



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT**

SUITE 1500

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September 25, 2017

MEMORANDUM

TO: Honorable Justin P. Wilson
Comptroller of the Treasury

FROM: Jim Arnette, Director
Division of Local Government Audit 

SUBJECT: Cash Shortages and Other Thefts
for Tennessee Municipalities and Other Organizations Subject to
Contract Audit or Oversight for Fiscal Years Ended 2015 and Earlier

The Division of Local Government Audit has compiled the enclosed cash shortages and other thefts exhibits for the fiscal years ended 2015 and earlier for municipalities and other organizations subject to contract audit or oversight. The information contained herein is based upon information in investigative reports released by the Division of Investigations of the Tennessee Comptroller's Office as well as contract audits submitted by Certified Public Accounting firms to our division. As of the date of this memo, six of the 2015 contract audits have not been filed with our office.

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

Entity Type	Description	Total Number of Entities	Reporting Cash Shortages and Thefts
Municipalities		342	33
Schools	Internal School Funds	148	18
	Public Charter Schools	58	0
Quasi Governments	Utility Districts	179	5
	Housing Authorities	85	17
	Other Quasi Governments ¹	194	4
Nonprofits, Other ²		244	0
Total		1250	77

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

Entity Type	Description	Total Number of Entities	Reporting Cash Shortages and Thefts
Unaudited Entities	School Support Organizations	Not Available	4
	For Profit Organization	Not Available	1
	Nonprofit Organizations	Not Available	6
Total		Not Available	11

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

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

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

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

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

**Report of Cash Shortages and Other Thefts
Municipalities and Other Organizations Subject to Contract Audit or Oversight
Reported in Comptroller Investigative Reports and Annual Financial Audits
Fiscal Years Ended 2015 and Earlier**

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 Schedule of Cash Shortages and Other Thefts
 Municipalities and Other Organizations Subject to Contract Audit or Oversight
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for Fiscal Years Ended 2015 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
MUNICIPALITIES							
Alcoa							
1. Education Department	6/30/2014	3/3/2014	\$ 344,204	\$ 344,204	\$ 0	\$ (149,000)	\$ 195,204
Arlington							
2. Education Department	6/30/2015	(3)	750		750	0	750
Bartlett							
3. Public Safety	6/30/2015	(3)	2,678		2,678	(2,678)	0
Bluff City							
4. Water and Sewer Department	6/30/2014	(3)	3,876	1,938	0	(1,938)	0
Carthage							
5. Water and Sewer Department	6/30/2014	(3)	3,302	3,302	0	0	3,302
Chapel Hill							
6. General Government/Fire Department	6/30/2013	(3)	3,130	3,130	0	0	3,130
Clarksville							
7. Parks and Recreation Department	(5)	(3)	768		768	0	768
Collinwood							
8. General Government	6/30/2013	4/7/2014	879	879	0	0	879
Recreation Department	6/30/2013	4/7/2014	1,865	1,865	0	0	1,865
Water Department	6/30/2013	4/7/2014	91,682	91,682	0	0	91,682
Water Department	6/30/2012	(3)	76,497	76,497	0	0	76,497
General Government	6/30/2009	2/6/2012	20,375	20,375	0	0	20,375
Water Department	6/30/2009	2/6/2012	63,803	63,803	0	0	63,803
Cornersville							
9. General Government	6/30/2015	(3)	7,023		7,023	0	7,023
Police Department	6/30/2015	(3)	1,000		1,000	0	1,000
Decatur							
10. General Government	6/30/2015	(3)	416		416	(416)	0

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Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Dyer							
11. General Government	6/30/2014	(3)	225	225	0	0	225
Gadsden							
12. General Government	6/30/2013	12/10/2014	35,241	35,241	0	0	35,241
Harriman							
13. Recreation Department	6/30/2013	(3)	25,000	25,000	0	0	25,000
Jellico							
14. General Government	6/30/2013	6/5/2014	96,450	96,450	0	0	96,450
Knoxville							
15. Fleet Services Division	(5)	(3)	2,500		2,500	(2,500)	0
Knoxville Civic Auditorium and Coliseum	(5)	(3)	250		250	(250)	0
Parks and Recreation Department	(5)	(3)	3,347		3,347	0	3,347
Lakeland							
16. General Government	(5)	(3)	5,961	0	5,961	0	5,961
General Government	(5)	(3)	32,259	23,759		(5,500)	18,259
Mason							
17. General Government	6/30/2014	7/19/2016	678,609	678,609	0	0	678,609
Maury City							
18. Accounting Department	6/30/2013	(3)	2,300	2,300	0	0	2,300
19. Memphis							
General Government	6/30/2015	(3)	21		21	(21)	0
Library Department	6/30/2015	(3)	20		20	(20)	0
Police Department	6/30/2015	(3)	4,800		4,800	0	4,800
Public Works Division	6/30/2015	(3)	40		40	0	40
General Government	6/30/2014	(3)	24,012	24,012	0	0	24,012
Police Department	6/30/2014	(3)	8,220	8,220	0	0	8,220
Millington							
20. Police Department	(5)	(3)	12,190		12,190	0	12,190

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Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry- Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Morristown							
21. Police Department	6/30/2015	7/8/2015	6,000		6,000	(5,500)	500
Mount Juliet							
22. Police Department	6/30/2015	(3)	15,780		15,780	0	15,780
23. New Johnsonville							
General Government	6/30/2015	(3)	5,618	0	5,618	0	5,618
General Government	6/30/2014	12/4/2014	1,732	247	0	(247)	0
New Market							
24. General Government	(4)	1/16/2014	38,802	38,802	0	(38,802)	0
Oak Ridge							
25. Electric Department	6/30/2015	(3) (3)	3,443		3,443	(3,443)	0
Philadelphia							
26. General Government	6/30/2013	5/14/2014	6,714	4,985	0	0	4,985
Pikeville							
27. General Government	6/30/2012	8/9/2012	177,599	177,599	0	(172,670)	4,929
Ripley							
28. Fire Department	6/30/2014	10/16/2013	971	521	0	(521)	0
Power and Light Department	6/30/2013	(3)	2,098	2,098	0	(2,098)	0
Rockwood							
29. General Government	6/30/2012	2/27/2013	33,710	33,710	0	(985)	32,725
Tellico Plains							
30. Water and Sewer Department	6/30/2015	9/21/2015	819		819	0	819
Unicoi							
31. General Government	6/30/2013	(3)	657	657	0	0	657
32. Whiteville							
General Government	6/30/2015	(3)	728	0	728	(48)	680
General Government	6/30/2014	(3)	5,128	5,128	0	0	5,128

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Water and Sewer Department	6/30/2014	(3)	436	436		(436)	0
General Government	6/30/2014	(3)	450	450		(450)	0
General Government	6/30/2013	(3)	10,605	10,291	0	(1,900)	8,391
Woodbury							
33. Police Department	6/30/2015	(3)	28,602		28,602	(28,602)	0
Total Municipalities			\$ 1,893,585	\$ 1,776,415	\$ 102,754	\$ (418,025)	\$ 1,461,144
INTERNAL SCHOOL FUNDS							
Blount County Schools							
34. Fairview Elementary School	6/30/2015	(3)	\$ 612	\$ 0	\$ 612	\$ 0	\$ 612
Chester County Schools							
35. Chester County High School	6/30/2015	(3)	24	0	24	0	24
Clarksville-Montgomery County Schools							
36. Barksdale Elementary School	6/30/2015	(3)	587	0	587	(587)	0
Montgomery Central High School	6/30/2015	(3)	1,082	0	1,082	(1,082)	0
Kenwood High School	6/30/2014	(3)	225	225	0	(225)	0
Kenwood Middle School	6/30/2014	4/30/2014	2,289	2,289	0	(2,289)	0
West Creek High School	6/30/2014	(3)	1,507	1,507	0	(1,507)	0
Cleveland City Schools							
37. Donald P. Yates Primary School	6/30/2015	(3)	3,391	0	3,391	0	3,391
Dyersburg City Schools							
38. Dyersburg High School	6/30/2014	(3)	3,085	3,085	0	0	3,085
Fayette County Schools							
39. Somerville Elementary School	6/30/2015	(3)	14,855	0	14,855	0	14,855
Northwest Elementary School	6/30/2015	(3)	191	0	191	0	191
Grainger County Schools							
40. Bean Station Elementary School	6/30/2014	2/26/2015	1,515	0	1,515	(1,515)	0

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Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Grundy County Schools							
41. North Elementary School	6/30/2015	(3)	300	0	300	0	300
Hardeman County Schools							
42. Bolivar Central High School	6/30/2015	(3)	1,500	0	1,500	(75)	1,425
Humphreys County Schools							
43. Lakeview Elementary School	6/30/2013	7/10/2014	8,983	7,203	0	0	7,203
Lawrence County Schools							
44. EO Coffman Middle School	6/30/2013	(3)	6,350	6,350	0	0	6,350
Marion County Schools							
45. Whitwell High School	6/30/2010	6/10/2014	35,332	35,332	0	0	35,332
McNairy County Schools							
46. Selmer Middle School	6/30/2015	(3)	910	0	910	(910)	0
Shelby County Schools							
47. Chimneyrock Elementary School	6/30/2015	(3)	2,924	0	2,924	0	2,924
Cordova High School	6/30/2015	(3)	1,056	0	1,056	(880)	176
Hamilton High School	6/30/2015	(3)	9,178	0	9,178	0	9,178
Administration - Facilities	6/30/2014	9/7/2007	300,000	106,275	0	0	106,275
Administration - Student Support	6/30/2014	(3)	411	411	0	0	411
Alton Elementary School	6/30/2014	(3)	1,107	0	1,107	0	1,107
Arlington High School	6/30/2014	1/16/2014	171,954	171,954	0	0	171,954
Carver High School	6/30/2014	(3)	814	0	814	0	814
Chickasaw Middle School	6/30/2014	(3)	1,102	1,102	0	0	1,102
Colonial Middle School	6/30/2014	(3)	1,000	1,000	0	0	1,000
Corry Middle School	6/30/2014	(3)	1,814	1,814	0	0	1,814
Evans Elementary School	6/30/2014	(3)	1,458	1,458	0	0	1,458
Frayser High School	6/30/2014	(3)	9,000	9,000	0	0	9,000
Germanshire Elementary School	6/30/2014	(3)	860	860	0	0	860
Holmes Road Elementary School	6/30/2014	(3)	350	350	0	0	350
Holmes Road Elementary School - SACC Program	6/30/2014	(3)	24,928	24,928	0	0	24,928
Kingsbury High School	6/30/2014	(3)	3,375	3,375	0	0	3,375
Kirby High School	6/30/2014	(3)	1,500	1,500	0	0	1,500
Lester Middle School	6/30/2014	(3)	600	600	1,322	0	1,922

