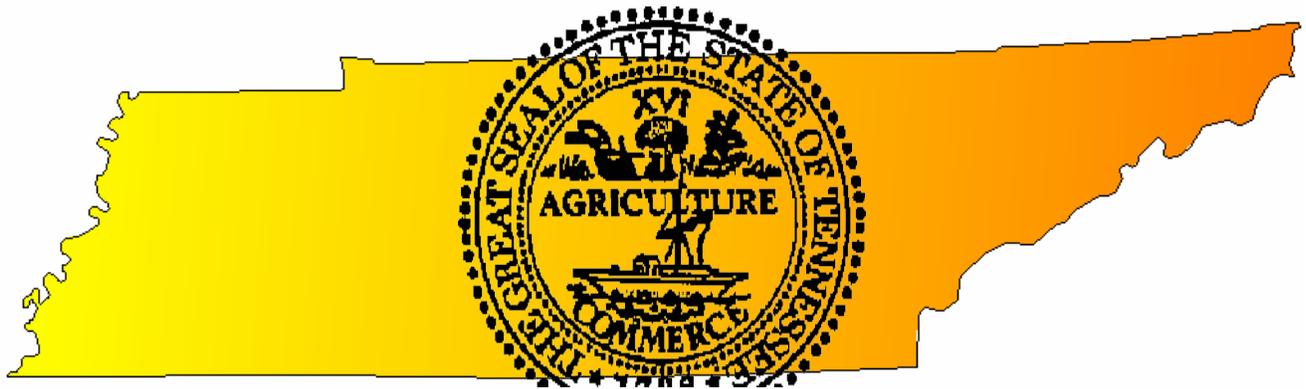


# INVESTIGATIVE AUDIT REPORT

CITY OF DECHERD

APRIL 1, 2005, THROUGH NOVEMBER 30, 2005



## State of Tennessee



**Comptroller of the Treasury  
Department of Audit  
Division of Municipal Audit**



STATE OF TENNESSEE

C O M P T R O L L E R O F T H E T R E A S U R Y

John G. Morgan  
Comptroller

STATE CAPITOL  
NASHVILLE, TENNESSEE 37243-0260  
PHONE (615) 741-2501

May 14, 2007

Honorable Mayor and Members of  
the Board of Aldermen  
City of Decherd  
P. O. Box 488  
Decherd, TN 37324

Ladies and Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the City of Decherd Police Department. The examination was conducted in conjunction with the Tennessee Bureau of Investigation and focused on the period April 1, 2005, through November 30, 2005. However, when the examination warranted, we expanded the scope. The audit was limited to an examination of the department's drug fund and confidential fund expenditures. Among the confidential fund records we reviewed were receipts for confidential fund expenditures, property/evidence records, and case files.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for municipalities, which is detailed in the *Internal Control and Compliance Manual for Tennessee Municipalities* combined with Chapters 1-7 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Our investigative audit revealed that for the period April 1, 2005, through November 30, 2005, at least \$1,553.57 in confidential fund cash was apparently misappropriated by the police department's former drug officer. This matter has been referred to the local district attorney general.

Honorable Mayor and Members of  
the Board of Aldermen  
City of Decherd  
May 14, 2007

The findings and recommendations in this report also relate to those conditions that we believe warrant your attention. All responses to each of the findings and recommendations are included in the report.

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT**

**John G. Morgan**  
Comptroller of the Treasury

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May 14, 2007

**Dennis F. Dycus, CPA, CFE, Director**  
Division of Municipal Audit

Mr. John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, TN 37243-0260

Dear Mr. Morgan:

As part of our ongoing process of examining the records of municipalities, we have completed our investigative audit of selected records related to the City of Decherd Police Department. The examination was conducted in conjunction with the Tennessee Bureau of Investigation and focused on the period April 1, 2005, through November 30, 2005. However, when the examination warranted, we expanded the scope. The audit was limited to an examination of the department's drug fund and confidential fund expenditures. Among the confidential fund records we reviewed were receipts for confidential fund expenditures, property/evidence records, and case files.

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Our investigative audit revealed that for the period April 1, 2005, through November 30, 2005, at least \$1,553.57 in confidential fund cash was apparently misappropriated by the police department's former drug officer. This matter has been referred to the local district attorney general.

