



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT**


**SUITE 1500**

**JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

August 8, 2016

MEMORANDUM

TO: Honorable Justin P. Wilson  
Comptroller of the Treasury

FROM: Jim Arnette, Director  
Division of Local Government Audit 

SUBJECT: Cash Shortages and Other Thefts  
for Tennessee Municipalities and Other Organizations Subject to  
Contract Audit or Oversight for Fiscal Years Ended 2014 and Earlier

The Division of Local Government Audit has compiled the enclosed cash shortages and other thefts exhibits for the fiscal years ended 2014 and earlier for municipalities and other organizations subject to contract audit or oversight. The information contained herein is based upon information in investigative reports released by the Investigative Units of the Tennessee Comptroller's Office as well as contract audits submitted by Certified Public Accounting firms to our division. As of the date of this memo, 5 of the 2014 contract audits had not been filed with our office.

The enclosed exhibits represent instances of reported fraud, including balances from prior years, which had not been resolved through restitution, insurance, write-off or other means. Following is a summary of total audited entities by type in relation to the number of entities reporting current and/or prior-year balance(s).

Entity Type	Description	Number of Entities	Reporting Fraud
Municipalities		342	27
Schools	Internal School Funds	143	10
	Public Charter Schools	50	0
Quasi Governments	Utility Districts	183	4
	Housing Authorities	85	12
	Other Quasi Governments <sup>1</sup>	184	4
Nonprofit, Other <sup>2</sup>		297	5
Totals		1284	62

Additionally, the following unaudited entities reported fraud:

Entity Type	Description	Number of Entities	Reporting Fraud
Unaudited Entities	School Support Organizations	Not Available	5
	Volunteer Fire Departments	Not Available	4
	Nonprofit	Not Available	3
Totals		Not Available	12

Please let me know if you have any questions.

Enclosures: Exhibit A – Schedule of Cash Shortages and Other Thefts  
Exhibit B – Explanations of Cash Shortages and Other Thefts

This report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)

<sup>1</sup> “Other Quasi Governments” include, but are not limited to, joint ventures between governments, legally separate component units of other governments, human resource agencies, development districts, and community action agencies.

<sup>2</sup> “Nonprofits, Other” include nonprofit and for-profit organizations that are audited as required by state contracts and agreements in connection with public dollars received by the respective organizations.

**Report of Cash Shortages and Other Thefts  
Municipalities and Other Organizations Subject to Contract Audit or Oversight  
Reported in Comptroller Investigative Reports and Annual Financial Audits  
Fiscal Years Ended 2014 and Earlier**

**TABLE OF CONTENTS**

	Exhibit	Pages
Schedule of Cash Shortages and Other Thefts	A	4 - 12
Explanations of Cash Shortages and Other Thefts	B	13 - 48

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<b>Municipalities</b>							
<b>Alcoa</b>							
1. Education Department	6/30/2014	3/3/2014	\$ 344,204	\$ 0	\$ 344,204	\$ 0	\$ 344,204
<b>Bluff City</b>							
2. Water and Sewer Department	6/30/2014	(3)	3,876	0	3,876	(1,938)	1,938
<b>Brighton</b>							
3. Water and Sewer Department	6/30/2013	5/22/2014	745	745		(745)	0
<b>Carthage</b>							
4. Water and Sewer Department	6/30/2014	(3)	3,302	0	3,302	0	3,302
<b>Chapel Hill</b>							
5. General Government/Fire Department	6/30/2013	(3)	3,130	3,130	0	0	3,130
<b>Chattanooga</b>							
6. Electric Department	(5)	(3)	252	0	252	(252)	0
Public Library Department	(5)	(3)	2,305	0	2,305	(2,305)	0
<b>Collinwood</b>							
7. General Government	6/30/2013	4/7/2014	879	879	0	0	879
Recreation Department	6/30/2013	4/7/2014	1,865	1,865	0	0	1,865
Water Department	6/30/2013	4/7/2014	91,682	91,682	0	0	91,682
Water Department	6/30/2012	(3)	76,497	76,497	0	0	76,497
General Government	6/30/2009	2/6/2012	20,375	20,375	0	0	20,375
Water Department	6/30/2009	2/6/2012	63,803	63,803	0	0	63,803
<b>Dyer</b>							
8. General Government	6/30/2014	(3)	225	0	225	0	225

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<b>Friendsville</b>							
9. Water Department	6/30/2013	4/22/2014	15,183	15,183	0	(15,183)	0
<b>Gadsden</b>							
10. General Government	6/30/2013	12/10/2014	35,241	35,241	0	0	35,241
<b>Gatlinburg</b>							
11. General Government	6/30/2014	(3)	244	0	244	(244)	0
<b>Gibson</b>							
12. Water and Sewer Department	6/30/2013	9/24/2013	25,850	25,850	0	(25,850)	0
Water and Sewer Department	6/30/2013	(3)	61,252	61,252	0	(61,252)	0
<b>Harriman</b>							
13. Recreation Department	6/30/2013	(3)	25,000	25,000	0	0	25,000
<b>Henning</b>							
14. General Government	6/30/2013	(3)	424	424	0	(424)	0
<b>Jellico</b>							
15. General Government	6/30/2013	6/5/2014	96,450	0	96,450	0	96,450
<b>Kenton</b>							
16. Water and Sewer Department	6/30/2014	2/20/2014	2,037	0	2,037	(2,037)	0
<b>Lakeland</b>							
17. General Government	(5)	(3)	32,259	27,259		(3,500)	23,759
<b>Mason</b>							
18. General Government	(4)	7/19/2016	678,609	0	678,609	0	678,609
<b>Memphis</b>							
19. General Government	6/30/2014	(3)	24,012	0	24,012	0	24,012
Light, Gas and Water Division	12/31/2013	(3)	18,717	2,247		(2,247)	0

