



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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June 27, 2006

MEMORANDUM

TO: Honorable John G. Morgan
Comptroller of the Treasury

FROM: Richard V. Norment *Richard V. Norment*
Assistant to the Comptroller

SUBJECT: Report of Cash Shortages and Fund Deficits for Audits of 2005 Financial
Transactions of County Governments

This division has prepared the enclosed schedules of cash shortages and fund deficits disclosed in audits of individual counties. This information was obtained from the Annual Financial Reports of Tennessee's 95 county governments for the year ended June 30, 2005.

If you need additional information regarding these cash shortages and fund deficits, please let me know.

Enclosures

Schedule A

Division of County Audit
Summary of Cash Shortages in Fiscal Offices and Offices
of Trustee, County Clerk, Clerks of Courts, Register of
Deeds, and Sheriff
June 30, 2005

	<u>County</u> <u>Office/Department</u>	<u>Amount of</u> <u>Cash Shortage</u>
1.	<u>Benton</u> Sheriff's Office	\$ 906 (1)
2.	<u>Cocke</u> Former Clerk and Master	45,815 (2)
3.	<u>Fayette</u> School Department Employee	10,371 (3)
4.	<u>Franklin</u> Sheriff's Office	1,000 (4)
5.	<u>Hamblen</u> Sheriff's Office	14,326 (5)
6.	<u>Hamblen</u> County Clerk's Office	14,580 (6)
7.	<u>Hardeman</u> Ambulance Service Director	1,242 (7)
8.	<u>Hardeman</u> Former Director of Schools	9,579 (8)
9.	<u>Houston</u> County Executive's Office	3,480 (9)
10.	<u>Jackson</u> Clerk and Master	3,238 (10)

Schedule A

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<u>County</u> <u>Office/Department</u>	<u>Amount of</u> <u>Cash Shortage</u>
11. <u>Madison</u> Former Clerk and Master	\$ 1,159 (11)
12. <u>Marshall</u> Veterans Service Officer	1,353 (12)
13. <u>Marshall</u> Sheriff's Office Employee	14,360 (4)
14. <u>McNairy</u> General Sessions Court Clerk's Office	77 (4)
15. <u>Morgan</u> County Clerk's Office	6,103 (13)
16. <u>Sequatchie</u> Sheriff's Office	1,480 (4)
17. <u>Sevier</u> County Clerk	16,689 (14)
18. <u>Sevier</u> General Sessions Court Clerk	16,643 (15)
19. <u>Wayne</u> Highway Department	17,274 (16)
Total	\$ 179,675

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Summary of Cash Shortages in Fiscal Offices and Offices of Trustee, County Clerk, Clerks of Courts, Register of Deeds, and Sheriff

June 30, 2005

- (1) This cash shortage was reflected during the 2002-03 audit period. The original cash shortage amount was \$4,138. The sheriff liquidated \$3,232 of this cash shortage during the 2002-03 year. The sheriff has requested that the insurance company holding the surety bond for one of his deputies liquidate the remaining \$906 of the cash shortage. However, this \$906 has not been liquidated as of May 30, 2006.
- (2) This cash shortage was reflected during the 1996-97 audit period. The original cash shortage was \$101,822. The official's bonding company liquidated \$50,000 of this shortage leaving a remainder of \$51,822. The former clerk and master, Charles Chesteen, began making monthly payments of \$25 toward court costs and restitution in December 2001. As of June 30, 2005, Mr. Chesteen had made payments of \$6,607 toward restitution leaving a balance of \$45,815.
- (3) This cash shortage was reflected during the 2001-02 audit period. A School Department employee pled guilty to theft during the 2002-03 year and agreed to liquidate the cash shortage. However, prior to being able to liquidate the cash shortage the individual died. The director of schools filed a claim with the School Department's insurance carrier seeking reimbursement of this shortage. During the 2004-05 year, the insurance carrier paid \$6,000 toward this shortage.
- (4) This cash shortage occurred during the 2004-05 year. This cash shortage was liquidated subsequent to June 30, 2005.
- (5) This cash shortage was reflected in the county's audit report for the 2002-03 year. In March 2005, a former office employee was tried for theft involving this cash shortage but was found not guilty. The county has filed a claim with the county's insurance carrier seeking reimbursement of the remaining shortage under their employee dishonesty bond. However, as of May 30, 2006, this cash shortage has not been liquidated.

