



COMPTROLLER'S INVESTIGATIVE REPORT

Johnson County Safe Haven

January 14, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

January 14, 2021

Johnson County Safe Haven Board of Directors and
Executive Director Richard Walsh
350 Circle Drive
Mountain City, TN 37683-1567

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Johnson County Safe Haven, 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 1st 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 blue ink that reads "Jason E. Mumpower".

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

JOHNSON COUNTY SAFE HAVEN

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Johnson County Safe Haven. The investigation was limited to selected records for the period July 1, 2016 through May 31, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 1st Judicial District.

BACKGROUND



Johnson County Safe Haven (Safe Haven) is a nonprofit organization established primarily to provide temporary emergency shelter and support to victims of domestic violence in Johnson County, Tennessee. It also provides domestic violence victims with food, clothing, safe housing, and a 24-hour hotline. Safe Haven is governed by a 12-member board, and day-to-day operations are managed by an executive director. Safe Haven's revenues are primarily from government grants and contributions. Safe Haven management provided employees credit cards for business purchases.

RESULTS OF INVESTIGATION

1. THE EXECUTIVE DIRECTOR IMPROPERLY USED SAFE HAVEN'S CREDIT CARD TO MAKE PERSONAL AND OTHER NON-ORGANIZATIONAL PURCHASES TOTALING AT LEAST \$5,545

The executive director made personal purchases for himself, as well as purchases for two unaffiliated nonprofit organizations, on his Safe Haven credit card totaling at least \$5,545. **[Refer to Exhibit 1.]** After receiving the monthly credit card statement, the executive director told investigators that he determined which purchases were personal or for other organizations, and issued a personal check, or obtained a check from the other organizations, and mailed them with Safe Haven's payment. Investigators were able to determine the executive director and the two nonprofit organizations paid for all the personal and other non-organizational credit card purchases. Safe Haven's credit card policy prohibits charging personal expenses using the corporate credit card.

Exhibit 1

12/23	12/21	SHERRY	423-4601250 TN	24270749356900013300021	63.99
12/30	12/27	SQ *PANDORA'S BOX LLC	Mountain CityTN	24692169361100039122368	68.13
12/31	12/29	FOOD CITY #860	DAMASCUS VA	24427339364710008373632	135.83
01/06	01/04	LOWES #01522*	BOONE NC	24692160004100196152879	29.87

Examples of personal purchases made by the executive director using Safe Haven's credit card.

2. THE EXECUTIVE DIRECTOR HAD SEVERAL FAMILY MEMBERS AND A FAMILY FRIEND ON THE SAFE HAVEN CELL PHONE ACCOUNT

During the period July 2016 through May 2020, the executive director included several family members and a family friend on the Safe Haven cell phone account, which incurred additional charges totaling at least \$10,941. Safe Haven provided the executive director a phone for official business and paid for the monthly charges. Over the years, he added additional non-employee cell phones to the account. The executive director was responsible for reviewing cell phone bills and paying all charges. Each month the executive director determined the charges related to the non-business phones, and he and the family friend would issue personal checks to the cell phone provider for their portion of the bill. Investigators were able to confirm that the executive director and his family friend paid for the amounts owed for their personal cell phones. Investigators could not determine if the addition of non-Safe Haven employees on the cell phone plan caused the entity to absorb additional cost on the account.

3. INVESTIGATORS IDENTIFIED QUESTIONABLE PURCHASES TOTALING \$285

Investigators identified questionable purchases totaling \$285 using Safe Haven funds. In some instances, purchases of food and supplies were not supported with itemized receipts or other supporting documentation. Therefore, investigators could not determine whether these purchases were used exclusively for Safe Haven. Purchases should be made only for authorized expenditures, and adequate documentation should be maintained to support all purchases.

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls, some of which contributed to the executive director's ability to use the entity's credit card and cell phone account for non-business purposes without prompt detection:

Deficiency 1: The board of directors did not provide adequate oversight of operations

Safe Haven board of directors did not provide adequate oversight and did not establish internal controls to ensure employees do not use the credit cards or the cell phone account for personal or non-organizational purposes. Management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. The lack of oversight by the board of directors contributed to their failure to promptly identify the improper transactions.

Deficiency 2: The executive director used the treasurer’s signature stamp to sign checks and to document approval of transactions

In most instances, a signature stamp was used by the executive director to affix both his signature and the Safe Haven treasurer’s signature on checks and to document approval of transactions. This process created an improper lack of segregation of duties and increased the risk of errors or intentional misappropriation. Management should immediately discontinue the use of any signature stamp.

Deficiency 3: Some time records and travel expense claims were not approved by a supervisor

In some instances, supervisors did not sign employees’ time records and travel expense claims as evidence of review and approval. To provide adequate oversight, a supervisor should review and approve all time records and travel expense claims. Failing to review and approve time records and travel expense claims increases the risk of improper payments.

The Safe Haven board of directors indicated that they have corrected or intend to correct these deficiencies.
