



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

May 22, 2015

MEMORANDUM

TO: Honorable Justin P. Wilson
Comptroller of the Treasury

A handwritten signature in cursive script that reads "Jim Arnette".

FROM: Jim 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 the Annual Financial Reports for the Year Ended June 30, 2014, 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 the annual financial reports for the year ended June 30, 2014, 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 THE ANNUAL FINANCIAL
REPORTS FOR THE YEAR ENDED JUNE 30, 2014, 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, 2014, and Certain Special Reports**

Shortages Reported by the Comptroller's Office		Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	Ending Report Cash Shortage	Ending Report Cash Shortage	(1) Last Day of Fieldwork
<u>Anderson</u>									
1.	Office of Director of Schools	2012-13	\$ 280.00	\$ 280.00	0.00	(280.00)	\$ 0.00	0.00	11-26-14
<u>Bedford</u>									
2.	Office of Sheriff	2012-13	31,460.00	31,460.00	0.00	(31,460.00)	0.00	0.00	9-17-14
<u>Bledsoe</u>									
3.	Ambulance Service Department	2012-13	2,568.04	2,568.04	0.00	(2,568.04)	0.00	0.00	9-16-14
<u>Carter</u>									
4.	Landfill Office	2013-14	1,820.00	0.00	1,820.00	(1,820.00)	0.00	0.00	10-30-14
<u>Cheatham</u>									
5.	Office of Road Superintendent	2007-08	68,281.11	18,513.75	0.00	(6,000.00)	12,513.75	12,513.75	2-23-15
6.	Probation Office	2013-14	25.00	0.00	25.00	0.00	25.00	25.00	2-23-15
<u>Cocke</u>									
7.	Office of Clerk and Master	1996-97	101,821.73	37,640.13	0.00	(900.00)	36,740.13	36,740.13	11-21-14
8.	Parks and Recreation	2013-14	2,800.00	0.00	2,800.00	(2,800.00)	0.00	0.00	11-21-14
<u>Crockett</u>									
9.	Emergency Communications District	2012-13	88,764.00	88,764.00	0.00	(88,764.00)	0.00	0.00	12-8-14
10.	Office of County Clerk	2012-13	4,324.00	500.00	0.00	0.00	500.00	500.00	12-8-14
<u>Cumberland</u>									
11.	Veteran's Service Office	2012-13	134,244.58	112,437.79	0.00	(62,437.79)	50,000.00	50,000.00	11-26-14

**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, 2014, and Certain Special Reports (Cont.)**

Shortages Reported by the Comptroller's Office		Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	Ending Report Cash Shortage	Ending Report Cash Shortage of Fieldwork
<u>Dickson</u>								
12.	Office of County Clerk	2009-10	\$ 13,193.83	\$ 2,776.00	0.00	\$ (2,776.00)	\$ 0.00	10-14-14
<u>Fayette</u>								
13.	Office of Director of Schools	2009-10	177,629.93	13,733.93	0.00	(3,430.00)	10,303.93	11-25-14
<u>Fentress</u>								
14.	County Library	2012-13	40,217.00	33,217.00	0.00	(8,600.00)	24,617.00	12-17-14
15.	Office of Sheriff	2013-14	2,277.00	0.00	2,277.00	0.00	2,277.00	12-17-14
<u>Franklin</u>								
16.	Office of Circuit, General Sessions, and Juvenile Courts Clerk	2012-13	3,046.25	3,046.25	0.00	0.00	3,046.25	11-26-14
<u>Hardeman</u>								
17.	Solid Waste Department	2007-08	3,032.47	162.97	0.00	(162.97)	0.00	9-30-14
18.	Solid Waste Department	2014-15	3,062.72	0.00	3,062.72	0.00	3,062.72	2-4-15
<u>Hardin</u>								
19.	Office of Circuit and General Sessions Courts Clerk	2012-13	15,008.00	15,008.00	0.00	(7,895.00)	7,113.00	1-30-15
<u>Henry</u>								
20.	Office of Sheriff	2005-06	162,656.91	64,359.50	0.00	(7,309.80)	57,049.70	1-27-15
<u>Hickman</u>								
21.	Solid Waste Transfer Station	2013-14	60.00	0.00	60.00	(60.00)	0.00	9-16-14

**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, 2014, and Certain Special Reports (Cont.)**

Shortages Reported by the Comptroller's Office		Fiscal Year First Reported	Original Amount of Shortage	Beginning Report Cash Shortage	Increase in Shortage	Reduction of Shortage	Ending Report Cash Shortage	Ending Report Cash Shortage of Fieldwork
<u>Houston</u>								
22.	Office of Director of Schools	2013-14	\$ 4,453.33	\$ 0.00	\$ 4,453.33	\$ (1,508.85)	\$ 2,944.48	3-16-15
<u>Jefferson</u>								
23.	Office of Finance Director	2013-14	144,797.95	0.00	144,797.95	(144,797.95)	0.00	1-23-15
<u>Lake</u>								
24.	Office of County Mayor	2009-10	202,344.63	29,644.63	0.00	(2,450.00)	27,194.63	9-15-14
<u>Lewis</u>								
25.	Office of Trustee	2012-13	44,239.20	44,239.20	0.00	(44,239.20)	0.00	10-3-14
<u>Lincoln</u>								
26.	Office of Register of Deeds	2013-14	290.00	0.00	290.00	(290.00)	0.00	2-11-15
<u>Loudon</u>								
27.	Office of Sheriff	2013-14	13,976.84	0.00	13,976.84	(6,649.84)	7,327.00	10-24-14
<u>Madison</u>								
28.	Regional Health Department	2012-13	4,508.75	11,198.75	0.00	(11,198.75)	0.00	2-25-15
29.	Regional Health Department	2013-14	5,513.00	0.00	5,513.00	(5,513.00)	0.00	2-25-15
30.	Office of County Clerk	2013-14	23,178.25	0.00	23,178.25	(13,003.56)	10,174.69	2-25-15
<u>Marshall</u>								
31.	Office of County Clerk	2013-14	379.00	0.00	379.00	(379.00)	0.00	2-12-15

**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, 2014, and Certain Special Reports (Cont.)**

<u>Shortages Reported by the Comptroller's Office</u>		<u>Fiscal Year First Reported</u>	<u>Original Amount of Shortage</u>	<u>Beginning Report Cash Shortage</u>	<u>Increase in Shortage</u>	<u>Reduction of Shortage</u>	<u>Ending Report Cash Shortage</u>	<u>Ending Report (1) Last Day of Fieldwork</u>
<u>Maury</u>								
32.	Office of County Clerk	2012-13	\$ 10,070.14	\$ 6,864.72	\$ 0.00	\$ (6,864.72)	0.00	12-8-14
33.	Animal Shelter	2013-14	80.00	0.00	80.00	0.00	80.00	12-8-14
<u>McNairy</u>								
34.	Office of Circuit Court Clerk	2007-08	13,528.19	3,390.50	0.00	0.00	3,390.50	11-24-14
35.	Office of Sheriff	2011-12	9,782.36	6,441.38	0.00	0.00	6,441.38	11-24-14
<u>Meigs</u>								
36.	Office of Finance Director	2013-14	26,604.17	0.00	26,604.17	0.00	26,604.17	12-12-14
<u>Monroe</u>								
37.	Office of Sheriff	2008-09	30,646.08	10,000.00	0.00	(10,000.00)	0.00	1-16-15
38.	Office of Sheriff	2009-10	10,651.30	10,651.30	0.00	(10,651.30)	0.00	1-16-15
<u>Morgan</u>								
39.	Office of County Clerk	2009-10	54,611.33	8,173.00	0.00	(400.00)	7,773.00	12-12-14
<u>Overton</u>								
40.	Millard Oakley Public Library	2011-12	5,999.53	3,709.95	0.00	0.00	3,709.95	1-26-15
<u>Polk</u>								
41.	Office of Circuit and General Sessions Courts Clerk	2012-13	2,702.28	5,212.46	0.00	(3,600.00)	1,612.46	1-9-15
<u>Putnam</u>								
42.	Office of Assessor of Property	2013-14	2,355.00	2,355.00	0.00	(398.23)	1,956.77	2-27-15

