013-14	2,355.00	0.00	2,355.00	0.00	2,355.00	3-27-14
<u>Robertson</u>							
39. Landfill Office	2012-13	746.90	0.00	746.90	0.00	746.90	9-30-13
<u>Sequatchie</u>							
40. Office of Sheriff	2006-07	8,668.79	7,793.26	0.00	0.00	7,793.26	10-11-13
41. Office of County Clerk	2007-08	4,248.51	310.00	0.00	0.00	310.00	10-11-13
<u>Sevier</u>							
42. Office of County Clerk	2012-13	14,019.00	0.00	14,019.00	(2,942.50)	11,076.50	10-18-13
<u>Sumner</u>							
43. Office of Director of Schools	2011-12	18,697.00	18,697.00	0.00	(13,697.00)	5,000.00	1-3-14
44. Office of Director of Schools	2012-13	10,762.00	0.00	10,762.00	(5,762.00)	5,000.00	1-3-14
<u>Unicoi</u>							
45. Office of Director of Schools	2009-10	20,967.36	7,740.00	0.00	(1,200.00)	6,540.00	10-3-13
46. Office of Sheriff	2012-13	4,845.75	0.00	4,845.75	(1,500.00)	3,345.75	10-3-13

(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, 2013, 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	Ending Report Cash Shortage	(1) Last Day of Fieldwork
Van Buren							
47. Office of Sheriff	2012-13	\$ 3,000.00	\$ 0.00	\$ 3,000.00	\$ 0.00	\$ 3,000.00	12-10-13
Warren							
48. Warren County Memorial Airport	2011-12	20,791.68	20,791.68	0.00	0.00	20,791.68	12-26-13
Williamson							
49. Recreation Department	2005-06	45,037.43	36,005.93	0.00	(141.00)	35,864.93	2-18-14
50. Office of County Clerk	2008-09	3,386.18	3,386.18	0.00	0.00	3,386.18	2-18-14
51. Animal Control Department	2009-10	106,446.17	106,367.17	0.00	(349.50)	106,017.67	2-18-14
Total		\$ 1,692,426.22	\$ 563,372.50	\$ 449,624.04	\$ (237,775.42)	\$ 775,221.12	

Footnote:

(1) The ending report cash shortage amount as of the last day of field work.

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, 2013,
and Certain Special Reports

1. Anderson County - Office of Director of Schools

An investigative report issued August 28, 2013, by the Comptroller's Division of Investigations, Financial and Compliance Unit, disclosed that on October 3, 2012, the Anderson County School Department's After-School Program Director discovered cash totaling \$170 was missing from a money bag collected at Grand Oaks Elementary School. On October 31, 2012, an additional \$90 was discovered missing by school personnel. As a result of these discoveries, the chief financial officer of the School Department filed a Fraud Reporting Form with the Comptroller's Office disclosing these cash shortages. Subsequently, investigators conducted an investigation and discovered an additional \$20 was missing bringing the total of missing funds to \$280. Since multiple school personnel had access to the cash and a lack of internal controls existed over cash collections, investigators were unable to determine who may have taken the funds.

2. Bedford County - Office of Sheriff

An investigative report dated December 18, 2013, by the Comptroller's Division of Investigations, Financial and Compliance Unit disclosed that from January 2006, until December 2011, the Bedford County Sheriff's Department had a process to register sexual offenders into the Sexual Offender Registry (SOR) who lived within the various cities and the county. Prior to January 2006, and after December 2011, the sexual offenders living within the City of Shelbyville registered with the Shelbyville Police Department.

A former officer with the Bedford County Sheriff's Department in charge of the county's SOR left the department in November 2011. In December 2011, the new SOR officer questioned a sexual offender regarding \$150 in SOR fees reflected in the SOR database as being owed. The sexual offender presented a generic, unofficial receipt documenting the payment for the fees in question. The Sheriff's Department had no record of this receipt presented by the individual and could not trace the receipt to a deposit. The former SOR officer maintained a separate, generic, unofficial receipt book, and was not authorized to receipt funds. The department's collection procedures were inadequate. All funds collected should have been receipted, recorded in the accounting records, and deposited by the department's bookkeeper, and not the former SOR officer.

The former SOR officer took certain SOR collections to the bookkeeper periodically, but the bookkeeper was unaware of other collections being receipted in an unofficial receipt book by the former SOR officer. Sheriff's Department personnel met with several sexual offenders to examine any receipts they had on hand. The receipts maintained by several of the sexual offenders could not be traced to the accounting records of the department or to the SOR. The department then notified our office of the irregularities in a Fraud Reporting Form on January 9, 2012.

Investigators attempted to identify each sexual offender that reported for registration with the Sheriff's Department for the time period of January 1, 2006, through December 31, 2011. The examination determined there were at least 158 sexual offenders registered by the department, and at least \$42,198 should have been collected from these individuals. Due to the condition of the records, there could have been more sexual offenders who were required to report to the department but investigators could not make that determination. Investigators examined the generic, unofficial receipt book maintained by the former SOR officer, traced receipts to deposits, examined SOR entries made by the former SOR officer, and reviewed the receipts brought in by sexual offenders as evidence of their payment, as well as their statements given to the Tennessee Bureau of Investigation. Investigators determined that \$10,738 of SOR fees were collected from sexual offenders by the department during the period under examination, resulting in a cash shortage of \$31,460 (\$42,198 minus \$10,738) at December 31, 2011. On December 16, 2013, the Bedford County Grand Jury indicted the former SOR officer on four counts of forgery, one count of official misconduct, and one count of theft over \$10,000.

3. Bledsoe County - Ambulance Service Department

An investigative report dated October 7, 2013, by the Comptroller's Division of Investigations, Financial and Compliance Unit reported a cash shortage of at least \$2,568.04 existed in the Bledsoe County Ambulance Service at April 30, 2013. This cash shortage resulted from the purchase of controlled substances (Morphine and Demerol) by the ambulance service director for which usage is unaccounted. These controlled substances were requested by the director from various medical suppliers using the required order forms. Bledsoe County received monthly invoices from these medical suppliers, which included the purchase of these controlled substances. Through a review of paid invoices for the Ambulance Service, investigators determined the amount of Morphine and Demerol purchased during the period examined.

The Ambulance Service utilizes a Controlled Substance Disposition Record form on each ambulance. Each time an employee uses a controlled substance on a patient, the form documents the controlled substance used, as well as the amount used and excess amount disposed. Since a beginning-on-hand balance of these controlled substances could not be obtained from each ambulance to establish total usage of the drugs in question, the shortage amount could be greater. Through a review of paid invoices, known ending balances, and summaries of controlled substance usage as documented through required forms completed by employees, investigators were able to determine an unaccounted amount of Morphine and Demerol.

