



COMPTROLLER'S INVESTIGATIVE REPORT

Jackson County Clerk

May 28, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

May 28, 2020

Jackson County Mayor
and County Commissioners
P.O Box 617
Gainesboro, TN 38562

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Jackson County Clerk, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 15th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Jackson County Clerk

The Office of the Comptroller of the Treasury, in conjunction with the Special Investigations Division of the Tennessee Department of Revenue, investigated allegations of malfeasance related to the Jackson County Clerk. The Comptroller's Office initiated the investigation after Comptroller financial auditors identified suspicious transactions related to the clerk's collections and bank deposits. The investigation was limited to a review of selected records for the period January 2018 through December 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 15th Judicial District.

BACKGROUND

The Jackson County Clerk (Clerk) is elected by a county-wide vote every four years. The Clerk's office collects fees for vehicle registration, as well as business taxes, marriage licenses and other miscellaneous taxes and fees. The office has a designated bank account, and the Clerk is responsible for preparing and retaining applicable collection records. The Clerk designated staff to be responsible for reconciling collections, preparing bank deposits, and delivering collections to the bank.



RESULTS OF INVESTIGATION

- **JACKSON COUNTY CLERK AMANDA STAFFORD MISAPPROPRIATED COUNTY FUNDS TOTALING AT LEAST \$25,643**

During the period May 2018 through December 2019, Jackson County Clerk Amanda Stafford misappropriated county collections totaling at least \$25,643. Stafford used multiple schemes to perpetrate and conceal her misappropriation, as described below.

A. Stafford Misappropriated County Collections Totaling At Least \$14,328

During the period May 2018 through December 2019, Stafford misappropriated at least \$14,328 in county collections and used those funds to pay her personal expenses.

Missing bank deposits

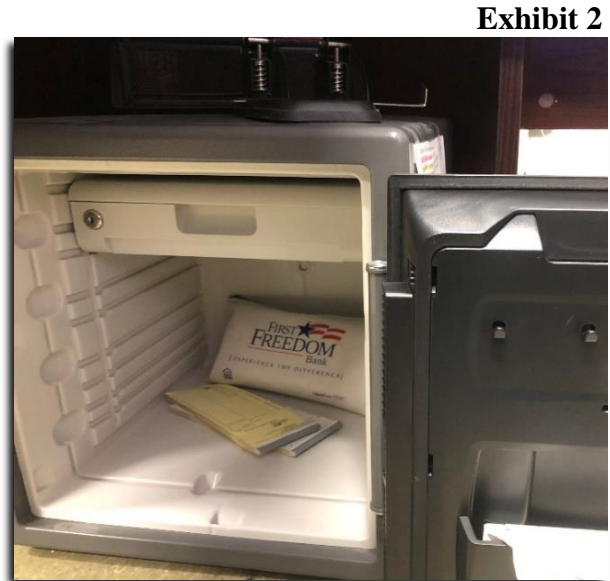
The investigation revealed that Stafford diverted clerk cash collections totaling at least \$10,028 for her personal use by withholding collections from deposit into the clerk's bank account. On October 22, 2018, Comptroller financial auditors performed a surprise cash count at the clerk's

office and asked Stafford for all undeposited funds that had been collected by the clerk’s office. The auditors discovered that bank deposits from eight days totaling \$37,462 were missing. Stafford could not explain where the missing funds were.

Two days later, on October 24, 2018, Comptroller investigators located a bank bag Stafford had placed in her safe (**Refer to Exhibit 1 and 2**) with eight separate envelopes containing the corresponding checks and a small amount of cash from those eight missing deposits. (**Refer to Schedule of Missing Cash Deposits below.**)



Clerk’s safe.

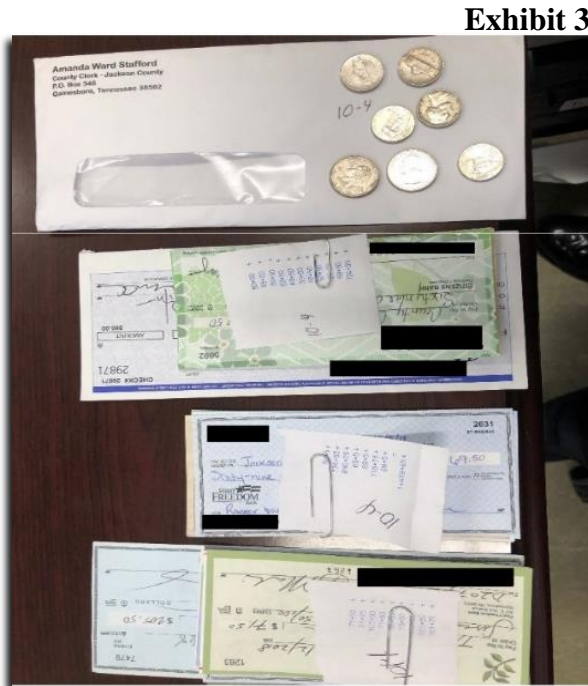


Clerk’s safe when investigators found missing collections.