**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, 2014, and Certain Special Reports (Cont.)**

<u>Shortages Reported by the Comptroller's Office</u>		<u>Fiscal Year First Reported</u>	<u>Original Amount of Shortage</u>	<u>Beginning Report Cash Shortage</u>	<u>Increase in Shortage</u>	<u>Reduction of Shortage</u>	<u>Ending Report Cash Shortage</u>	<u>Ending Report Cash Shortage</u>	<u>(1) Last Day of Fieldwork</u>
<u>Robertson</u>									
43.	Landfill Office	2012-13	\$ 746.90	\$ 746.90	0.00	\$ (746.90)	0.00	0.00	9-12-14
<u>Rutherford</u>									
44.	Office of Director of Schools	2013-14	15,875.00	0.00	15,875.00	0.00	15,875.00	0.00	10-8-14
45.	Office of Register of Deeds	2013-14	97.50	0.00	97.50	(97.50)	0.00	0.00	10-8-14
<u>Scott</u>									
46.	Office of Superintendent of Roads	2013-14	59.60	0.00	59.60	(59.60)	0.00	0.00	2-17-15
<u>Sequatchie</u>									
47.	Office of Sheriff	2006-07	8,668.79	7,793.26	0.00	(7,793.26)	0.00	0.00	10-3-14
48.	Office of County Clerk	2007-08	4,248.51	310.00	0.00	0.00	310.00	0.00	10-3-14
<u>Sevier</u>									
49.	Office of County Clerk	2012-13	14,019.00	11,076.50	0.00	(2,256.00)	8,820.50	0.00	10-7-14
<u>Sumner</u>									
50.	Office of Director of Schools	2011-12	18,697.00	5,000.00	0.00	0.00	5,000.00	0.00	3-10-15
51.	Office of Director of Schools	2012-13	10,762.00	5,000.00	0.00	0.00	5,000.00	0.00	3-10-15
<u>Unicoi</u>									
52.	Office of Director of Schools	2009-10	20,967.36	6,540.00	0.00	(1,200.00)	5,340.00	0.00	12-12-14
53.	Office of Sheriff	2012-13	4,845.75	3,345.75	0.00	(3,345.75)	0.00	0.00	12-12-14
54.	Office of Sheriff	2013-14	1,000.00	0.00	1,000.00	(1,000.00)	0.00	0.00	12-12-14
<u>Van Buren</u>									
55.	Office of Sheriff	2012-13	3,000.00	3,000.00	0.00	0.00	3,000.00	0.00	10-9-14

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, 2014, and Certain Special Reports (Cont.)

<u>Shortages Reported by the</u> <u>Comptroller's Office</u>		<u>Fiscal</u>	<u>Original</u>	<u>Beginning</u>	<u>Increase</u>	<u>Reduction</u>	<u>Ending</u>	<u>(1)</u>	
<u>County/Office or Department</u>	<u>Reported</u>	<u>Year</u>	<u>Amount of</u>	<u>Report</u>	<u>in</u>	<u>of</u>	<u>Report</u>	<u>Last Day</u>	
		<u>First</u>	<u>Shortage</u>	<u>Cash</u>	<u>Shortage</u>	<u>Shortage</u>	<u>Cash</u>	<u>of Fieldwork</u>	
		<u>Reported</u>		<u>Shortage</u>			<u>Shortage</u>		
<u>Warren</u>									
56. Memorial Airport		2011-12	\$ 20,791.68	\$ 20,791.68	\$ 13,081.00	\$ (3,313.23)	\$ 30,559.45	2-10-15	
<u>Wayne</u>									
57. Office of Director of Schools		2013-14	319,134.58	0.00	319,134.58	(149,500.00)	169,634.58	12-22-14	
<u>Williamson</u>									
58. Recreation Department		2005-06	45,037.43	35,864.93	0.00	(1,640.50)	34,224.43	1-21-15	
59. Office of County Clerk		2008-09	3,386.18	3,386.18	0.00	0.00	3,386.18	1-21-15	
60. Animal Control Department		2009-10	106,446.17	106,017.67	0.00	(355.75)	105,661.92	1-21-15	
<u>Wilson</u>									
61. Office of Sheriff		2013-14	401.66	0.00	401.66	0.00	401.66	2-10-15	
Total			\$ 2,065,469.01	\$ 775,221.12	\$ 578,966.60	\$ (660,516.49)	\$ 693,671.23		

**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, 2014, 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
Shortages Reported by Public Accounting Firms							
Shelby							
1. Office of General Sessions Court Clerk	2013-14	\$ 1,020.00	\$ 0.00	\$ 1,020.00	\$ (1,020.00)	\$ 0.00	0.00
2. Office of Health Services Division	2013-14	195.00	0.00	195.00	(195.00)	0.00	0.00
Davidson							
3. Centennial Sportsplex Tennis Center	2013-14	95,310.00	0.00	95,310.00	0.00	95,310.00	0.00
McMinn							
4. Office of Electric Division	2013-14	250.00	0.00	250.00	(250.00)	0.00	0.00
Total		<u>\$ 96,775.00</u>	<u>\$ 0.00</u>	<u>\$ 96,775.00</u>	<u>\$ (1,465.00)</u>	<u>\$ 95,310.00</u>	
Grand Total All Counties		<u>\$ 2,162,244.01</u>	<u>\$ 775,221.12</u>	<u>\$ 675,741.60</u>	<u>\$ (661,981.49)</u>	<u>\$ 788,981.23</u>	

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 the Annual Financial Reports for the Year Ended June 30, 2014,
and Certain Special Reports

Shortages Reported by the Comptroller's Office

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. 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; therefore, the \$280 is considered uncollectible and has been written-off.

2. Bedford County - Office of Sheriff

An investigative report dated December 18, 2013, was issued by the Comptroller's Division of Investigations, Financial and Compliance Unit on the Bedford County Sheriff's Department. This report disclosed a number of deficiencies in accounting for Sexual Offender Registry (SOR) payments, including a cash shortage of at least \$31,460. 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. On February 12, 2015, an agreed order of retirement was issued on the case pending the defendant's payment of court costs, forfeiture of the officer's POST certification, and an agreement for no future employment in law enforcement. Therefore, the \$31,460 has been written-off.

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 report disclosed that the former emergency management services director purchased controlled substances for which its usage is unaccounted, resulting in a cash shortage of at least \$2,568.04. On May 7, 2014, this shortage was liquated when the former emergency management services director paid restitution of \$2,568.04.