During the course of the investigation, investigators were advised that in at least 17 instances, the director forged the signature of the county's medical director on Drug Enforcement Administration (DEA) required order forms for schedule I and schedule II substances. These forms were presented by the director to various medical suppliers in order for the purchases to be billed to Bledsoe County.

Exhibit B

The following table details the cash shortage:

		<u>Demerol</u>	<u>Morphine</u>	<u>Total</u>
Beginning balance not determinable		0	0	0
Documented MG purchased	(1)	44,125	10,170	54,295
Documented MG used	(1)	(14,000)	(418)	(14,418)
Amount of MG unaccounted for	(2)	<u>(29,075)</u>	<u>(9,692)</u>	<u>(38,767)</u>
Ending balance on hand		<u>1,050</u>	<u>60</u>	<u>1,110</u>
Cash Shortage (Average cost x amount of MG unaccounted for)	(3)	<u>\$942.95</u>	<u>\$1,625.09</u>	<u>\$2,568.04</u>

Legend: (1) MG = Milligrams
 (2) Auditor calculated
 (3) Average cost calculated from medical supply invoices

On October 1, 2014, the former ambulance director received a federal indictment on 17 counts of obtaining controlled substances by fraud and 17 counts of furnishing false information on a controlled substance record.

4. Bradley County - Office of County Mayor

On July 3, 2013, the county's Finance Department began an investigation of an employee that allegedly purchased items, which were billed to the county but were delivered to the employee's home. The result of this investigation by the county's Finance Department revealed that approximately \$3,314 of purchases were made from one company, billed to the county, and delivered to the employee's home. On July 8, 2013, the County Mayor's Office notified the district attorney general and the Tennessee Bureau of Investigation. The Comptroller's Office was notified on July 11, 2013. The employee allowed a search of her home, and most of the items were discovered and returned to the county. This employee resigned on July 11, 2013. The county returned all the items to the company that could be returned, and the company issued a full refund for all items purchased. In October 2013, the employee was indicted by a Grand Jury on one count of theft and one count of official misconduct. Management's monitoring of its internal control system led to the discovery of this incident in a timely manner.

5. Cannon County - Office of County Executive

A special audit 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. This cash shortage resulted from the executive director of the REACH program using program funds inappropriately. On October 4, 2012, the former director pled guilty to theft over \$10,000 and was sentenced to five years' probation and ordered to pay restitution

totaling \$26,170. On October 11, 2012, the county received \$36,259 from its insurance provider, which represents the amount of the shortage less the county's \$1,000 deductible. County officials advised that the county is not going to pursue repayment of the \$1,000 deductible, and that they now consider the matter closed.

6. 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, sentenced, and ordered to pay restitution totaling \$68,211.11 to the Highway Department. Unpaid restitution of \$18,513.75 existed at December 31, 2013.

7. 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 clerk and master pled guilty to theft and conversion of office funds and was ordered to pay restitution totaling \$101,821.73. The clerk's surety bond company has paid the office \$50,000, and the clerk has been making payments toward the restitution. As of June 30, 2013, the remaining restitution balance due the office totaled \$37,640.13.

8. Crockett County - Emergency Communications District

On December 19, 2013, the Comptroller's Division of Investigations, Special Investigations Unit issued an investigative report on the Crockett County Emergency Communications District, a component unit of Crockett County, for the period July 1, 2009, through September 30, 2013. This report disclosed that an assistant director of the district misappropriated at least \$88,764 from the district by issuing unauthorized payroll checks and retaining the proceeds for her personal benefit. The assistant director was indicted by the Crockett County Grand Jury on December 16, 2013, for theft over \$60,000, forgery, and official misconduct.

9. Crockett County - Office of County Clerk

On October 16, 2013, the county clerk discovered that cash and checks totaling \$4,324 were missing from the office. As a result, on October 18, 2013, our office was informed of this cash shortage and a Fraud Reporting Form was filed. On December 16, 2013, a janitorial employee at the county courthouse was indicted by the Crockett County Grand Jury for the theft of these funds.

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

- A. Monies held for deposit were placed in a cabinet that was left unlocked during the day and overnight in the clerk's office. The office door was locked at night; however, all employees had a key to the office.

- B. Numerous other individuals, as well as county employees, had access to the area where the unlocked cabinet was located.

The county has recovered \$3,824 of the cash shortage. The actual missing checks (\$1,998.75) that were stolen were not located. However, the county clerk recovered this amount by contacting individual payors and having them reissue their checks to the county. In addition, the county's bonding company made a payment of \$1,825.25 to the county to cover the missing cash (\$2,325.25) less a \$500 deductible. The remaining \$500 deductible is unpaid.

10. Cumberland County – Veteran's Service Office

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report dated August 26, 2013, on the Cumberland County Veteran's Service Office (VSO), an organization to assist veterans and needy veteran families to obtain government benefits. This office is supported by contributions from the City of Crossville, local organizations, and citizens.

On July 1, 2009, the VSO became a department of Cumberland County government. The former veteran service officer, Mark A. Daniels, who operated the VSO outside of county control, became a full-time employee of Cumberland County government. Any accounts previously maintained by the VSO were required to be turned over to the county. In addition, all contributions and donations were to be turned over to the Cumberland County Finance Department and all expenses paid by the county's Finance Department.

County officials were unaware that Mr. Daniels continued to maintain a separate bank account under his exclusive control through the scope of our investigation under the name "Cumberland County Veterans Services Office" until on or about August 2012. Mr. Daniels opened that account on March 4, 2008, under his exclusive signature and used the tax ID number of Cumberland County government. Mr. Daniels continued to deposit contributions and donations into this account outside of county control. Mr. Daniels failed to maintain written records of donations received. However, we were able to obtain independent records of some donations.

On April 17, 2012, the Comptroller's Office was informed of suspected irregularities in the VSO, a department of Cumberland County. The Division of Investigations then conducted an investigation of the VSO in coordination with the District Attorney General's Office for the period July 1, 2009, through September 30, 2012. A finding has been reviewed with the district attorney general.

A cash shortage of at least \$134,244.58 was identified in the VSO. This amount could be greater because no records of donations made to the VSO were maintained by the veteran service officer. Therefore, investigators could not determine if all funds donated by individuals or organizations were properly remitted to the VSO.

On August 30, 2012, during an interview, Mr. Daniels advised investigators that he had "borrowed" funds from the VSO for personal use. He stated that he kept some records, but did not know the exact amount of money he had taken. On

Exhibit B

September 10, 2012, Mark A. Daniels was indicted by the Cumberland County Grand Jury on theft charges.

Based on interviews, an analysis of bank records, receipts, and other accounting records, investigators determined there was a cash shortage of \$134,244.58 as identified in the following Items A. through F.