**Division of Local Government Audit
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 as Reported in Comptroller Investigative Reports and Annual Financial Audits for Fiscal Years Ended 2015 and Earlier**

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Melrose High School	6/30/2014	(3)	11,377	3,928	0	0	3,928
Newberry Elementary School	6/30/2014	(3)	9,830	9,830	0	0	9,830
Northside High School	6/30/2014	(3)	1,283	1,283	790	0	2,073
Oak Forest Elementary School	6/30/2014	(3)	765	765	0	0	765
Peabody Elementary School	6/30/2014	(3)	18,000	18,000	0	0	18,000
Ross Elementary School	6/30/2014	(3)	299	299	0	0	299
Southwest Prep Academy School	6/30/2014	(3)	1,180	1,180	0	0	1,180
Trezevant High School	6/30/2014	(3)	11,877	11,877	0	0	11,877
William H. Brewster Elementary School	6/30/2014	(3)	4,000	4,000	0	0	4,000
Wooddale Middle School	6/30/2014	(3)	1,900	1,900	0	0	1,900
Sullivan County Schools							
48. Miller Perry Elementary School	6/30/2015	(3)	192	0	192	(192)	0
Sumner County Schools							
49. Gallatin High School	6/30/2015	(3)	120	0	120	(120)	0
Hendersonville High School	6/30/2014	(3)	2,049	2,049	0	(1,087)	962
Tipton County Schools							
50. Crestview Middle School	6/30/2015	(3)	155	0	155	0	155
Wilson County Schools							
51. Elzie D. Patton Elementary School	6/30/2015	3/16/2015	8,646	0	8,646	(8,646)	0
Total Internal School Funds			\$ 687,842	\$ 435,729	\$ 51,271	\$ (19,115)	\$ 467,885
UTILITY DISTRICTS							
52. Chuckey Utility District and Cross Anchor Utility District	6/30/2013	8/18/2014	\$ 209,454	\$ 207,390	\$ 0	\$ 0	\$ 207,390
53. Lone Oak Utility District	12/31/2014	(3)	400	400	0	(400)	0
54. Paris-Henry County Public Utility District	5/31/2015	(3)	915	0	915	(915)	0
55. Webb Creek Utility District	12/31/2014	9/3/2014	43,929	43,929	0	0	43,929
Total Utility Districts			\$ 254,698	\$ 251,719	\$ 915	\$ (1,315)	\$ 251,319

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Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry- Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
HOUSING AUTHORITIES							
56. Gallaway Housing Authority	9/30/2014	(3)	\$ 250	\$ 250	\$ 0	\$ 0	\$ 250
57. Smyrna Housing Authority	12/31/2015	(3)	14,210	0	14,210		14,210
58. South Pittsburg Housing Authority and South Pittsburg Elderly Housing Authority	6/30/2015 6/30/2015	12/17/2015 7/14/2015	273,956	0	273,956	0	273,956
59. Other Related Thefts - Tenant Income Falsifications							
Chattanooga Housing Authority	12/31/2015	(3)	115,508	0	115,508	(95,218)	20,290
Chattanooga Housing Authority	12/31/2014	(3)	167,577	10,825	0	(10,825)	0
Cleveland Housing Authority	6/30/2005	(3)	51,764	82,931	10,281	(11,664)	81,548
Columbia Housing & Redevelopment Corp.	12/31/2015	(3)	3,673	0	3,673	(615)	3,058
Columbia Housing & Redevelopment Corp.	12/31/2014	(3)	4,103	4,103	0	(4,103)	0
Columbia Housing & Redevelopment Corp.	12/31/2013	(3)	7,801	4,051	0	(4,051)	0
Columbia Housing & Redevelopment Corp.	12/31/2012	(3)	3,728	3,728	0	(3,728)	0
Dickson Housing Authority	6/30/2014	(3)	4,971	2,270	0	(600)	1,670
LaFollette Housing Authority	9/30/2015	(3)	2,464	0	2,464	(2,464)	0
Lawrenceburg Housing Authority	12/31/2014	(3)	2,706	2,311	0	(2,311)	0
Lewisburg Housing Authority	12/31/2011	(3)	4,559	8,058	3,881	(5,703)	6,236
Martin Housing Authority	9/30/2014	(3)	8,195	2,485	3,583	(1,401)	4,667
Murfreesboro Housing Authority	3/31/2013	(3)	71,941	84,747	46,601	(18,561)	112,787
Oak Ridge Housing Authority	9/30/2015	(3)	13,812	13,812	1,047		14,859
Shelbyville Housing Authority	12/31/2015	(3)	2,307	0	2,307	0	2,307

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Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Sweetwater Housing Authority	12/31/2015	(3)	5,456	0	5,456	(4,910)	546
Tulahoma Housing Authority	9/30/2015	(3)	450	0	450	(450)	0
Total Housing Authorities			\$ 759,431	\$ 219,571	\$ 483,417	\$ (166,604)	\$ 536,384
OTHER GOVERNMENTAL ENTITIES							
60. Beech River Watershed Development Authority	9/30/2015	(3)	\$ 1,088	\$ 0	\$ 1,088	\$ (1,088)	\$ 0
61. Delta Human Resource Agency	6/30/2014	12/1/2014	6,427	6,427	0	(6,427)	0
62. Watauga River Regional Water Authority	6/30/2015	5/4/2015	11,325	0	11,325	0	11,325
Westate Corrections Network, Inc.							
63. General Government	6/30/2013	8/22/2013	63,972	23,210	0	(23,210)	0
Total Other Governmental Entities			\$ 82,812	\$ 29,637	\$ 12,413	\$ (30,725)	\$ 11,325
Total Audited Entities			\$ 3,678,368	\$ 2,713,071	\$ 650,770	\$ (635,784)	\$ 2,728,057
UNAUDITED ENTITIES							
FOR PROFIT ORGANIZATIONS							
64. Academy for Kidz	Unaudited	3/23/2016	\$ 83,881	(6)	\$ 83,881	(6)	(6)
NONPROFIT ORGANIZATIONS							
65. ABC Nutrition Program, Inc.	Unaudited	3/18/2015	732,703	732,703	(7)	(7)	(7)
66. Arc of Hamilton County	Unaudited	(3)	2,545	2,545	(7)	(7)	(7)
67. Cherry Tree Food Program	Unaudited	3/23/2016	181,136	(6)	181,136	(6)	(6)
68. Coffee County Education Association	Unaudited	11/17/2016	29,096	(6)	29,096	(6)	(6)

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69. Heal Thyself Deliverance Temple	Unaudited	2/23/2017	25,958	(6)	25,958	(6)	(6)
70. Sequatchie County Fair Association	Unaudited	2/6/2017	7,253	(6)	7,253	(6)	(6)
<i>SCHOOL SUPPORT ORGANIZATIONS</i>							
71. Arlington Middle School Dance Team Booster Club	Unaudited	6/2/2017	11,059	(6)	11,059	(6)	(6)
72. Richland Elementary School PTO	Unaudited	5/5/2017	5,649	(6)	5,649	(6)	(6)
73. Rutherford County Blackman High School Boys Soccer Booster Club	Unaudited	12/22/2015	6,989	(6)	6,989	(6)	(6)
74. Rutherford County Blackman High School Football Boosters	Unaudited	4/7/2016	96,416	(6)	96,416	(6)	(6)
Total Unaudited Entities			\$ 1,182,685	735,248	\$ 447,437	n/a	n/a

Footnotes:

- (1) Annual audit reports are located on the Division of Local Government Audit's website at <https://www.comptroller.tn.gov/la/ReportsAudits.asp>.
- (2) Comptroller investigative reports are located on the Division of Investigation's website at <https://www.comptroller.tn.gov/ia/>.
- (3) No separate investigation was conducted by the Tennessee Comptroller of the Treasury, Division of Investigations.
- (4) As of the date of this report, a revised audited financial report for the fiscal year 2013 has been requested by the Division of Local Government Audit.
- (5) Annual audit reports did not include cash shortages and thefts information; however separate schedules were filed with the Division of Local Government Audit.
- (6) Organizations that do not have a statutory annual audit requirement, carry-forward amounts, reductions for restitution, insurance, and/or write-off amounts, and ending balances are not available.
- (7) Organizations that do not have an audit for the current period due to changes in funding or certain situations, current year increase amounts, reductions for restitution, insurance, and/or write-off amounts, and ending balances are not available.

**Division of Local Government Audit
Explanations of Cash Shortages and Other Thefts
Municipalities and Other Organizations Subject to Contract Audit or Oversight
as Reported in Comptroller Investigative Reports and Annual Financial Audits
for Fiscal Years Ended 2015 and Earlier**

Municipalities

1. Alcoa

Education Department – At the request of the District Attorney General for the 9th Judicial District, the Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, performed an investigative audit of suspected financial irregularities by the former treasurer of the Tennessee Attendance Supervisors Steering Committee. During the course of the audit, investigators discovered that the former treasurer had also served as the former federal projects administrative assistant for the Alcoa City School District and as the former treasurer for the East Tennessee Attendance Supervisors Association. Therefore, the scope of the audit was expanded to include transactions that involved these entities. The scope covered the period from July 1, 2007, through May 16, 2013; however, it was expanded as necessary. The audit revealed a cash shortage of at least \$344,204. An investigative report was issued on March 3, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations.

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

Disposition: The Alcoa City School District will seek restitution through the court system and from the city's insurer to recover the funds. As of the June 30, 2015, fiscal year end the insurer paid the city \$149,000, and the remaining balance was \$195,204.