4. Carter County - Landfill Office

In September 2013, the finance director submitted a Fraud Reporting Form related to a theft that occurred at the county's Landfill Office. The theft was reported to the Sheriff's Department, and an incident report was completed. A safe, keys, six vehicle

titles, an external hard drive, and deposits and cash on hand totaling \$1,331 were removed from the Landfill Office. Investigators have not determined any responsible party, and no charges have been filed. In March 2014, the insurance carrier reimbursed the county \$1,820 for the stolen funds and property.

5. **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 \$12,513.75 existed at February 23, 2015.

6. **Cheatham County - Probation Office**

We discovered that one receipt for \$25 dated November 26, 2013, had not been deposited with the county trustee. We subsequently expanded test-work to include December 2013, but no other discrepancies were discovered. An employee of the Probation Office filed a Fraud Reporting Form concerning the missing funds with the state Comptroller's Office on June 20, 2014. At June 30, 2014, a cash shortage of \$25 is reflected in the county's financial statements.

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 paid the office \$50,000, and the clerk has been making payments toward the restitution. As of June 30, 2014, the remaining restitution balance due the office totaled \$36,740.13.

8. **Cocke County - Parks and Recreation Office**

We were advised that approximately \$2,800 had been removed from the desk of the parks and recreation director by a minor who frequents the facility. Subsequently, the director replaced this cash shortage from his personal funds on May 1, 2014, and is being reimbursed by the parents of the minor. It should be noted the county filed a Fraud Reporting Form with the state Comptroller's Office on May 30, 2014. The Parks and Recreation Department director has since had new door locks installed and has obtained a safe to secure collections prior to deposit.

9. **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. This case is being removed from this report, because the outcome of this case should be reported in the Emergency Communications District's annual financial reports prepared by its independent public accountants.

10. Crockett County - Office of County Clerk

The Office of County Clerk had a theft of cash and checks totaling \$4,324 from the office on October 16, 2013. A janitorial employee at the courthouse pled guilty to the theft in October 2014, and was ordered to pay restitution of \$4,324. The actual missing checks (\$1,999) that were stolen were not located; however, the county clerk recovered all but \$98 of these checks 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 to reimburse the county for the missing cash (\$2,325) less a \$500 deductible. No restitution has been paid as of the date of this report. The remaining \$500 cash shortage is outstanding.

11. 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. A cash shortage of at least \$134,244.58 was identified in the VSO. On October 3, 2014, the defendant pled guilty to theft over \$10,000, received an eight year suspended sentence, and paid \$50,000 in restitution. The plea agreement reduced the theft amount by \$12,437.79. The remaining \$50,000 in restitution is to be paid at \$175 per week through the Cumberland County Office of Circuit Court.

12. 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 unrecovered cash shortage totals \$2,776 (audit costs of \$2,276 plus \$500 insurance deductible). Dickson County wrote off this unrecovered balance during the current fiscal year.

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. The restitution outstanding totals \$10,303.93.

14. 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 the Fentress County Library Director misappropriated library funds totaling at least \$40,217 and historical society funds collected by library employees totaling at least \$728. The director used several schemes to divert the funds for personal use. Investigators determined that the director 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 the former director on multiple counts of theft, forgery, and one count of official misconduct. On September 25, 2014, the former director pled guilty, received ten years of probation, was ordered to pay restitution of \$25,345, and was allowed to pay \$200 per month beginning October 2014 toward the restitution. Restitution outstanding totals \$24,617.

15. Fentress County – Office of Sheriff

On December 17, 2014, the Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report of selected records of the Fentress County Sheriff. This report provided that on April 2, 2012, the Fentress County Sheriff's Department seized \$2,277 on a drug-related offense. In a plea agreement dated April 30, 2012, the defendant pled no contest to the drug offense and forfeited the \$2,277. However, our review of records of the county trustee and Sheriff's Department disclosed that the forfeited funds were never received by the county trustee or deposited into a Sheriff's Department bank account. In addition, seizure forms for this drug offense were never submitted to the Tennessee Department of Safety as required by *Tennessee Code Annotated*, Section 40-33-204(g). As of August 31, 2014, the \$2,277 is unaccounted. This cash shortage resulted from a lack of management oversight. This finding has been discussed with the district attorney general.

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 for the period July 1, 2012, through December 31, 2012. A cash shortage of \$3,046.25 existed at December 31, 2012. This cash shortage resulted from a deputy clerk failing to make deposits of court collections, of which \$1,671.25 was receipted and not deposited from General Sessions Court, and \$1,375 was receipted and not deposited from Circuit Court. No restitution has been received on this case.

17. 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. The cash shortage was liquidated on March 14, 2014.

18. Hardeman County - Solid Waste Department

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report dated February 4, 2015, on the Hardeman County Solid Waste Department, which revealed a cash shortage of at least \$3,062.72 in the Solid Waste Department at September 9, 2014, which resulted from a department employee failing to make deposits of collections. We were advised that each employee receipts customer payments for solid waste collection fees as well as animal control fees. Each employee has their own locked cash drawer as well as a unique computer system password. At the end of each day, employees prepare their own deposit, which is reconciled with a system generated report. We determined that a department employee made adjustments to customer accounts totaling \$985.07 to reflect an amount less than what was actually collected. These adjustments were not supported by adequate documentation and appear to have been made in an attempt to conceal the theft of funds. We also determined that the employee issued generic receipts totaling \$2,077.65 to customers for funds that were never receipted into the computer system and never deposited. On September 9, 2014, the employee was suspended without pay. On September 29, 2014, the former employee admitted to investigators that "solid waste records show that I may have taken county money for personal usage." Also, the former employee stated she is willing to repay any county funds that are determined to be unaccounted. On May 4, 2015, the employee was indicted on theft of property between \$1,000 and \$10,000 and two counts of official misconduct.

19. 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. On May 17, 2014, the former deputy pled guilty to theft and official misconduct and was ordered to pay restitution (\$13,539) plus court costs of \$824. The outstanding cash shortage totaled \$7,113 as of the date of this report.

20. Henry County - Office of Sheriff

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,657 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 recover money from the former sheriff basically agreeing to settle a civil lawsuit for \$160,000. As of June 30, 2014, the cash shortage totaled \$57,049.70.

21. Hickman County - Solid Waste Transfer Station

On January 25, 2014, an employee of the Hickman County Transfer Station discovered that \$60 had been stolen from her cash drawer. The employee stated that she had balanced her cash drawer that morning but had briefly left the drawer unattended twice during the day before discovering the funds were missing. The employee immediately notified her supervisor of the missing funds; however a Fraud Reporting Form was not filed with the state Comptroller's Office as required by Section 8-4-503, *Tennessee Code Annotated*. Auditors became aware of the cash shortage when we noted a check written to cash to replenish the cash drawer. The solid waste director filed the delinquent Fraud Reporting Form with the Comptroller's Office on March 27, 2014. The director was unable to determine who took the funds since other employees and county jail inmates on work release had access to the office. The office wrote-off the cash shortage as uncollectible.