- A. Mr. Daniels issued 162 checks from the VSO bank account to himself and his wife totaling \$28,579.33. Mr. Daniels advised that these checks were for reimbursement of personal funds he had used to assist veterans. However, there was no evidence these funds were used for the assistance of veterans.
- B. Mr. Daniels issued 155 checks totaling \$14,630.36 to vendors and citizens from the VSO bank account that did not appear to have been for veteran assistance but rather a method to obtain cash.
- C. Mr. Daniels made numerous withdrawals of cash from the VSO bank account totaling \$79,151.75. These withdrawals consisted of counter and window withdrawals (\$41,100.64) and ATM withdrawals (\$38,051.11), and were made at different locations within the county as well as out of the county. In addition, some withdrawals were made while out of the state.
- D. In at least four instances, Mr. Daniels did not deposit cash totaling \$1,379.83 from various donations into the VSO bank account.
- E. Mr. Daniels deposited 26 checks totaling \$7,450 from private citizens and other veteran organizations intended for the VSO into his personal bank account.
- F. Mr. Daniels used the debit card associated with the VSO bank account to make purchases totaling \$3,053.31 from the VSO account. These purchases do not appear to be for veteran-related assistance. Furthermore, a review of VSO bank records reflect that the VSO debit card was used out of state on at least one occasion.

For the period examined, a review of VSO deposits revealed that Mr. Daniels deposited cash of \$13,618.05 and personal checks of \$7,438.74 into the VSO bank account. Also, three unidentified deposits totaling \$750 were noted. Investigators could not determine whether these were cash or check deposits based on available bank records. As a result of these deposits totaling \$21,806.79, the VOS has an unpaid cash shortage of \$112,437.79 (\$134,244.58 – \$21,806.79) at September 30, 2012. In addition to the items identified in the cash shortage amount, Mr. Daniels incurred ATM card usage fees totaling \$114 and bank overdraft fees totaling \$574 on the VSO account.

During the examination, Mr. Daniels provided various questionable receipts to investigators as documentation of veteran assistance. These receipts did not reference a specific veteran's name, and in some instances did not appear to be

Exhibit B

(related to) veteran assistance. These receipts included personal items purchased at Wal-Mart, gas, haircuts, and fast food purchases totaling \$25,414.94. A few names were written on the receipts, but investigators were unable to find any information, other than statements of Mr. Daniels that receipts submitted were for the benefit of veterans in need. Since the purpose of the VSO is to assist veterans and their families obtain government benefits, investigators could not determine the propriety of these receipts and have therefore questioned their validity.

The following table details the total cash shortage identified and the remaining unpaid cash shortage at September 30, 2012:

Description	Amount
A. 162 checks issued to Mark and Wilma Daniels	\$ 28,579.33
B. 155 checks written to vendors and others to obtain cash	14,630.36
C. Cash and ATM withdrawals from the VSO account	79,151.75
D. Cash collected on behalf of the VSO but not deposited	1,379.83
E. VSO donations deposited to Mark Daniels personal account	7,450.00
F. Unsupported VSO bank debit card transactions	<u>3,053.31</u>
Total cash shortage	\$ 134,244.58
Personal check from Mark Daniels deposited to VSO	(7,438.74)
Cash deposited to VSO	(13,618.05)
Unidentified deposits to VSO	<u>(750.00)</u>
Total unpaid cash shortage at September 30, 2012	<u><u>\$ 112,437.79</u></u>

On September 9, 2013, Mark Daniel's indictment was amended to theft over \$60,000.

11. Dickson County - Office of County Clerk

A special audit 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 of 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, which represents the shortage less a \$500 deductible. The unpaid cash shortage totals \$2,776.

12. Dickson County - Ambulance Service Department

The audit of Dickson County for the 2011-12 year reported a cash shortage of \$3,954.25. In March 2012, the Dickson County Finance Office conducted an internal investigation at the county's Ambulance Service Department and discovered a \$125 cash shortage. As a result of this investigation, the Finance Office contacted our

office on March 20, 2012. Our audit concluded that from December 3, 2009, through March 23, 2012, receipts totaling \$3,954.25 were not deposited or otherwise accounted for properly. In addition, our investigation of the Ambulance Service Department noted internal control deficiencies that are the result of a lack of management oversight, which increases the risks of theft. During 2012-13, this case was presented to the Grand Jury; however, a no true bill resulted. Therefore, the county mayor chose to write-off the \$3,954.25.

13. 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. In May 2010, the School Department's insurance carrier paid the department \$149,500. Three individuals entered into plea agreements. As of June 30, 2013, the restitution outstanding totaled \$13,733.93.

14. 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, the balance of restitution owed to Fentress County remains \$544. The tracking of the remaining restitution due has been removed from this report since the Sharp/Alticrest Volunteer Fire Department is not a county office or department. This information may be obtained from the Fentress County Circuit and General Sessions Courts Clerk.

15. Fentress County - Library

On January 28, 2014, the Comptroller's Division of Investigations, Special Investigations Unit issued an investigative report of selected records of the Fentress County Library. The investigation focused primarily on the period January 1, 2010, through May 31, 2013. The investigation revealed that Fentress County Library Director Leslie Pullins misappropriated library funds totaling at least \$40,217 and historical society funds collected by library employees totaling at least \$728. Ms. Pullins used several schemes to divert the funds for personal use, which included:

- A. Misappropriating cash collections totaling at least \$18,256.
- B. Making automated teller machine (ATM) withdrawals from the library bank account totaling at least \$10,991.
- C. Using \$2,170 in library funds to repay a portion of a personal loan from a family member.
- D. Requesting and receiving cash back totaling at least \$8,800 from library bank deposits.
- E. Misappropriating cash totaling at least \$728 that had been collected by library employees on behalf of the Fentress County Historical Society.

Investigators determined that Ms. Pullins had deposited \$7,000 of personal funds into the library account reducing the outstanding balance of misappropriated funds owed to the county of \$33,217. In January 2014, the Fentress County Grand Jury indicted Ms. Pullins on multiple counts of theft, forgery, and one count of official misconduct.

16. Franklin County - Office of Circuit, General Sessions, and Juvenile Courts Clerk

On December 19, 2013, an investigative report was issued by the Comptroller's Division of Investigations, Financial and Compliance Unit on the Office of Circuit, General Sessions, and Juvenile Courts Clerk for the period July 1, 2012, through December 31, 2012. A cash shortage of \$3,046.25 existed in the Office of Circuit, General Sessions, and Juvenile Courts Clerk at December 31, 2012. This cash shortage resulted from a deputy clerk failing to make deposits of court collections totaling \$3,046.25, of which \$1,671.25 were receipted and not deposited from General Sessions Court, and \$1,375 were receipted and not deposited from Circuit Court. Beginning in July 2012, the deputy clerk diverted cash collections and delayed making deposits to the official bank account as follows:

Date	Total Receipts	Amount Deposited	Cash Shortage		
			General Sessions	Circuit	Total
7-31-12	\$ 1,371.25	\$ 0.00	\$ 1,371.25	\$ 0.00	\$ 1,371.25
9-4-12	1,129.00	0.00	1,129.00	0.00	1,129.00
9-24-12	31,050.44	31,879.44	(829.00)	0.00	(829.00) (1)
9-24-12	3,139.40	1,764.40	0.00	1,375.00	1,375.00 (2)
Total	<u>36,690.09</u>	<u>\$ 33,643.84</u>	<u>\$ 1,671.25</u>	<u>\$ 1,375.00</u>	<u>\$ 3,046.25</u>

- (1) Check included in deposit from undeposited receipts of 9-4-12.
- (2) Two money orders receipted in circuit court but subsequently deposited in general sessions court to replace cash diverted.