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Police Department	6/30/2014	(3)	8,220	0	8,220	0	8,220
<b>New Johnsonville</b>							
20. General Government	6/30/2014	12/4/2014	1,732	0	1,732	(1,485)	247
<b>New Market</b>							
21. General Government	(4)	1/16/2014	38,802	38,802	0	0	38,802
<b>Philadelphia</b>							
22. General Government	6/30/2013	5/14/2014	6,714	4,985	0	0	4,985
<b>Pikeville</b>							
23. General Government	6/30/2012	8/9/2012	177,599	177,599	0	0	177,599
<b>Ripley</b>							
24. Fire Department	6/30/2013	10/16/2013	971	521	0	0	521
Power and Light Department	6/30/2014	(3)	2,098	0	2,098	0	2,098
<b>Rockwood</b>							
25. General Government	6/30/2012	2/27/2013	33,710	33,710	0	0	33,710
<b>Unicoi</b>							
26. General Government	6/30/2013	(3)	657	657	0	0	657
<b>Whiteville</b>							
27. General Government	6/30/2013	(3)	10,605	10,605	686	(1,000)	10,291
General Government	6/30/2014	(3)	5,128	0	5,128	0	5,128
Water and Sewer Department	6/30/2014	(3)	436	0	436	0	436
General Government	6/30/2014	(3)	450	0	450	0	450
<b>Total Municipalities</b>			\$ 1,915,540	\$ 718,311	\$ 1,174,266	\$ (118,462)	\$ 1,774,115

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry- Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<b>Internal School Funds</b>							
<b>Cannon County Schools</b>							
28. West Side School	6/30/2013	2/13/2014	\$ 2,926	\$ 2,926	\$ 0	\$ (2,926)	\$ 0
<b>Chester County Schools</b>							
29. Chester County High School	6/30/2014	12/3/2013	1,400	\$ 0	1,400	(1,400)	0
<b>Clarksville-Montgomery County Schools</b>							
30. Kenwood High School	6/30/2014	(3)	225	0	225	0	225
Kenwood Middle School	6/30/2014	(3)	143	0	143	(143)	0
Kenwood Middle School	6/30/2014	4/30/2014	2,289	0	2,289	0	2,289
West Creek High School	6/30/2014	(3)	1,507	0	1,507		1,507
<b>Dyersburg City Schools</b>							
31. Dyersburg High School	6/30/2014	(3)	3,085	0	3,085		3,085
<b>Humphreys County Schools</b>							
32. Lakeview Elementary School	6/30/2013	7/10/2014	8,983	7,203	0	0	7,203
<b>Lawrence County Schools</b>							
33. EO Coffman Middle School	6/30/2013	(3)	6,000	6,000	350	0	6,350
<b>Marion County Schools</b>							
34. Whitwell High School	6/30/2010	6/10/2014	35,332	35,332	0	0	35,332
<b>Shelby County Schools</b>							
35. Administration - Exceptional Children Services	6/30/2014	(3)	5,795	5,795	0	(5,795)	0
Administration - Facilities	6/30/2014	9/7/2007	300,000	300,000	0	(193,725)	106,275
Administration - Student Support	6/30/2014	(3)	411	411	0	0	411
Arlington High School	6/30/2014	1/16/2014	171,954	0	171,954	0	171,954
Central High School	6/30/2014	(3)	4,493	4,493	0	(4,493)	0
Chickasaw Middle School	6/30/2014	(3)	1,102	1,102	0	0	1,102
Colonial Middle School	6/30/2014	(3)	1,000	1,000	0	0	1,000

**Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier**

<b>Entity Name</b>	<b>Fiscal Year First Reported (1)</b>	<b>Comptroller Investigative Report Release Date (2)</b>	<b>Original Amount of Shortage</b>	<b>Beginning/ Carry- Forward Balance</b>	<b>Current Year Increase</b>	<b>Current Year Reduction</b>	<b>End of Year Balance</b>
Corry Middle School	6/30/2014	(3)	1,814	1,814	0	0	1,814
Evans Elementary School	6/30/2014	(3)	1,458	1,458	0	0	1,458
Frayser High School	6/30/2014	(3)	9,000	9,000	0	0	9,000
Germanshire Elementary School	6/30/2014	(3)	860	860	0	0	860
Holmes Road Elementary School	6/30/2014	(3)	350	350	0	0	350
Holmes Road Elementary School - SACC Program	6/30/2014	(3)	24,928	0	24,928	0	24,928
Kingsbury High School	6/30/2014	(3)	3,375	3,375	0	0	3,375
Kirby High School	6/30/2014	(3)	1,500	1,500	0	0	1,500
Lester Middle School	6/30/2014	(3)	600	0	600	0	600
Melrose High School	6/30/2014	(3)	11,377	0	11,377	(7,449)	3,928
Newberry Elementary School	6/30/2014	(3)	9,830	9,830	0	0	9,830
Northside High School	6/30/2014	(3)	1,283	0	1,283	0	1,283
Oak Forest Elementary School	6/30/2014	(3)	765	765	0	0	765
Peabody Elementary School	6/30/2014	(3)	18,000	18,000	0	0	18,000
Ross Elementary School	6/30/2014	(3)	300	299	0	0	299
Southwest Prep Academy School	6/30/2014	(3)	1,180	0	1,180	0	1,180
Trezevant High School	6/30/2014	(3)	11,877	11,877	0	0	11,877
William H. Brewster Elementary School	6/30/2014	(3)	4,000	4,000	0	0	4,000
Wooddale Middle School	6/30/2014	(3)	1,900	0	1,900	0	1,900
<b>Sumner County Schools</b>							
36. Clyde Riggs Elementary School	6/30/2014	(3)	637	0	637	\$(637)	0
Hendersonville High School	6/30/2014	(3)	2,049	0	2,049	0	2,049
T.W. Hunter Middle School	6/30/2014	(3)	40	0	40	(40)	0
<b>Tipton County Schools</b>							
37. Brighton Elementary School	6/30/2014	(3)	260	0	260	\$(260)	0
Munford High School	6/30/2014	(3)	240	0	240	(240)	0
<b>Total Internal School Funds</b>			<b>\$ 654,268</b>	<b>\$ 427,390</b>	<b>\$ 225,447</b>	<b>\$ (217,108)</b>	<b>\$ 435,729</b>



Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
<i>Utility Districts</i>							
38. Chuckey Utility District and Cross Anchor Utility District	6/30/2013	8/18/2014	\$ 209,454	\$ 209,454	\$ 0	\$ (2,064)	\$ 207,390
39. Lone Oak Utility District	12/31/2014	(3)	400	0	400	0	400
40. Webb Creek Utility District	12/31/2014	9/3/2014	43,929	0	43,929	0	43,929
<b>Total Utility Districts</b>			<b>\$ 253,783</b>	<b>\$ 209,454</b>	<b>\$ 44,329</b>	<b>\$ (2,064)</b>	<b>\$ 251,719</b>
<i>Housing Authorities</i>							
41. Gallaway Housing Authority	9/30/2014	(3)	\$ 250	\$ 0	\$ 250	\$	\$ 250
42. <b>Other Related Thefts - Tenant Income Falsifications</b>							
Chattanooga Housing Authority	12/31/2013	(3)	167,577	17,428	152,694	(159,297)	10,825
Cleveland Housing Authority	6/30/2005	(3)	51,764	76,956	14,013	(8,038)	82,931
Columbia Housing & Redevelopment Corp.	12/31/2012	(3)	5,359	0	5,359	(1,631)	3,728
Columbia Housing & Redevelopment Corp.	12/31/2013	(3)	4,377	3,728	4,377	(4,054)	4,051
Columbia Housing & Redevelopment Corp.	12/31/2014	(3)	4,103	8,154	0	(4,051)	4,103
Dickson Housing Authority	6/30/2014	(3)	4,971	0	4,971	(2,701)	2,270
Jackson Housing Authority	9/30/2014	(3)	31,092	0	31,092	(31,092)	0
Lafollette Housing Authority	9/30/2014	(3)	8,018	0	8,018	(8,018)	0
Lawrenceburg Housing Authority	12/31/2013	(3)	1,332	589	0	(589)	0
Lawrenceburg Housing Authority	12/31/2014	(3)	2,706	0	2,706	(395)	2,311

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
Lewisburg Housing Authority	12/31/2011	(3)	4,559	2,980	5,078	0	8,058
Martin Housing Authority	9/30/2014	(3)	8,195	0	8,195	0	8,195
Maryville Housing Authority	12/31/2013	(3)	2,100	343	1,890	(2,233)	0
Murfreesboro Housing Authority	3/31/2013	(3)	71,941	71,941	36,911	(24,105)	84,747
<b>Total Housing Authorities</b>			<b>\$ 368,344</b>	<b>\$ 182,119</b>	<b>\$ 275,554</b>	<b>\$ (246,204)</b>	<b>\$ 211,469</b>
<b><i>Nonprofit Organizations</i></b>							
43. ABC Nutrition Program, Inc.	12/31/2014	3/18/2015	\$ 732,703	\$ 0	\$ 732,703	\$ 0	\$ 732,703
44. Arc of Hamilton County	12/31/2013	(3)	2,545	2,545	0	0	2,545
45. Benton County Developmental Services, Inc. dba Cornerstone	6/30/2014	(3)	885	0	885	(885)	0
46. Jackson Area Council on Alcoholism and Drug Dependency	6/30/2014	(3)	414	0	414	(414)	0
47. Madison-Haywood Developmental Services, Inc.	6/30/2014	(3)	22,348	0	22,348	(22,348)	0
<b>Total Nonprofit Organizations</b>			<b>\$ 758,895</b>	<b>\$ 2,545</b>	<b>\$ 756,350</b>	<b>\$ (23,647)</b>	<b>\$ 735,248</b>
<b><i>Other Governmental Entities</i></b>							
48. Bolivar-Hardeman County Library	6/30/2014	(3)	\$ 231	\$ 0	\$ 231	\$ (231)	\$ 0
49. Delta Human Resource Agency	6/30/2014	12/1/2014	6,427	0	6,427	0	6,427

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance		
<b>Venale Corporation</b>									
50. Accounting Department	12/31/2013	(3)	23,318	23,318	0	(23,318)	0		
<b>Westate Corrections Network, Inc.</b>									
51. General Government	6/30/2013	8/22/2013	63,972	0	63,972	(40,762)	23,210		
<b>Total Other Governmental Entities</b>			<b>\$ 93,948</b>	<b>\$ 23,318</b>	<b>0</b>	<b>70,630</b>	<b>0</b>	<b>(64,311)</b>	<b>\$ 29,637</b>
<b>Total Audited Entities</b>			<b>\$ 4,044,778</b>	<b>\$ 1,563,137</b>	<b>\$ 2,546,576</b>	<b>\$ (671,796)</b>	<b>\$ 3,437,917</b>		
<b>Unaudited Entities</b>									
<i>Nonprofit Organizations</i>									
52. Kingdom Dominion Worldwide Ministries, Inc.	Unaudited	5/2/2016	\$ 162,165	(6)	\$ 162,165	(6)	(6)		
53. Mount Hopewell Community Development Corporation	Unaudited	7/12/2016	62,075	(6)	62,075	(6)	(6)		
54. Tennessee Law Enforcement Training Officers Association	Unaudited	1/12/2016	175,700	(6)	175,700	(6)	(6)		
<i>School Support Organizations</i>									
55. Campbell County High School Choral Boosters	Unaudited	10/21/2015	6,502	(6)	6,502	(6)	(6)		
56. Cheatham County Central High School Band Boosters	Unaudited	3/18/2016	3,072	(6)	3,072	(6)	(6)		
57. Hilham Elementary School PTO (Overton County Schools)	Unaudited	2/12/2015	10,465	(6)	10,465	(6)	(6)		
58. Jefferson County High School Band Booster Club	Unaudited	9/3/2015	12,827	(6)	12,827	(6)	(6)		

Division of Local Government Audit  
 Schedule of Cash Shortages and Other Thefts  
 Municipalities and Other Organizations Subject to Contract Audit or Oversight  
 as Reported in Comptroller Investigative Reports and Annual Financial Audits for the Fiscal Years Ended 2014 and Earlier