22. Houston County - Office of Director of Schools

A review of payroll operations of the Office of Director of Schools disclosed several deficiencies, which resulted in a cash shortage totaling \$4,453.33 in the General Purpose School Fund. These deficiencies are due to the actions of the School Department's payroll clerk and the failure of management to provide adequate supervision of employees. These deficiencies are described below:

- A. The payroll clerk prepared all payroll checks for the department including her own checks; however, no supervisor reviewed and approved the payroll clerk's personal payroll checks. Employees at the School Department's central office are normally paid twice per month; however, in October 2013, the payroll clerk issued herself three payroll checks instead of two resulting in an overpayment of \$1,583.33. The receipt of the extra payroll check in October 2013 was corrected by the payroll clerk in June 2014 when she issued herself only one payroll check in June instead of the normal two checks. Therefore, the payroll clerk's total salary remained within budgeted amounts for the year ended June 30, 2014. Although this prepayment of salary is not part of the \$4,453.33 cash shortage amount, the payroll

Exhibit B

clerk did receive an unauthorized payroll advance of \$1,583.33 that was not repaid for over eight months.

- B. In July 2014, the payroll clerk again issued herself an extra payroll check resulting in an overpayment of \$1,583.33. Later in July 2014, the payroll clerk was transferred to the position of office manager, and other employees took over the payroll duties. School Department personnel informed us that in October 2014, they noticed the extra July 2014 payroll check, but were told by the former payroll clerk that she was due the extra amount because she had missed receiving one of her payroll checks in June. At this point, department personnel analyzed the former payroll clerk's payroll and determined the former clerk had actually been overpaid. The director of schools advised they are currently in the process of recovering the \$1,583.33 overpayment by reducing the amount of the former payroll clerk's normal payroll check for the period December 2014 through June 2015. As of March 13, 2015, the department had recovered \$791.35 of the overpayment, leaving an outstanding cash shortage of \$791.98 from the extra compensation received in July 2014.
- C. The School Department had been ordered by the U.S. Bankruptcy Court to withhold \$717.50 semi-monthly from the payroll clerk's income. The payroll clerk failed to withhold the required amount from her payroll checks four times during the period July 1, 2013, through June 30, 2014. However, the full amount ordered by the court continued to be remitted to the bankruptcy trustee on her behalf as if it had been withheld from her payroll checks. This resulted in a cash shortage in the General Purpose School Fund of \$2,870 (four times \$717.50) at June 30, 2014, for the amounts remitted for the payroll clerk's garnishment that had not been withheld from her payroll checks. In July 2014, \$717.50 of this cash shortage was recovered since it was withheld from the extra payroll check noted above. This leaves an outstanding cash shortage of \$2,152.50 as of March 13, 2015, from the bankruptcy payments that were remitted but not withheld.

A summary of the outstanding cash shortage of \$2,944.48 is reflected in the following table:

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Date	Description	Bankruptcy Garnishment	Excess Payroll	Total Cash Shortage
July 2013	Bankruptcy remitted, not withheld	\$ 717.50	\$ 0.00	\$ 717.50
Oct. 2013	Extra payroll check received		1,583.33	1,583.33
Oct. 2013	Bankruptcy remitted, not withheld	717.50	0.00	717.50
Dec. 2013	"	717.50	0.00	717.50
June 2014	"	717.50	0.00	717.50
June 2014	Earned paycheck not received	0.00	(1,583.33)	(1,583.33)
July 2014	Extra payroll check received	0.00	1,583.33	1,583.33
Total Cash Shortage		\$ 2,870.00	\$ 1,583.33	\$ 4,453.33
July 2014	Bankruptcy withheld, not remitted	\$ (717.50)	\$ 0.00	\$ (717.50)
Dec. 2014	Payroll reduced to recover extra pay	0.00	(226.10)	(226.10)
Jan. 2015	"	0.00	(226.10)	(226.10)
Feb. 2015	"	0.00	(226.10)	(226.10)
Mar. 2015	"	0.00	(113.05)	(113.05)
Total Cash Shortage as of March 13, 2015		\$ 2,152.50	\$ 791.98	\$ 2,944.48

This finding has been reviewed with the district attorney general.

23. Jefferson County - Office of Finance Director

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

We examined disbursements made from the Finance Office to Card Services for the period July 1, 2011, through March 7, 2014. We also reviewed disbursements made by the Finance Office to other credit card companies, as well as payments to other selected vendors for the same time period. The TBI obtained documentation from the credit card companies and other vendors so we could determine the accounts to which the payments were credited. Based on our examination, we determined that as of March 12, 2014, Ms. Crusenberry had disbursed county funds of at least \$144,797.95 to pay her personal credit card and vendor accounts. These payments are summarized in the following table.

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Vendor	Number of Checks	Amount
Card Services	31	\$ 77,627.63
Bank Card Center	35	58,949.77
U.S. Cellular	25	4,930.70
Kohl's	6	1,817.76
Chase Card Services	1	1,472.09
Total Cash Shortage		\$ 144,797.95
Refunded by Card Services		(6,564.61)
Refunded by County's Bonding Company		<u>(138,233.34)</u>
Remaining Cash Shortage		<u><u>\$ 0</u></u>

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

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

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

The amount reflected in the above tables as "Refunded by Card Services" is the amount refunded to Jefferson County by Card Services on April 7, 2014. This amount was for payments processed by Card Services after they were informed by the finance director that the payments were not related to county expenses. On November 17, 2014, the county's bonding company paid the county for the remaining cash shortage of \$138,233.34.

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

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

Ms. Crusenberry stopped showing up for work on March 13, 2014; however, her employment was officially terminated on March 20, 2014. She was indicted by the Jefferson County Grand Jury on one count of theft over \$60,000 and official misconduct on August 25, 2014. On April 23, 2015, Ms. Crusenberry was sentenced to six months in jail and eight years' probation.

24. 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. 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, Regions Bank paid the county \$17,500 to settle a civil lawsuit, and the bookkeeper has paid \$8,035 in restitution to date leaving an outstanding balance of \$27,194.63 due the county.

25. Lewis County - Office of Trustee

During the 2012-13 annual audit of the office, auditors determined that a cash shortage of \$44,239.20 existed in the Office of Trustee as of June 30, 2013. On November 21, 2013, former Trustee Clark Carroll resigned from office. On July 23, 2014, Mr. Carroll pled guilty to one count of theft over \$10,000 and one count of official misconduct. On October 4, 2014, the county received \$44,239.20 from a claim against the trustee's bonding company.

26. Lincoln County - Office of Register of Deeds

The register of deeds reported a theft of \$290 to the state Comptroller's Office on May 21, 2014. Employees discovered that \$65 was missing from a cash drawer on April 2, 2014. On April 7, 2014, an additional \$225 was found to be missing from cash drawers for a total of \$290. The cash drawers were stored overnight in a locked filing cabinet; however, the key to the filing cabinet was stored in an unlocked office desk. Videotape recordings revealed an employee of a contracted cleaning service entering and leaving the office in the middle of the night. A police report was filed with the Lincoln County Sheriff's Department, but no arrests were made. The owner of the cleaning service subsequently paid the missing money to the office.