Mr. John G. Morgan  
Comptroller of the Treasury  
May 14, 2007

Our examination also resulted in findings and recommendations related to the following:

1. Failure to properly document confidential fund disbursements
2. Evidence not turned over to evidence technician timely
3. Fines from drug cases not properly allocated

In addition to our findings and recommendations, we are also providing management's response. If after your review, you have any questions, I will be happy to supply any additional information which you may request.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

**INVESTIGATIVE AUDIT OF SELECTED RECORDS  
OF THE CITY OF DECHERD  
FOR THE PERIOD APRIL 1, 2005, THROUGH NOVEMBER 30, 2005**

**LEGAL ISSUE**

1. **ISSUE:**      **Apparent misappropriation of at least \$1,553.57 in confidential fund cash**

Our investigative audit revealed that for the period April 1, 2005, through November 30, 2005, at least \$1,553.57 in confidential fund cash was apparently misappropriated by the police department's former drug officer, Herbert Cantrell. Despite Officer Cantrell's repeated assurances that he provided receipts for all his expenditures of confidential funds cash, no receipts were located or provided by Officer Cantrell documenting the expenditure of the missing \$1,553.57.

This apparently misappropriated amount does not include any amounts related to possible false receipts provided by Officer Cantrell. During the scope of our investigative audit, Officer Cantrell was provided \$8,183.51 in cash for confidential funds transactions, primarily undercover drug buys. Receipts documenting confidential fund cash expenditures indicated one informant received the majority of documented confidential fund cash expended. However, the informant asserted that in addition to asking the informant to lie to investigators regarding payments, Officer Cantrell fabricated documentation of drug fund expenditures and directed the informant to sign the documentation. Based on the informant's statements regarding payments actually received, amounts related to these false receipts could total more than \$2,600. Because the informant could not specifically identify the false receipts, we have not included any related amounts in the apparently misappropriated total previously noted.

Finally, \$1,265 in receipted confidential fund cash expenditures could not be traced by auditors to any related evidence/property records or case files. The receipts indicated that all but \$290 of this amount is included in the total paid to the informant previously mentioned.

Possible misappropriated confidential fund cash based on available information noted above was as follows:

Minimal apparent misappropriation	\$1,553.57
Alleged false receipts indicating expenditures of confidential fund cash	2,600.00
Receipted payments to other confidential informants that could not be traced to related case records	<u>290.00</u>
Possible misappropriation based on available information noted above	<u>\$4,443.57</u>

Accordingly, of \$8,183.51 in cash provided to Officer Cantrell for confidential funds transactions, we could not determine whether more than \$4,000 was lawfully expended to combat narcotics distribution in the City of Decherd or misappropriated by Officer Cantrell for his personal use.

This matter has been referred to the local district attorney general.

## **FINDINGS AND RECOMMENDATIONS**

### **FINDING: Failure to properly document confidential fund disbursements**

We noted numerous, gross inadequacies related to Officer Cantrell's documentation of confidential fund disbursements. Confidential fund transactions were frequently not properly documented through the use of prescribed forms and case files and records of confidential fund cash usage were disorganized and incomplete. Many disbursements of confidential fund cash could not be traced to any related case files or evidence/property records.

Among the numerous deficiencies we noted were the following:

- A June 29, 2005, cash advance of \$2,500 was not recorded on a Form A-1 (Custodian's Activity Log for Confidential Funds) or Form A-2 (Transaction Record of Each Advance or Return of Confidential Funds).
- No A-3 forms (Agent's Activity Log for Confidential Funds) were available for review by auditors, with the exception of a single A-3 for the partial expenditure of the \$2,500 advance of June 29, 2005. Further, this log indicated a balance of \$0 prior to the \$2,500 advance. However, our analysis of confidential fund cash disbursements to Officer Cantrell and receipted expenditures of confidential fund cash indicated that Officer Cantrell should have had at least \$600.23 remaining on hand when he received the \$2,500 advance.
- A-4 forms (Accountability of Confidential Funds) were not prepared, other than for the following: (1) expenditure of \$13.28 for 12 micro cassettes, (2) aggregate expenditure of \$850 to one confidential informant, and (3) aggregate expenditure of \$480 to another confidential informant. Therefore, undocumented confidential fund cash expenditures totaled \$6,840.23.
- No A-6 forms (Summary Informant Payment Record) were prepared for any expenditures of confidential fund cash other than the expenditure of the \$2,500 confidential fund cash advance of June 29, 2005.
- R-2 reports (Quarterly Reports of Confidential Funds) were not prepared for the quarters ending September 30, 2005, and December 31, 2005.
- Apparently, duplicate A-5 forms (Receipt for Payment to Informant) documenting the expenditure of \$480 were prepared to document expenditures for one confidential informant. It appeared that the original A-5s were prepared by Officer Cantrell, signed by him, copied and then both the copies and originals were signed by the confidential informant. In an interview with auditors, Officer Cantrell's informant could not provide a reasonable explanation for having signed duplicate copies of the forms, stating that he believed that both the originals and copies may have been

**Findings and Recommendations**

placed before him for his signature and that he did not realize at the time that he was signing duplicate copies documenting the same expenditures twice.

