



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

October 14, 2010

To the Cumberland County Mayor, County Commission,
Election Administrator, Finance Director, and
Election Commission
Cumberland County, Tennessee

On February 3, 2010, we received a fraud reporting form concerning possible violations of the State Election Code and state statutes related to the fiscal management and practices of the Cumberland County Election Commission and the former Cumberland County Administrator of Elections. Based on our investigation, we noted deficiencies related to the election office payrolls and the Election Commission minutes.

We reviewed the findings and recommendations resulting from this investigation with the county mayor, current election administrator, finance director, Election Commission, and the district attorney general. We mailed a copy of these findings and recommendations to the former election administrator. These findings, together with our recommendations and management's responses, are presented in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Arnette".

Jim Arnette, Director
Division of County Audit

cc: Honorable Randy York, District Attorney General
Carl Lowe, Mid-East Tennessee Audit Manager
Mark Goins, State Coordinator of Elections

CUMBERLAND COUNTY ELECTION OFFICE INVESTIGATION OF FISCAL MANAGEMENT AND PRACTICES

For the Period May 1, 2006 through November 30, 2008

On February 3, 2010, we received a fraud reporting form concerning possible violations of the State Election Code and state statutes related to the fiscal management and practices of the Cumberland County Election Commission and the former Cumberland County Administrator of Elections. Findings and recommendations, as a result of our investigation, are presented below. We reviewed these findings and recommendations with the county mayor, current election administrator, finance director, Election Commission, and the district attorney general. We mailed a copy of these findings and recommendations to the former election administrator. The former election administrator's responses are paraphrased in this report.

BACKGROUND

County elections in Tennessee are regulated by a five member county Election Commission appointed by the State Election Commission. Each county Election Commission employs an administrator of elections, who is the chief administrative officer for the Election Commission and is responsible for the daily operation of the Election Office as provided in Section 2-12-201, Tennessee Code Annotated (TCA). Ms. Suzanne Smith was the administrator of elections in Cumberland County for the period examined.

Cumberland County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director. All expenditures for the Election Office are paid by the Finance Office from documentation submitted to the Finance Office by the Election Office.

The scope of our investigation was to determine if there was a misuse of county election funds and/or improper practices by the Election Commission or the administrator of elections. We conducted interviews and reviewed selected invoices submitted to the Finance Office by the Election Office for payments from the county's General Fund for the period May 1, 2006, through November 30, 2008.

FINDING 10.01 **DEFICIENCIES WERE NOTED IN THE ELECTION OFFICE AND THE FINANCE OFFICE** (Internal Control – Significant Deficiency Under Government Auditing Standards)

We noted the following deficiencies in the Election Office and the Finance Office:

- A. During the period under examination, we noted that the Election Office submitted pay requests to the Finance Office listing each election worker and a total amount to pay each worker. These documents did not provide any details of the location, rate of pay, or the hours/days each person worked.

The Finance Office issued payroll checks based on this incomplete information.

- B. In addition to the election workers noted in Part A., disbursements totaling \$13,480 for emergency registrars and part-time employees were paid based on insufficient documentation as noted above. Without sufficient detailed documentation of the location, rates of pay, and the hours/days worked, we could not determine if workers were paid in accordance with the pay rates established by the Cumberland County Commission.
- C. Early voting begins not more than 20 days nor less than five days before the day of the election as provided by Section 2-6-102, Tennessee Code Annotated. Therefore, election officials conducting early voting could theoretically work a maximum of 15 days less any Sundays during this time frame. For each election's early voting during the period examined, we calculated the maximum number of days the election official could possibly work at \$80 per day and compared it with the amount of pay each election official actually received. Based on this analysis, we determined that these officials were paid \$5,310 in excess of the pay rates established by a resolution approved by the Cumberland County Commission. That resolution dated April 17, 2006, established a pay rate of \$80 per day for election officials as recommended by the Election Commission. We noted several instances where election officials conducting early voting were paid \$100 per day.
- D. Election related disbursements totaling \$10,910 were coded by the Finance Office to accounts that did not reflect the true nature of the expenditures. Expenditures of \$8,910 for Election Commission members' meeting fees and \$2,000 for precinct rentals were coded to the line-item account code entitled Election Workers instead of being properly coded to the Election Commission and Precinct Rentals line-item account codes, respectively. These misclassifications were done to keep expenditures within line-item appropriations approved by the County Commission for the Election Commission and Precinct Rentals. These entries resulted in expenditure accounts not reflecting the true nature of these transactions.

RECOMMENDATION

The Cumberland County Election Office should provide adequate documentation to support payroll disbursement requests for election workers. The Cumberland County Finance Office should require detailed documentation that includes the location, rate of pay, and the hours/days worked to support payroll disbursement requests submitted by the Election Office for all election workers. The Finance Office and Election Office should ensure that election officials are paid in accordance with pay rates approved by the County Commission. The Finance Office should code election related disbursements to accounts that most appropriately reflect the true nature of the transactions.