27. Loudon County - Office of Sheriff

A cash shortage of at least \$13,976.84 existed in the Sheriff's Office. This cash shortage represents inmate commissary collections not properly deposited into the commissary bank account. Funds totaling \$6,649.84 were recovered from the trunk of a county-owned car and reduced the outstanding cash shortage to \$7,327 as of August 25, 2014. Internal control deficiencies over inmate commissary funds

Exhibit B

allowed this cash shortage to occur and remain undetected. The following table summarizes the shortage:

	<u>Amount</u>
Collections Not Deposited into the Commissary Bank Account	\$ 13,976.84
Less: Amounts Recovered	<u>(6,649.84)</u>
Outstanding Cash Shortage as of August 25, 2014	<u>\$ 7,327.00</u>

During our annual audit of the Office of Sheriff for the year ended June 30, 2014, we discovered discrepancies related to collections and bank deposits related to inmate commissary funds. While examining the inmate commissary bank reconciliation for the month of June 2014, we noted several outstanding deposits from May and June 2014, and one deposit that had been outstanding since November 2013. We also noted an unusual delay between the dates that other bank deposits were reflected in the office's accounting system and the date that those deposits were actually deposited to the bank. Due to these discrepancies, we extended our procedures to include inmate commissary transactions for the period July 1, 2013, through August 25, 2014. After comparing commissary receipts with bank deposits, we discovered that collections totaling \$13,976.84 had not been deposited to the commissary bank account and were not on hand in the Sheriff's Office. The following table summarizes the missing collections and reflects the date the office's accounting system indicated that these funds were deposited. However, these funds were not deposited to the bank account.

Deposit Date Per Accounting Records	Amount
11-27-13	\$ 122.00
5-21-14	286.00
5-22-14	179.00
5-26-14	1,094.59
5-29-14	1,338.00
6-1-14	177.00
6-2-14	33.00
6-5-14	173.50
6-8-14	207.00
6-9-14	590.75
6-12-14	417.00
6-16-14	864.00
6-22-14	330.00
6-24-14	635.00
6-30-14	1,085.00
7-11-14	646.00
7-14-14	672.00
7-18-14	389.00
7-23-14	495.00
7-25-14	209.00
7-29-14	1,582.00
8-2-14	913.00
8-5-15	320.00
8-13-14	782.00
8-17-14	<u>437.00</u>
Total	<u>\$ 13,976.84</u>

On August 25, 2014, we interviewed the employee responsible for picking up the deposits for the inmate commissary bank account and carrying the deposits to the bank. She indicated that she had some of the missing collections in the trunk of her county-owned car. Auditors and officers of the Loudon County Sheriff's Department accompanied the employee to her car, and she presented several envelopes containing funds that had been prepared for deposit into the inmate commissary account. Most of these deposit envelopes had been sealed, but then reopened. Comparison of the amount of funds found inside the envelopes with the corresponding deposit slips and the totals written on the outside of each envelope indicated that some funds had been removed from the envelopes. Funds recovered from these envelopes totaled \$6,649.84. These recovered funds were deposited into

the inmate commissary account on August 25, 2014, which reduced the total of funds missing from the inmate commissary account to \$7,327. The employee was placed on administrative leave without pay on August 25, 2014, and she resigned on August 26, 2014. This finding has been discussed with the district attorney general.

28. 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 fuel was used for the director's personal benefit, clothes were purchased for the director, and the director received unauthorized meals and travel. 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. The entire amount was paid prior to June 30, 2014.

29. Madison County - Regional Health Department

On December 19, 2013, a clerk at the Health Department reconciled the department's bank account and discovered a check had cleared the account that the department had not issued, and the check appeared to have been forged. Upon further investigation, employees determined that ten checks were missing from the department, and seven of these missing checks totaling \$5,513 had cleared the bank account. In January 2014, the bank refunded the \$5,513 to the department. An employee of the department's contracted janitorial service was indicted by a Grand Jury in June 2014 for the theft. The Comptroller's Office was not informed of this theft until February 11, 2014. Sections 8-4-501 through 8-4-505, *Tennessee Code Annotated*, require a person elected or appointed to any office of a public entity to notify the Comptroller of the Treasury, within a reasonable amount of time under the particular circumstances, but shall not under any circumstances exceed five working days, of any unlawful conduct including theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, involving public money, property, or services. The finance director and the county mayor advised us that they were not aware of this theft since Health Department personnel had not reported it to them.

30. Madison County - Office of County Clerk

On December 24, 2014, office employees discovered that \$3,705.31 in cash and \$19,472.94 in checks were missing from an office safe. The Madison County Sheriff's Department was called to investigate the theft, and the office filed a Fraud Reporting Form with the Comptroller's Office. On January 6, 2015, an office employee admitted to Sheriff's Department investigators that she stole the funds and burned the checks. Also, implicated in the theft was the office employee's

boyfriend. Both individuals have been charged with theft. The county clerk is in the process of contacting individuals who paid for their transactions by check to ask for replacement checks. As of March 2, 2015, the clerk had received \$13,003.56 in replacement checks; therefore, the outstanding cash shortage totals \$10,174.69. This finding has been discussed with the district attorney general.

31. Marshall County - Office of County Clerk

On June 12, 2014, the county clerk contacted auditors regarding suspicious activity related to license plate decals and subsequently filed a fraud reporting form with our office. An employee issued a license plate to her boyfriend on April 1, 2014, and another on June 2, 2014, without paying the related fees of \$184. She issued two other license plates to individuals on May 23, 2014, and May 29, 2014, without paying the related fees of \$195. The employee concealed the misappropriations (\$379) by manipulating the date of each transaction in the office computer system. When confronted on June 12, 2014, the employee paid for the transactions with personal funds, and her employment was terminated later that day.

32. 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. As a result, the Comptroller's Division of Investigations, Financial and Compliance Unit conducted an investigation in coordination with the Tennessee Bureau of Investigation 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. Maury County subsequently received \$2,649.47 in insurance proceeds. The remaining balance of \$4,215.25 was written-off by the county.

33. Maury County - Animal Shelter

The Maury County Animal Shelter reported a theft of \$80 to the state Comptroller's Office on July 25, 2014. The cash was allegedly stolen by a former employee of the office. A theft report was filed with the Maury County Sheriff's Department, and the employee was arrested and charged with theft under \$500. This case was heard in Maury County General Sessions Court on October 13, 2014, and the defendant was found guilty and ordered to pay restitution of \$80. No restitution has been received as of the date of this report.

34. 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 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 audit expense restitution of \$3,390.50.

35. 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.

36. Meigs County - Office of Finance Director

The Comptroller's Division of Investigations, Financial and Compliance Unit conducted an investigation of payroll records, County Commission minutes, and interviews with the county mayor, current and former members of the Meigs County Finance Committee, the former finance director, the former interim finance director, the current finance director, and employees with the Health Department. We determined that the former finance director, former interim finance director, and the current finance director received unauthorized compensation totaling \$26,604.17 for the period July 1, 2008, through November 30, 2013. We discovered the following deficiencies:

- A. Between February 13, 2009, and November 30, 2013, the former interim finance director received a total of \$24,550 in unauthorized pay. This compensation was recorded between four different "Health Department" budget expenditure account codes totaling \$22,550, and the "Other Pay" budget expenditure account code totaling \$2,000. We were advised by the former interim finance director that the "Other Pay" budget account code was used because there were unexpended appropriations remaining in that budget account code at year end. This \$24,550 in compensation was in addition to her regular salary as the interim finance director.

The *Meigs County Financial Management Act of 2007* provides that the county's Finance Committee determines the salary of the finance director. County officials could not locate any Finance Committee minutes for our review prior to the interim finance director's resignation on November 21, 2013. Also, no authorization for payment was found in the County Commission minutes.