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- (6) A cash shortage of \$41,380 was disclosed by the previous auditor of Hamblen County in a special review conducted during the 2001-02 year. During the 2002-03 year, the county filed a claim with their insurance carrier who paid the county \$26,799. The county clerk has filed additional documentation with their insurance carrier in an attempt to be reimbursed for the remaining shortage of \$14,581 under their employee dishonesty bond. Also, subsequent to June 30, 2005, a former employee of the office entered into a pretrial diversion arrangement related to charges stemming from this cash shortage and has agreed to pay restitution to the county of \$15,000.
- (7) A cash shortage of \$1,242 was discovered during the 2004-05 year due to the misappropriation of funds by the Ambulance Service Director. The director was fired and on April 29, 2005, he liquidated this shortage from personal funds.
- (8) The county's audit report for the 2004-05 year reflected a cash shortage of \$9,579 due to the former director of school misappropriation of three computers and related equipment totaling \$9,052 and the use of the School Departments credit card to purchase personal items totaling \$526. The former director of school returned two of the computers and related equipment and paid personal funds of \$2,398 to liquidate this shortage subsequent to June 30, 2005.
- (9) The county's audit report for the 2001-02 year reflected a cash shortage of \$10,290 that occurred during the period ended August 2002. During the 2002-03 year, \$2,210 of this cash shortage was liquidated. During the 2003-04 year an additional \$4,600 of the cash shortage was liquidated. The county has filed a claim with the county's insurance carrier seeking reimbursement of the remaining shortage of \$3,480 under their employee dishonesty bond. However, the insurance company has denied the claim.

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Division of County Audit

Summary of Cash Shortages in Fiscal Offices and Offices of Trustee, County Clerk, Clerks of Courts, Register of Deeds, and Sheriff

June 30, 2005

- (10) The office had cash shortages totaling \$3,238 during the year ended June 30, 2005. The clerk and master liquidated \$2,108 of the shortage during the year and the remaining \$1,130 subsequent to June 30, 2005.
- (11) This cash shortage was reported in the county's 2001-02 audit report. This cash shortage remains unpaid as of May 30, 2006.
- (12) This cash shortage occurred during the 2004-05 year. Subsequent to June 30, 2005, the former veterans service officer pled guilty to theft and was ordered by the court to repay the shortage. As of May 30, 2006, the former veterans service officer has paid \$894 leaving a remaining cash shortage of \$459 on that date.
- (13) This cash shortage occurred during the 2004-05 year and related to checks that were deposited and not receipted. These checks were substituted for cash collections for which receipts had been written. We also noted other discrepancies on the deposit slips that we are continuing to investigate. As of May 30, 2006, this shortage has not been liquidated.
- (14) The county's audit report for the 2002-03 year reflected a cash shortage of \$16,836. During the 2004-05 year, a former office employee pled guilty to theft and agreed to begin paying \$300 per month toward this shortage. The county has also filed a claim with the county's insurance carrier seeking reimbursement of the shortage.
- (15) The county's audit report for the 2003-04 year reflected a cash shortage of \$2,616. During the 2004-05 year, we expanded our testwork and found additional discrepancies relating to checks being deposited without being receipted of \$14,027 that brought the total cash shortage to \$16,643 on June 30, 2005. As of May 30, 2006, this shortage has not been liquidated.

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- (16) This cash shortage occurred during the 2004-05 year. Subsequent to June 30, 2005, the former bookkeeper and the former secretary pled guilty to theft charges and were ordered by the court to repay restitution to the Highway Department of \$11,070 (bookkeeper) and \$6,204 (secretary). As of May 30, 2006, the former bookkeeper had paid \$291 and the former secretary had paid \$157 leaving a remaining cash shortage of \$16,826 on that date.