Investigators determined that cash was not included in deposits, and checks were subsequently deposited to replace diverted cash. Also, it was determined that this pattern of holding checks to replace cash continued through September 2012, when the bookkeeper and the official noted discrepancies with the bank reconciliations.

During the course of the investigation, investigators were advised that each deputy clerk had unique computer court system login credentials, which were not shared among employees. Therefore, the suspicious transactions in the computer system could be identified and traced to the deputy clerk. Furthermore, investigators were advised that as the deputy clerk, the employee was responsible for preparing bank deposits for general sessions, circuit, and juvenile courts on a rotational basis with the bookkeeper. It was determined that discrepancies with receipts and deposits only occurred when the deputy clerk was responsible for preparing deposits.

17. Grainger County - Office of County Clerk

On August 7, 2013, our office issued a special audit report on the Office of County Clerk for the period July 1, 2008, through March 9, 2013, which disclosed a cash shortage of \$10,095.20 as described below:

The county clerk informed us of certain improprieties involving motor vehicle sales tax and registration renewal transactions that were processed by an employee of the office. Based on these improprieties, we examined certain records and computerized audit logs, which reflected transactions that had been changed and the original data deleted from the financial records during the period July 1, 2008, through March 9, 2013. The employee used these changes and deletions to conceal the fact that she had removed \$10,095.20 from the office resulting in a cash shortage on March 9, 2013.

The following table summarizes the cash shortage:

Exhibit B

Cash drawer shortage based on daily checkout sheets	\$ 595.25
Deleted transactions identified by the employee	403.18
Additional deleted transactions discovered during audit	3,866.75
Altered sales tax transactions discovered during audit	<u>5,230.02</u>
 Total Cash Shortage	 <u>\$ 10,095.20</u>

On March 11, 2013, the employee's husband brought \$1,030 to the County Clerk's Office to liquidate a portion of the cash shortage. This left an unpaid cash shortage of \$9,065.20, which the employee liquidated on June 21, 2013.

The county clerk identified a cash shortage of \$595.25 based on a comparison of the total cash in the employee's cash drawer on March 9, 2013, with the applicable transactions processed by the employee. The dates for several of the transactions handled by the employee were reflected on the accounting records as March 12, 2013; however, these transactions actually occurred between March 2, 2013, and March 8, 2013. The dates had been changed by the employee in an attempt to delay accounting for the funds collected.

The employee was suspended when the county clerk identified the above-noted \$595.25 cash drawer shortage. The employee's husband later presented paperwork to the county clerk for six other transactions totaling \$403.18, which revealed the employee had removed cash from the office. Those transactions had been entered into the accounting system, but were later deleted by the employee to conceal the fact that cash had been removed.

The county clerk assisted us in examining certain transactions of the office back to July 1, 2008. During that review, 95 additional vehicle registration transactions totaling \$3,866.75 were discovered, which had been inappropriately deleted from the accounting records by the employee. The employee had processed the transactions, printed paperwork for the customers, collected cash for the transactions, and issued licenses or renewal decals to the customers. Subsequently, the employee deleted the transactions from the computer accounting system and removed the cash.

We also found 28 cash transactions for motor vehicle title applications, which had been altered to reflect a lower amount of sales tax than actually collected. Sales taxes collected were reduced by a total of \$5,230.02 for these transactions. After the customers were given a copy of the paperwork for the transactions, the employee altered the transaction amounts on the computer accounting system to reflect a smaller selling price for the vehicles and a smaller amount of sales tax collected for the transactions. The employee removed cash equal to the amount that the sales tax was reduced for each transaction. The county clerk obtained copies of paperwork directly from certain customers to confirm that the copies given to the customers reflected the higher sales tax amounts while records in the office reflected the lower amounts.

We met with the employee on May 2, 2013, to see if she could present information to validate any changes or deletions made to the records; however, she did not offer any

documentation to substantiate the changes and deletions we questioned. Further, she confirmed that she had taken the cash from many changed and deleted transactions and used the cash for personal expenses.

We reviewed the finding and recommendation with the employee on May 28, 2013. As previously noted, the employee liquidated \$1,030 of the cash shortage on March 11, 2013. The employee liquidated the remainder of the cash shortage (\$9,065.20) on June 21, 2013. Additionally, this employee reimbursed the county the cost of the special audit (\$7,398) on August 9, 2013, and pled guilty to a charge of theft over \$10,000 on October 15, 2013.

18. Greene County - Office of County Clerk

On July 9, 2013, an employee of the County Clerk's Office discovered that \$310 had been stolen from her money bag. The employee stated that she placed the money bag in an unlocked desk drawer, which was located in the main office. The county clerk filed the required Fraud Reporting Form with our office on July 17, 2013, informing us of this cash shortage. The clerk was unable to determine who took the funds since other employees and county jail inmates who were installing flooring at the time had access to the desk. The funds were reimbursed to the office by the county clerk from personal funds on July 10, 2013, liquidating the cash shortage. Also, procedures were implemented to ensure that all office funds are secured in a locked safe when not in use.

19. 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. The bookkeeper was sentenced on August 5, 2010, for theft of property and ordered to pay restitution. As of the date of the county's audit, the unpaid balance totals \$162.97.

20. Hardin County - Office of Circuit and General Sessions Courts Clerk

On February 14, 2014, an investigative report by the Comptroller's Division of Investigations, Special Investigations Unit revealed that beginning at least in March 2012 and continuing through April 2013, a deputy clerk misappropriated cash totaling at least \$15,008 from the office. The deputy admitted to investigators that she took cash from daily collections for her personal use and used cash collected on subsequent days to conceal the misappropriation. Additionally, the deputy subverted the clerk's established practice of rotating deposit duties among deputy clerks by voluntarily making all of the daily deposits. This enabled the deputy to continue her misappropriation scheme undetected. The deputy was indicted by the Grand Jury on November 18, 2013, on theft of property over \$10,000 and official misconduct.