- B. On June 26, 2009, the former finance director received additional compensation of \$1,012.50. When we questioned the former finance director, he could not remember why he received this compensation. We found no payroll records or other documentation authorizing this payment. Based on

Exhibit B

our interviews with current and former Finance Committee members, no one was aware of this payment.

- C. On June 14, 2013, the current finance director received additional compensation of \$1,041.67. We reviewed payroll records and County Commission minutes with this employee, but we were unable to find any documentation to support this compensation. Based on conversations with current and former Finance Committee members, no one was aware of this payment.

The following table summarizes the \$26,604.17 in unauthorized compensation received by Finance Department employees:

<u>Budget Account Code</u>	<u>Former Finance Director</u>	<u>Former Interim Finance Director</u>	<u>Current Finance Director</u>	<u>Total</u>
Health Department	\$ 0.00	\$ 22,550.00	\$ 0.00	\$ 22,550.00
Other Pay	0.00	2,000.00	0.00	2,000.00
Regular Salary Codes	<u>1,012.50</u>	<u>0.00</u>	<u>1,041.67</u>	<u>2,054.17</u>
Total Unauthorized Compensation	<u>\$ 1,012.50</u>	<u>\$ 24,550.00</u>	<u>\$ 1,041.67</u>	<u>\$ 26,604.17</u>

37. 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. The bookkeeper was re-indicted, and the trial was set for June 24, 2014. However, on June 14, 2014, the case was dismissed. The County Commission wrote off the \$10,000 balance subsequent to June 30, 2014.

38. 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. The County Commission wrote off the balance subsequent to June 30, 2014.

39. 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 on 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 former county clerk liquidated the cash shortage. However, the clerk was also ordered by the Criminal Court of Morgan County, to repay \$11,562 to Morgan County for a portion of the extended audit costs associated with the cash shortage. The unpaid balance of the audit costs totals \$7,773.

40. 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. On February 18, 2014, the defendant pled guilty to theft of property over \$1,000 and received a three-year sentence suspended to three years of supervised probation and 100 hours community service, as well as being ordered to pay restitution of \$3,709.95. No restitution has been received as of January 5, 2015.

41. 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 and eliminating applicable fees with no documentation to support the clearing of the fees. 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. Unpaid restitution totals \$1,612.46.

42. 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. On December 12, 2014, the former assessor of property pled guilty to theft, agreed to pay restitution of \$1,956.77, and agreed to serve three years of probation. He also agreed to a two-year suspended jail sentence for the charge of official misconduct. The former assessor has not paid any of the \$1,956.77 restitution to date.

43. **Robertson County - Landfill Office**

The audit of Robertson County for the 2012-13 year reported a cash shortage of \$746.90 in the Solid Waste/Sanitation Department. Our investigation revealed that on August 10, 2013, personnel at the 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. There have been several additional safe-guards put into place since this event occurred to prevent any incident of this type from occurring again. The theft is no longer under investigation by the Robertson County Sheriff's Department, and the county does not expect to recover these funds; therefore, the \$746.90 has been written-off.

44. **Rutherford County - Office of Director of Schools**

On September 11, 2014, an investigative report by the Comptroller's Division of Investigations, Special Investigations Unit revealed that during the period July 1, 2010, through June 30, 2012, former bookkeeper Pam Tying misappropriated night school tuition collections totaling at least \$15,875 at Holloway Night School. Although several employees received tuition collections as part of their duties, eventually all collections were remitted to Ms. Tying. In turn, she was solely responsible for turning over collections, along with the related receipts, to the Rutherford County School Department's central office staff for deposit. Instead, our investigation revealed that Ms. Tying misappropriated some cash collections and concealed the misappropriation by failing to turn over receipts for those misappropriated collections. Ms. Tying disclosed to investigators that she reconciled receipts for night school tuition with the money she turned over to the central office staff for deposit; however, she could not explain the discrepancy of nearly \$16,000. On September 2, 2014, the Rutherford County Grand Jury indicted Ms. Pam Tying on one count of theft over \$10,000 and one count of official misconduct.

45. **Rutherford County - Office of Register of Deeds**

On August 7, 2014, the register of deeds discovered that cash totaling \$97.50 from petty cash was missing. The register informed the state Comptroller's Office of this cash shortage and filed a Fraud Reporting Form. At the close of business, the register stored the cash in an office filing cabinet in her office. Subsequently, our office performed an investigation; however, we were unable to determine who may

have taken the funds. The register liquidated the cash shortage of \$97.50 from personal funds.

46. Scott County - Office of Superintendent of Roads

Subsequent to June 30, 2014, a Highway Department employee admitted to improperly pumping approximately 20 gallons of diesel fuel worth \$59.60 from a county-owned mobile storage fuel tank into his personal vehicle. Also, further examination of the Highway Department's fuel records and the employee's time sheets disclosed that this employee had obtained some fuel while being off work. However, we were unable to determine the amounts of additional fuel the employee obtained for personal use since management did not require the employee to log his vehicle's odometer mileage during fueling at county pumps. Also, monthly reports for fuel usage were not reviewed by management to determine that the fuel card system was accounting for all fuel pumped properly. The employee has been required to write a check payable to the Highway Department for \$59.60 to reimburse the department for the fuel.

47. 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 \$758 in prior years. The county did not receive any restitution during 2013-14. On June 30, 2014, the County Commission adopted a resolution to write off the remaining balance (\$7,793.26) of this shortage.

48. 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 county did not receive any restitution during 2013-14. The unpaid balance totals \$310.

49. 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 \$8,820.50.

50. 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 unrecovered shortage of \$5,000.

51. 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 unrecovered shortage of \$5,000.

52. 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. The unpaid audit costs totals \$5,340.

53. Unicoi County - Office of Sheriff

An investigative report dated July 9, 2013, by the Comptroller's Division of Investigations, 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. This cash shortage was liquidated during the year.

54. Unicoi County - Office of Sheriff

On July 29, 2014, the sheriff submitted a Fraud Reporting Form to our office related to a missing cash bond of \$1,000. The cash bond had been receipted and placed in a lock box on July 9, 2014, for the collection of delinquent child support. However, when the bookkeeper began posting the cash journal, it was discovered that the funds had not been deposited. The department began an internal investigation and contacted the Tennessee Bureau of Investigation to assist. As of the date of this report, the investigation is ongoing. The shortage was liquidated in September 2014, when a check was written from the county's General Fund to the Unicoi County Chancery Court.

55. Van Buren County - Office of Sheriff

During the 2012-13 year, the Sheriff's Department had a cash shortage of \$3,000. This shortage resulted from not properly accounting for funds received from the County Mayor's Office for confidential undercover drug operations. On February 19, 2014, a former employee of the Sheriff's Department was indicted on multiple counts of theft and official misconduct related to this and other incidents, which occurred when the individual was an employee of the Sheriff's Department. No payments have been received toward liquidating this shortage.

56. 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 \$20,791.68 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. On April 23, 2015, the former airport manager pled guilty to forgery and theft of property and received one and three years' probation, respectively. Also, he was ordered to pay restitution to Warren County totaling \$17,478.45 plus \$13,081 to reimburse the county for additional audit costs.