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts Of Governmental Funds
June 30, 2005

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
1.	<u>Anderson</u>	
	Special Revenue Fund:	
	School Federal Projects	\$ 72,026
	Capital Projects Fund:	
	Education Capital Projects	3,006,067
2.	<u>Blount</u>	
	Capital Projects Fund:	
	Other Capital Projects	873,040
3.	<u>Bradley</u>	
	Special Revenue Fund:	
	Local Purpose	737
	Capital Projects Fund:	
	Juvenile Center Projects	572,108
4.	<u>Campbell</u>	
	Capital Projects Fund:	
	General Capital Projects	3,630,454
5.	<u>Carroll</u>	
	Capital Projects Fund:	
	Other Capital Projects	16,326
6.	<u>Carter</u>	
	Special Revenue Fund:	
	School Federal Projects	12,606

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<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Amount of</u>	<u>Fund Deficit</u>
7.	<u>Claiborne</u>			
	Special Revenue Fund:			
	School Federal Projects		\$	385,348
	Capital Projects Fund:			
	General Capital Projects			3,994,930
8.	<u>Clay</u>			
	Special Revenue Fund:			
	Solid Waste/Sanitation			26,992
9.	<u>Cocke</u>			
	Special Revenue Fund:			
	School Transportation			188,004
10.	<u>Cumberland</u>			
	Capital Projects Fund:			
	Education Capital Projects			15,646,349
11.	<u>Davidson</u>			
	Special Revenue Funds:			
	Health Services			32,392
	Nashville Career Advancement Center			132,699
	Regulation and Inspection Services			237,300
	Capital Projects Funds:			
	Education Capital Projects			21,257,419
	USD Capital Projects			4,825,168
	Fiduciary Fund:			
	Education Flexible Benefits Plan			21,451

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	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
12.	<u>Decatur</u> Capital Projects Fund: General Capital Projects	\$ 1,187,714
13.	<u>Dekalb</u> General Purpose Schools	207,564
14.	<u>Dickson</u> Capital Projects Fund: Community Development/Industrial Park	84,412
15.	<u>Fayette</u> Capital Projects Fund: Education Capital Projects	486,277
16.	<u>Franklin</u> Capital Projects Fund: Highway Capital Projects	769,016
17.	<u>Gibson</u> Capital Projects Fund: General Capital Projects	2,513,262
18.	<u>Grainger</u> Capital Projects Fund: Education Capital Projects	1,000,189

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	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
19.	<u>Hamilton</u> Special Revenue Fund: Sheriff	\$ 671,309
20.	<u>Hancock</u> Capital Projects Fund: General Capital Projects	70,537
21.	<u>Hawkins</u> Capital Projects Fund: Community Development/Industrial Park Education Capital Projects	182,283 2,365,799
22.	<u>Henderson</u> General	38,833
23.	<u>Henry</u> Capital Projects Fund: General Capital Projects	73,909
24.	<u>Hickman</u> Capital Projects Fund: General Capital Projects	20,966,319
25.	<u>Humphreys</u> Special Revenue Fund: School Federal Projects	28,939

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<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
26.	<u>Jackson</u>	Special Revenue Fund:	
		Highway/Public Works	440,967
27.	<u>Jefferson</u>	Capital Projects Fund:	
		Other Capital Projects	\$ 14,919,399
28.	<u>Knox</u>	Special Revenue Fund:	
		State Grants and Federal Grants	198,948
		School Federal Projects	121,520
		School General Projects	669,133
29.	<u>Lauderdale</u>	Special Revenue Fund:	
		School Federal Projects	91,213
30.	<u>Lawrence</u>	Special Revenue Fund:	
		Industrial/Economic Development	71,136
31.	<u>Macon</u>	General	159,053
32.	<u>Madison</u>	General Purpose Schools	5,334,295

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<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
33.	<u>Maury</u>	Capital Projects Fund:	
		Education Capital Projects	518,853
34.	<u>McNairy</u>	General	91,439
		Special Revenue Funds:	
		Special Purpose	1,095
		Solid Waste/Sanitation	41,445
35.	<u>Meigs</u>	Capital Projects Fund:	
		Other Capital Projects	17,006
36.	<u>Monroe</u>	Capital Projects Fund:	
		Education Capital Projects	1,760,908
37.	<u>Montgomery</u>	Special Revenue Fund:	
		School Federal Projects	318,688
		Capital Projects Funds:	
		Education Capital Projects	7,595,077
38	<u>Obion</u>	Capital Projects Funds:	
		Education Capital Projects	11,437,716