Entity Name	Fiscal Year First Reported (1)	Comptroller Investigative Report Release Date (2)	Original Amount of Shortage	Beginning/ Carry-Forward Balance	Current Year Increase	Current Year Reduction	End of Year Balance
59. West Creek High School-Coyote Cheer Booster Club (Clarksville-Montgomery County Schools)	Unaudited	1/22/2015	1,699	(6)	1,699	(6)	(6)
<i>Volunteer Fire Departments</i>							
60. Hardy's Chapel Volunteer Fire Department	Unaudited	7/29/2015	37,496	(6)	37,496	(6)	(6)
61. Lawrence County Fire and Rescue, Inc.	Unaudited	4/18/2016	254,266	(6)	254,266	(6)	(6)
62. Pea Ridge Volunteer Fire Department	Unaudited	1/26/2016	13,180	(6)	13,180	(6)	(6)
63. Union Grove Volunteer Fire Department	Unaudited	1/21/2015	4,954	(6)	4,954	(6)	(6)
<b>Total Unaudited Entities</b>			<b>\$ 744,401</b>	<b>(6)</b>	<b>\$ 744,401</b>	<b>(6)</b>	<b>(6)</b>

**Footnotes:**

- (1) Annual audit reports are located on the Division of Local Government Audit's website at <http://www.comptroller.tn.gov/la/ReportsAudits.asp>.
- (2) Comptroller investigative reports are located on the Division of Investigation's website at <http://www.comptroller.tn.gov/ia/>.
- (3) No separate investigation was conducted by the Tennessee Comptroller of the Treasury, Division of Investigations.
- (4) As of the date of this report, the 2014 audited financial statements had not been filed with the Division of Local Government Audit.
- (5) Annual audit reports did not include cash shortages and thefts information; however separate schedules were filed with the Division of Local Government Audit.
- (6) For organizations that do not have a statutory annual audit requirement, carry-forward amounts, reductions for restitution, insurance, and/or write-off amounts, and ending balances are not available.

**Division of Local Government Audit  
Explanations of Cash Shortages and Other Thefts  
Municipalities and Other Organizations Subject to Contract Audit or Oversight  
as Reported in Comptroller Investigative Reports and Annual Financial Audits  
for Fiscal Years Ended 2014 and Earlier**

***Municipalities***

**Alcoa**

1. *Education Department* – At the request of the District Attorney General for the 9th Judicial District, the Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, performed an investigative audit of suspected financial irregularities by the former treasurer of the Tennessee Attendance Supervisors Steering Committee. During the course of the audit, investigators discovered that the former treasurer had also served as the former federal projects administrative assistant for the Alcoa City School District and as the former treasurer for the East Tennessee Attendance Supervisors Association. Therefore, the scope of the audit was expanded to include transactions that involved these entities, and it covered the period from July 1, 2007, through May 16, 2013; however, the scope was expanded as necessary. The audit revealed a cash shortage of at least \$344,204. An investigative report was issued on March 3, 2014, by the Division of Investigations of the Tennessee Comptroller’s Office.

The former federal projects administrative assistant submitted falsified invoices for payment from the Alcoa City School District’s federal projects grants program to the City of Alcoa that totaled \$270,344. In addition, the investigative audit of the Alcoa City School District’s credit card transactions disclosed this individual improperly charged \$55,874 to the district for personal use by exclusively using MasterCard Business, Wal-Mart and Staples credit cards. The former federal projects administrative assistant for the Alcoa City School District submitted \$17,986 in unauthorized travel expenses to the City of Alcoa for reimbursement by forging school officials’ signatures on travel claims to indicate approval in order to receive unauthorized reimbursements.

Disposition: Reimbursement has not been collected for the balance of \$344,204 as of the June 30, 2014, fiscal year end. The Alcoa City School District will seek restitution through the court system and from the city’s insurer to recover the funds.

**Bluff City**

2. *Water and Sewer Department* – The annual audit for the City of Bluff City for the fiscal year ended June 30, 2014, revealed a cash shortage in the water and sewer department in the amount of \$3,876. As a result of failing to reconcile bank statements in a timely manner, checks that were not the city’s checks cleared the city’s bank account.

## Exhibit B

Disposition: After the bank conducted an internal investigation, it reimbursed the city for \$1,938. Subsequent to June 30, 2014, the city's board of mayor and aldermen approved writing off the remaining balance of \$1,938 as uncollectible.

### Brighton

3. *Water and Sewer Department* - The audit for the Town of Brighton for the fiscal year ended June 30, 2013, reported misuse of municipal equipment and employees from the water and sewer department. An investigative report released by the Division of Investigations on May 22, 2014, details the events involving the mayor's improper use of town-owned assets and employees for private purposes. The investigative audit recommended that the board of aldermen determine the amount of restitution required by the mayor. The report also recommended that the town have written policies prohibiting the use of municipal assets and employees on private property. The board determined that the amount of restitution due to the town was \$745.

Disposition: The \$745 restitution amount determined by the board of aldermen was paid by the mayor as of the town's June 30, 2014, fiscal year end.

### Carthage

4. *Water and Sewer Department* – During the audit for the Town of Carthage for the fiscal year ended June 30, 2014, a difference was noted between amounts reported as payments in the customer accounts receivable records and amounts recorded as cash receipts and deposits that could not be explained. Therefore, a cash shortage of \$3,302 was reported to the Tennessee Comptroller of the Treasury's Office.

Disposition: As of the June 30, 2014, fiscal year end city officials had not resolved the cash shortage balance in the amount of \$3,302

### Chapel Hill

5. *General Government – Fire Department* – The audit for the Town of Chapel Hill for the fiscal year ended June 30, 2013, reported that the town identified a fictitious invoice, theft of property, and misuse of town assets. Once identified, town officials notified the appropriate authorities and the Tennessee Bureau of Investigation investigated the allegations.

Disposition: Once the fraud was discovered, town officials immediately terminated the responsible employee and took steps to strengthen the town's internal controls. Subsequent to June 30, 2013, the case went to court and the former employee was indicted on theft of property between \$1,000 and \$10,000. According to the Criminal Fees Summary Schedule provided by the Marshall County Circuit Court, the theft was determined to be \$3,130. The town had not received restitution at June 30, 2014.

