



COMPTROLLER'S INVESTIGATIVE REPORT

Knox County Sheriff's Office Inmate Industries

March 26, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

March 26, 2021

Knox County Sheriff's Office
400 Main Street SW
Knoxville, TN 37902

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Knox County Sheriff's Office Inmate Industries, 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 6th 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

Knox County Sheriff's Office Inmate Industries

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Knox County Sheriff's Office Inmate Industries. This investigation was initiated after sheriff's department officials reported questionable transactions related to the program. The inquiry was limited to selected records for the period January 1, 2018 through November 5, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 6th Judicial District.

BACKGROUND



Knox County, Tennessee, is governed by a county mayor, who exercises all executive and administrative functions, and a 11 member county commission that acts as its legislative body. Acting pursuant to its legislative authority, the commission has adopted policies and procedures governing county property, including the disposal of property deemed to be surplus or scrap. Those policies are binding on all county departments and offices, including the sheriff's department, and can only be amended by vote of the county commission.

Knox County Sheriff's Office (KCSO), a department of Knox County, operates Inmates Industries, a program designed to provide community services to nonprofit organizations in the county. Inmates participating in the program perform projects such as clearing brush, mowing, litter pickup, and other jobs. In the course of this work, KCSO accumulates scrap metal in the form of appliances, sheet metal, heating units, and other miscellaneous items. In addition, KCSO's Roger D. Wilson Detention Facility stores its empty food and supply pallets on-site at the facility. During the period reviewed, Inmate Industries personnel transported the scrap metal and pallets to recyclers in exchange for cash.

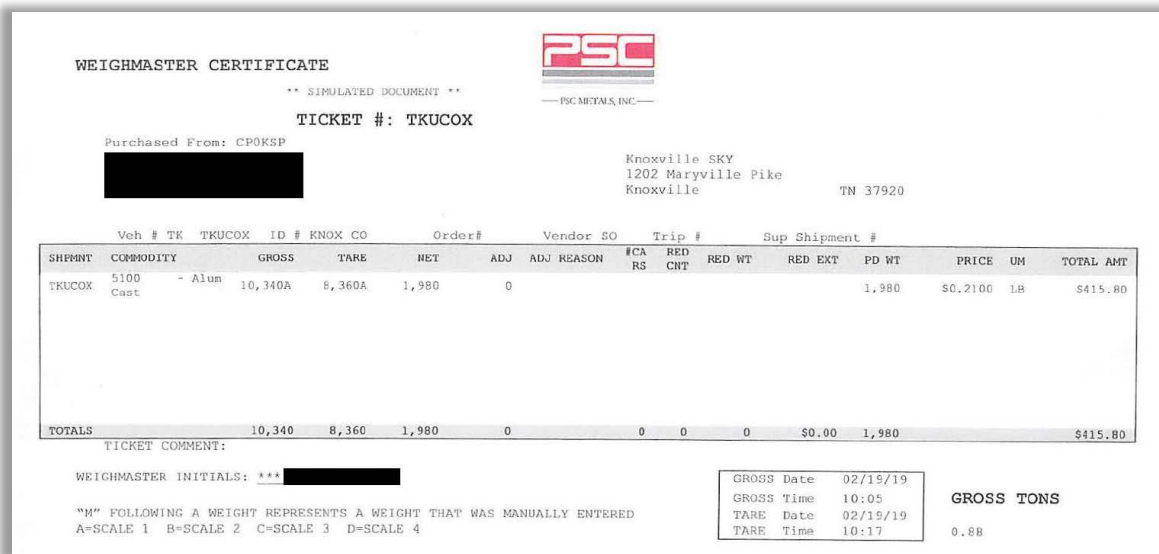
RESULTS OF INVESTIGATION

- **INMATE INDUSTRIES PERSONNEL RECEIVED AN ESTIMATED \$5,817 FROM THE SALE OF SCRAP METAL AND PALLETS BUT DID NOT REMIT THE CASH PROCEEDS FOR RECEIPT AND DEPOSIT**

From January 1, 2018, through November 5, 2020, Inmate Industries personnel collected an estimated amount of cash totaling at least \$5,817 from the sale of scrap metal and pallets and failed to remit the funds to the finance department for receipt and deposit. Inmate Industries supervisors failed to follow county policy related to disposal of surplus property, which requires all departments to transfer surplus property, including property deemed scrap, to the Property Management Office. Instead, Inmate Industries personnel disposed of the scrap items and retained the proceeds. Inmate Industries supervisors kept the proceeds in an informal and unauthorized cash fund. According to Inmate Industries personnel, the proceeds were directed by the supervisors to be used to buy snacks, drinks, and other food items for deputies and inmates who worked in the program. The supervisors did not maintain records of the collection or disbursement of those funds. Investigators were unable to verify that the cash collections were only used for the stated purposes.