- The Decherd Police Department utilizes the county Emergency Operations Center (EOC) for assignment of case numbers. Officer Cantrell’s case files included case numbers that were assigned by the EOC to other officers or police departments. For instance:

Case No.	Per Officer Cantrell’s Case Files	Per EOC Records
2005-0017282	Per confidential funds receipts, confidential fund cash was expended. Per evidence records, five oblong-shaped tablets were seized/obtained from a suspect at either Waffle House or the Kroger parking lot.	Case involved pursuit by a Cowan Police Department police officer.
2005-0017283	Per confidential funds receipts, confidential fund cash was expended. Per evidence records, five oblong-shaped tablets were seized/obtained from a suspect at either Waffle House or the Kroger parking lot.	Sexual assault of a minor investigated by Huntland Police Department officer.
2005-0017284	Per confidential funds receipts, confidential fund cash was expended. Per evidence records, five oblong-shaped tablets were seized/obtained from a suspect at either Waffle House or the Kroger parking lot.	Vandalization of a car at the victim’s place of work. Investigated by a Winchester Police Department officer.
2005-0027434	Per a confidential funds receipt, confidential fund cash was expended to purchase marijuana from a suspect.	Another officer investigated an alarm call at a local school.
2005-0029802	Per Decherd Police Department evidence records and TBI Requests for Examination, this was a drug case and a crack pipe was seized from the suspect.	Another officer was dispatched to speak with a parent about their child riding a motorcycle at high rates of speed and disturbing the peace.
2005-0029805	Per case files, three suspects arrested pursuant to issuance of a search warrant on a residence. Each of the three suspects was found to be in possession of drug paraphernalia.	Another officer investigated a suspicious vehicle after observing a red Honda, with one of its doors open, pull into a Krystal.

“Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs,” developed pursuant to Section 39-17-420(f), *Tennessee Code Annotated*, describes proper procedures for

undercover cash and also prescribes forms for the proper documentation of confidential fund transactions.

**RECOMMENDATION:**

To comply with “Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs” and help prevent future misappropriations of confidential fund cash, city officials should require complete compliance with the manual. Confidential fund cash should be reconciled periodically by someone not involved in the confidential fund disbursements process and the reconciliation should be documented and retained. All prescribed forms should be used and completed. Case files should be complete, organized, and accurate. Finally, case file numbers should correspond with the applicable case numbers assigned by the EOC.

**MANAGEMENT’S RESPONSE:**

**Mayor**

I concur that there should be periodic reconciliation of drug fund expenditures. I feel that this should take place weekly until everyone fully understands the documentation and the forms that are to be used and thereafter every two weeks.

**Vice-Mayor Etheridge:**

I concur with the finding and feel that the recommendation is suitable. Note: At this time, I do not have a copy of the “Procedures for Handling Cash Transactions Related to Undercover Investigative Operations of County and Municipal Drug Enforcement Programs.” I will get this info very soon.

**Alderman Powers:**

I think we should definitely follow the recommendation.

**Alderman Hughes:**

Follow the recommendation.

**Alderman Smith:**

I concur with this finding and the recommendation will be put into effect.

**City Administrator:**

I will require all reports be turned in on a timely fashion. I am also recommending that a separate bank account be set up where the chief of police would deposit the money into

an account. The drug investigator would then withdraw the money as needed and keep accurate records of such withdrawals.

**Police Chief:**

After reviewing the findings of the audit, it leaves me to believe that the audit is correct. The City of Decherd will take the auditor’s recommendation and follow the set guidelines. The city mayor and board of aldermen will change the distribution of special drug funds revenue. This change will be made by a resolution to allocate all drug-related revenues into the appropriate drug funds at one hundred percent. The City of Decherd will appropriate a checking account for the narcotics investigator so such funds can be allocated and tracked. All procedures related to undercover revenues will be periodically reconciled and documented.