Schedule of Missing Cash Deposits			
Collection Date	Cash Collected	Cash Found	Missing Cash
10/2/2018	\$2,455.35	\$0.25	(\$2,455.10)
10/4/2018	\$1,179.50	\$0.75	(\$1,178.75)
10/5/2018	\$1,214.50	\$0.50	(\$1,214.00)
10/8/2018	\$1,249.23	\$0.21	(\$1,249.02)
10/9/2018	\$1,030.75	\$0.75	(\$1,030.00)
10/11/2018	\$611.63	\$175.63	(\$436.00)
10/12/2018	\$694.25	\$694.25	\$0.00
10/18/2018	\$2,468.44	\$2.58	(\$2,465.86)
Totals	\$10,903.65	\$874.92	(\$10,028.73)

Clerk records indicated the collections consisted of both cash and checks. Investigators determined, however, that the amounts of cash found in the deposit envelopes were less than the amounts collected per the records. For example, according to clerk’s office records the cash

portion of the October 4, 2018, collections totaled \$1,179.50. The envelope for that day's collections contained only \$0.75 which left \$1,178.75 in missing cash. **(Refer to Exhibit 3.)** Similarly, the envelope for October 18, 2018, held \$2.58 in cash, leaving \$2,465.86 in missing cash. **(Refer to Exhibit 4.)**



October 4, 2018, collections as found by investigators. Cash of \$1,178.75 was missing.



October 18, 2018 collections as found by investigators. Cash of \$2,465.86 was missing.

After the discovery of the bank deposits with missing cash collections, Stafford explained to Comptroller investigators that she had taken and used county cash collections to pay her personal expenses. She also acknowledged and described her ongoing “lapping” scheme. Stafford told investigators that to conceal what she was doing, she deposited cash collected on subsequent days in place of the cash she previously took for personal use. This scheme is discussed in detail later in this report.

On October 25, 2018, at the direction of Stafford, Clerk office staff re-searched the offices and found a bank bag containing \$11,342 cash behind a drawer in the Clerk office. Stafford told investigators that she believed this was the previously identified missing cash. Stafford later told investigators that she had lied to them on October 24, 2018, when she told them she had used Clerk office collections for her personal use.

Additional missing cash

Over the course of the investigation, and after being confronted about the prior misappropriation, Stafford misappropriated additional cash collections of at least \$4,300. Comptroller financial auditors, as part of their ongoing monitoring of the Clerk’s office,

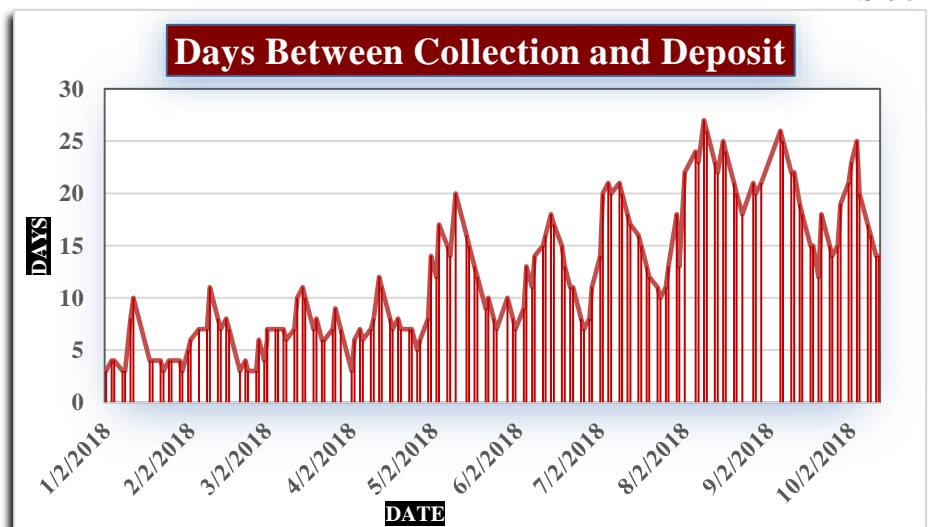
performed additional cash counts of Clerk collections in July, September, and December 2019. They identified recorded collections totaling at least \$4,300 that Stafford did not deposit into the Clerk office bank account. Stafford could provide no explanation for these subsequent misappropriations.