FINDING 10.02 MINUTES OF THE ELECTION COMMISSION WERE NOT MAINTAINED ON ALL MEETINGS
(Noncompliance Under Government Auditing Standards)

Minutes of meetings for the Cumberland County Election Commission were not maintained for the period October 3, 2006, through May 1, 2007. Section 2-1-113(a)(4), Tennessee Code Annotated, requires that “official minutes of all meetings shall be kept in permanent form...available for the public examination at reasonable times.”

RECOMMENDATION

Election officials should ensure that minutes of all meetings of the Election Commission are maintained and available for public examination.

MANAGEMENT’S RESPONSES – FORMER ADMINISTRATOR OF ELECTIONS – MS. SUZANNE SMITH

It is apparent to me from comments made in this report that many of the documents that were previously located in the Election Office were not furnished to the auditor. The following are my responses to the above-noted findings:

FINDING 10.01:

- A./B. These findings address that the Election Office did not provide the Finance Office any detail of when or what days election officials worked. Backup records were maintained in the Election Office that disclosed what days each person worked. The person in my office who had the hands-on responsibility for maintaining office payroll records was Ms. Dot Hensley. I have verified with her that the backup payroll files showing the days each person worked were present in the office at the time I was terminated. I understand Ms. Hensley provided this information to the auditor. Section 2-7-135, Tennessee Code Annotated (TCA), requires only that the office of elections prepare and certify to the County Election Commission a list of election officials who served at the polling place and their official positions. My report to the Finance Office complied with the statutory terms.
- C. The Election Commission set the rate of pay for early voting officials at \$80 per day in April 2006. Subsequently, the Election Commission decided to raise the amount of pay to \$100 per day in order to recruit and maintain knowledgeable, experienced, and dependable workers. The Election Commission voted and set the rate at \$100 per day for these early voting officials.
- D. At the time annual budgets for the Election Commission and polling place rental fees are prepared, it is impossible to predict with certainty the amounts that will be needed. It is a routine practice of all county departments to move minor amounts of money from one line item to another line item within a budget year in order to stay within the overall budget.

FINDING 10.02:

During the time I acted as administrator of elections, the minutes were drafted by the secretary of the Election Commission, and the minutes of each meeting were always read and approved at the following Election Commission meeting. After approval, the minutes were placed in a file maintained in the Election Office. I have verified with Ms. Dot Hensley that the Election Commission minutes were present in the Election Office at the time I was terminated.

AUDITOR'S REBUTTALS

FINDING 10.01:

A./B. The pay requests furnished by the Election Office to the Finance Office did not provide any details of the location, rate of pay, or the hours/days each person worked. Instead, the pay requests only listed each election worker by classification and a total amount of pay. We interviewed Ms. Dot Hensley on September 13, 2010, and she stated that she typed the summary pay requests that were forwarded to the Finance Office based on handwritten paperwork prepared by Ms. Smith. Ms. Hensley stated that Ms. Smith would review, sign, and submit the payroll requests to the Finance Office for payment. Ms. Hensley did not provide us with any documentation of location, rate of pay, or the hours/days each person worked. Ms. Hensley stated that she did not recall ever seeing documentation to support days/hours worked to support amounts noted on the payroll requests; however, she believed Ms. Smith maintained that information.

Section 2-7-135, Tennessee Code Annotated (TCA), provides that “the officer of elections shall prepare and certify to the county election commission a list of all election officials who served at the polling place and their official positions. The list shall be signed by each official.” This statute has nothing to do with detailed documentation to furnish to the Finance Office on which to verify payrolls. Cumberland County operates under the provisions of the County Financial Management System of 1981, Sections 5-21-101 through 5-21-129, TCA. Section 5-21-115, TCA provides that before any obligation against the county shall be paid, a detailed invoice should be prepared by the head of an office for which the obligation was made and be filed with the finance director. The finance director shall preaudit such invoice and shall approve for payment only such items as appear to be correct. The finance director cannot preaudit for accuracy any payrolls without detailed information such as the location, rate of pay, and hours/days worked.

C. We have not been provided any documentation to support that the Cumberland County Commission approved a raise for the early voting officials above the \$80 per day rate that the County Commission set in April 2006. We interviewed former election commissioner Ms. Linda Baehr and current election commissioner Ms. Lisa Phillips who both stated that they believed the Election Commission raised the rate to \$100 per day but did not take that increase to the County Commission for

approval. Sections 2-4-108(c) and 2-4-107, TCA, state that compensation for election officials may be increased by the County Commission.

- D. Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions. Misclassifying expenditures diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control. When necessary, budget amendments should be submitted to the County Commission for consideration and approval.

FINDING 10.02

We were not presented any minutes of meetings for the Cumberland County Election Commission for the period October 3, 2006, through May 1, 2007.