21. Henry County - Office of Sheriff

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,657 in the General (\$118,878), Drug Control (\$23,502), and General Capital Projects (\$20,277) funds as a result of irregularities in the Office of Sheriff. The former sheriff, former business manager, and former owner of Elite Firearms 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 the former sheriff. The actual auction proceeds received during the 2008-09 year totaled \$12,205. 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. During the 2012-13 fiscal year, some restitution was received from the former sheriff. As of June 30, 2013, the cash shortage totaled \$64,359.50, which included the General (\$20,580), Drug Control (\$23,502), and General Capital Projects (\$20,278) funds.

22. Henry County - Office of General Sessions Court Clerk

The audit of Henry County for the 2011-12 year reported a cash shortage of \$29,291 existed in the Office of General Sessions Court Clerk. On August 28, 2013, the county received \$55,095 from its insurance provider to cover the amount of the cash shortage (\$29,291), and the cost of the audit (\$26,304) less the county's deductible (\$500). On September 4, 2013, the former deputy clerk pled no contest to theft and official misconduct and was ordered to pay restitution of \$500 for the county's remaining audit cost. The deputy paid the remaining \$500 on December 13, 2013.

23. Lake County - Office of County Mayor

The audit of Lake County for the 2009-10 year reported irregularities in the Office of County Mayor. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The bookkeeper pled guilty and was ordered to pay \$53,344.63 in restitution. The county's insurance company paid the county \$149,000, and Regions Bank paid the county \$17,500 to settle a civil lawsuit. The bookkeeper has paid some restitution to date leaving an outstanding balance of \$29,644.63 due the county.

24. Lewis County - Office of Trustee

During the 2012-13 annual audit of the office, auditors determined that cash recorded on the trustee's cash journal did not reconcile with bank statements. Therefore, auditors performed extended audit procedures and discovered that a cash shortage of \$44,239.20 existed in the office as of June 30, 2013. The details of this cash shortage are presented below.

- A. Auditors identified a total of 24 deposits totaling \$24,293.06 that had been receipted into the records of the trustee but had not been deposited in the bank. Five of these deposits were made for less than the amounts receipted, and 19 deposits were missing entirely from the

Exhibit B

bank account. Auditors found that the deposit slips for these deposits had either been altered, were missing a copy of the bank receipt, or were missing from the deposit book. Details of these deposits are presented in the following table:

Item No.	Deposit Date	Deposit Per Cash Journal	Deposit Per Bank Statement	Cash Shortage	
1.	2-8-12	\$ 7,439.00	\$ 6,739.00	\$ 700.00	(1)
2.	3-2-12	3,442.09	1,942.09	1,500.00	(2)
3.	4-16-12	2,304.00	1,304.00	1,000.00	(2)
4.	4-23-12	1,061.10	0.00	1,061.10	(3)
5.	4-23-12	571.91	0.00	571.91	(3)
6.	10-1-12	383.00	0.00	383.00	(2)
7.	10-1-12	325.00	0.00	325.00	(2)
8.	10-4-12	913.00	0.00	913.00	(3)
9.	10-15-12	904.00	0.00	904.00	(3)
10.	10-19-12	1,172.00	0.00	1,172.00	(3)
11.	1-3-13	815.00	0.00	815.00	(3)
12.	1-28-13	1,081.00	0.00	1,081.00	(3)
13.	2-6-13	5,248.10	4,248.10	1,000.00	(3)
14.	2-12-13	1,044.00	144.00	900.00	(3)
15.	2-13-13	70.00	0.00	70.00	(3)
16.	2-13-13	1,450.00	0.00	1,450.00	(3)
17.	2-13-13	1,160.42	0.00	1,160.42	(3)
18.	2-14-13	139.00	0.00	139.00	(3)
19.	2-14-13	3,779.00	0.00	3,779.00	(3)
20.	2-14-13	1,894.00	0.00	1,894.00	(3)
21.	3-18-13	1,942.92	0.00	1,942.92	(3)
22.	3-20-13	155.00	0.00	155.00	(3)
23.	5-13-13	545.50	0.00	545.50	(1)
24.	5-28-13	831.21	0.00	831.21	(3)
Total		<u>\$ 38,670.25</u>	<u>\$ 14,377.19</u>	<u>\$ 24,293.06</u>	

- (1) Deposit slip altered from original.
- (2) Bank receipt not attached to the deposit slip.
- (3) Deposit slip missing from deposit book.

B. Auditors discovered that the trustee had written a total of seven checks made payable to himself or to cash. None of the checks represented authorized compensation to the trustee. Six of the checks were endorsed by the trustee while the other check had no endorsement on the back. All of the checks were cashed at the local bank on which they were drawn. None of these checks were recorded in the cash journal. Details of these unauthorized checks are presented in the following table:

Item No.	Check Date	Check Number	Cash Shortage Check Amount
1.	10-24-11	2016	\$ 5,160.00 (1)
2.	8-3-12	2499	1,500.00 (1)
3.	10-25-12	2481	6,500.00 (2)
4.	12-28-12	2229	956.14 (2)
5.	4-30-13	2230	1,730.00 (2)
6.	5-30-13	2081	1,500.00 (1)
7.	6-25-13	2496	<u>2,600.00 (2)</u>
Total			<u>\$ 19,946.14</u>

(1) Check made payable to cash.

(2) Check made payable to Clark Carroll.

As a result of these deficiencies, a cash shortage of \$44,239.20 (\$24,293.06 plus \$19,946.14) existed in this office as of June 30, 2013. This cash shortage has been reviewed with the district attorney general and the county mayor.

25. Madison County - Rabies Control Office

The audit of Madison County for the 2011-12 year reported a cash shortage of \$5,308 in the Rabies Control Office. Four receipt books were missing from the Rabies Control Office. Using collection amounts from a sample of ten receipts books, we determined that the average amount of collections reflected in each receipt book was \$1,327. Therefore, there is an estimated cash shortage of \$5,308 (four receipt books at \$1,327 each equals \$5,308). On February 4, 2013, the former employee responsible for receipting cash, received judicial diversion and was ordered to pay \$1,500 restitution to the county. The \$1,500 was repaid prior to June 30, 2013. The remaining estimated amount of \$3,808 was written off.

26. Madison County - Regional Health Department

A special audit report was issued August 7, 2013, which noted that officials from the Jackson-Madison County Regional Health Department contacted our office on October 3, 2011, after an internal investigation revealed that the emergency response director was fueling his personal vehicle using the department's Fuelman gas card. The emergency response director resigned effective November 30, 2011, after officials from the Health Department confronted him with these allegations. Our examination of transactions within the emergency response section authorized by the director revealed the following:

- A. During the period September 29, 2009, through November 21, 2011, the director authorized 102 fuel transactions, which totaled \$6,489.80

Exhibit B

using either a Health Department Fuelman gas card or a department procurement card. From our examination of the Fuelman gas card monthly statements, gas tickets, fleet travel logs, the director's travel claims, and interviews with employees, we were able to determine that 55 of these 102 transactions totaling \$3,574.37 were for the director's personal benefit.