57. Wayne County - Office of Director of Schools

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report on July 29, 2014, on the Wayne County School Department for the period July 1, 2009, through February 28, 2013, which revealed a cash shortage totaling \$319,134.58 as detailed below:

- A. Auditors noted unauthorized payroll checks totaling \$177,756.75 to four former School Department employees: the grants coordinator, the General Purpose School Fund (GPS) bookkeeper, the School Federal Projects Fund (SFP) bookkeeper, and a part-time bookkeeper. These payroll checks were issued without authorizations from the director of schools and were classified to the teacher salary line-item account code. The teacher salary line-item

Exhibit B

account code includes payroll for regular instruction teachers as well as teachers providing after-school help for needy students under a state and a federal grant.

1. The grants coordinator received payroll totaling \$67,676 that was not authorized. The grants coordinator worked as an independent contractor; however, we found no written contract between the grants coordinator and the School Department. The prior Director of Schools, Wanda Johnston, stated that she had a verbal agreement with the grants coordinator to be paid \$1,200 per month. Furthermore, the current Director of Schools, Gailand Grinder, stated that he had a verbal agreement with the grants coordinator to be paid \$20,000 from professional fees as budgeted by two grants, \$10,000 from each grant. Since the grants coordinator received \$67,676 in additional payments coded as teacher salaries, his actual salary remained concealed from the Board of Education and grant authorities until discovered by auditors. Time sheets submitted by the grants coordinator were not signed by the director of schools indicating approval. The grants coordinator acknowledged that he directed payments for himself to the line-item account code for teachers by giving written instructions to the GPS bookkeeper on his timesheets.
2. The GPS bookkeeper was paid \$72,892.50 for hours not properly authorized and not adequately documented. Although the GPS bookkeeper performed work on the school grants in addition to her normal job duties, the grants coordinator told auditors the GPS bookkeeper agreed to receive \$500 every two weeks for her grants work. That amount is generally consistent with the grant expenditure reports prepared under the direction of the grants coordinator, which were the basis for reimbursement to the School Department by the state Department of Education. However, the actual pay received by the GPS bookkeeper does not match either the time sheets of the GPS bookkeeper or the payments to the GPS bookkeeper recorded in grant expenditure reports. The grants coordinator approved the amount of payment and directed the misclassification of amounts to be coded as teacher salaries. In addition, the grants coordinator stated he had never actually reviewed the time sheets of the GPS bookkeeper and did not know how many hours the bookkeeper actually worked. He did acknowledge the bookkeeper was not a teacher. The GPS bookkeeper has admitted to being paid for hours she did not work.
3. The SFP bookkeeper was paid \$31,768.25 for hours not properly authorized and not adequately documented. Although the SFP bookkeeper received payroll payments under state and federal grants, the grants coordinator denied ever having seen the time sheets of the SFP bookkeeper. He stated that his signature appeared to have been copied, pasted, and recopied on the time sheets provided to auditors by the SFP bookkeeper. The SFP bookkeeper was not involved in a teaching capacity. In addition, the GPS bookkeeper prepared grant reimbursement requests based on expenditure reports allocated under the direction of the

Exhibit B

grants coordinator. The SFP bookkeeper was not mentioned in these expenditure reports except for limited work for the summer program. The GPS bookkeeper further advised auditors that she did not work with the SFP bookkeeper on the grants and had not received the SFP bookkeeper's time sheets for work on the grants.

- 4. A part-time bookkeeper, who worked as an independent contractor, was paid \$5,420 for hours not properly authorized and not adequately documented. The part-time bookkeeper was not involved in a teaching capacity and provided no documentation to support work with the grant.

The following payments received by the grants coordinator and the bookkeepers exceeded the expenses for administration allowed under the grants and were classified as payments to teachers providing after-school help for needy students. These payments were among payments to many other individuals and concealed the actual salary of the grants coordinator, the bookkeepers, and the actual cost of administering the grants. This enabled the grants coordinator and the bookkeepers to receive extra pay without any verification, supervision, or approval of actual hours worked.

Unauthorized Payroll

	<u>FY 2010</u>	<u>FY2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Total</u>
Grants Coordinator	\$ 14,200.00	\$ 23,226.00	\$ 28,625.00	\$ 1,625.00	\$ 67,676.00
GPS Bookkeeper	6,592.50	21,910.00	28,690.00	15,700.00	72,892.50
SFP Bookkeeper	5,038.25	9,535.00	11,840.00	5,355.00	31,768.25
Part-time Bookkeeper	345.00	3,290.00	1,215.00	570.00	5,420.00
Total Unauthorized Payroll	<u>\$ 26,175.75</u>	<u>\$ 57,961.00</u>	<u>\$ 70,370.00</u>	<u>\$ 23,250.00</u>	<u>\$ 177,756.75</u>

- B. Investigators determined that unauthorized purchases of at least \$135,660.33 were made using the School Department's Wal-Mart credit cards. After the GPS bookkeeper's employment was terminated, school officials received a monthly billing statement from Wal-Mart detailing charges made on multiple Wal-Mart credit cards, some of which were highly questionable. Investigators searched the records of the School Department and were unable to find any monthly statements on file for the period of July 2008 through December 2012. The director of schools requested replacement statements, and an analysis of those statements and other supporting documents was performed. It was determined that gift cards and related fees totaling \$77,176.69 plus personal purchases, including out-of-state purchases, miscellaneous groceries, and baby items totaling \$58,483.64, were made for which no valid purpose was noted. These purchases totaling \$135,660.33 (\$77,176.69 plus \$58,483.64) were made with credit cards assigned to or available to the GPS bookkeeper.
- C. Investigators noted four payroll checks totaling \$5,717.50 that were processed through the School Department's bank account; however, these checks were marked as void in the School Department's accounting records.

Exhibit B

The checks were not included on the employee's Form W-2, and appropriate income, Social Security, and Medicare taxes were not withheld. Three of the checks totaling \$4,971.42 were written to and cashed by the former GPS bookkeeper, and one check totaling \$746.08 was written to and cashed by the former SFP bookkeeper. These checks were shown as void in the accounting system in an attempt to conceal the unauthorized payments.

The following table summarizes the above-noted cash shortage:

Summary of Cash Shortage

A.	Unauthorized Payroll	\$ 177,756.75
B.	Unauthorized Purchases	135,660.33
C.	Voided Checks that Cleared the Bank	<u>5,717.50</u>
	Total Cash Shortage	<u>\$ 319,134.58</u>

In August 2014, the county received an insurance check totaling \$149,500. On January 16, 2015, the former employee was sentenced to three years of probation and ordered to pay the county's insurance carrier \$135,600. The outstanding cash shortage totals \$169,634.58.

58. 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, 2014, the outstanding cash shortage totaled \$34,224.43.

59. 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's employment 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, 2014, no restitution had been paid, leaving the outstanding cash shortage of \$3,386.18.

60. 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, 2014, the outstanding cash shortage totaled \$105,661.92.

61. Wilson County - Office of Sheriff

The Sheriff's Department received information alleging an employee was using a county credit card to purchase fuel for his private vehicle. Officials filed a Fraud Reporting Form with our office on June 25, 2013, and the allegation was investigated internally with help from the district attorney general. The employee's employment with the Sheriff's Department was terminated on July 1, 2013, and on September 22, 2014, the former employee pled guilty to eight counts of theft under \$500, received supervised probation, and was ordered to pay restitution of \$401.66.