2. **FINDING: Evidence not turned over to evidence technician timely**

Our review of the department’s evidence/property records, TBI official forensic chemistry reports, and Officer Cantrell’s case files and receipts for payments to confidential informants revealed that evidence was often held for weeks or even months before being turned over to the evidence technician and logged into evidence. Following is a table briefly summarizing some of the more egregious examples.

<b>Date of Recovery/ Offense</b>	<b>Date Custody Transferred</b>	<b>No. of Days Elapsed</b>	<b>Case Number(s)</b>	<b>Evidence</b>
21-Apr-05	14-Mar-06	327	200517281-4	Oblong-shaped tablets
19-May-05	22-Jun-05	34	200520988-9	Off white-colored, rock-like substance
2-Jul-05	12-Mar-06	253	200527431	Green leafy plant-like substance
18-Jul-05	12-Sep-05	56	200529809	Rock-like substance - cocaine
19-Jul-05	12-Sep-05	55	200529810	Rock-like substance - cocaine
20-Jul-05	12-Sep-05	54	200529811-2	Rock-like substance - cocaine
20-Jul-05	12-Sep-05	54	200529814	10 square yellow tablets - Alprazolam
7-Aug-05	12-Sep-05	36	200532802	Various drug paraphernalia
12-Aug-05	12-Sep-05	31	200529801	Rock-like substance - cocaine
14-Sep-05	1-Nov-05	48	200538424	Marijuana
15-Sep-05	1-Nov-05	47	200538694	Marijuana
20-Sep-05	1-Nov-05	42	200539512	Marijuana
21-Sep-05	1-Nov-05	41	200539679	Marijuana
15-Nov-05	12-Mar-06	117	200547688A-B	Off white-colored, rock-like substance

**RECOMMENDATION:**

To ensure that controlled substances and other evidence are properly accounted for and not available for unlawful use, city officials should require that all such evidence be turned over to the evidence technician timely.

**MANAGEMENT'S RESPONSE:**

**Mayor**

I concur that evidence should be turned over in a timely manner. Seventy-two hours unless a holiday is involved would seem a fair limit.

**Vice-Mayor Etheridge:**

I concur. I plan to stay abreast of the matter with the police chief.

**Alderman Powers:**

I agree with the recommendation.

**Alderman Hughes:**

I think this is an important recommendation and should be followed.

**Alderman Smith:**

I agree with the finding and the recommendation will be put into effect.

**City Administrator:**

I will recommend that the drug investigator turn over all evidence to the chief of police and show documentation to that effect.

**Police Chief:**

After reviewing the findings of the audit, it leaves me to believe that the audit is correct. The City of Decherd will take the auditor's recommendation and follow the set guidelines. The city mayor and board of aldermen will change the distribution of special drug funds revenue. This change will be made by a resolution to allocate all drug-related revenues into the appropriate drug funds at one hundred percent. The City of Decherd will appropriate a checking account for the narcotics investigator so such funds can be allocated and tracked. All procedures related to undercover revenues will be periodically reconciled and documented.

3. **FINDING: Fines from drug cases not properly allocated**

City officials did not record the applicable portion of drug-related fines received from the county courts in the general fund. Instead, the entirety of drug-related fines was deposited into the city's special drug account. Section 39-17-428, *Tennessee Code Annotated*, establishes minimum fines for violations of Tennessee's drug control statutes. This section also establishes the mandatory distribution of those fines, including the portion to be allocated to the special drug account with the remainder paid to the general fund.

**RECOMMENDATION:**

To comply with state statutes, city officials should ensure that the applicable portion of drug-related fines is recorded in the general fund.

**MANAGEMENT'S RESPONSE:**

**Mayor**

A line item for revenue from drug-related funds in county court should be utilized. I concur with the finding.

**Vice-Mayor Etheridge:**

I concur. I request that the city officials establish a set amount to be deposited in the drug fund and maintain proper records.

**Alderman Powers:**

I feel that all drug fund money should go into the drug fund.

**Alderman Hughes:**

We should look at the drug fund and see how the money can best be used.

**Alderman Smith:**

I support this finding and the recommendation will be put into effect.

**City Administrator:**

I would recommend to the board of mayor and aldermen that all drug money be turned over to the drug fund and not split with the general fund. This will give the drug fund more money and hopefully will make it unnecessary to use general funds for drug investigations. I believe that the city can operate under these conditions.