2. Arlington

Education Department – The audit for the year ended June 30, 2015, revealed a theft of \$750 by a cashier in the cafeteria at the Arlington Elementary School. The cashier issued refunds intended for students on several occasions.

Disposition: The employee was terminated, and the board of education did not demand restitution.

3. Bartlett

Police Department – During the fiscal year ended June 30, 2015, the Finance Department discovered that seized money of \$2,678 from the Narcotics Department had not been deposited into a bank.

Disposition: Internal Affairs investigated the matter and conducted an audit of all seized money in the department. The shortage was written off because the city could not determine who failed to deposit the money.

4. Bluff City

Water and Sewer Department – The annual audit for the City of Bluff City for the fiscal year ended June 30, 2014, revealed a cash shortage in the Water and Sewer Department of \$3,876. As a result of failing to reconcile bank statements in a timely manner, checks that were not the city's checks cleared the city's bank account.

Disposition: After the bank conducted an internal investigation, it reimbursed the city for \$1,938. On October 9, 2014, the city's board of mayor and aldermen approved writing off the remaining balance of \$1,938 as uncollectible.

5. Carthage

Water and Sewer Department – During the audit for the Town of Carthage for the fiscal year ended June 30, 2014, a difference was noted between amounts reported as payments in the customer accounts receivable records and amounts recorded as cash receipts and deposits that could not be explained. Therefore, a cash shortage of \$3,302 was reported to the Tennessee Comptroller of the Treasury's Office.

Disposition: As of the fiscal year ended June 30, 2015, city officials had not resolved the cash shortage balance of \$3,302.

6. Chapel Hill

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

Disposition: When the fraud was discovered, town officials immediately terminated the responsible employee and took steps to strengthen the town's internal controls. Subsequent to June 30, 2013, the case went to court, and the former employee was indicted on theft of property between \$1,000 and \$10,000 and ordered to pay restitution to the town. According to the Criminal Fees Summary Schedule provided by the Marshall County Circuit Court, the theft was determined to be \$3,130. The town had not received restitution at June 30, 2015.

7. Clarksville

Parks and Recreation Department – A review of internal controls at the City of Clarksville revealed an employee used a city purchasing card to charge personal hotel and fuel purchases that totaled \$268. In addition, after the former employee was terminated in accordance with city policies, uniforms that valued approximately \$500 were not returned to the city.

Disposition: As of June 30, 2015, the local Police Department is currently performing an investigation, and no restitution has been made.

8. Collinwood – (June 30, 2013)

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

General Government – The former recorder failed to deposit at least \$879 in property tax collections into a city bank account. Property tax records reflected that the former city recorder collected \$879 in cash from certain taxpayers; however, she did not deposit the tax collections into a city bank account.

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

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

Disposition: The former city recorder was indicted on March 14, 2014, by the Wayne County Grand Jury on one count of theft over \$60,000.

Collinwood – (June 30, 2012)

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

Disposition: No restitution had been made as of June 30, 2015. However, both former recorders have been indicted by the Wayne County Grand Jury for other thefts investigated by the Comptroller's Office.

Collinwood – (June 30, 2009)

The audit for the City of Collinwood for the fiscal year ended June 30, 2009, reported misappropriated municipal collections of at least \$84,178. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on April 7, 2014, detected certain thefts that are summarized as follows:

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

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

Disposition: No restitution had been made as of June 30, 2015. The former city recorder was indicted on January 12, 2012, by the Wayne County Grand Jury on one count of theft over \$60,000. The individual was reported as deceased as of July 9, 2014.

9. Cornersville

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

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

Disposition: As of the fiscal year ended June 30, 2015, town officials had not determined a course of action to recover the shortages of \$8,023.

10. Decatur

General Government – The audit for the Town of Decatur for the fiscal year ended June 30, 2015, reported a cash shortage of \$416 attributed to proceeds from a sale of surplus assets that were not received by the town. Town officials notified the Tennessee Bureau of Investigation of this matter.

Disposition: The Tennessee Bureau of Investigation determined the sale proceeds were diverted by an outside party, and the shortage of \$416 was written off as unrecoverable.

11. **Dyer**

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

Disposition: The former city employee resigned on March 6, 2014, and has not been legally prosecuted. No restitution had been made as of June 30, 2015.

12. **Gadsden**

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

Summary of Amounts Diverted for Personal Use by Former Mayor/Fire Chief	
Gasoline, cigarettes, and food items charged to the town from a local convenience store	\$ 33,775
Wal-Mart, Lowes, J & W Surplus and Office Max purchases that appeared to be for personal benefit and were not in the town's possession	1,416
Community Center rental revenue – check payment cashed and used for personal benefit	50
	\$ 35,241

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

Disposition: The investigative audit recommended that town officials take steps to seek recovery of \$35,241. Additionally, the shortage and other findings addressed in the investigation were reviewed with the local district attorney general. At June 30, 2015, no restitution payments had been made, and the court case was pending.

13. Harriman

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

Disposition: City officials have taken steps to strengthen internal controls over concession sales. The city also reported the matter to proper authorities and took appropriate personnel action. At June 30, 2015, no restitution payments had been made although the city continued to pursue collection of the outstanding amounts.

14. Jellico

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

Summary of Amounts Misappropriated by Former City Recorder	
Cash collections diverted for personal use	\$ 71,525
Unauthorized payroll checks	2,313
Unauthorized travel and expense reimbursements	3,835
Unauthorized fuel purchases	5,987
Undocumented checks for petty cash	4,228
Unauthorized Lowe’s gift cards	80
Unauthorized groceries and fuel	128
Customer checks not deposited	<u>8,354</u>
	<u>\$96,450</u>

According to the investigative report, additional disbursements of \$16,617 were questioned. However, due to the poor condition of the city’s accounting records and

the lack of adequate documentation on file, investigators could not determine if these disbursements were related to municipal purposes.

Disposition: On May 16, 2014, the former city recorder was indicted by the Campbell County Grand Jury on charges of theft over \$60,000 and official misconduct. As of the fiscal year ended June 30, 2015, the unrecovered balance remained at \$96,450.

15. Knoxville

Fleet Services Division – The city received an employee tip regarding another employee who removed a plasm cutter valued at approximately \$2,500 from city property. An investigation was conducted by the city, and the employee was placed on administrative leave without pay.

Disposition: The employee returned the plasm cutter to the city and resigned his position as of June 30, 2015.

Solid Waste Management Facility – An investigation revealed that two employees violated city scrapping policies by removing items dropped off at the facility's dump pit for personal use.

Disposition: As of June 30, 2015, the employees were terminated from their positions. No value was attributed to the loss because the items would have been transferred to the landfill.

Knoxville Civic Auditorium and Coliseum (KCAC) – An employee at the facility sold city tools valued at \$250 to a pawnshop. The city notified the Knoxville Police Department, and the employee admitted his guilt.

Disposition: The tools were returned to the city, and the employee was terminated from his position as of June 30, 2015.

Parks and Recreation Department – Cash bags containing \$3,347 for deposit were stolen from a safe. A police report was filed, and an investigation was performed.

Disposition: As of June 30, 2015, the suspected employee had resigned, and none of the stolen funds have been recovered. The employee was not prosecuted because the investigation provided insufficient evidence.

16. Lakeland – (June 30, 2015)

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

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

Lakeland – (June 30, 2013)

General Government – A special investigation conducted by Watkins Uiberall, PLLC, Certified Public Accountants, was released in August 2011. The investigation determined the theft was a result of cash receipts of \$32,259 stolen from June 2008 through August 2011 by a city employee.

Disposition: As of the fiscal year ended June 30, 2014, the employee was terminated and was sentenced to pay restitution to the city of \$55,259 consisting of \$32,259 in stolen funds and special investigation fees of \$23,000. As of the fiscal year ended June 30, 2015, the former employee had paid monthly restitution payments of \$14,000 to the city, and a balance of \$18,259 remained unpaid.

17. Mason

Public Works Department – An investigative report issued on July 19, 2016, by the Tennessee Comptroller of the Treasury, Division of Investigations, for the Town of Mason reported misappropriated municipal collections of at least \$678,609. The Comptroller’s Office in conjunction with the Tennessee Bureau of Investigation conducted an investigative audit for the period January 1, 2007, through March 24, 2015, revealing thefts and the following deficiencies:

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

Disposition: The former superintendent resigned in March 2015. On June 11, 2016, the former superintendent was indicted by the Tipton County Grand Jury on charges of official misconduct and theft over \$60,000. As of the fiscal year ended June 30, 2015, the town had not recovered the balance of \$678,609, and the former superintendent was awaiting trial.

18. Maury City

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

Disposition: As of June 30, 2015, town officials had not resolved the cash shortage of \$2,300.

19. Memphis – (June 30, 2015)

General Government – The audit for the City of Memphis for the fiscal year ended June 30, 2015, reported two employees in the City Court Clerk's Office used their positions to defraud the city so that a parking ticket of \$21 would not have to be paid.

Disposition: The employee who entered a citation into the eTims system without a tag number was terminated, and the employee who received the ticket received disciplinary action. As of the fiscal year ended June 30, 2015, restitution of \$21 had been paid.

Library Department – The audit for the City of Memphis for the fiscal year ended June 30, 2015, reported a citizen was advised to pay a library employee \$20 to satisfy a \$50 fine. After discovering the fine was only \$1.80, the patron confronted the employee, and the employee returned \$20 to the patron.

Disposition: The incident was investigated by the Memphis Police Department Inspectional Services, and the employee resigned during the investigation. As of the fiscal year ended June 30, 2015, restitution of \$20 had been paid.

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

Disposition: As of the fiscal year ended June 30, 2015, restitution had not been paid. The employee was placed on administrative leave pending the investigation and subsequently resigned.

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

Disposition: As of the fiscal year ended June 30, 2015, the \$40 shortage balance was unresolved, and the employees involved in the incidents were no longer employed by the city.

