



COMPTROLLER'S INVESTIGATIVE REPORT

Haywood County Finance Department

July 6, 2022

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

July 6, 2022

Haywood County Mayor
and Board of Commissioners
1 N. Washington Avenue
Brownsville, TN 38012

Haywood County Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Haywood County Finance Department, 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 28th 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, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

HAYWOOD COUNTY FINANCE DEPARTMENT

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Haywood County Finance Department. The investigation was initiated after county officials identified and reported fraudulent charges on the county's purchasing card. The investigation was limited to selected records for the period from February 1, 2020, through May 31, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 28th Judicial District.

BACKGROUND



The Haywood County Finance Department is located in the county courthouse in Brownsville, Tennessee. The county mayor is responsible for overseeing the daily operations of the county government and appoints the county's department heads and directors. In February 2019, the county contracted a licensed Certified Public Accountant who served as budget director until May 2021. The former budget director was contracted through his public accounting business and was compensated \$4,500 per month by the county for his contracted services for the period investigated. As budget director, he was responsible for developing and overseeing the county's budget, reconciling financial accounts with the budget, facilitating budget amendments, and was the custodian of the county's purchasing card. The former budget director also regularly attended county commissioners meetings.

RESULTS OF INVESTIGATION

- FORMER HAYWOOD COUNTY BUDGET DIRECTOR MISAPPROPRIATED COUNTY FUNDS TOTALING AT LEAST \$17,606.22**

The former Haywood County Budget Director misappropriated county funds totaling at least \$17,606.22 by fraudulently transferring funds to his business account using the county’s purchasing card. The former budget director was the custodian of the county’s purchasing card used for making county purchases from authorized vendors such as Amazon, Home Depot, Sam’s Club, etc. The former budget director was also responsible for reconciling the purchasing card statement each month, coding the purchases to corresponding accounts, and submitting the monthly purchasing card statement to the County Trustee’s Office for payment. Investigators determined from September 2020 through February 2021, the former budget director used the county’s purchasing card to fraudulently transfer a total of \$17,606.22 from the county to his business account with Square, Inc. that was registered to his public accounting business (**Refer to Exhibit 1**).

Exhibit 1

Feb 4 - Mar 03, 2021			
Cardholder Activity			
Transactions			Amount
SQ * [REDACTED] CPA*gosq.com TN			249.95
SQ * [REDACTED] CPA*gosq.com TN			709.95
[REDACTED]			[REDACTED]
SQ * [REDACTED] CPA*gosq.com TN			409.00
[REDACTED]			[REDACTED]
SQ * [REDACTED] CPA*gosq.com TN			600.00
SQ * [REDACTED] CPA*gosq.com TN			750.00
SQ * [REDACTED] CPA*gosq.com TN			610.00
SQ * [REDACTED] CPA*gosq.com TN			800.00
SQ * [REDACTED] CPA*gosq.com TN			849.00
SQ * [REDACTED] CPA*gosq.com TN			200.00
SQ * [REDACTED] CPA*gosq.com TN			399.00

Original Regions purchasing card statement for the month of February 2021 that shows fraudulent charges via the Square, Inc. account registered to the former budget director’s business.

Feb 4 - Mar 03, 2021		
Cardholder Activity		
Transactions		Amount
AMZN Mktp US*2P5TU55AR7 Amzn.com/billWA		249.95
AMZN Mktp US*BL4TA42PG9 Amzn.com/billWA		709.95
[REDACTED]		[REDACTED]
AMZN Mktp US*PO3Y952LN2 Amzn.com/billWA		409.00
[REDACTED]		[REDACTED]
AMZN Mktp US*ZS7HB4EV1 Amzn.com/billWA		599.95
AMZN Mktp US*PC8M39NU8 Amzn.com/billWA		749.99
AMZN Mktp US*AY9J55BG6 Amzn.com/billWA		609.49
AMZN Mktp US*WU4H32IN4 Amzn.com/billWA		549.95
AMZN Mktp US*PR7A90HG7 Amzn.com/billWA		461.15
AMZN Mktp US*ZG4H36RE9 Amzn.com/billWA		449.95
AMZN Mktp US*GL8V88WT6 Amzn.com/billWA		326.57
LOGMEIN*GoToMyPC logmein.com MA		460.95
[REDACTED]		[REDACTED]

Altered Regions purchasing card statement for the month of February 2021 that was submitted to the county trustee by the former budget director that conceals the Square, Inc. charges as Amazon purchases.