Summary of Cash Collection Misappropriation By Stafford	
Collection Misappropriation	Amount
Missing Deposits (October 2018)	\$10,028
Additional Missing Cash (2019)	4,300
Total Collection Misappropriation	14,328

Lapping scheme

Over the course of the 6-month period ending October 2018, Stafford failed to deposit cash collections totaling at least \$326,706 within two weeks of receipt, effectively depriving the county of the use of those funds. Using her authority as clerk, Stafford assigned to herself the responsibility of delivering the daily cash collections to the bank. An analysis of bank records and Clerk office records revealed that Stafford was not promptly delivering cash to the bank. As illustrated in **Exhibit 5**, the lag in time between collection and deposit of funds increased steadily from January 2018 through October 2018. The timing of collections and Stafford’s related deposits were consistent with a lapping scheme, in which Stafford removed cash collections for her personal use, and then concealed the misappropriated amounts by depositing in their place cash collections received on subsequent days.

Exhibit 5



Number of days collections were withheld from deposit over 10-month period.

B. Stafford Falsified Vehicle Registration Documentation to Misappropriate Collections Totaling At Least \$11,315

Stafford fraudulently altered at least 52 vehicle registration applications, concealing her misappropriation of at least \$11,315. Investigators discovered that after some taxpayers paid the full amount of taxes and fees for vehicle registrations, Stafford made false entries in the computer records to indicate that the Clerk’s office collected a smaller amount. For example, on June 21, 2019, clerk’s office personnel collected \$120.50 from a taxpayer for a new vehicle registration. (Refer to Exhibit 6.) On June 27, 2019, Stafford altered the application, removing

the \$400 cost of the vehicle, the related sales tax, and the county's wheel tax. This change caused Clerk's records to show only \$40 was collected, concealing that Stafford kept the \$80.50 difference for her own use. (Refer to Exhibits 6, 7 and 8.) Stafford made this alteration without the taxpayer's knowledge or consent.

Exhibit 6

VEHICLE COST / TAX INFORMATION (Required for Title & Registration Transactions)		TAXABLE AMOUNT	SALESTAX PAID	TAX EXEMPTION REASON / SALES TAX #
SALE PRICE	TRADE IN ALLOWANCE	400.00		
DEALER NAME	DEALER ADDRESS		DEALER #	
*Required for Duplicate Title - T.C.A. 55-3-115 (submit illegible or altered Certificate of Title)				
<input type="checkbox"/> LOST	<input type="checkbox"/> STOLEN	<input type="checkbox"/> MUTILATED	<input type="checkbox"/> RTND DUE TO NON DELIVERY	<input type="checkbox"/> ALTERED
Under penalties of perjury, I hereby certify all information provided is true and correct to the best of my knowledge, and acknowledge that it is not the responsibility of the Motor Vehicle Division or its assignees to determine the accuracy of the information provided by me or on my behalf.				
SIGNATURE OF CERTIFIER/OWNER		POWER OF ATTORNEY/AUTHORIZED SIGNATURE (IF APPLICABLE)		DATE
				06/21/2019
INVOICE NUMBER	COUNTY NAME	CO NUMBER	DATE OF APPLICATION	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES (COUNTY CLERK)
19172 @	JACKSON	44	06/21/2019	AMANDA WARD STAFFORD BCS
OFFICE USE ONLY (Total fees collected indicated certifies this form as a valid registration)				
REGISTRATION FEE	ELECTRIC VEHICLE FEE	CREDIT	LEASE FEE	TRANS FEE
26.50				1.00
ISSUANCE FEE	LIEN FEE	TITLE FEE	TOTAL TAX COLLECTED	
8.00	5.50		39.00	
COMPUTATION OF SALES TAX	SALES OR USE TAX	SA TAX	LOCAL TAX	ADDITIONAL TAX
<input type="checkbox"/> SALES TAX	<input type="checkbox"/> USE TAX	28.00	11.00	
*SERVICE OPT FEE			ORGAN DONOR	POSTAGE
			VER	ID / RESIDENCY VERIFICATION
				TOTAL FEES COLLECTED
				120.50
SF-1357 Port: wk01/DR1/1000 Cash: 121.00 Check: 0.00 Check#: Credit: 0.00 Auth#: GV: 0.00 Change: 0.00 RDA-892				

Original Vehicle registration form.