Memphis – (June 30, 2014)

General Government – The audit for the City of Memphis for the fiscal year ended June 30, 2014, reported an employee of the City Court Clerk Office with expanded privileges embezzled money totaling \$24,012. The privileges allowed the employee to access, adjust and approve transactions entered into the Electronic Ticket Information System (ETIS). The individual made adjustments to cash payments for traffic tickets made by customers who had been issued motor vehicle citations by the City of Memphis.

Disposition: The clerk pled guilty to embezzlement in March 2015. The fraud was reported to the Tennessee Comptroller of the Treasury, and city officials took steps to strengthen internal controls. As of the fiscal year ended June 30, 2015, the city had not recovered the balance of \$24,012.

Police Department – The audit for the City of Memphis for the fiscal year ended June 30, 2014, reported a payroll clerk employed by the Police Department deposited missing payroll checks of \$8,220 into her personal account.

Disposition: The fraud was reported to the Tennessee Comptroller of the Treasury, and city officials took steps to strengthen internal controls. As of the fiscal year ended June 30, 2015, the city had not recovered the \$8,220 balance.

20. Millington

Police Department – Subsequent to June 30, 2015, a shortage of funds was discovered in the department. A total of \$19,962 was held for safekeeping by the Police Department related to a death investigation in April 2015. However, a \$12,190 shortage was discovered when the funds were supposed to be delivered to the next of kin in August 2015.

Disposition: As of the fiscal year ended June 30, 2015, the chief of police had been replaced, and two additional employees were terminated. The funds have not been recovered, and an ongoing investigation is being performed by the Tennessee Comptroller of the Treasury, Division of Investigations.

21. Morristown

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

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

Disposition: This matter was referred to the local district attorney general. On July 1, 2015, the Hamblen County Grand Jury indicted the former officer on two counts of theft over \$1,000, one count of theft under \$500 and one count of official misconduct. As of the fiscal year ended June 30, 2015, the \$500 balance had not been recovered.

22. Mount Juliet

Police Department – City officials concluded a police officer submitted overtime hours that were not documented as worked during the fiscal year ended June 30, 2015. In addition, unaccounted for drug investigation funds of \$1,600 were identified. The case was investigated by the Tennessee Bureau of Investigation and the United States Drug Enforcement Agency.

Disposition: According to investigation reports, the amount of questioned overtime payments was approximately \$27,280, of which \$13,100 was reimbursed to the city by the United States Department of Justice. The officer pled guilty to the federal portion of the case and has been sentenced with a requirement to repay the United States Department of Justice the federal portion of the overtime payments. The Tennessee Bureau of Investigation is expected to pursue the remaining \$14,180 of undocumented overtime payments and the \$1,600 drug investigation funds shortage.

23. New Johnsonville – (June 30, 2015)

General Government – During the fiscal year, the mayor and a police officer received employee benefits of \$5,618 for which they were not entitled.

Disposition: As of the fiscal year ended June 30, 2015, the city had not resolved the \$5,618 shortage.

New Johnsonville – (June 30, 2013)

General Government – The audit for the City of New Johnsonville for the fiscal year ended June 30, 2014, and an investigative report issued on December 4, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, revealed that the mayor of the City of New Johnsonville received personal benefits valued at \$1,732 from the use of city personnel, city money and a city vehicle for the retrieval of his personal vehicle from South Carolina.

Disposition: This matter was referred to the local district attorney general. On December 1, 2014, the Humphreys County Grand Jury indicted the mayor on one count of theft over \$1,000. As of the fiscal year ended June 30, 2015, the city had recovered the remaining balance of \$247.

24. New Market

An investigative report issued on January 16, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, for the Town of New Market reported misappropriated municipal collections of at least \$40,087. The Comptroller's Office,

Exhibit B

in conjunction with the Tennessee Bureau of Investigation, conducted an investigative audit that revealed thefts during the period September 1, 2009, through April 30, 2013. The thefts resulted from the following misappropriations of funds:

General Government – The former recorder misappropriated \$38,802 in municipal funds. The recorder withdrew \$25,009 from a town certificate of deposit and converted it for her personal use. The recorder concealed the misappropriation by fabricating invoices and altering minutes of meetings of the mayor and board of aldermen. The recorder misappropriated an additional \$13,793 by issuing unauthorized payroll checks to herself and retaining the proceeds for her personal benefit. The recorder deleted most of the unauthorized payroll checks from the town's computerized accounting records, effectively concealing her issuance of these checks.

Disposition: These matters were referred to the local district attorney general. In August 2013, the Jefferson County Grand Jury indicted the former recorder on two counts of theft over \$10,000 and four counts of official misconduct. On March 18, 2014, the Town recovered \$37,802, which is the amount of theft less \$1,000 of deductible through insurance. The remaining \$1,000 was written off by the Town. On December 18, 2014, the former recorder was found guilty on all six counts of charges in the Criminal Circuit Court for Jefferson County, and the court ordered \$38,802 of restitution to be paid.

25. **Oak Ridge**

Electric Department – The audit for the fiscal year ended June 30, 2015, reported a theft of \$3,443 in the Electric Department by a municipal employee. The theft resulted from the misappropriation of funds by a cashier in the Utilities Business Office.

Disposition: The employee confessed to the theft and was dismissed from employment. As of June 30, 2015, full restitution had been received from the employee.

26. **Philadelphia**

General Government – The audit for the City of Philadelphia for the fiscal year ended June 30, 2013, reported misappropriated funds in connection with an investigative report released by the Tennessee Comptroller of the Treasury on May 14, 2014. The report issued by the Division of Investigations focused on the period January 1, 2013, through November 30, 2013. It was revealed that the former city recorder cashed two unauthorized checks for \$638 made payable to herself. The investigation also revealed city officials did not ensure that complete inventory records of high-risk, moveable property such as sound equipment and computers were maintained, or that all property purchased was available for municipal use. Investigators were unable to locate sound equipment valued at more than \$600 purchased by the former mayor with city funds for use at a benefit concert.

Exhibit B

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

Summary of Missing Municipal Funds and Equipment

Two unauthorized checks cashed by former city recorder	\$ 638
Stolen checks cashed by non-municipal employees	5,476
Missing sound equipment	600
	\$ 6,714

Disposition: The unauthorized checks that were cashed by the former city recorder were referred to the local district attorney general. In April 2014, the Loudon County Grand Jury indicted the former city recorder on three counts of official misconduct and two counts of forgery. The stolen checks that were cashed for \$5,476 resulted in several indictments. As of June 30, 2013, a payment of \$1,729 had been received, which resulted in an ending balance of \$4,985. As of June 30, 2015, no additional amounts for restitution had been collected by the City of Philadelphia, and the balance remained at \$4,985.

27. Pikeville

General Government – The audit for the City of Pikeville for the fiscal year ended June 30, 2012, reported findings related to an investigation conducted by the Tennessee Comptroller of the Treasury, Division of Investigations, pursuant to a request from the local district attorney general. The investigative report was issued on August 9, 2012, and focused primarily on the period July 1, 2010, through December 31, 2011; however, when warranted, the scope was expanded. The investigation revealed the following questionable purchases:

Summary of Questionable Purchases Made with City Funds by Former Mayor

Purchase of a 2008 Honda Element for the mayor's personal use	\$ 15,900
Unauthorized reimbursements for family health insurance expenses when the mayor's family received health insurance coverage through the wife's employer	35,599
Unauthorized payments for a vehicle allowance received by the mayor while he also had a city fuel card and drove a city-owned vehicle	16,200
Purchase of ten (10) used vehicles without obtaining board approval when the vehicles served no apparent municipal purpose and were never titled to the city	109,900
	\$ 177,599

Additional purchases of \$1,942 and \$522 were questioned by the Division of Investigations. A total of \$1,942 was related to purchases made with the city's credit card for travel expenses in Florida, and \$522 was related to travel expenses in Gatlinburg. The mayor reimbursed the city for \$1,942, and although he informed investigators the charges in Gatlinburg may have been associated with a town-related conference, he provided no evidence to support the claim.

Disposition: The mayor was sentenced to 30 days in prison, 2 years and 11 months of probation and ordered to perform 100 hours of community service for the City of Pikeville in January 2014. As of June 30, 2015, restitution of \$1,900 had been paid to the city by the mayor, and the remaining unpaid balance of restitution required from the mayor was \$4,929. \$170,770 was recovered by the city through various amounts that were written off by management, and by sales or retaining ownership of certain vehicles.

28. Ripley

Fire Department – The annual audit for the City of Ripley for the fiscal year ended June 30, 2014, reported a cash shortage of \$971 in the Fire Department in connection with an investigation conducted by the Tennessee Comptroller of the Treasury. The report released by the Division of Investigations on October 16, 2013, disclosed the theft was the result of donations to the Fire Department that were stolen by a former fire chief.

Power and Light Department – The annual audit for the City of Ripley for the fiscal year ended June 30, 2013, reported over-reimbursement of educational expenses. A former employee submitted certain tuition reimbursement requests to the Power and Light Department for full tuition without deducting amounts received for Pell grants, which resulted in overpayments of \$2,098.

Disposition: As of the fiscal year ended June 30, 2015, the former fire chief retired, and the above shortages of \$3,069 were written off by the city.

29. Rockwood

General Government – The audit for the City of Rockwood for the fiscal year ended June 30, 2012, reported that credit card statements were not maintained, and receipts were not submitted and retained for most credit purchases. In addition, the audit revealed that many credit card purchases appeared to be for personal purposes. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on February 27, 2013, for the period January 1, 2009, through January 31, 2012, revealed that the former city coordinator used a city credit card and a city store charge card to purchase at least \$32,725 in property and services for his personal benefit. The investigation further revealed that the former city accountant used the city's credit card for unauthorized purchases of \$985.

Summary of Purchases for Personal Benefit:

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

Former City Accountant	
Online college courses	\$ 985
	<u>\$ 985</u>

Disposition: In February 2013, the Roane County Grand Jury indicted the former city coordinator on seven counts that included theft, credit card fraud and official misconduct. As of the fiscal year ended June 30, 2015, the case is still awaiting trial, and one of the former employees paid \$985 of restitution to the city for the online college courses.