**Chattanooga**

6. *Electric Department* – The audit for the fiscal year ended June 30, 2014, an executive vice president and CFO notified the Tennessee Comptroller of the Treasury’s Office that an administrative assistant purchased personal items with the organization’s credit card for \$252. The organization’s internal control procedures for credit cards identified the purchases when monthly charges were reconciled to supporting receipt information.

*Public Library Department* – An internal investigation by the city’s internal audit department determined that the Public Library Department did not have sufficient internal controls over the travel reimbursement process which resulted in the double reimbursement of travel expenditures to the library systems administrator and the assistant library director in the amount of \$2,305.

Disposition: As of the June 30, 2014, fiscal year end, the administrative assistant was terminated and repaid the balance of \$252 to the Electric Department. In addition, the cash shortage balance of \$2,305 in the Public Library Department has been paid in full and appropriate travel reimbursement policies and procedures have been implemented.

**Collinwood – (June 30, 2013)**

7. The audit for the City of Collinwood for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$94,426. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on April 7, 2014, details the thefts during the period from July 1, 2012, through July 31, 2013. The thefts resulted from the following:

*General Government* – The former recorder failed to deposit at least \$879 in property tax collections into a city bank account. Property tax records reflected that the former city recorder collected \$879 in cash from certain taxpayers; however, she did not deposit the tax collections into a city bank account.

*Recreation Department* – Comptroller investigators determined that the former recorder failed to deposit at least \$1,865 in municipal swimming pool cash collections into a city bank account.

*Utility Department* – The former recorder misappropriated at least \$91,682 in utility cash collections. The recorder was responsible for collecting, recording, and depositing customer utility payments. Comptroller investigators found that the recorder did not deposit all cash collections she received and recorded. For example, during the months of May and June of 2013, she recorded over \$19,000 in cash collections; however, she deposited only \$117 in cash into the city’s utility bank account during this period.

Disposition: The former city recorder was indicted on March 14, 2014, by the Wayne County Grand Jury on one count of theft over \$60,000.

**Collinwood – (June 30, 2012)**

*Water Department* – The audit for the City of Collinwood for the fiscal year ended June 30, 2012, revealed a cash shortage of \$76,497 in the city’s water department. This shortage was not investigated by the Comptroller’s Office. During the year, two different city recorders were responsible for collections.

Disposition: No restitution had been made as of June 30, 2014. However, both former recorders have since been indicted by the Wayne County Grand Jury for other thefts investigated by the Comptroller’s Office.

**Collinwood – (June 30, 2009)**

The audit for the City of Collinwood for the fiscal year ended June 30, 2009, reported misappropriated municipal collections of at least \$84,178. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on April 7, 2014, focused on the period July 1, 2008, through September 30, 2010, and details the thefts. The thefts resulted from the following:

*General Government* – From July 1, 2008, through September 30, 2010, the former recorder failed to deposit into a city bank account at least \$20,375 in receipted municipal collections, including meter deposits, traffic citations, and building permits.

*Utility Department* – From July 1, 2008, through September 30, 2010, the former recorder misappropriated at least \$63,803 in utility collections. The recorder did not deposit all cash collections she received and recorded. The recorder destroyed or discarded the city’s paper records for certain utility customers. Auditors discovered that the amounts related to these missing records were equal to the cash shortages in the recorder’s bank deposits.

Disposition: No restitution had been made as of June 30, 2014. The former city recorder was indicted on January 12, 2012, by the Wayne County Grand Jury on one count of theft. This former city recorder has been reported as deceased as of June 30, 2014.

**Dyer**

8. *General Government* – According to an internal investigation performed by the city, it appeared a former city employee deleted financial transactions from the city's computer system, physically removed or destroyed hard copies of receipts and appropriated cash payments for personal purposes. It was determined that \$225 was misappropriated by the former employee.

Disposition: The State was not able to conduct a full investigation due to a lack of supporting documents, and there were no additional instances of theft identified. The former city employee resigned from employment duties on March 6, 2014, and has not been legally prosecuted. No restitution had been made as of June 30, 2014.



**Friendsville**

9. *Water Department* – The audit for the City of Friendsville for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$15,183 in the city’s water department. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on April 22, 2014, details the thefts that occurred during the period from January 1, 2012, through April 30, 2013. A former part-time city clerk misappropriated at least \$7,768 in utility cash collections by falsely recording customer cash payments as adjustments, and removing and using the cash for her personal benefit. The remaining \$7,415 was misappropriated by the same clerk who failed to deposit properly recorded cash collections into a city bank account.

Disposition: Subsequently, in April of 2014, the clerk pled guilty of theft over \$10,000 and was scheduled to be sentenced in June of 2014. At June 30, 2014, all restitution payments had been made.

**Gadsden**

10. *General Government* – The audit for the Town of Gadsden for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$35,241 in connection with an investigation conducted by the Tennessee Comptroller of the Treasury, for the period April 1, 2009, through December 31, 2013. An investigative report was issued on December 10, 2014, by the Division of Investigations. The investigation details the cash shortage resulting from the former mayor/fire chief diverting municipal funds for his own use as summarized below.

---

Summary of Amounts Diverted for Personal Use by former Mayor/Fire Chief

---

Gasoline, cigarettes, and food items charged to the town from a local convenience store	\$ 33,775
Wal-Mart, Lowes, J & W Surplus and Office Max purchases that appeared to be for personal benefit and were not in the town’s possession	1,416
Community Center rental revenue – check payment cashed and used for personal benefit	50
	<hr/> <u>\$ 35,241</u>

Additional purchases of \$39,925 were questioned in the Comptroller’s investigative report. Investigators could not determine whether these disbursements were related to municipal purposes, and as a result, questioned their legitimacy. The questioned purchases are explained further in the investigative audit.