Shortages Reported by Public Accounting Firms

1. Shelby County - Office of General Sessions Court Clerk

The audit for the 2013-14 year reported a cash shortage of \$1,020. This shortage was identified by a staff accountant during her standard operating procedures to verify all deposits. An investigation was conducted by the Shelby County Attorney's Office, and the potential theft was reported to the state Comptroller's Office. The county did not have enough evidence to determine the guilty party. No actions have been taken against any individual, and the county was unable to recover any of the funds.

2. Shelby County - Office of Health Services Division

The audit for the 2013-14 year reported a theft of \$195. A temporary employee was collecting funds for long-form death certificates. He recorded the transaction as a "No Sale" in the register and pocketed the cash collected. His co-workers noticed the strange actions and reported them to management. The employee's employment was immediately terminated, and the individual was escorted off the premises. The county was unable to recover any of the funds.

3. **Davidson County – Centennial Sportsplex Tennis Center**

During the period May 2010 through February 2014, the former special programs coordinator misappropriated Sportsplex funds totaling at least \$95,310 by diverting and depositing into his personal bank account at least 79 checks made payable to the Sportsplex. On September 26, 2014, the Davidson County Grand Jury indicted the former special programs coordinator on one count of theft over \$60,000 and one count of official misconduct.

4. **McMinn County - Office of Electric Division**

During October 2013, the county became aware of an allegation of fraud. The former assessor of property had been charged with using county gasoline to fill up his personal vehicle while not on county business. The former assessor was then charged with two counts of theft and one of official misconduct. He has subsequently paid the county for the gasoline. The Finance Department advised the situation has been resolved.

Division of Local Government Audit
Summary of Other Thefts and Judicial Actions in County Offices/Departments
as Reported in the Annual Financial Reports for the Year Ended June 30, 2014,
and Certain Special Reports

County	Description
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Other Matters Reported by the Comptroller's Office

1. **DeKalb**
Office of County Mayor Charges against the county mayor for providing false, fictitious, and fraudulent statements were dropped.

2. **Franklin**
Sanitation Department Two employees allegedly stole scrap metal.

3. **Gibson**
Office of Sheriff Numerous items were missing from the Sheriff's Department.

4. **Grainger**
Office of Sheriff Five Sheriff's Department employees were indicted.

5. **Jackson**
Office of County Clerk Case involving the county clerk was dismissed.

6. **Marshall**
Office of Sheriff Former deputy sheriff pled guilty to theft of tires.

7. **Rutherford**
Office of County Clerk Motor vehicle registration stickers were stolen.

Other Matters Reported by Public Accounting Firms

1. **Shelby**
Walnut Grove Landfill Two bush hogs were stolen.

2. **Knox**
Board of Education Possible improper use of credit cards.

Division of Local Government Audit
Explanations of Other Thefts and Judicial Actions in
County Offices/Departments (1)
as Reported in the Annual Financial Reports for the Year
Ended June 30, 2014, and Certain Special Reports

Other Matters Reported by the Comptroller's Office

1. DeKalb County - Office of County Mayor

On September 24, 2013, the county mayor, in his position as chairman of the Upper Cumberland Development District, was indicted by a federal grand jury on one count of providing false, fictitious, and fraudulent statements to the Upper Cumberland Development District's Board of Directors. Charges against the county mayor were dropped on February 18, 2014.

2. Franklin County - Sanitation Department

Two employees of the Franklin County Sanitation Department were indicted by a grand jury on September 2, 2014, for charges of theft of property of at least \$1,000 but less than \$10,000. These employees allegedly stole scrap metal, which was the property of Franklin County and sold the metal for personal gain. The exact amount of the cash shortage created by this activity is unknown at this time; but is not believed to be material to the financial statements of Franklin County based on the charges filed. These employees' employment was terminated from the Sanitation Department, and they are waiting an April 2015 court date.

3. Gibson County - Office of Sheriff

Sheriff Charles Arnold left office on August 31, 2014. On September 2, 2014, newly elected Sheriff Paul Thomas informed our office that numerous items were purportedly missing from the Sheriff's Department. These items included firearms, radios, a television, and computer hardware. Subsequently, our office performed an investigation; however, due to the lack of inventory records, we could not determine what, if anything, was missing from the department. On September 10, 2014, former sheriff Arnold turned in several firearms and other items, including radios and laptops, to the neighboring Crockett County Sheriff's Department and requested that these items be delivered to Gibson County. That same day, personnel from Crockett County delivered these items to the Gibson County Sheriff's Department. Mr. Arnold has not provided us any explanation of who removed these items from Gibson County or why they were in his possession. Due to the lack of inventory records, we could not determine if other items could still be missing from the department. We have discussed this finding with the district attorney general.

4. **Grainger County – Office of Sheriff**

On January 8, 2014, pursuant to an investigation of the Sheriff's Department by the Tennessee Bureau of Investigation, five department employees were indicted by the Grainger County Grand Jury. The employees were indicted for a total of 24 counts, including one count of theft under \$500, multiple counts of sexual contact with inmates, letting prisoners out to buy pizzas, selling cell phones, and other contraband, etc. Two of the employees have since pled guilty to certain charges. One employee pled guilty to theft under \$500, and a second employee pled guilty to charges of sexual contact with an inmate and official misconduct. The three remaining employees are awaiting trial on their indictments.

5. **Jackson County - Office of County Clerk**

In the prior-year report, we noted that 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, and that the clerk resigned from the office on November 4, 2013. On November 7, 2013, the case was dismissed upon the condition that the costs of the case be paid, and the former clerk would not seek employment with the county for ten years.

6. **Marshall County - Office of Sheriff**

We previously reported that on February 21, 2014, pursuant to an investigation initiated by the state Comptroller's Office, a Marshall County deputy sheriff was indicted by the Marshall County Grand Jury on one count of theft of property under \$1,000 and one count of official misconduct. The deputy was accused of stealing a set of tires from the Sheriff's Department, which he mounted on his girlfriend's car. The Sheriff's Department terminated the deputy's employment at the conclusion of the investigation. On June 18, 2014, the former deputy sheriff pled guilty to one count of official misconduct and the theft charges were dismissed.

7. **Rutherford County - Office of County Clerk**

The county clerk filed a fraud reporting form with our office on August 15, 2014, alleging vehicle registration stickers were stolen on August 12, 2014. While reviewing a security video of the office, the county clerk noticed a member of the cleaning staff stealing renewal stickers. These stickers reflected the month in which a car tag was issued. The member of the cleaning staff's employment was immediately terminated; however, the total number of stickers taken and any corresponding value could not be determined.

Other Matters Reported by Public Accounting Firms

1. Shelby County - Walnut Grove Landfill

In fiscal year 2014, the county had two bush hogs reported stolen from the Walnut Grove landfill. The pieces of equipment were old and only good for scrap. They had no value and were no longer reported on the books.

2. Knox County - Board of Education

Investigations are currently ongoing related to possible personal use of credit cards and other potential improper expenditures within the Knox County Schools Administration. These investigations by the Knox County internal auditor, the state Comptroller's Office, and Knox County law enforcement officials are incomplete at this time, and the amounts have not been determined. The results of the ongoing investigations and any related dollar amounts will be reported in future audits.

Footnote:

- (1) These findings are the result of other thefts and judicial actions. These findings were not listed on the Schedule of Cash Shortages, Exhibit A.