30. Tellico Plains

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

Disposition: As of June 30, 2015, the employee was terminated, and although no restitution payments have been received by the town, some of the items were recovered from the scrapyard.

31. Unicoi

General Government – The audit for the Town of Unicoi for the fiscal year ended June 30, 2013, reported misappropriated municipal funds of \$657. Municipal funds were used to pay for meals of spouses of board members and employees at a municipal function.

Disposition: As of June 30, 2015, the town had not received restitution for municipal funds that were used to pay for spouse meals.

32. Whiteville – (June 30, 2015 and June 30, 2014)

General Government – The audit for the year ended June 30, 2014, reported a shortage of \$5,128 because the town remitted payments in excess of voluntary withholdings from employee payroll checks for various insurance and bank payments during the years ended June 30, 2012, 2013, and 2014.

Disposition: As of the fiscal year ended June 30, 2015, an additional shortage of \$728 was identified for the same matter described above, of which a reduction of \$48 was reported, which resulted in a remaining balance of \$5,808. No restitution has been determined since the employees affected by these errors have not been identified.

Whiteville – (June 30, 2014)

Water and Sewer – The audit for the year ended June 30, 2014, reported a shortage of \$436 because the town remitted payments in excess of voluntary withholdings from employee payroll checks for bank payments.

Disposition: The town was paid restitution of \$436 during the year ended June 30, 2015.

General Government – The audit for the year ended June 30, 2014, reported a shortage of \$450 because the town remitted payments in excess of voluntary withholdings from an employee's payroll checks for payments to another town employee for rent during the year ended June 30, 2014.

Disposition: The town was paid restitution of \$450 during the year ended June 30, 2015.

Whiteville – (June 30, 2013)

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

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

Disposition: At June 30, 2013, the employee owed a total of \$10,605. The audit for the fiscal year ended June 30, 2014, reported additional overpaid payroll and payroll taxes of \$686. Restitution of \$1,000 had been collected as of June 30, 2014, and an additional \$1,900 was collected as of June 30, 2015. The town anticipates full restitution of \$8,391 to be made when the employee receives a worker's compensation settlement.

33. Woodbury

Police Department – The audit for the Town of Woodbury for the fiscal year ended June 30, 2015, revealed the town received grants from the State of Tennessee to provide Alcohol Countermeasures (roadblocks) for the purpose of reducing and preventing drunk driving in the town. Due to inappropriate and misleading actions by a former employee, the town received the funds without meeting the requirements of the grant agreement.

Disposition: The town reimbursed the State of Tennessee for the grant proceeds of \$28,602.

Internal School Funds

34. Blount County Schools

Fairview Elementary School – It was discovered that certain probable bookkeeping errors with receipting and posting caused by a physical illness of a bookkeeper contributed to a shortage of \$612 during the fiscal year ended June 30, 2015, at Fairview Elementary School.

Disposition: The bookkeeper was terminated, and as of June 30, 2015, the shortage balance remained at \$612.

35. Chester County Schools

Chester County High School – The audit for the Chester County Schools Internal School Funds for the fiscal year ended June 30, 2015, reported auditors were unable to trace a \$24 check listed on a mail log to an office receipt or bank statement.

Disposition: As of the fiscal year ended June 30, 2015, the shortage balance remained at \$24.

36. Clarksville-Montgomery County Schools

Barksdale Elementary School: A \$20 shortage occurred due to the misappropriation of cash in a locked drop box by a school custodian. In addition, a shortage of \$567 resulted from the misappropriation of cash by a volunteer who was in charge of certain fundraising events.

Disposition: The former custodian admitted to the misappropriation and immediately resigned. The volunteer was arrested, and charges were filed. The shortage balance of \$587 was recovered.

Exhibit B

Montgomery Central High School: A shortage of \$1,082 resulted from cash that was misappropriated while in the possession of a track coach.

Disposition: As of the fiscal year ended June 30, 2015, a police report had been filed, and the full amount was recovered.

Kenwood High School: The audit for Clarksville-Montgomery County Schools Internal School Funds for the fiscal year ended June 30, 2014, reported a cash shortage of \$225 for baseball gate receipts.

Disposition: The \$225 shortage was written off by the school system.

Kenwood Middle School: An investigative report issued on April 3, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, disclosed misappropriated internal school funds at Kenwood Middle School. The investigation focused on the period July 1, 2010, through June 30, 2012. The investigative report detailed the circumstances surrounding the misappropriated and missing funds as summarized below:

Summary of Misappropriated and Missing Internal School Funds

The former Beta Club sponsor misappropriated school funds by removing cash collections for Beta Club dues and field trips. The individual concealed the misappropriation by preparing false collection records that did not include all amounts collected. \$ 1,385

The former Beta Club sponsor misappropriated school funds for her personal benefit by charging Beta Club dues in excess of authorized amounts. 904

\$ 2,289

Disposition: This matter was referred to the local district attorney general. On March 4, 2014, the Montgomery County Grand Jury indicted the former Beta Club sponsor on one count of theft over \$1,000. As of the fiscal year ended June 30, 2015, the school received full restitution of \$2,289.

West Creek High School: A \$1,507 shortage resulted from a misappropriation of cash by a cheer coach and a cheer booster treasurer.

Disposition: No charges were filed by the district attorney general, and the \$1,507 balance was written off.

37. Cleveland City Schools

Donald P. Yates Primary School – The audit for the Cleveland City Schools Internal School Funds for the fiscal year ended June 30, 2015, reported a cash shortage of \$3,391 at Donald P. Yates Primary School. The shortage related to a potential theft by the school bookkeeper, who reportedly deposited checks drawn on the school account and receipts made payable to the school, into her personal checking account.

Disposition: As of June 30, 2015, the bookkeeper had been indicted by the Bradley County Grand Jury, and she was terminated from her position.

38. Dyersburg City Schools

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

Disposition: As of the fiscal year ended June 30, 2014, the cash shortage had been reported to the local district attorney and further action was pending. In addition, the assistant coach was no longer employed by the Dyersburg City Schools. As of June 30, 2015, the \$3,085 shortage balance remained unchanged. The district attorney advised the school system in September 2015 that the case was still open and could be pursued if, and when, the assistant coach returned to the State of Tennessee.

39. Fayette County Schools

Somerville Elementary School – The audit for the Fayette County Schools Internal School Funds for the fiscal year ended June 30, 2015, reported a cash shortage of \$14,855 at Somerville Elementary School. After numerous attempts, the auditors have been unable to verify the cash balance after school closed for the year.

Disposition: The school closed as of June 30, 2014, and it is currently identified as the Buckley-Carpenter Elementary School. As of the fiscal year ended June 30, 2015, the cash balance had not been reconciled.

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

Disposition: The school closed as of June 30, 2014, and it is currently identified as the Buckley-Carpenter Elementary School. As of June 30, 2015, the cash balance had not been reconciled.

40. Grainger County Schools

Bean Station Elementary School – An investigative report issued on February 26, 2015, by the Tennessee Comptroller of the Treasury, Division of Investigations, revealed a cash shortage of at least \$1,515 at Bean Station Elementary School in the Grainger County School System. The investigation focused on the period January 1, 2013, through June 20, 2014; however, when warranted, this scope was expanded. According to the investigative report, the shortage was attributed to unaccounted for receipts and unauthorized purchases charged to a school credit card by a former bookkeeper. The cash shortages identified at June 30, 2014, are summarized in the following table:

Description of Cash Shortages Attributed to Former Bookkeeper	
Cash collections per manual receipts	\$ 1,654
Cash deposited in bank	(188)
Cashed checks by employee on hand	(466)
Gift cards used for personal purchases	515
	\$ 1,515

Disposition: The bookkeeper resigned her position with the school on November 20, 2014. As of June 30, 2015, the former employee reimbursed \$295 to the school, and the remainder of the shortage was written off as uncollectible.

41. Grundy County Schools

North Elementary School – The audit for the Grundy County Schools Internal School Funds for the fiscal year ended June 30, 2015, reported a cash shortage of \$300 at North Elementary School because a faculty member withheld \$300 from an eighth grade fundraiser held in May 2015.

Disposition: Suspensions were issued and as of June 30, 2015, the \$300 shortage had not been recovered from the employee.

42. Hardeman County Schools

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

Disposition: The two students were ordered by the Juvenile Court of Hardeman County to pay restitution to the high school. As of June 30, 2015, the school had received \$75 of restitution.

43. Humphreys County Schools

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

Disposition: The teacher resigned her employment with Lakeview Elementary School. The former teacher admitted she used the school’s credit card for personal purchases for which she repaid \$1,780 to the school. As of June 30, 2015, the balance of the unpaid cash shortage remained \$7,203.

44. Lawrence County Schools

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

Disposition: As of June 30, 2015, the unpaid cash shortage balance was \$6,350.

45. Marion County Schools

Whitwell High School – The audit for Marion County Schools Internal School Funds for the fiscal year ended June 30, 2010, reported a misappropriation in connection with an investigative report released by the Tennessee Comptroller of the Treasury for the period July 1, 2009, through October 31, 2010. The Division of Investigations released a report on June 10, 2014, that revealed misappropriated cash collections of at least \$35,332 by a former bookkeeper at Whitwell High School. The former bookkeeper did not record these collections in the school’s accounting records or deposit them into the school’s bank account. The misappropriation was concealed by the former bookkeeper by depositing un-receipted checks to replace some of the misappropriated cash collections and by providing false account information to teachers, administrators and auditors.

Disposition: On April 7, 2014, the Marion County Grand Jury indicted the former bookkeeper on one count of theft over \$10,000 and one count of vandalism. At June 30, 2015, the school had not received restitution from the former bookkeeper.

46. McNairy County Schools

Selmer Middle School – The audit for the McNairy County Schools Internal School Funds for the fiscal year ended June 30, 2015, reported a cash shortage of \$910 at Selmer Middle School. It was determined the shortage related to improperly posted school nutrition revenues.

Disposition: As of June 30, 2015, the \$910 balance was written off by the school.

47. Shelby County Schools

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

Disposition: As of the fiscal year ended June 30, 2015, the financial secretary offered to make restitution for the \$1,817 shortage through payments, and the remaining balance was being investigated by the Memphis Police Department.