Exhibit 7

ASSIGNMENT OF TITLE BY REGISTERED OWNER	
This is to be completed by the seller and delivered to the purchaser with the vehicle. Purchaser must make application for a new Certificate of Title with the County Clerk. The undersigned hereby certifies that the vehicle described in this title has been transferred to the following printee:	
I certify to the best of my knowledge that the odometer reading is the actual mileage of the vehicle.	
Odometer Reading (No Tenths)	<input type="checkbox"/> 1. I hereby certify that the mileage stated is in accordance with the actual mileage of the vehicle.
	<input type="checkbox"/> 2. The odometer reading is not the actual mileage. WA
SIGNATURE AND ADDRESS OF SELLER(S)	
SELLER(S) NAME (Hand Printed)	SIGNATURE OF BUYER(S)
DATE OF SALE (MM/DD/YYYY)	BUYER(S) NAME (Hand Printed)
SALES PRICE (Hand Printed)	
3400.00	
*Make, VIN, Value of trade-in	
LIENHOLDER TO BE RECORDED AND SHOWN ON NEW TITLE: 1ST LIEN IN FAVOR OF NAME & ADDRESS	

\$120.50 - \$40 = \$80.50 retained by Stafford for personal use.

Original title showing sales price.

Exhibit 8

VEHICLE COST / TAX INFORMATION (Required for Title & Registration Transactions)		TAXABLE AMOUNT	SALESTAX PAID	TAX EXEMPTION REASON / SALES TAX #
SALE PRICE	TRADE IN ALLOWANCE			
DEALER NAME	DEALER ADDRESS		DEALER #	
*Required for Duplicate Title - T.C.A. 55-3-115 (submit illegible or altered Certificate of Title)				
<input type="checkbox"/> LOST	<input type="checkbox"/> STOLEN	<input type="checkbox"/> MUTILATED	<input type="checkbox"/> RTND DUE TO NON DELIVERY	<input type="checkbox"/> ALTERED
Under penalties of perjury, I hereby certify all information provided is true and correct to the best of my knowledge, and acknowledge that it is not the responsibility of the Motor Vehicle Division or its assignees to determine the accuracy of the information provided by me or on my behalf.				
SIGNATURE OF CERTIFIER/OWNER		POWER OF ATTORNEY/AUTHORIZED SIGNATURE (IF APPLICABLE)		DATE
				07/10/2019
INVOICE NUMBER	COUNTY NAME	CO NUMBER	DATE OF APPLICATION	BY AUTHORITY OF REGISTRAR OF MOTOR VEHICLES (COUNTY CLERK)
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COMPUTATION OF SALES TAX	SALES OR USE TAX	SA TAX	LOCAL TAX	ADDITIONAL TAX
<input type="checkbox"/> SALES TAX	<input type="checkbox"/> USE TAX			
*SERVICE OPT FEE			ORGAN DONOR	POSTAGE
			VER	ID / RESIDENCY VERIFICATION
				TOTAL FEES COLLECTED
				40.00
SF-1357 Port: wk01/DR1/1000 Cash: 121.00 Check: 0.00 Check#: Credit: 0.00 Auth#: GV: 0.00 Change: 0.00 RDA-892				

Altered vehicle registration showing no sales price and reduced fees collected.

Summary of Total Misappropriation By Amanda Stafford

Method of Misappropriation	Amount
Withholding Cash Collections for Personal Benefit	\$14,328
Falsifying Vehicle Registrations to Conceal Cash Diverted for Personal Benefit	11,315
Total Misappropriation	<u>\$25,643</u>

Amanda Stafford resigned from her position as Jackson County Clerk on May 8, 2020.

On May 28, 2020, Amanda Stafford pled guilty in Jackson County Court to two counts of Theft over \$2,500.

[Jackson County Clerk Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance, which the Jackson County Clerk continually failed to address. These deficiencies included:

Deficiency 1: The Clerk failed to ensure all collections were deposited promptly

The Clerk failed to deposit collections within three days as required by Section 5-8-207, *Tennessee Code Annotated*. As described above, the Clerk routinely deposited funds more than 14 days after collection. Making deposits timely and intact helps ensure that all funds are safeguarded for the use and benefit of the county and decreases the risk of fraud and misappropriation.

Deficiency 2: The Clerk failed to separate duties adequately and review audit logs

Several motor vehicle title application transactions had been altered by the Clerk resulting in official funds being diverted for the Clerk's personal use. The Clerk concealed her diversion of the funds by lowering the stated purchase price of the vehicles in the office computer system, thereby reducing the calculated amount of sales tax to be collected on the transactions. The failure to promptly detect this diversion of funds was caused in part by the lack of adequate segregation of duties and the failure to currently review the computer-generated audit logs.