- B. The director purchased seven pairs of premium golf pants (\$409.92) and a pair of boy's running shoes (\$47.99) for personal use with the department's procurement card.
- C. Our examination of travel claims filed by the director disclosed that he received a per diem for meals totaling \$106.94 when he did not stay overnight as required by the department's travel policy. Also, the director was reimbursed for a car wash (\$21.85) for his personal vehicle and was reimbursed twice (\$347.68) for the same travel claim.

The following table summarizes the cash shortage as of November 30, 2011:

<u>Description</u>	<u>Cash Shortage</u>
A. - Fuel used for director's personal benefit	\$ 3,574.37
B. - Golf pants	409.92
B. - Running shoes	47.99
C. - Unauthorized per diem for meals	106.94
C. - Unauthorized vehicle car wash	21.85
C. - Unauthorized travel reimbursement	<u>347.68</u>
 Total Cash Shortage	 <u><u>\$ 4,508.75</u></u>

During an interview with the former director on March 5, 2013, he admitted to fueling his personal vehicle with the department's Fuelman gas card. He further admitted that he began using the department's gas card for personal use in 2008 shortly after being hired. We could only substantiate the fuel purchases he made with the Fuelman gas card after May 2010, when the Health Department began requiring fuel tickets to be remitted to the department. It should be noted that these improper fuel purchases might have been detected much earlier if Health Department employees had routinely reviewed the monthly Fuelman statements.

On November 18, 2013, the defendant entered a best interest plea to theft of property over \$1,000 and official misconduct. On January 10, 2014, the defendant was ordered to pay restitution of \$4,508.75 plus the cost of the audit totaling \$6,690 for total restitution of \$11,198.75.

27. Madison County - Office of County Clerk

The county clerk contacted our office on June 29, 2012, after becoming aware of some suspicious title registration transactions performed by a former deputy clerk in the office. The county clerk discovered that a deputy clerk had processed several title registrations and deleted these transactions on the same day. However, these same transactions were reprocessed at later dates. As a result of this suspicious activity, the Comptroller's Division of Investigations, Financial and Compliance Unit conducted an investigation of the Office of County Clerk for the period July 1, 2010, through July 24, 2012, and issued a special report dated October 16, 2013.

During the period September 3, 2010, through March 22, 2012, the investigation revealed that a deputy clerk improperly deleted 15 cash transactions for title registrations totaling \$4,248.13. In addition, for the period October 19, 2010, through July 5, 2012, the deputy clerk reprocessed and paid back the cash from these 15 title registration transactions using personal funds.

On July 24, 2012, investigators interviewed the deputy clerk. During the interview, the deputy clerk advised investigators that she deleted title registration transactions that were paid for with cash and used this cash for personal use. The deputy clerk also advised that she forged the names of customers to two of the 15 title registration transactions that she reprocessed at later dates. The deputy clerk retired from the clerk's office effective July 24, 2012.

28. Marion County - Hometown Volunteer Fire Department

A special audit report dated October 20, 2010, for the period January 1, 2005, through April 12, 2010, reported that a cash shortage of at least \$94,823.91 existed in the Hometown 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. On January 22, 2013, Mr. Henegar pled guilty to a charge of theft of \$10,000 to \$60,000 and was ordered to pay restitution totaling \$30,000 to the Hometown Volunteer Fire Department at a rate of \$175 a month. As of the date of this report, Mr. Henegar owes \$28,775 in court ordered restitution. The tracking of the remaining restitution due has been removed from this report since the HVFD is not a county office or department. This information may be obtained from the Marion County Circuit and General Sessions Courts Clerk.

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

On October 9, 2013, the Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report on the Maury County Circuit and General Sessions Courts Clerk for the period September 1, 2009, through April 5, 2012. This report disclosed that a cash shortage of \$2,207 existed in the Office of Circuit and General Sessions Courts Clerk on April 5, 2012. This cash shortage resulted from a deputy clerk in the civil court section voiding receipts

totaling \$2,207, after collecting the funds and issuing receipts. The civil court section collects court costs, fines, fees, and amounts awarded to other parties by the court. According to established procedures, when a transaction is entered incorrectly, the original entry is voided, and a second entry is made to enter the correct information. The investigation noted the \$2,207 in voided receipts had either no explanation or the explanation did not match the case documentation. Investigators identified an additional \$644.50 in questionable transactions voided by the deputy clerk; however, the documentation was insufficient to determine whether the collected funds are missing. In an interview on May 10, 2012, the former deputy clerk advised investigators that she borrowed funds for her personal use, did not keep records of the amounts borrowed, and concealed the missing funds by voiding transactions. The deputy clerk was indicted for theft over \$1,000 on September 27, 2013, and paid the office \$2,207 on February 4, 2014.

30. Maury County - Office of County Clerk

The audit for the 2012-13 year reported that on April 4, 2013, the county clerk suspected a deputy clerk of improperly removing funds from the office. On June 13, 2013, the county clerk submitted a Fraud Reporting Form to our office disclosing a possible cash shortage. As a result, the Comptroller's Division of Investigation, Financial and Compliance Unit conducted an investigation in coordination with the Tennessee Bureau of Investigation (TBI) for the period June 1, 2011, through July 18, 2013. Investigators reviewed certain office records and conducted interviews with office employees related to the transactions performed by the suspected deputy clerk. On July 19, 2013, the deputy clerk confessed to improperly taking office funds and diverting the funds for personal use. The county clerk terminated the deputy clerk's employment on July 22, 2013. The deputy clerk died November 8, 2013.

During the period June 1, 2011, through July 18, 2013, the investigation revealed that the deputy clerk improperly deleted from the computer system at least 105 cash transactions for vehicle title renewals and registrations totaling at least \$10,070.14. During the same period, investigators were able to substantiate that the deputy clerk reprocessed and repaid 30 of the cash transactions totaling \$3,205.42 using personal funds. As a result, a remaining cash shortage of at least \$6,864.72 (\$10,070.14 less \$3,205.42) existed at July 18, 2013, from the remaining 75 transactions. Due to inadequate documentation retained for deleted records, investigators were unable to verify the validity of all the deletions.

31. 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 admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, the former employee 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. The former employee has unpaid restitution of \$3,390.50.

32. McNairy County - Office of Sheriff

The audit of McNairy County for the 2011-12 year reported a cash shortage of \$9,782.36 in the Office of Sheriff commissary operation. This cash shortage consisted of \$8,536.66 from a kiosk machine identified by the TBI and an additional cash shortage of \$1,245.07 in the commissary operation, which remained undetected by the Sheriff's Office until our audit discovered it. We were unable to determine the exact amount of the cash shortage as of June 30, 2012, because of inadequate records. Due to these deficiencies, there could be other collections that have not been accounted for properly and have not yet been detected. The defendant was found guilty on February 3, 2014, and was ordered to pay restitution of \$8,600 plus court costs of \$2,371 for a total of \$10,971. The unpaid balance totals \$6,441.38.