Disposition: The investigative audit recommended that town officials take steps to seek recovery of the \$35,241. Additionally, the shortage and other findings addressed in the investigation were reviewed with the local district attorney general. At June 30, 2014, no restitution payments had been made, and the court case is pending.

**Gatlinburg**

11. *General Government* - An internal investigation conducted by the city during the fiscal year ended June 30, 2014, disclosed that an employee in the finance department had been borrowing cash from customer utility payments and other cash collections for personal use. The employee attempted to remove late payment penalties from utility customer accounts and pay back the funds before the subsequent billing cycle. Further, a reconciliation of the fishing licenses revenue revealed a lag in timing between collection and deposit. The investigation concluded the shortage to be in the amount of \$244.

Disposition: The former employee admitted to taking the funds and paid the balance of \$244 to the city by the end of the June 30, 2014, fiscal year.

**Gibson**

12. *Water and Sewer Department* – The audit for the Town of Gibson for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$87,102. The Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, performed an investigative audit of selected records of the Town of Gibson. An investigative report was issued on September 24, 2013, by the Division of Investigations of the Tennessee Comptroller’s Office. The Town of Gibson conducted an internal investigation and determined an additional \$61,252 in misappropriated funds.

TN Comptroller / TBI Investigation

The investigation focused on the period January 1, 2012, through May 31, 2012, during which the former recorder failed to deposit at least \$24,267 in receipted utility collections into a city bank account. During this time, the recorder was responsible for collecting, receipting, recording, depositing, and reconciling all town collections. The investigation also reported that the former recorder used municipal funds to provide herself with unauthorized health insurance benefits of \$1,583.

Disposition: These matters were referred to the local district attorney. In September 2013, the grand jury indicted the former recorder on charges of theft, forgery and official misconduct. As of December 9, 2014, the case was still ongoing. During the 2014 fiscal year the town received insurance proceeds in the amount of the cash shortage balance.

City Internal Investigation

The Town of Gibson conducted an internal examination for the period January 1, 2011, through December 31, 2011. The examination determined that approximately \$61,252 in cash was misappropriated. The city has turned the internal examination over to its insurance company.

Disposition: During the 2014 fiscal year the town received insurance proceeds in the amount of the cash shortage balance.

**Harriman**

13. *Recreation Department* – The audit for the City of Harriman for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$25,000. As a result of weaknesses in the city’s internal control policies and procedures surrounding concession sales, combined with collusion of related employees, approximately \$20,000 during fiscal year 2013 and approximately \$5,000 during fiscal year 2012 in athletic youth concession sales were misappropriated. Financial staff of the city detected the shortages while conducting an analytical review of concession receipts from the prior year.

Disposition: City officials have taken steps to strengthen internal controls over concession sales. The city also reported the matter to proper authorities and took appropriate personnel action. At June 30, 2014, no restitution payments had been made although the city continues to pursue collection of the outstanding amounts.

**Henning**

14. The audit for the Town of Henning for the fiscal year ended June 30, 2013, reported that a town employee submitted two requests for reimbursement that were actually duplicate reimbursement requests for amounts already received by the employee. The duplicate reimbursements totaled \$424.

Disposition: The employee who requested and received duplicate reimbursements, as well as the Mayor who approved the requests, are no longer employed by the town. The duplicate invoice payments totaling \$424 were recorded as expenditures in the financial statements for the fiscal year ended June 30, 2013. At June 30, 2014, city officials were not able to obtain insurance recovery or restitution from the former employee, and the city wrote off \$424 as a loss.

**Jellico**

15. An investigative report dated June 5, 2014, issued by the Tennessee Comptroller of the Treasury, Division of Investigations, reported misappropriated municipal collections of at least \$96,450. The Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, conducted an investigative audit that detailed the thefts during the period January 1, 2011, through December 31, 2012. The thefts resulted from the following:

---

Summary of Amounts Misappropriated by Former City Recorder	
Cash collections diverted for personal use	\$ 71,525
Unauthorized payroll checks	2,313
Unauthorized travel and expense reimbursements	3,835

**Exhibit B**

Unauthorized fuel purchases	5,987
Undocumented checks for petty cash	4,228
Unauthorized Lowe's gift cards	80
Unauthorized groceries and fuel	128
Customer checks not deposited	<u>8,354</u>
	<u><u>\$ 96,450</u></u>

The Comptroller's investigative audit questioned additional disbursements of \$16,617. Due to the poor condition of the city's accounting records and the lack of adequate documentation on file, investigators could not determine whether these disbursements were related to municipal purposes, and as a result, questioned their legitimacy.

Disposition: On May 16, 2014, the former city recorder was indicted by the Campbell County Grand Jury on charges of theft over \$60,000 and official misconduct.

**Kenton**

16. *Water and Sewer Department* - The audit for the Town of Kenton for the fiscal year ended June 30, 2012, in connection with an investigative report released by the Tennessee Comptroller of the Treasury on May 14, 2014, reported misappropriated cash utility collections by a former town clerk in the amount of at least \$2,037. The report issued by the Division of Investigations focused on the period October 1, 2010, through September 30, 2011, and when necessary, the scope was expanded. To conceal the misappropriations, the former employee posted some of the customer payments she collected as adjustments in the computerized utility billing system, but she did not report the unauthorized adjustments in the town's records as was customary.

Disposition: On July 20, 2012, the former town clerk paid the town \$2,000. The Obion County Grand Jury indicted the former employee on one count of theft over \$1,000 on February 4, 2014. The final restitution payment of \$37 was received by the town on April 30, 2014.

**Lakeland**

17. *General Government* - A special investigation conducted by Watkins Uiberall, PLLC, Certified Public Accountants, was released in August of 2011. The investigation determined the theft was a result of cash receipts in the amount of \$32,259 that were stolen from June 2008 through August 2011 by an employee of the city.

Disposition: As of the June 30, 2014, fiscal year end, the employee was terminated and was sentenced to pay restitution to the city in the amount of \$55,259 consisting of full restitution of \$32,259 in stolen funds and special investigation fees of \$23,000. The former employee is making monthly restitution payments of which \$8,500 has been received by the city leaving a remaining balance of \$23,759 at year end.

