

INVESTIGATIVE AUDIT REPORT

TRENTON POLICE DEPARTMENT

JULY 1, 2006, THROUGH NOVEMBER 30, 2008



State of Tennessee



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



STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Justin P. Wilson

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-9034

PHONE (615) 741-2501

August 30, 2010

Honorable Mayor and Members of the
Board of Aldermen
City of Trenton
309 South College Street
Trenton, TN 38382

Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the City of Trenton. The purpose of the investigative audit was to address specific allegations, forwarded to our office by city officials, concerning a possible shortage in cash collected by police dispatchers. This investigative audit focused on the period July 1, 2006, through November 30, 2008. However, when warranted, we expanded the scope. Our investigation consisted primarily of making inquiries, examining municipal collection records, examining municipal and personal bank records, interviewing current and former employees, and performing other tests and specialized procedures deemed necessary.

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 July 1, 2006, through November 30, 2008, cash collected by police dispatchers totaling at least \$73,536 was not deposited into a city bank account.

Honorable Mayor and Members of the
Board of Aldermen
City of Trenton
August 30, 2010

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, appearing to read "Justin P. Wilson", with a stylized flourish at the end.

Justin P. Wilson
Comptroller of the Treasury



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

Justin P. Wilson
Comptroller of the Treasury

**BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499**

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

August 30, 2010

Mr. Justin P. Wilson
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-9034

Dear Mr. Wilson:

As part of our ongoing process of examining the records of municipalities, we have concluded our investigative audit of selected records of the City of Trenton. The purpose of the investigative audit was to address specific allegations, forwarded to our office by city officials, concerning a possible shortage in cash collected by police dispatchers. This investigative audit focused on the period July 1, 2006, through November 30, 2008. However, when warranted, we expanded the scope. Our investigation consisted primarily of making inquiries, examining municipal collection records, examining municipal and personal bank records, interviewing current and former employees, and performing other tests and specialized procedures deemed necessary.

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 July 1, 2006, through November 30, 2008, cash collected by police dispatchers totaling at least \$73,536 was not deposited into a city bank account.

Mr. Justin P. Wilson
Comptroller of the Treasury
August 30, 2010

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

1. Lack of accountability over collections
2. Prenumbered receipts not accounted for
3. Funds collected by dispatchers not promptly turned over for deposit
4. City treasurer not informed of significant discrepancy and failed to ensure the receipt and deposit of all city funds

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 TRENTON POLICE DEPARTMENT
FOR THE PERIOD JULY 1, 2006, THROUGH NOVEMBER 30, 2008**

LEGAL ISSUE

1. **ISSUE: Cash not deposited into city bank account**

Our investigative audit revealed that for the period July 1, 2006, through November 30, 2008, cash collected by police dispatchers totaling at least \$73,536 was not deposited into a city bank account.

Police dispatchers collected fines and fees at the police department. They recorded these collections on manual, prenumbered receipts and also on dispatcher shift reports. The cash collections were placed in envelopes which were then sealed and put through a slot into a lock box. The police chief and his secretary kept the only two keys to the lock box.¹ The police chief periodically removed the sealed envelopes from the lock box so the cash could be deposited into a city bank account. However, he did not examine the dispatcher's receipt book and compare it with the collections on hand. The police chief remitted some collections to city hall for deposit into a city bank account. City hall office staff counted the collections and issued a receipt to the police chief. However, the police chief also turned over other collections to the city court. The police chief told state auditors that he did not count the collections before he turned them over to the city court. He also said that he often left those collections in sealed envelopes on the desk of the deputy city court clerk.² The deputy city court clerk combined those police fines turned in with fines collected at city court and remitted all the funds to city hall, where city office staff counted the money and issued a receipt.

Our investigative audit determined that the lack of certain internal controls contributed to the failure to detect or prevent the apparent misappropriation in a timely manner. These weaknesses are detailed in the following Findings and Recommendations:

¹According to several employees, the police chief's secretary allowed at least one other dispatcher to use her key.

²Based on our review, the elected court clerk had no role in the collection process. Those duties were performed by the deputy court clerk and her assistant.

FINDINGS AND RECOMMENDATIONS

1. **FINDING: Lack of accountability over collections**

Our investigative audit revealed a total breakdown of accountability over cash collections at the police department. Although records of dispatcher collections were created, the police chief failed to ensure that each recorded collection was actually deposited into a city bank account. In addition, he did not assign or establish responsibility over cash collections. The police chief told state auditors that he routinely removed cash from the lock box. His secretary kept keys to the lock box to have access when he was away. We noted documentation showing that the police chief's secretary transferred some collections to city court. The police chief said he did not examine the receipt book used by dispatchers to record collections. Instead, he relied on dispatchers to list collections on the separate shift report of police and dispatch activities. From July 1, 2006, through November 30, 2008, in all but two cases, the police chief made no complete record of what or how much cash he removed from the lock box. The police chief ran an adding machine tape of collections turned over to city hall for deposit into a city bank account. But the police chief also turned over collections to the deputy city court clerk for deposit. In all but two cases, he made no record of what or how much cash he turned over to the deputy city court clerk for deposit. The police chief stated he often failed to turn over collections to an individual but instead, simply placed the collection envelopes on the desk of the deputy city court clerk. The police chief also stated he sometimes handed over collections to an employee to take to the deputy city court clerk. No record of those transfers was maintained. Because cash was transferred between two parties with no documentation, accountability was lost.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 13, Section 2, states:

Anytime custody of money changes from one employee to another, the money should be counted by both employees. A prenumbered receipt or other document recording the count should be prepared and signed by BOTH EMPLOYEES INDICATING CONCURRENCE WITH THE AMOUNT TRANSFERRED. This document should be retained by the individual turning the money over.