33. 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 reset for June 24, 2014.

34. 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.

35. Morgan County - Office of County Clerk

A special audit 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, 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. The county clerk was ordered to pay the remaining cash shortage, the cost of the extended audit (\$11,562), and court costs. Also, on February 18, 2011, the clerk resigned as Morgan County Clerk and submitted payment of \$6,500 to be applied toward the agreed obligations. On March 17, 2011, the former clerk paid the remaining cash shortage balance of \$910.90 and \$610.50 in court costs. During January 2013, the court credited the

former county clerk with \$2,804 toward the amount owed for the extended audit costs. The unpaid balance of the audit costs totals \$8,173.

36. Overton County - Millard Oakley Public Library

A special audit report dated June 4, 2012, for the period July 1, 2008, through March 26, 2012, reported a cash shortage of \$5,999.53 at March 2, 2012. This cash shortage included disbursements from the library's checking account for personal expenses of the deputy director totaling \$2,289.58. In addition to the personal expenses, the deputy director also collected cash and checks on behalf of a nonprofit organization, Friends of the Library; however, instead of turning the collections over to the Friends of the Library, the deputy director deposited these funds into the library's checking account in an apparent attempt to balance the library's books by replacing the cash taken from the library with the nonprofit's funds. This substitution scheme totaled \$3,709.95. The former deputy director pled guilty to theft over \$1,000 and filed for judicial diversion. The unpaid cash shortage totals \$3,709.95.

37. Polk County - Office of Circuit and General Sessions Courts Clerk

An investigative report dated June 4, 2013, by the Comptroller's Division of Investigations, Financial and Compliance Unit reported a cash shortage of \$2,702.28 existed in the Office of Circuit and General Sessions Courts Clerk at December 31, 2012. This cash shortage resulted from a deputy clerk voiding receipts totaling \$1,322.78, after issuing a receipt to the customer and collecting funds for the amount of the receipt. These funds were not credited to customers' cases or otherwise accounted for. Furthermore, investigators determined that at least \$1,379.50 of applicable fees were eliminated (zeroed out) with no documentation to support the clearing of the fees. It appears that these fees were eliminated to conceal a theft of funds. These voided receipts and elimination of fees were not supported by case files or rule docket entries. Therefore, the \$2,702.28 (\$1,322.78 plus \$1,379.50) has been reflected as a cash shortage.

During the course of the special investigation, investigators were advised that each deputy clerk had unique computer court system login credentials, which were not shared among employees; therefore, transactions input into the computer system could be identified to a specific deputy clerk. Investigators reviewed all voided transactions as well as all changes to fees made by the user. Also, it was determined that in at least one instance, the deputy clerk gave a customer a document with knowledge of its falsity with intent that the document would be taken as a genuine government record. Furthermore, investigators determined that in two instances, the deputy clerk intentionally removed and altered a government record from a case file as documentation for receipt of payment.

The following table details the cash shortage:

DETAIL SUMMARY OF CASH SHORTAGE

Date	Amount	Method
8-10-12	\$ 244.50	Voided Receipt
8-24-12	89.00	Voided Receipt
9-7-12	100.00	Fees Eliminated
9-14-12	205.00	Fees Eliminated
9-21-12	206.00	Fees Eliminated
9-25-12	210.00	Voided Receipt
10-5-12	206.00	Voided Receipt
10-12-12	210.00	Fees Eliminated
10-16-12	205.00	Fees Eliminated
10-24-12	205.00	Fees Eliminated
10-31-12	363.28	Voided Receipt
11-1-12	210.00	Voided Receipt
11-7-12	248.50	Fees Eliminated
Total Cash Shortage	<u>\$ 2,702.28</u>	

On July 22, 2013, the former deputy clerk pled guilty to felony theft over \$1,000, was sentenced to two years judicial diversion, and was ordered to pay court cost, restitution, and an investigative fee totaling \$7,112.46 with a minimum payment of \$300 per month. As of the date of this report, the deputy has paid back \$1,900 leaving an unpaid balance of \$5,212.46.

38. Putnam County - Office of Assessor of Property

An investigative report dated March 27, 2014, by the Comptroller’s Office of General Counsel revealed that the Putnam County Assessor of Property used county funds totaling at least \$2,355 to purchase computers and accessories, which he traded or sold for his personal benefit. During the period April 1, 2013, through March 15, 2014, the assessor used a county credit card to purchase at least eight computers and related accessories totaling \$2,355. He then sold these computers for cash, kept the cash for his own use, or traded the computers to pay off his personal debts. The assessor acknowledged to Comptroller investigators that he had sold or traded these computers for his personal benefit. On March 24, 2014, the assessor resigned from office, and the Grand Jury indicted the assessor on one count of theft over \$1,000 and one count of official misconduct.

39. Robertson County - Landfill Office

On August 10, 2013, personnel at the Robertson County landfill receipted cash and checks totaling \$746.90. Those collections were put into an envelope and placed in the office safe. On August 13, 2013, personnel discovered that the envelope containing the \$746.90 was missing from the safe; however, collections for August 9 (\$674), August 12 (\$549), and \$400 cash used for making change were still

in the safe. It should be noted that all landfill employees had keys to the office building, and several employees knew the combination to the office safe. The theft is under investigation by the Robertson County Sheriff's Department.

40. 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 no restitution during 2011-13 years leaving a balance of \$7,793.26.

41. 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. This former employee entered into a plea agreement on April 27, 2009. The unpaid balance totals \$310.

42. Sevier County - Office of County Clerk

In 2009-10, a \$94,645 cash shortage was reported in the Office of County Clerk, which the clerk subsequently repaid. On May 23, 2012, the court ordered the clerk to pay an additional \$14,019 to the county for the costs of additional audit services related to this theft. The outstanding balance for audit costs totals \$11,276.50.

43. Sumner County - Office of Director of Schools

The audit of Sumner County for the 2011-12 year reported a cash shortage of \$18,697 in the School Department. An investigation by the School Department's internal auditor and the local police revealed that an employee had purchased personal items with school funds. On February 15, 2013, the former employee pled guilty to one count of theft of property between \$10,000 and \$60,000. The former employee was sentenced to six years of probation and was ordered to pay restitution of \$18,697 to the Sumner County School Department. The School Department's insurance carrier paid the county \$13,697 on May 7, 2013, leaving an unpaid shortage of \$5,000.

44. Sumner County - Office of Director of Schools

During the 2012-13 fiscal year, the School Department's internal auditor informed us that an employee had taken \$10,762 cash from collections purportedly to reimburse herself for mileage and other expenses she paid from personal funds. The employee's employment was terminated on March 20, 2013. On October 10, 2013, the employee was indicted on one count of theft of property over \$1,000. The

county's insurance carrier paid the county \$5,762 on October 17, 2013, leaving an unpaid shortage of \$5,000. This case is pending.

