



COMPTROLLER'S INVESTIGATIVE REPORT

Clarksville City Garage

April 21, 2022

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

April 21, 2022

City of Clarksville
Chief Financial Officer Laura Matta
P.O. Box 928
Clarksville, TN 37041

Chief Financial Officer Laura Matta:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Clarksville City Garage, 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 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

Clarksville City Garage

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Clarksville City Garage. The Comptroller's Office initiated the investigation after city officials reported missing cash deposits from scrap metal sales. This investigation was limited to selected records for the period from January 1, 2019, through December 15, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 19th Judicial District.

BACKGROUND



The Clarksville City Garage (garage) provides preventative maintenance and repair services on approximately 2,000 pieces of city-owned equipment, ranging from vehicles to lawn mowers and chainsaws. Garage personnel determine vehicle and equipment requirements for the city and ensure the equipment perform their intended purpose. The garage's mission is to maintain the City of Clarksville's fleet in the most efficient and cost-effective method possible.

Loretta Beeler Smith (Smith) was employed as the Administrative Support Tech for the garage from 2017 until the city terminated her employment in 2022. Her job responsibilities included managing the garage's purchasing card (P-card) records, the vehicle inventory process, and the city-owned gas pumps; data input; pay bills; and purchase order requests. She was also responsible for remitting any money collected by garage personnel to the city's revenue department.

RESULTS OF INVESTIGATION

- **CLARKSVILLE CITY GARAGE ADMINISTRATIVE SUPPORT TECH LORETTA BEELER SMITH MISAPPROPRIATED FUNDS TOTALING \$1,653**

Clarksville City Garage Administrative Support Tech Loretta Beeler Smith misappropriated funds totaling \$1,653 by failing to remit cash proceeds from scrap metal sales and taxicab safety inspections between November 5, 2019, through December 21, 2021, and retaining those funds for her personal benefit.

A. Scrap Metal Sales

When a city-owned vehicle was damaged beyond repair and/or was no longer suitable for use, garage personnel would either sell it for scrap or place it for sale on an online auction site. Vehicles sold as scrap were taken to a recycling facility and sold for cash based on their weight. At the time of sale, facility personnel provided a receipt along with the cash from the sale, which was then paid over to Smith to be remitted to the city's revenue department, along with a cash report that listed the vehicles that were sold. Each vehicle sold was accompanied by a receipt from the recycling facility.

From February 2020 through December 2021, Smith failed to remit \$1,053 to the city's revenue department from the sale of scrap metal. Investigators determined Smith misappropriated all scrap metal collections for 2020 and only remitted collections from three of the five vehicles sold for scrap in 2021.

When questioned by city officials regarding the missing cash from the 2020 sales, Smith claimed that a cash receipt form was completed, and all money was remitted to the revenue department. After reviewing the documents, investigators determined that Smith had falsified the cash reports associated with the 2020 scrap metal sales to conceal her misappropriation after she had been questioned by city officials. **(Refer to Exhibit 1.)**

Smith was responsible for completing cash reports and capital assets information forms. These documents summarized which vehicles were sold on specific days to ensure removal from the city's capital assets inventory, as well as the amounts that were collected for those vehicles. Investigators noted that Smith falsified two cash reports by including the sale of certain vehicles that had not occurred by the date on the report. As seen below, Smith altered a report dated October 14, 2020, to include the proceeds from a sale that occurred on October 20, 2020, six days after the date of the report. Smith fabricated these reports after city officials requested the reports.

Exhibit 1

CITY GARAGE
CASH REPORT

DATE: 10/14/2020 PREPARED BY: *Loetta Buler*

Cash Receipts:

Taxi Inspections

Receipt number: _____ \$ _____

_____ \$ _____

_____ \$ _____

TOTAL 150-30700 CRS _____

Sale of Scrap

Receipt number: 169077 \$ 83.00

169080 \$ 90.00

169802 \$ 87.00

TOTAL 15030700 CRS _____

Falsified Cash Report shows date indicating the scrap metal had been sold six days earlier than listed on the actual receipt

PAYMENT RECEIPT

MPG Transport
1309 Tylertown Rd
Clarksville, TN 37040
931-647-1500

Receipt: 169202 Date: 10/20/2020
Customer: 110674 Time: 10:22:29 AM

CLARKSVILLE - CITY GARAGE
1070 COMMERCE ST
CLARKSVILLE, TN 37040

ID Number:

Ticket: 213188 Weigh In: 10/20/2020
Operator: Michael F Weigh Out: 10/20/2020

All weights are in pounds unless otherwise noted

Commodity	Gross	Tare	Net	Price	TOTAL
Auto Incomplete	20,200	17,880	2,320	75.0000/NT	87.00
VIN: 2g1wd5e30d1172583 CHEVROLET IMPALA Red					
Ticket Total:					87.00
Total Paid:					\$87.00

No. of Tickets: 1
Payment Method: EZCash

Information on Cash report corresponds with Payment receipt

Falsified Cash Report from October 2020.