Square, Inc. is a company that enables merchants to accept mobile debit or credit card payments via an electronic device that connects to the user’s mobile phone, tablet, or other electronic devices. The merchant can enter the amount it wishes to charge the purchaser and then swipe the purchaser’s debit or credit card to complete the transaction. Investigators noted a total of 44 unauthorized transactions to the former budget director’s Square, Inc. account on the county’s purchasing card statements during the period reviewed. The former budget director did not have authorization to charge the county’s purchasing card for services provided by his accounting firm.

The former budget director was able to conceal his misappropriation by improperly altering county purchasing card statements before submitting them to the county trustee for payment. The former budget director altered the statements at least 44 times to make it appear as if the Square, Inc. transactions were legitimate Amazon purchases. The former budget director’s remittance of the statement to the county trustee was taken as approval that the statement was correct and approved for payment.

The former budget director resigned from his position with the county on May 24, 2021 after county officials obtained purchasing card statements and discovered that the official monthly purchasing card statements did not match the monthly purchasing card statements submitted by the former budget director to the county trustee. On June 9, 2021, the former budget director reimbursed the county \$17,606.22. Investigators confirmed that the county received and receipted the full amount.

Summary of Fraudulent Square, Inc. Charges

Year	Month	No. of Transactions	Amount
2020	September	1	\$ 775.00
	October	3	749.84
	November	6	1,808.86
	December	13	4,153.44
2021	January	11	4,542.18
	February	10	5,576.90
	Total	<u>44</u>	<u>\$ 17,606.22</u>

On November 15, 2021, the Haywood County Grand Jury indicted the former budget director for one count of Theft of Property over \$10,000, and he was released on a \$1,000 bond. On April 1, 2022, the 28th Judicial District Attorney General moved the Court to dismiss the indictment against the former budget director, upon the following conditions: that the defendant stay out of trouble; that he successfully completes an intensive outpatient Alcohol and Drug Program at ASPPELL Recovery Center; that he completes 50 hours of community service; that he writes a public apology and publish it in the Brownsville Press newspaper; and that he pays the court costs.

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.

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls, some of which contributed to the former budget director's ability to misappropriate county funds without prompt detection. These deficiencies included:

Deficiency 1: The County Mayor's Office failed to separate duties adequately relating to the use of the county's purchasing card

The County Mayor's Office did not separate duties adequately related to the accounting of purchasing card transactions. The former budget director was the custodian of the county's purchasing card and had complete control over the account and the related purchasing card statements. The former budget director was also responsible for coding all purchasing card transactions to the corresponding financial accounts on the county's accounting records. Sound business practices dictate that the county mayor is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Allowing only one individual to have and exercise complete control over the accounting of purchasing card transactions increases the risk of fraud.

Deficiency 2: The County Mayor's Office did not provide and retain adequate supporting documentation for many purchasing card disbursements

The County Mayor's Office failed to provide and retain adequate supporting documentation for many purchasing card disbursements. Due to the lack of supporting documentation, county officials did not reconcile the purchasing card transactions with corresponding invoices. Requiring documentation, such as invoices or receipts, allows county officials to verify that the payment is proper and reasonable. Failure to provide and retain adequate supporting documentation increases the risk that errors or misappropriations could occur without prompt detection.

Haywood County officials indicated that they have corrected or intend to correct these deficiencies.