45. Unicoi County - Office of Director of Schools

A special audit 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 the School Department's finance director. The finance director resigned her position 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. During the year, \$1,200 was paid leaving a balance of \$6,540.

46. Unicoi County - Office of Sheriff

An investigative report dated July 9, 2013, by the Comptroller's Division of Investigation, Financial and Compliance Unit for the period July 28, 2012, through September 21, 2012, reported a cash shortage of \$4,845.75. A retired state employee was a part-time employee of the Sheriff's Department. As a part-time employee this employee was not entitled to benefits such as sick leave that a full-time employee would receive as provided by the department's personnel policy. This employee was paid a total of \$4,845.75 for 146 hours as if he were on sick leave due to a medical condition from July 28, 2012, through September 21, 2012. Time sheets were not maintained by the department to support any time worked or leave taken by the employee during this period. As of October 3, 2013, \$1,500 has been reimbursed leaving a balance of \$3,345.75.

47. Van Buren County - Office of Sheriff

The Sheriff's Department had a cash shortage of \$3,000 at June 30, 2013. This shortage was the result of not properly accounting for funds received from the County Mayor's Office for confidential undercover drug operations. Between November 15, 2012, and April 17, 2013, the department received \$3,000 from the county's Drug Control Fund. However, the office was unable to document the use of the confidential funds resulting in the cash shortage. Forms and reports required by the Office of the Comptroller of the Treasury to account for investigative funds could not be located by the Sheriff's Department. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations. Furthermore, the confidential undercover drug operation activity was not reflected on the cash journal or the annual financial report. This deficiency exists due to a lack of management oversight. We have reviewed this cash shortage with the district attorney general.

48. Warren County - Memorial Airport

On September 11, 2012, the Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report on the Warren County Memorial Airport for the period July 1, 2007, through September 30, 2011. This report disclosed receipts issued that were not deposited with the county trustee, unpaid hangar rentals, and the use of aircraft fuel used for personal benefit resulting in a cash shortage of \$20,791.67 as of September 30, 2011. On August 16, 2013, the former airport manager was indicted on one count of theft over \$10,000, 17 counts of forgery, and one count of official misconduct. This case is pending.

49. 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, 2013, the outstanding cash shortage totaled \$35,864.93.

50. 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, 2013, no restitution had been paid, leaving the outstanding cash shortage of \$3,386.18.

51. Williamson County - Animal Control Department

A special audit 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, the employee 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, 2013, the outstanding cash shortage totaled \$106,017.67.

Division of Local Government Audit
Summary of Other Thefts and Judicial Actions in County Offices/Departments
as Reported in Annual Financial Reports for the Year Ended June 30, 2013,
and Certain Special Reports

County	Description
1. Fentress	The road superintendent was in possession of stolen property.
2. Jackson	The county clerk took funds for personal use.
3. Marshall	A deputy sheriff stole tires.
4. Sequatchie	The Sheriff's Department lost inmate phone cards.

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, 2013, and Certain Special Reports

1. Fentress County - Office of Road Supervisor

On June 7, 2010, Road Supervisor Fred Blevins was placed on judicial diversion for official misconduct and was placed on probation for a period of four years. On May 10, 2013, Mr. Blevins had his diversion revoked and was convicted of official misconduct for allegedly being in possession of stolen property. This order of revocation also decreed that Mr. Blevins be suspended without pay from the Office of Road Supervisor. Mr. Blevins submitted a letter of resignation to the county executive dated June 11, 2013.

2. Jackson County - Office of County Clerk

In late April 2013, we received allegations that the county clerk had taken funds from a deposit for her personal use. We also received a letter dated May 3, 2013, from the district attorney general requesting our assistance, along with the Tennessee Bureau of Investigation, to determine if county funds had been used for the clerk's personal expenses. As a result, we traced receipts posted in the general ledger to bank deposits from July 1, 2012, through April 26, 2013, and noted the following deficiencies:

- A. In some instances, the county clerk did not deposit funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collection. The delay in depositing the funds increases the risks of fraud and abuse.
- B. On April 29, 2013, the cash on hand in the office was counted by auditors and compared with the collections since the last deposit. The collections for the cash receipts report dated April 25, 2013, totaling \$10,326.73 were not presented to the auditors for count and had not been deposited to the bank. We also noted a blank deposit slip in the deposit book that was skipped between two completed deposit slips. On April 30, 2013, the collections totaling \$10,326.73 for April 25, 2013, were in the office and were counted. This deposit was prepared using the blank deposit slip that was noted on the previous day as having been skipped in the deposit book. We also noted that the deposit included cash of \$4,548.48 and that the cash included 41 one hundred dollar bills, which would be highly unusual. The county clerk admitted to auditors that the collections for the April 25, 2013, deposit were not presented to auditors for count on April 29, 2013, because the deposit was short approximately \$1,200.

The clerk admitted to taking the funds for her personal use, and stated that she returned the cash to the deposit prior to April 30, 2013. Also, the clerk admitted that this was not the first time she had taken county funds for personal use, but she had replaced all funds taken. On August 21, 2013, the county clerk was indicted by the Jackson County Grand Jury on one count of theft of property (\$1,000 - \$10,000) and one count of official misconduct. She resigned from the office on November 4, 2013.

3. Marshall County - Office of Sheriff

On February 21, 2014, pursuant to an investigation initiated by the state Comptroller's Office, a deputy sheriff was indicted by the Marshall County Grand Jury. The deputy is accused of stealing a set of tires from the Sheriff's Department, which he then mounted on his girlfriend's car. The Sheriff's Department terminated the deputy's employment at the conclusion of the investigation. The former deputy was indicted on one count of theft of property under \$1,000 and one count of official misconduct. An arraignment hearing was scheduled for March 5, 2014.

4. Sequatchie County - Office of Sheriff

In August 2012, the Sheriff's Department contracted with a vendor to sell phone cards to inmates at the jail through a kiosk machine. The contract required the Sheriff's Department to purchase the phone cards from a vendor for one-half of the face value of the cards, load the cards into the machine, and withdraw the collections from the machine. Collections from the kiosk were then deposited into the Sheriff's Department bank account. In addition to the proceeds from the card sales, the Sheriff's Department also received a commission check from the vendor. On February 5, 2013, an employee at the Sheriff's Department filed a fraud reporting form with the Comptroller's Office reporting that there were missing phone cards. There were a total of 152 phone cards with a face value of \$2,520 that could not be accounted for in the Sheriff's Department during the period September 2012 through February 2013. Of the 152 missing phone cards, 52 had a face value of \$10 each and 100 had a face value of \$20. These cards were purchased by the Sheriff's Department for \$1,260. Of the 152 missing cards, only seven had not been activated according to information provided by the phone card vendor.

Footnote:

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