RECOMMENDATION:

To help promptly detect errors or irregularities, accountability over collections must be established. Receipts should be issued for all collections and anytime custody of money changes from one employee to another. Both employees should sign the receipt when funds are transferred indicating agreement with the amount transferred.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. In an effort to be more accountable in the collection of money, we have completely stopped collecting money in the police department as of early 2009. As of October 2009, we have installed CTRIS in our general sessions and traffic court and now generate receipts by computer, eliminating handwritten receipts. When collections from general sessions and traffic court are transferred to the city recorder for deposit to the official bank account, additional receipts are written. In addition, our city recorder and head bookkeeper regularly check cash drawers, receipt books, and are diligent in making sure all money collected at city hall is deposited within the three (3) day legal limit.

City Recorder/Clerk of the Municipal Court:

We concur. As recommended, these steps have been implemented.

Police Chief:

I will concur with the finding with the following comments:

As chief of police, I followed the procedures I was trained to do some 30 years ago. This procedure remained in effect under seven mayors and four city recorders. Additionally, an audit of the Trenton Police Department was conducted by a CPA firm that contracts with the City of Trenton. The police department has been audited annually since I was appointed chief of police. To my knowledge, the local CPA never documented any finding for lack of accountability by the Trenton Police Department.

I strongly disagree with the statement written in the finding, **“The police chief stated he often failed to turn over collections to an individual but instead, simply placed the collection envelopes on the desk of the deputy city court clerk.”** This statement is completely inaccurate.

What I said was that I never requested or received a receipt from a court clerk when turning collections over to them and sometimes, I would simply toss or throw the collection on a court clerk's desk and leave. I never indicated to auditors this was done with no one present. It should not be implied that this was done when no one was present. At no time have I ever put any collections on a court clerk's desk without someone in the office seeing me. In most all cases if no one was in the court clerk's office, the door is locked and I have no means of getting into the office.

AUDITOR’S CLARIFICATION TO POLICE CHIEF’S RESPONSE:

Our account of an interview of the police chief states:

Chief Sanders admitted that, in the past, his method of transferring funds to city court clerks had been very casual and there had been no receipt issued.

“I picked up envelopes (out of the dispatcher collection box), tossed them on the clerk’s desk and walked out,” Chief Sanders said.

Chief Sanders did not elaborate.

We appreciate the police chief’s clarification.

2. **FINDING: Prenumbered receipts not accounted for**

Our investigative audit revealed that all receipts were not accounted for. Police dispatchers issued prenumbered receipts. However, when collections were turned over to city hall and to the deputy city court clerk for deposit, there was no accounting for the prenumbered receipts to ensure that each and every collection was turned over for deposit into a city bank account. We also noted that computer-generated and manual receipts prepared by the deputy city court clerk’s office were not accounted for.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 13, Section 2, requires that all prenumbered receipts be accounted for.

RECOMMENDATION:

To help promptly detect errors or irregularities, the treasurer must ensure that each day’s prenumbered, duplicate receipts are reconciled with the daily collection report and collections before the collections are deposited. This reconciliation should be documented in the municipality’s records.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Again, since no money is collected in the police department, receipts are no longer written there. Also, receipts for money collected in the court department, city hall, and building inspector’s office are deposited daily with clerks in city hall who receipt

collections that are then reconciled and deposited daily by the city recorder. All receipts are computer-generated and will be accounted for by the city treasurer.

City Recorder/Clerk of the Municipal Court:

We concur. All steps are being taken.

Police Chief:

I concur with the finding with the following comments:

As chief of police, I followed the procedures I was trained to do some 30 years ago. This procedure remained in effect under seven mayors and four city recorders. Additionally, audit of the Trenton Police Department was conducted by a CPA firm that contracts with the City of Trenton. The police department has been audited annually since I was appointed chief of police. To my knowledge, the local CPA never documented any finding for receipts not being accounted for by the Trenton Police Department. The CPA firm has knowledge that we used prenumbered receipts and should have been fully aware of the process used by the Trenton Police Department.

3. **FINDING: Funds collected by dispatchers not promptly turned over for deposit**

For several months during the scope of our audit, the delay from the original collection by a police dispatcher to the deposit of those funds ranged from one to two weeks. We noted that one group of collections made by dispatchers in February 2007 totaling \$3,807, was not deposited until November 2007, a delay of more than nine months from collection to deposit.