**Mason**

18. *Public Works Department* – An investigative report issued on July 19, 2016, by the Tennessee Comptroller of the Treasury, Division of Investigations, for the Town of Mason reported misappropriated municipal collections of at least \$678,609. The Comptroller’s Office in conjunction with the Tennessee Bureau of Investigation, conducted an investigative audit for the period January 1, 2007, through March 24, 2015, that revealed thefts and the following deficiencies:

The former public works superintendent received unauthorized compensation of \$602,865. Of this amount, \$549,998 was unauthorized overtime; \$32,411 was the unauthorized sale of vacation time; \$11,620 was the unauthorized sale of sick leave; and \$8,836 consisted of unauthorized holiday pay.

The superintendent received questionable overtime compensation of \$75,744 from the town’s general fund.

Disposition: The former superintendent resigned from the Town of Mason in March 2015. On June 11, 2016, the former superintendent was indicted by the Tipton County Grand Jury on charges of official misconduct and theft over \$60,000. As of the fiscal year ended June 30, 2014, the town had not recovered the balance of \$678,609.

**Memphis**

19. *General Government* – The audit for the City of Memphis for the fiscal year ended June 30, 2014, reported an employee of the City Court Clerk Office with expanded privileges embezzled money that totaled \$24,012 by making adjustments to cash payments for traffic tickets made by customers who had been issued motor vehicle citations by the City of Memphis Government. The privileges allowed the employee to access, adjust and approve transactions entered into the Electronic Ticket Information System (ETIS).

Disposition: The fraud was reported to the Tennessee Comptroller of the Treasury, and city officials took steps to strengthen its internal controls. As of the fiscal year ended June 30, 2014, the city had not recovered the balance of \$24,012.

*Memphis Light, Gas and Water (MLGW) Division* – The audit for the Memphis Light, Gas and Water (MLGW) Division for the fiscal year ended December 31, 2013, reported misappropriated municipal funds of at least \$18,717. According to a finding in the separately issued management letter, MLGW discovered that an employee had altered various utility customer accounts, including her own, to prevent disconnection of utility services due to non-payment. The internal investigation by MLGW revealed alterations of 24 customer accounts totaling \$18,717. Upon discovery, the employee

## Exhibit B

immediately resigned her position and the matter was referred to the Memphis Police Department.

Disposition: A warrant was issued for the former employee's arrest. The former employee was apprehended, an indictment was rendered, and the former employee pled guilty to fraud. The former employee was sentenced to three years of probation and ordered to make restitution of \$3,026.

Each of the customer accounts that were altered were subsequently adjusted to reflect the correct balances, the customers were contacted, and MLGW pursued collection of the amounts owed. As of December 31, 2013, the outstanding customer balances related to these altercations totaled \$2,247. The total loss to MLGW, including the write-off of uncollectible utility customer accounts and late penalty fees, approximated \$348 during the year ended December 31, 2013. In 2014, one of the affected customers filed for Chapter 13 bankruptcy and the additional loss in 2014 was \$1,087. During 2014, the former employee paid \$255 in court ordered restitution and in April 2015, the remaining balance of \$2,771 was written off as uncollectible. As of December 31, 2014, all customer accounts had been collected or written off.

*Police Department* – The audit for the City of Memphis for the fiscal year ended June 30, 2014, reported a payroll clerk employed by the Police Department deposited missing payroll checks that totaled \$8,220 into her personal account.

Disposition: The fraud was reported to the Tennessee Comptroller of the Treasury, and city officials took steps to strengthen their internal controls. As of the fiscal year ended June 30, 2014, the city had not recovered the balance of \$8,220.

### **New Johnsonville**

20. The audit for the City of New Johnsonville for the fiscal year ended June 30, 2014, and an investigative report issued on December 4, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, revealed that the mayor of the City of New Johnsonville received personal benefit valued at \$1,732 from the use of city personnel, city money and a city vehicle for the retrieval of his personal vehicle from South Carolina.

Disposition: This matter was referred to the local district attorney general. On December 1, 2014, the Humphreys County Grand Jury indicted the mayor on one count of theft over \$1,000. As of the fiscal year ended June 30, 2014, the city received a partial payment in the amount of \$1,485, but it had not recovered the remaining balance of \$247.

### **New Market**

21. An investigative report issued on January 16, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, for the Town of New Market reported misappropriated municipal collections of at least \$40,087. The Comptroller's Office, in conjunction with the Tennessee Bureau of Investigation, conducted an investigative

## Exhibit B

audit that revealed thefts during the period September 1, 2009, through April 30, 2013. The thefts resulted from the following misappropriations of funds:

*General Government* – The former recorder misappropriated \$38,802 in municipal funds. The recorder withdrew \$25,009 from a town certificate of deposit and converted it for her personal use. The recorder concealed the misappropriation by fabricating invoices and altering minutes of meetings of the mayor and board of aldermen. The recorder misappropriated an additional \$13,793 by issuing unauthorized payroll checks to herself and retaining the proceeds for her personal benefit. The recorder deleted most of the unauthorized payroll checks from the town’s computerized accounting records, effectively concealing her issuance of these checks.

*Public Works Department* – A public works employee used a city fuel card to make personal gasoline purchases that totaled at least \$1,285.

Disposition: These matters were referred to the local district attorney general. In August 2013, the Jefferson County Grand Jury indicted the former recorder on two counts of theft over \$10,000 and four counts of official misconduct. As of the date of this report, the 2014 audited financial statements had not been filed with the Division of Local Government Audit. The city received complete restitution of \$1,285 from the public works employee. In January 2014, the Jefferson County Grand Jury indicted the public works employee on one count of theft over \$1,000, two counts of official misconduct, and one count of fraudulent use of a credit card.

### Philadelphia

22. *General Government* – The audit for the City of Philadelphia for the fiscal year ended June 30, 2013, reported misappropriated funds in connection with an investigative report released by the Tennessee Comptroller of the Treasury on May 14, 2014. The report issued by the Division of Investigations focused on the period January 1, 2013, through November 30, 2013. It was revealed that the former city recorder cashed two unauthorized checks totaling \$638 made payable to herself. The investigation also revealed that city officials did not ensure that complete inventory records of high-risk, moveable property such as sound equipment and computers were maintained, or that all property purchased was available for municipal use. Investigators were unable to locate sound equipment costing over \$600 purchased by the former mayor with city funds for use at a benefit concert.