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

Disposition: As of the fiscal year ended June 30, 2015, the financial secretary signed a promissory note to repay the district. A payment of \$880 was made by the secretary which resulted in a remaining balance of \$176.

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

Disposition: As of June 30, 2015, the shortages of \$9,178 had not been recovered, and the former financial secretary was employed by a different school in the district.

Administration – Facilities – An investigation of the Memphis City School's Facility Management Division conducted in 2007 revealed there was a kickback scheme with the vendor, Green Motors, for \$300,000. The investigation revealed fraudulent billing, falsified invoices and apparent forgeries. Memphis City Schools were combined with Shelby County Schools at the beginning of the June 30, 2014, fiscal year.

Disposition: As of the fiscal year ended June 30, 2014, there had been a shortage reduction of \$193,725, and as of June 30, 2015, the remaining balance of \$106,275 had not decreased.

Administration – Student Support – An employee made unauthorized purchases of \$411 for personal use that related to student support.

Disposition: As of June 30, 2015, the shortage had not been recovered.

Exhibit B

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

Disposition: As of June 30, 2015, the shortage of \$1,107 had not been recovered by the school, and the financial secretary during this period was employed by the district.

Arlington High School – An investigative report issued on January 16, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, disclosed misappropriated and missing internal school funds at Arlington High School in the Shelby County School System. The investigation focused on the period July 1, 2008, through June 30, 2010. The investigative report revealed the former financial secretary misappropriated school collections of \$142,307 and retained the cash for her personal benefit. To conceal the misappropriation, the former financial secretary altered, destroyed and discarded school records. The former financial secretary also made personal purchases on the school's VISA card of \$566. An additional \$29,081 of misappropriated collections from ticket sales related to basketball games, football games and other activities such as winter concerts and locker fees was discovered.

Disposition: These matters were referred to the local district attorney general. The Shelby County Grand Jury indicted the former financial secretary on one count of theft over \$60,000 in December 2013. As of June 30, 2015, no restitution had been made.

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

Disposition: The incident was investigated by the Memphis Police Department. As of June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

Colonial Middle School – Suspected courier thefts of \$1,000 were reported.

Disposition: As of the fiscal year ended June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

Exhibit B

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

Disposition: The financial secretary resigned and was indicted. As of June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

Germanshire Elementary School – Courier thefts of \$860 were suspected at this school.

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

Holmes Road Elementary School – Courier thefts of \$350 were suspected in this school.

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

Holmes Road Elementary School – SACC Program – The review of the school age child care program (SACC) revealed the program should have collected \$44,728 in tuition payments for the period. After the tuition payments of \$19,800 for the period were verified and recorded, a variance of \$24,928 resulted, and the SACC program coordinator resigned.

Disposition: As of June 30, 2015, the \$24,928 shortage had not been recovered.

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

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

Kirby High School – Courier thefts of \$1,500 were suspected.

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

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

Exhibit B

Disposition: As of June 30, 2015, the \$1,922 shortages had not been recovered by the school, and the financial secretary was no longer employed by the school district.

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

Disposition: As of June 30, 2014, the shortage had been reduced by \$7,449, which resulted in an ending balance of \$3,928 that had not been recovered as of June 30, 2015.

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

Disposition: The SACC coordinator was terminated. As of the fiscal year ended June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: As of June 30, 2015, the \$2,073 shortage had not been recovered by the school, and the financial secretary was employed by another school in the district.

Oak Forest Elementary School – Courier thefts of \$765 were suspected in this school.

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: The SACC coordinator and financial secretary resigned. As of June 30, 2015, the shortage had not been recovered by the school.

Ross Elementary School – Courier thefts of \$299 were suspected in this school.

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

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

Exhibit B

Disposition: As of June 30, 2015, the secretary had been terminated, and the shortage had not been recovered by the school.

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

Disposition: As of June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: The SACC program coordinator and financial secretary were terminated. As of June 30, 2015, the shortage had not been recovered by the school.

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

Disposition: The secretary resigned and signed a promissory note to repay \$1,900. As of June 30, 2015, the shortage had not been recovered by the school.

48. Sullivan County Schools

Miller Perry Elementary School – During the fiscal year ended June 30, 2015, management at Miller Perry Elementary School and personnel of the Sullivan County Department of Education identified a \$192 shortage. The shortage was attributed to unaccounted for teacher-documented collections for which support documents were altered by an individual other than a teacher.

Disposition: As of June 30, 2015, a former bookkeeper voluntarily terminated her employment at the school, and the shortage was written off by the school system.

49. Sumner County Schools

Gallatin High School – The audit for the fiscal year ended June 30, 2015, reported a cash shortage of \$120. A teacher left her desk without securing cash that she was in the process of collecting, and \$120 was missing when she returned.

Disposition: It was unknown if the money was stolen or discarded; therefore, this balance was written off.

Hendersonville High School – The audit for the Sumner County Schools Internal School Funds for the fiscal year ended June 30, 2014, reported a cash shortage of \$2,049. A fraud report was filed to the Tennessee Comptroller of the Treasury by the internal auditor for the Sumner County Board of Education. The report revealed the wrestling coach did not remit \$1,320 of collections to the school bookkeeper for

recording and deposit into the school's bank account. It was also discovered that the wrestling coach made questionable purchases of \$729 with a school credit card that appeared to be for personal use.

Disposition: The coach was found guilty of theft under \$1,000 and ordered to pay restitution of \$962 to the Sumner County Board of Education in May 2015. As of June 30, 2015, the \$2,049 balance was reduced by \$1,087 which resulted in a remaining balance of \$962.

50. Tipton County Schools

Crestview Middle School – It was discovered during the fiscal year ended June 30, 2015, that a faculty member at Crestview Middle School used personal credit and debit cards to make purchases on behalf of the school for which the employee was subsequently reimbursed. The shortage consisted of a Sam's Club membership upgrade for \$32, an item of clothing purchased for a student valued at \$17 and reward dollars of \$106 that were earned, but they were not remitted to the school.

Disposition: As of June 30, 2015, the faculty member had not paid restitution of \$155 to the school.

51. Wilson County Schools

Elzie D. Patton Elementary School – School board personnel discovered a cash shortage of \$8,646 during the fiscal year ended June 30, 2015, at Elzie D. Patton Elementary School, and the Tennessee Comptroller of the Treasury's Office was notified. An investigative report issued on March 16, 2015, by the Tennessee Comptroller of the Treasury, Division of Investigations, revealed the former bookkeeper misappropriated school funds of at least \$8,646 during the period September 2011 through November 2013 by making unauthorized personal purchases using the school's Amazon.com corporate line of credit. The individual prepared, signed and issued school checks to Amazon to pay charges for at least 184 items for her personal benefit, such as a vacuum cleaner valued at \$2,099, toys, clothing and various art supplies. Some of the purchases were concealed by adding the personal items to legitimate purchase requests, and the former bookkeeper made it appear they were ordered by other school staff for official purposes. The former bookkeeper admitted to investigators she made personal purchases using the school's Amazon.com account.

Disposition: The bookkeeper was immediately terminated, and the cash shortage was recovered through insurance. On March 10, 2015, the Wilson County Grand Jury indicted the former bookkeeper on one count of theft over \$1,000 and one count of official misconduct. Subsequent to June 30, 2015, the former bookkeeper made full restitution of \$8,646 to the school system's insurance carrier, and she was placed on probation after a deal was reached with the district attorney.

Utility Districts

52. Chuckey Utility District and Cross Anchor Utility District

The Chuckey Utility District and the Cross Anchor Utility District are separately chartered utility districts. The utility districts are located in the Town of Greeneville, Greene County, Tennessee, and provide water utility services. The Chuckey Utility District reported 4,310 customers, and the Cross Anchor Utility District reported 3,131 customers in their 2013 audit reports.

The June 30, 2013, audits for the Chuckey Utility District and the Cross Anchor Utility District reported findings related to matters that were investigated by the Tennessee Comptroller of the Treasury. An investigative report was issued on August 18, 2014, by the Division of Investigations that focused primarily on the period July 1, 2011, through September 30, 2013; however, when warranted, this scope was expanded. The investigation focused on questionable transactions made by the retired general manager and her daughter who replaced her as general manager. The investigation questioned the following amounts:

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

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

Disposition: As of June 30, 2014, the Division of Investigations had not reported on amounts related to the questionable expenses of \$11,271. Accordingly, no amounts of restitution had been made at June 30, 2015. In November 2014, the retired and former managers were indicted on several counts of official misconduct and multiple counts of theft. The computer purchased using the district funds of \$2,064 for the former general manager’s personal benefit was returned to the district, which

resulted in an ending balance of \$207,390. As of the fiscal year ended June 30, 2015, the ending balance remained unchanged.

53. Lone Oak Utility District

The Lone Oak Utility District is located in the City of Signal Mountain, Hamilton County, Tennessee, and it provides water utility services. The district’s 2014 audit reported 131 customers.

The annual audit reported that the district’s three commissioners received per diem payments of \$100 per month for twelve board meetings; however, only eleven meetings were conducted. In addition, one commissioner did not attend one meeting.

Disposition: As of December 31, 2015, the \$400 balance was written off because the board did not intend to pursue collection of this balance.

54. Paris-Henry County Public Utility District

The Paris-Henry County Public Utility District is located in the City of Paris, Henry County, Tennessee, and provides gas utility services. The district’s 2015 audit reported 6,617 customers.

The audit for the fiscal year ended May 31, 2015, reported a cash shortage of \$915 in the Meter Reading Department because the district’s meter reader manually entered the usage of his personal meter as less than the actual reading.

Disposition: During the fiscal year ended May 31, 2015, the \$915 balance was repaid to the district by the former employee.