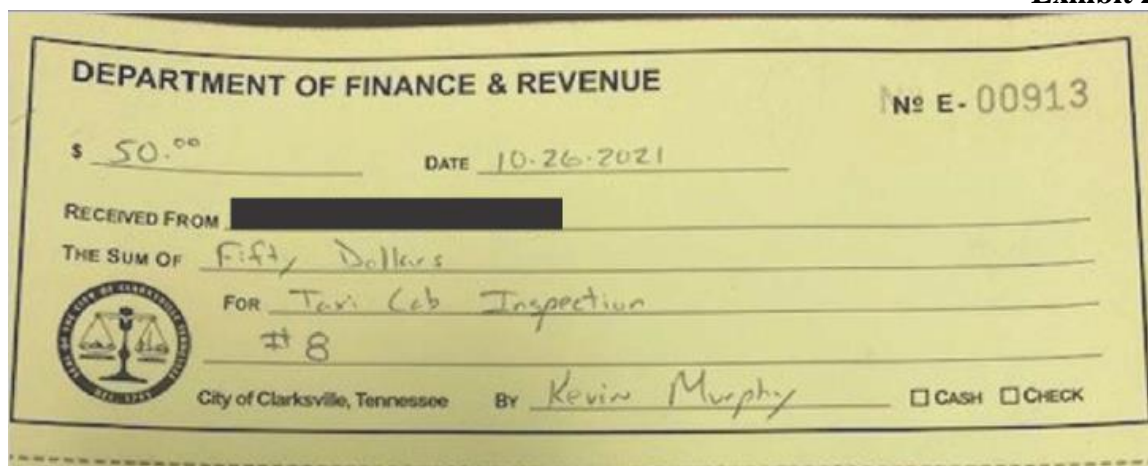
B. Taxicab Inspection Collections

Garage personnel were responsible for conducting annual safety inspections on local taxicabs. The City of Clarksville’s *Code of Ordinances, Section 5-522* states,

- (1) *Time, place, fee.* To ensure compliance with the provisions of this chapter all taxicabs shall be regularly inspected annually by the city garage and an inspection fee will be determined by the board. The times and places for such inspections shall be set by appointment. If the vehicle fails inspection, it will be subject to re-inspection. A re-inspection fee shall be charged if the vehicle must undergo major mechanical repair.

The garage partnered with the Clarksville Police Department to conduct annual taxicab inspections, typically in the fall. Taxicab operators were required to bring their taxicabs to the garage, where a city mechanic would inspect the vehicle in the presence of a police officer for a \$50 fee. If the taxicab passed, a “passed inspection” certificate would be placed on the vehicle. If the vehicle failed inspection, operators would be required to have any issues repaired and then go through the reinspection process costing an additional \$50. The fees collected for these inspections were all noted to be in cash, and all appear to have been receipted by garage personnel. **(Refer to Exhibit 2.)**

Exhibit 2



Example of a receipt given for a taxicab inspection.

Investigators reviewed the taxicab inspection collections and compared those to collections that had been documented by the city’s revenue department from 2017 through 2021. Investigators found that on 12 different occasions beginning in 2019, a total of \$600 in collections had not been remitted to the city’s revenue department. Smith admitted to Investigators that she took \$600 of collections for personal use.

Summary of Misappropriated Collections
by Loretta Beeler Smith

Collection Type	Amount
A. Scrap Metal Sales 2020-2021	\$ 1,053
B. Taxi Inspections 2019-2021	600
Total	\$ 1,653

On April 4, 2022, the Montgomery County Grand Jury indicted Loretta Beeler Smith for one count of Theft over \$1,000.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Clarksville City Garage Investigative Exhibit](#)

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls, some of which contributed to the Administrative Support Tech's ability to perpetrate her misappropriation without prompt detection:

Deficiency 1: City of Clarksville officials failed to provide appropriate oversight and did not separate incompatible financial duties

City officials did not provide adequate oversight and did not separate incompatible financial duties. The Administrative Support Tech received collections then prepared and delivered those collections to the revenue department without anyone reviewing or reconciling these processes. City officials are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Separating financial duties and providing adequate oversight reduces the risks that errors or intentional misappropriations will remain undetected.

Deficiency 2: City of Clarksville officials did not ensure cash receipts were reconciled with deposits

City officials failed to ensure cash receipts were reconciled with deposits made with the revenue department. A reconciliation of receipts with deposits by someone not responsible for either of those functions could identify errors and irregularities in the collection and deposit processes. Failing to reconcile receipts with deposits on a current basis increases the risk that errors or misappropriation will not be detected timely.

City of Clarksville officials indicated that they have corrected or intend to correct these deficiencies.