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<u>County</u>	<u>Amount of</u>
<u>Fund Type</u>	<u>Fund Deficit</u>
<u>Fund</u>	
39. <u>Polk</u>	
General	\$ 29,462
General Purpose Schools	167,257
Capital Projects Funds:	
Other Capital Projects	8,215,295
Education Capital Projects	2,957,437
40. <u>Robertson</u>	
Special Revenue Fund:	
School Federal Projects	1,237
41. <u>Scott</u>	
General	
Special Revenue Fund:	
Drug Control	15,208
Capital Projects Funds:	
Education Capital Projects	710,051
Community Development/Industrial Park	191,779
42. <u>Sequatchie</u>	
Capital Projects Fund:	
General Capital Projects	4,571,768
43. <u>Shelby</u>	
Capital Projects Fund:	
General Capital Projects	136,651,444

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<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Amount of</u>
			<u>Fund Deficit</u>
44.	<u>Smith</u>		
	Special Revenue Fund:		
	Courthouse and Jail Maintenance		17,958
45.	<u>Stewart</u>		
	Capital Projects Fund:		
	Highway Capital Projects		69,088
	Education Capital Projects		77,458
46.	<u>Tipton</u>		
	Capital Projects Fund:		
	General Capital Projects		220,626
47.	<u>Union</u>		
	Special Revenue Fund:		
	Ambulance Service		107
48.	<u>Van Buren</u>		
	Special Revenue Funds:		
	Ambulance Service		23,288
	Central Cafeteria		3,322
49.	<u>Warren</u>		
	Capital Projects Fund:		
	Other Capital Projects		187,556
	Total		<u><u>\$ 283,476,010</u></u>

Schedule C

Division Of County Audit
Summary Of Fund Deficits Existing in Net Asset
Accounts Of Proprietary Funds
June 30, 2005

<u>County</u>	<u>Unrestricted</u>
<u>Fund Type</u>	<u>Net Assets</u>
<u>Fund</u>	
1. <u>Cumberland</u>	
Enterprise Fund:	
Solid Waste Disposal	\$ 2,289,143
2. <u>Davidson</u>	
Enterprise Funds:	
General Hospital	45,819,169
Metropolitan Transit Authority	180,806
Nashville Convention Center	38,628
Surplus Property Auction	1,912,730
Internal Service Funds:	
Information Systems	892,057
Injured on Duty	6,518,167
Treasury Management	9,975
Finance Services	443,295
General Services	1,580,767
3. <u>Hardeman</u>	
Enterprise Fund:	
Solid Waste Disposal	1,398,645
4. <u>Hardin</u>	
Enterprise Fund:	
Park Rest - Harden County Health Center	466,194
Internal Service Fund:	
Employee Insurance	5,536

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Division Of County Audit
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Accounts Of Proprietary Funds
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<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Unrestricted</u>
			<u>Net Assets</u>
5.	<u>Haywood</u>	Enterprise Fund:	
		Solid Waste Disposal	\$ 953,075
6.	<u>Jefferson</u>	Enterprise Fund:	
		Solid Waste Disposal	1,739,021
7.	<u>Knox</u>	Internal Service Fund:	
		Vehicle Service Center	3,072
8.	<u>Montgomery</u>	Internal Service Fund:	
		Workers' Compensation	464,921
9.	<u>Rutherford</u>	Internal Service Fund:	
		Workers' Compensation	395,906
10.	<u>Scott</u>	Enterprise Fund:	
		Public Utility	116,280
		Solid Waste Disposal	433,507

Schedule C

Division Of County Audit
Summary Of Fund Deficits Existing in Net Assets
Accounts Of Proprietary Funds
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<u>County</u>		<u>Unrestricted</u>
<u>Fund Type</u>		<u>Net Assets</u>
<u>Fund</u>		
11. <u>Shelby</u>		
Enterprise Funds:		
Corrections Center	\$	2,580,115
Fire Services		2,151,157
Internal Service Funds:		
Employer Insurance		3,114,027
12. <u>Sumner</u>		
Enterprise Fund:		
Resource Authority		1,180,503
13. <u>White</u>		
Enterprise Fund:		
Solid Waste Disposal		1,655,322
14. <u>Williamson</u>		
Enterprise Fund:		
Solid Waste Disposal		3,693,600
Total	\$	80,035,618