55. Webb Creek Utility District

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

The Tennessee Comptroller of the Treasury, in conjunction with the 4th Judicial District Attorney General, performed an investigative audit of selected records of the Webb Creek Utility District for the period January 1, 2010, through April 30, 2013; however, the scope was expanded as necessary. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on September 3, 2014, revealed questionable purchases by various employees including the district manager and the assistant district manager of \$43,929. A summary of the purchases are listed as follows:

Summary of Questionable Purchases	
Gift purchases	\$ 19,320
Food purchases	7,965

Exhibit B

Other questionable purchases	3,852
Missing electronic equipment	3,808
Unaccounted for gift cards	1,575
Personal use of cell phones	1,919
Unauthorized meal allowance	969
Entertainment purchases	647
Meals purchased	2,656
Unearned leave paid	1,218
	<hr/>
	\$ 43,929

Disposition: The former district manager and the former assistant district manager were terminated on August 2, 2013. Utility district officials plan to seek restitution from responsible individuals for non-business related purchases and to strengthen the district's internal controls to include proper oversight of the district's operations. In addition, the district filed a claim with its insurance company for reimbursement of questionable costs of \$43,929. As of the fiscal year ended December 31, 2015, the claim is still pending.

Housing Authorities

56. Gallaway Housing Authority

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

The audit of the Gallaway Housing Authority for the fiscal year ended September 30, 2014, disclosed misappropriations of \$250. Management discovered the property manager used the housing authority's vehicle and vacuum for a weekend for his personal use, sold scrap materials from the housing authority for which he received the proceeds and completed his time records inaccurately to reflect the actual work he performed. An estimated \$250 in usage of the authority's assets by the former property manager consisted of \$200 for use of the vehicle, \$10 for use of the vacuum and \$40 in proceeds from the sale of scrap materials. There was insufficient supporting documentation to quantify a dollar amount related to time reporting.

Disposition: The property manager was terminated from his position on August 26, 2013. As of September 30, 2015, the \$250 balance had not been recovered by the housing authority.

57. Smyrna Housing Authority

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

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

Disposition: The local police department performed an investigation, and an indictment was charged against the former employee. As of December 31, 2015, the authority had not recovered the balance of \$14,210 that was attributed to the theft.

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

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

Investigative Report Issued on July 14, 2015

The Tennessee Comptroller of the Treasury, Division of Investigations, conducted a special investigation of selected records of SPHA and SPEHA for the period December 21, 2009, through January 21, 2014, related to allegations of malfeasance. An investigative report released on July 14, 2015, revealed a former accounting director, a former public housing manager and various other employees misappropriated at least \$228,980.

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

A former public housing authority manager misappropriated at least \$5,405 from the South Pittsburg Housing Authority. Fraudulent activities included a \$2,755 trip to Chicago for a conference that the manager never attended, and personal purchases of at least \$2,649 on a Lowe's housing authority account. The purchases included lumber and other supplies to build a pavilion next to the swimming pool at the former employee's home.

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

Investigative Report Issued on December 17, 2015

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

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

59. Other Related Housing Authority Thefts - Tenant Income Falsifications

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

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

Other Governmental Entities

60. Beech River Watershed Development Authority

The Beech River Watershed Development Authority is located in the City of Lexington, Henderson County, Tennessee. The authority is a public entity created by Chapter 315, Private Acts of Tennessee, 1961, as amended, for the purpose of controlling floods associated with the Beech River tributaries and using the river as a source of water for municipal, industrial, agricultural and domestic use and as a

recreational resource. The principal operating revenues of the authority are charges for sales and services to customers.

During the fiscal year ended June 30, 2015, management discovered a cash shortage of \$1,088 because an employee sold lake permits for which he did not turn in receipts and cash.

Disposition: Management terminated the employee, and the former employee paid full restitution of \$1,088.

61. Delta Human Resource Agency

The Delta Human Resource Agency is located in the City of Covington, Tipton County, Tennessee. The agency was established in 1990 in accordance with *Tennessee Code Annotated*, Title 13, Chapter 26, as amended. Federal grants are the agency's primary source of funding.

The Tennessee Comptroller of the Treasury, Division of State Audit, conducted a performance audit of the Delta Human Resource Agency. The audit report released on December 1, 2014, focused on the period January 1, 2011, through July 2, 2014. It was determined the agency failed to compare the fares that riders were anticipated to pay with the actual bank deposits related to those collections for the transportation program. As a result, the agency could not account for a discrepancy of \$6,427 in fares collected over a six-month period from July 1, 2013, through December 31, 2013.

Disposition: As of the fiscal year ended June 30, 2015, the \$6,427 balance was written off as uncollectible.

62. Watauga River Regional Water Authority

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

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

Disposition: These matters were referred to the local district attorney general. On March 2, 2015, the Carter County Grand Jury indicted the former clerk on one count of theft over \$10,000. There have been no collections as of December 17, 2015. The court ordered the former clerk to repay \$50 per month beginning in February 2016.

63. Westate Corrections Network, Inc.

Westate Corrections Network, Inc., is located in the City of Union City, Obion County, Tennessee. The Westate Corrections Network, Inc., receives funding and provides community correction services in accordance with Title 40, Chapter 36, of *Tennessee Code Annotated*. Their main source of funding is from the Tennessee Board of Probation and Parole.

General Government – The audit of the Westate Corrections Network, Inc., for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$63,972 in connection with an investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on August 22, 2013. During the period April 1, 2005, through March 31, 2013, a former probation officer diverted cash and money orders from drug court clients of at least \$63,972 for her personal benefit. Since the Westate Corrections Network, Inc., failed to adequately monitor certain collections, the misappropriation was undetected for an extended period of time.

Summary of Amounts Misappropriated by Former Probation Officer

Court fines not remitted to county courts	\$ 56,206
Drug court and supervision fees collected from clients that were not remitted to the Westate Corrections Network, Inc.	7,166
Fines and fees paid by clients not supervised by the probation officer; deposited into the probation officer’s personal bank account	600
	\$ 63,972

Disposition: The above matters were referred to the local district attorney general. The Obion County Grand Jury indicted the former probation officer on one count of theft over \$60,000 and one count of money laundering in August 2013. At June 30, 2014, restitution of \$40,762 had been made. During the fiscal year ended June 30, 2015, the remaining balance of \$23,210 was repaid on July 19, 2014.

Unaudited Entities

For Profit Organizations

64. Academy for Kidz

Academy for Kidz (AFK) is a for-profit organization located in the City of Nashville, Davidson County, Tennessee. The academy serves children from 6 weeks to 12 years of age and is licensed by the State of Tennessee to care for a maximum of 56 children. AFK serves eligible children breakfast, lunch and an afternoon snack as part of their child care services. All of the children served by AFK claimed to be qualified for free meals according to federal guidelines.

The Tennessee Comptroller of the Treasury's Office was informed of suspected irregularities at the academy on August 27, 2015. Subsequently an investigation of selected records was conducted for the period July 1, 2014, through September 30, 2015. Investigators determined AFK received \$83,881 in federal grant funds during the period of the investigation that were passed through the Tennessee Department of Human Services (DHS) from the Child and Adult Care Food Program (CACFP). The CACFP is a federally funded program that provides payments for eligible meals served to participants who meet age and income requirements. DHS is responsible for providing oversight of AFK's use of and accountability for federal funds.

An investigative report issued on March 23, 2016, by the Tennessee Comptroller of the Treasury, Division of Investigations, revealed the academy had questionable meal claim reimbursements of \$83,881 related to numerous instances of falsified and/or insufficient documentation. For example, meal count records were not accurate and did not appear to represent an accurate count of the children served. The investigative report also disclosed numerous operating deficiencies such as the owner of AFK commingled her personal funds in the academy's bank account. In addition, investigators determined DHS failed to provide adequate monitoring of federal grant funds.

Disposition: The findings and recommendations presented in the investigative report have been reviewed with the District Attorney General for the 20th Judicial District. In addition, the investigative report recommended that DHS should seek reimbursement for all overpaid or unsupported reimbursement claims.

Nonprofit Organizations

65. ABC Nutrition Program, Inc.

ABC Nutrition Program, Inc., (ABC) is a non-profit organization located in the City of Camden, Benton County, Tennessee. The organization administers the Child and Adult Care Food Program (CACFP) and is a sponsoring organization for centers and day care homes. The organization also passes federal funds from the Tennessee Department of Human Services (DHS) through to the homes and centers in the program. As of September 30, 2014, ABC administered federal grant funds received

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from DHS on behalf of 216 daycare homes and 120 daycare centers in Tennessee. ABC receives a percentage of these grant funds for administering the program, and these administrative funds are ABC's sole source of revenue. The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

A report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on March 18, 2015, revealed that from October 1, 2008, through September 30, 2014, ABC engaged in unauthorized administrative disbursements of \$732,703 that are summarized as follows:

Summary of Deficiencies	
Unauthorized pay received by ABC employees:	
Management bonuses	\$419,269
Management payroll	170,776
Other ABC employee bonuses	15,933
Unauthorized disbursements for construction and improvements to the CEO's home	27,186
Additional unauthorized disbursements made by ABC's management	99,539
	<hr/>
	<u>\$732,703</u>

Disposition: On February 19, 2015, the Benton County Grand Jury indicted the CEO, the Director of the Daycare Center, and the Director of Daycare Homes on two counts of felony theft. Each was charged with one count of theft of property over \$250,000 and one count of theft of property over \$60,000. An annual audit for the fiscal year ended December 31, 2015, could not be obtained due to the entity's subsequent closure. Therefore, there is no information available to track the previous year's ending balance of \$732,703.

66. Arc of Hamilton County

The Arc of Hamilton County (The Arc) provides educational, advocacy and legislative services to individuals and their families who have intellectual disabilities. The Arc finances its services primarily by fees from a contract for services with the State of Tennessee Department of Intellectual and Developmental Disabilities. Fees are primarily based on the number of clients served by the organization's advocacy staff. Substantially all of the organization's revenues are derived from the State of Tennessee. The organization is a not-for-profit corporation exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

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The audit for the fiscal year ended December 31, 2013, disclosed the organization did not maintain a policy for the use of credit cards. A total of \$2,545 of questionable credit card charges, which had no approval or supporting documentation, was identified. It appeared most of the questioned costs were primarily for personal expenditures.

Disposition: The employee was dismissed, and no plans of repayment were made. As of December 31, 2015, an annual audit was not required for this entity, and therefore there is no information available to track the ending balance of \$2,545.