Initially, the police chief could not explain the delay from collection to deposit. He first attempted to blame the deputy city court clerk, who maintained meticulous records of what she had received including the date of receipt and deposit. The police chief later said the collections had been inadvertently left in the safe and discovered months later. The police chief said the city recorder/city court clerk would agree. The city recorder/city court clerk said he had a vague recollection of the incident and would not have remembered if the police chief had not reminded him of the event.

Section 6-56-111(a), *Tennessee Code Annotated*, states:

Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 13, Section 8, states:

Municipal officials should ensure that ... collections are deposited daily, if possible, but no more than three working days after the initial collection, as required by state law. The bank's night depository should be used, if necessary, to avoid large accumulations of currency overnight.

RECOMMENDATION:

To help prevent the misuse or loss of collections, officials should ensure that all collections are deposited intact within three working days into an official municipal bank account. Cash on hand should be safeguarded.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. To ensure that we have no further problem with prompt deposits or the collection of money by dispatchers, the City of Trenton Police Department and dispatchers no longer accept any money collections. All money is now collected in either the court department or city hall where it is properly receipted, processed, and deposited in a timely manner.

City Recorder/Clerk of the Municipal Court:

We concur.

Police Chief:

I concur with this finding with the following comments:

It was not uncommon for collections to remain in the lock box from one to two weeks. This is in large part due to other duties and responsibilities. Since serving as chief of police, no one suggested or requested that collections be turned over to the city recorder in any length of time.

Initially, I could not explain the delay from collections to deposit. This occurred some two years ago. I told the auditors that I could assure them the money did not remain in the lock box for nine months or anywhere else in the Trenton Police Department.

As I recall the conversation, I asked where the money was found and it was indicated the collections were given to the court clerks. I did not mean to place blame on a court clerk. I just simply suggested they check with the court to determine who brought them the collections and when.

In studying this incident trying to determine why collections remained unaccounted for a period of nine months, I recalled an event when the city recorder walked into my office one day with a stack of collections in his hands. He told me he found them in a safe in the front office vault. We looked at some of the collections and realized they were for several hundred dollars and were collected several months prior. I think the city recorder took the collections to the court clerk's office. The collections were documented in the court clerk's office and deposited in the city bank account.

This incident would clearly explain the reason for the nine-month delay. Apparently these sets of collections were taken by dispatchers in just a few days. Someone (police chief or Marilyn Vaughn) made the decision to take the collections to the front office for safe keeping. The collections were placed in the safe and must have been forgotten about until they were found.

I am 100 percent confident that this incident occurred. As for the city recorder, he might not remember the incident. It should not be implied that the police chief and city recorder conspired to cover up anything.

4. **FINDING: City treasurer not informed of significant discrepancy and failed to ensure the receipt and deposit of all city funds**

The city treasurer was not informed of a significant discrepancy concerning the collection of fines and fees including the nine-month delay from collection to deposit referred to in Finding 3. As a result, the city treasurer was unable to provide adequate oversight and properly account for city funds. In addition, we noted that the city recorder kept certain fines and fees in his desk drawer.

The Charter of the City of Trenton, Chapter 551, Section 6 states:

Be it further enacted, The City Council shall at its first meeting following the election elect a City Treasurer, who shall be a member of the Council, and such other employees as may be deemed necessary....

The duties of the city treasurer, described in Section 8 of the Charter state:

The City Treasurer shall receive and receipt for all funds belonging to the city from the Marshal, the Recorder, the night police and other sources, and keep a proper account of the same in such book or books as the City Council may direct; make out and present quarterly a full and explicit account, statement and report of all the finances under his control, and also a complete financial statement of the city, which report the City Council may order published.

RECOMMENDATION:

To help prevent the misuse or loss of collections, the city treasurer should provide adequate oversight to ensure the receipt, deposit, and proper accounting for city funds. In order to provide adequate oversight, the city treasurer should be informed of significant discrepancies.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The city treasurer job has changed over the years to put the majority of the fiscal responsibility on the city recorder. The city will make an effort to more closely align the duties of the city treasurer with our existing city charter. From this point forward, the city treasurer will receive a daily record of collections and deposits from the court, building inspector, and main city hall office. The treasurer will also check to ensure all collections and receipts are accounted for.

City Recorder/Clerk of the Municipal Court:

We concur and have new steps in place to keep city treasurer more informed.

Police Chief:

I will concur with the finding with the following comments:

The city recorder was the individual who found the collections inside a safe in the vault in the mayor's office. As the police chief, I have never been instructed to report any kind of discrepancies to the city treasurer. Having worked for the City of Trenton for 34 years, the procedure for reporting discrepancies has been for the police chief to report to the city recorder and/or mayor. In the case of the missing collections for nine months, the person I am responsible for reporting discrepancies to already had a knowledge of the missing collections.

I feel it should be noted and documented that as soon as I discovered money missing from the police department in October of 2008, I immediately notified the city recorder and mayor. If I had not done so, the comptroller's office would not have been notified. I was not aware I was obligated to report this incident to the city treasurer.