Inmate Industries supervisors failed to maintain any records related to scrap metal sales. Investigators were able to obtain the necessary information from the scrap metal vendor, who provided detailed records of scrap metal received from Inmate Industries. [Refer to Exhibit 1.] Investigators determined that personnel from Inmate Industries received \$2,853 in cash from the sale of scrap metal. *Tennessee Code Annotated*, Section 62-9-111(b), requires payments for scrap metal sold by a governmental entity be made by check or money order payable to the governmental entity, and mailed to the business address of the governmental entity.

Exhibit 1



WEIGHMASTER CERTIFICATE
** SIMULATED DOCUMENT **
TICKET #: TKUCOX
Purchased From: CPOKSP
Knoxville SKY
1202 Maryville Pike
Knoxville TN 37920

SHIPMT	COMMODITY	GROSS	TARE	NET	ADJ	ADJ REASON	#CA RS	RED CNT	RED WT	RED EXT	PD WT	PRICE	UM	TOTAL AMT
TKUCOX	5100 - Alum Cast	10,340A	8,360A	1,980	0						1,980	\$0.2100	LB	\$415.80
TOTALS		10,340	8,360	1,980	0		0	0	0	\$0.00	1,980			\$415.80

TICKET COMMENT:
WEIGHMASTER INITIALS: *** [REDACTED] ***
GROSS Date: 02/19/19
GROSS Time: 10:05
TARE Date: 02/19/19
TARE Time: 10:17
GROSS TONS: 0.88

M FOLLOWING A WEIGHT REPRESENTS A WEIGHT THAT WAS MANUALLY ENTERED
A=SCALE 1 B=SCALE 2 C=SCALE 3 D=SCALE 4

Example of metal recycler sales receipt

Likewise, supervisors kept no record of sales of pallets and the pallet vendor maintained no records on the number of pallets delivered by Inmate Industries personnel or of the cash amounts paid. Based on information provided by KCSO personnel, investigators estimated the

number of pallets delivered to the pallet vendor during the 34-month period reviewed and determined that Inmate Industries personnel failed to remit to the finance office at least \$2,964 in cash proceeds from the sale of pallets. During the period reviewed, Inmate Industries personnel properly remitted a total of \$451 to the finance office on two occasions from the sale of pallets.

Exhibit 2



Accumulated pallets at Roger D. Wilson Detention Facility

Unaccounted Scrap Proceeds	
Type	Amount
Metal	\$2,853.00
Pallets (estimated)	2,964.00
Total Unaccounted Proceeds	\$5,817.00

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls and compliance:

Deficiency 1: KCSO personnel did not transfer scrap property to the Property Management Office

KCSO personnel did not transfer scrap property to the Property Management Office, a sub-office of the Procurement Division of Knox County, for disposal. Knox County Procurement Regulations, Section IX vests responsibility for disposal of scrap with the Property Management Office and requires all departments transfer surplus property, including property deemed scrap, to the Property Management Office. The Knox County Procurement Code, Section 2-712, grants the Procurement Director the authority and responsibility for determining the most advantageous method of disposing of scrap. Compliance with the surplus property and scrap disposal policies ensures county property is disposed of in the most advantageous way and all county funds are accounted for properly.

Deficiency 2: KCSO personnel did not issue receipts for the sale of scrap metal and pallets

KCSO employees did not issue receipts for all transactions involving the sale of scrap metal and pallets. *Tennessee Code Annotated*, Section 9-2-103, requires official receipts to be issued for all collections. Also, department officials are required to maintain duplicate receipts on file for audit inspection. The failure to issue receipts for all collections weakens accountability for collections and increases the risks of undetected errors or fraud.

Deficiency 3: KCSO personnel did not remit collections to the finance department for receipt and deposit into an official bank account

KCSO personnel did not properly remit proceeds from the sale of scrap metal and pallets to the Sheriff's finance department for receipt and deposit into an official bank account. Although the sale of scrap by Inmate Industries personnel was in violation of county policy, the proceeds remained county funds and therefore responsible personnel should have remitted the proceeds for receipt and deposit into an official county bank account. Failing to properly remit and deposit funds increases the risk of undetected errors or fraud.

KCSO officials indicated that they have corrected these deficiencies.