67. **Cherry Tree Food Program, Inc.**

Cherry Tree Food Program, Inc., (Cherry Tree) is a nonprofit organization, and its offices were formerly located in a portion of the former executive director's personal residence in the City of Clarksville, Montgomery County, Tennessee. As of June 30, 2015, Cherry Tree administered federal grant funds received from the Tennessee Department of Human Services (DHS) for the Child and Adult Care Food Program (CACFP) on behalf of 267 daycare homes and 23 daycare centers in Tennessee. As a sponsoring organization, Cherry Tree assists the daycare centers and homes by preparing and submitting monthly claims for reimbursement for eligible expenses to DHS on behalf of the facilities.

The CACFP is federally funded by the United States Department of Agriculture (USDA), and it provides reimbursement payments to participating institutions and facilities for eligible expenses. To receive reimbursements for administrative costs, the participating institutions and facilities must meet minimum guidelines set forth by the USDA. DHS is a pass-through entity of the CACFP, and as such it is responsible for providing staff training and oversight of Cherry Tree's operations to ensure the organization complies with state and federal requirements for administering the program.

The Tennessee Comptroller of the Treasury, Division of Investigations, performed an investigation of selected records of the Cherry Tree Food Program, Inc., for the period October 1, 2012, through June 30, 2015; however, the scope was expanded as necessary. An investigative report issued on March 23, 2016, revealed questionable disbursements of \$181,136 that were not approved by DHS in Cherry Tree's annual budgets of which the majority are summarized as follows:

- Disbursements of \$38,792 for a gazebo, a new water heater, wrought iron handrails, replacement of windows and vinyl siding, installation of tile floors, installation of kitchen and bathroom sinks, ceiling fans, electrical work and various other maintenance and repairs to the former executive director's home.
- Unauthorized lease payments of \$17,900 to the former executive director or her family to rent a portion of the home for office space.
- Unauthorized payments and questionable reimbursements to the former executive director for \$47,427.

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- Unauthorized and questionable disbursements that included charges for hotel rooms, air travel, rental cars, furniture, fuel and electronics for \$57,073.
- Unauthorized Christmas bonuses of \$9,300, and personal loans paid to employees for which there was a total outstanding balance of \$600.

Disposition: The findings and recommendations presented in the investigative report have been reviewed with the District Attorney General for the 19th Judicial District. In addition, the investigative report recommended that DHS should determine if it should seek reimbursement for any of the questionable disbursements that were noted in the investigative report. On July 1, 2015, Cherry Tree's board of directors placed the executive director on administrative leave pending an internal investigation. Subsequently, on August 27, 2015, the board terminated the employment of the executive director.

68. **Coffee County Education Association**

The Tennessee Comptroller of the Treasury, Division of Investigations, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Coffee County Education Association. The association represents teachers and support staff of the Coffee County Schools.

An investigative report released on November 17, 2016, revealed a former treasurer who was also a teacher for the Coffee County Schools misappropriated funds of at least \$29,096 by using the association's debit card and cash for her personal benefit during the period May 2013 through November 2015. The individual charged personal expenses of \$20,953 on the association's debit card for restaurant meals, jewelry, cosmetics, clothing and gift cards. In addition, the former treasurer made unauthorized cash withdrawals of \$4,583 by check and ATM, and she initiated unauthorized transfers of \$3,560 from the association's bank account to her personal bank account. Investigators determined the individual had complete control of the association's checkbook, bank account and debit card.

Disposition: This matter was referred to the local district attorney general. On November 18, 2016, the Coffee County Grand Jury indicted the former treasurer on one count of theft over \$10,000.

69. **Heal Thyself Deliverance Temple**

The United States Department of Agriculture Food and Nutrition Service operates the Summer Food Service Program for Children to ensure low-income children continue to receive nutritious meals when school is not in session. On June 3, 2015, the Tennessee Department of Human Services (DHS) notified the executive director of the Heal Thyself Deliverance Temple (HTDT) that her application for participation in the 2015 Summer Food Service Program for Children had been approved. As a result HTDT was paid a total of \$85,782 for operating the 2015 summer food service program for the months of June and July.

Management of DHS determined there was compelling evidence to support an investigation and notified the Tennessee Comptroller of the Treasury's Office in May

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2016. As a result, an investigation was conducted of selected records of the HTDT Summer Food Service Program for Children for the period June 1, 2015, through August 31, 2015; however, the scope of the investigation was expanded as necessary. An investigative report was issued on February 23, 2017, by the Tennessee Comptroller of the Treasury, Division of Investigations, that revealed certain deficiencies in the 2015 Summer Food Service Program for Children.

The investigative report disclosed that HTDT administrative staff withdrew \$12,910 in cash from an official bank account although there was no documentation located to support the transaction. In addition, HTDT claimed and received at least \$13,048 from DHS in excess of meals served based on meal count sheets for the month of July 2015. Finally, several HTDT employees identified certain meal count sheets that were submitted by HTDT to DHS that had been falsified and some of the forms included forged signatures.

Disposition: DHS issued a Serious Deficiency Report and demanded HTDT must remit a payment of \$69,692 to DHS. Subsequently, DHS terminated HTDT from food program sponsorship, and it is in the process of recovering the requested funds. The findings and recommendations presented in the investigative report have been reviewed with the District Attorney General for the 30th Judicial District.

70. **Sequatchie County Fair Association**

The Tennessee Comptroller of the Treasury, Division of Investigations, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Sequatchie County Fair Association. The fair association is a nonprofit organization, which was formed for the purpose of organizing and conducting the Sequatchie County Fair according to its bylaws.

A former fair association board treasurer misappropriated at least \$5,198 from the association during the period June 2012 through December 2014. The treasurer wrote checks to herself, transacted at least 10 unauthorized fair association checks, and retained the funds for her personal benefit.

During the period March 2012 through March 2014, the current fair association board president misappropriated at least \$2,055 from the association. The president wrote and transacted at least six unauthorized fair association checks payable to cash, a bank, or other vendor to obtain cash that totaled \$1,355, and she retained the funds for her personal use. In addition, the individual used the fair association debit card without board authorization to make 12 payments that totaled at least \$700 for diet pills.

Disposition: These matters were referred to the local district attorney general. On January 23, 2017, the Sequatchie County Grand Jury indicted the former fair association board treasurer on one count of theft over \$1,000, and the current fair association board president was also indicted on one count of theft over \$1,000.

School Support Organizations

71. Arlington Middle School Dance Team Booster Club

The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of malfeasance related to the Arlington Middle School Dance Team Booster Club for the period April 2015 through December 2015. An investigative report issued on June 2, 2017, revealed that the former club treasurer misappropriated dance team booster club funds that totaled at least \$11,059. The former treasurer wrote unauthorized booster club checks payable to herself, to cash and to a local business for her personal benefit that totaled \$7,767. In addition, she used the booster club's debit card to make personal purchases of \$3,132 that included a vehicle loan payment, a personal vacation expense and a payment for her utilities. The former treasurer also withdrew cash of \$160 from the booster club's bank account for her personal use.

Disposition: These matters were referred to the local district attorney general. The Shelby County Grand Jury indicted the former treasurer on one count of theft of property over \$10,000 in May 2017.

72. Richland Elementary School Parent-Teacher Organization

The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of malfeasance related to the Richland Elementary School Parent-Teacher Organization (PTO) for the period September 2014 through January 2016. The special investigation revealed the former treasurer misappropriated PTO funds of at least \$5,649. The individual perpetrated the misappropriation by withholding fundraiser cash collections from deposits for the PTO bank account, and she retained these funds for her personal benefit. Investigators discovered the former treasurer did not deposit any cash into the PTO account from July 2015 through November 2015.

Disposition: The former treasurer resigned from her position in January 2016. This matter was referred to the local district attorney general. The Giles County Grand Jury indicted the former treasurer on one count of theft over \$2,500 in April 2017.

73. Rutherford County Blackman High School Boys Soccer Booster Club

The Tennessee Comptroller of the Treasury, Division of Investigations, performed an investigation of the Blackman High School Football Boosters for the period September 2014 through June 2015 related to allegations of malfeasance. According to an investigative report issued on December 22, 2015, investigators determined a former treasurer misappropriated soccer booster club funds of at least \$6,989 by using the club's debit card and cash for her personal benefit.

The former treasurer used at least three schemes to perpetrate the misappropriation. For example, she charged personal expenses of at least \$4,894 on the booster club debit card that included jewelry, clothing, gift cards and cash-back transactions for which she retained the cash for her personal use. Additionally, the former treasurer failed to deposit at least \$1,070 of booster club cash collections.

Finally, the individual obtained cash of at least \$1,025 purportedly for change funds for concessions or other events, but never redeposited the funds into the booster club's bank account.

Disposition: This matter was referred to the local district attorney general. On October 6, 2015, the Rutherford County Grand Jury indicted the former treasurer on one count of theft over \$1,000.

74. Rutherford County Blackman High School Football Boosters

The Tennessee Comptroller of the Treasury, Division of Investigations, performed an investigation of the Blackman High School Football Boosters for the period June 16, 2011, through March 27, 2015. According to an investigative report issued on April 7, 2016, investigators determined a separate bank account was opened to provide cash and purchase gift cards for school football coaches. Booster club officials claimed the former head football coach directed them to provide cash or purchase gift cards for him, assistant coaches and other individuals. However, the former football coach denied receiving cash from football boosters other than for reimbursements.

Investigators identified \$96,416 of unauthorized supplements for coaches and other questionable transactions. Various questionable transactions included checks written to "cash" and identified with descriptions such as "coaches supplement," "summer \$\$ #2," "summer \$ - final," or "gift cards." Other checks were written directly to coaches. Investigators also questioned \$69,649 that was paid for fuel payments by the Blackman High School to a local gas station. The former head football coach or members of his family used \$9,931 of this amount to purchase fuel. However, investigators could not determine if these purchases were for school or personal activities.

Disposition: The head football coach resigned in March 2015, the booster club accounts were closed, and the remaining funds were deposited in a school account. In addition, the findings and recommendations in the investigative report have been reviewed with the district attorney general for the 16th Judicial District.