The investigation also noted a matter that was investigated by local law enforcement officials. Municipal checks were stolen and without the knowledge of the mayor and board of aldermen, 11 of those checks were completed in amounts totaling \$5,476 and cashed by either the individual who had taken the checks or by his acquaintances.

---

#### Summary of Missing Municipal Funds and Equipment

---

Two unauthorized checks cashed by former city recorder	\$ 638
Stolen checks cashed by non-municipal employees	5,476

**Exhibit B**

Missing sound equipment	600
	<u>\$ 6,714</u>

Disposition: The unauthorized checks that were cashed by the former city recorder were referred to the local district attorney general. In April 2014, the Loudon County Grand Jury indicted the former city recorder on three counts of official misconduct and two counts of forgery. The stolen checks that were cashed totaling \$5,476 resulted in several indictments. The city has indicated that internal controls will be strengthened for the high-risk moveable municipal-owned equipment. As of June 30, 2013, a payment in the amount of \$1,729 had been received which resulted in an ending balance of \$4,985. As of June 30, 2014, no additional amounts for restitution have been collected by the City of Philadelphia, and the balance remained at \$4,985.

**Pikeville**

23. *General Government* – The audit for the City of Pikeville for the fiscal year ended June 30, 2012, reported findings related to an investigation conducted by the Tennessee Comptroller of the Treasury, Division of Investigations, pursuant to a request from the local district attorney general. The investigative report was issued on August 9, 2012, and focused primarily on the period July 1, 2010, through December 31, 2011; however, when warranted, this scope was expanded. The investigation revealed the following:

Summary of Questioned Purchases Made with City Funds by Former Mayor	
Purchase of a 2008 Honda Element for the mayor's personal use	\$ 15,900
Unauthorized reimbursements for family health insurance expenses when the mayor's family received health insurance coverage through the wife's employer	35,599
Unauthorized payments for a vehicle allowance received by the mayor while he also had a city fuel card and drove a city-owned vehicle	16,200
Purchase of ten (10) used vehicles without obtaining board approval when the vehicles served no apparent municipal purpose and were never titled to the city	109,900
	<u>\$ 177,599</u>

Additional purchases of \$1,942 and \$522 were questioned by the Comptroller's Division of Investigations. The \$1,942 related to purchases made with the city's credit card for travel expenses in Florida. The \$522 related to travel expenses while in Gatlinburg. The mayor reimbursed the city for the \$1,942, and although he told



investigators that the charges in Gatlinburg may have been associated with a town-related conference, he provided no evidence to support that claim.

Disposition: The mayor was sentenced to 30 days in prison, 2 years and 11 months of probation and ordered to perform 100 hours of community service for the City of Pikeville in January 2014. As of June 30, 2014, no restitution has been paid to the City of Pikeville.

**Ripley**

24. *Fire Department* – The annual audit for the City of Ripley for the fiscal year ended June 30, 2014, reported a cash shortage of \$971 in the city’s fire department in connection with an investigation conducted by the Tennessee Comptroller of the Treasury. The report, released by the Division of Investigations on October 16, 2013, disclosed that the theft was the result of donations given to the fire department that were stolen by the former fire chief. The fire chief was allowed to retire; however, the city is seeking restitution of the funds.

*Power and Light Department* – The annual audit for the City of Ripley for the fiscal year ended June 30, 2013, reported over-reimbursement of educational expenses. Certain tuition reimbursement requests were submitted to the power and light department for full tuition amounts rather than subtracting amounts received for Pell grants by the former employee which resulted in overpayments in the amount of \$2,098.

Disposition: As of June 30, 2014, the city had not received restitution from the former fire chief; however, a judge that reviewed the case noted that a portion of the funds (\$450) had passed the statute of limitations and thus was not recoverable by the city which resulted in a remaining balance of \$521. As of the date of the audit, the local district attorney was pursuing a suit against the former fire chief and the case was awaiting trial. In addition, although the former employee has offered to reimburse the power and light department for the overpayments, the utility had not received the payments in the amount of \$2,098 as of June 30, 2014.

**Rockwood**

25. *General Government* – The audit for the City of Rockwood for the fiscal year ended June 30, 2012, reported that credit card statements were not maintained and receipts were not submitted and retained for most credit purchases. The audit further addressed that many of the credit card purchases did not appear to be for municipal purposes, but were instead personal in nature. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on February 27, 2013, for the period January 1, 2009, through January 31, 2012, revealed that the former city coordinator used a city credit card and city store charge card to purchase at least \$32,725 in property and services for his personal benefit. The investigation further revealed that the former city accountant used the city’s credit card for unauthorized purchases of \$985.

Summary Purchases for Personal Benefit:

Former City Coordinator	
Guns, ammunition, and related items	\$ 11,900
Clothing	7,263
Cameras, lenses, and photographic supplies	5,697
Online college courses	4,190
Other miscellaneous personal items	3,675
	<u>\$ 32,725</u>

Former City Accountant	
Online college courses	\$ 985
	<u>\$ 985</u>

Disposition: In February 2013, the Roane County Grand Jury indicted the former city coordinator on seven counts, including theft, credit card fraud, and official misconduct. At June 30, 2014, the case is still awaiting trial, and no restitution had been made by either former employee.

**Unicoi**

26. *General Government* – The audit for the Town of Unicoi for the fiscal year ended June 30, 2013, reported misappropriated municipal funds of \$657. Municipal funds were used to pay for meals of spouses of board members and employees at a municipal function. The auditor recommended that town officials adopt per diem amounts for municipal business trips and retreats that will only apply to town employees and board members.

Disposition: As of June 30, 2014, the town had not received restitution for municipal funds that were used to pay for spouse meals.

**Whiteville**

27. *General Government* – The audit for the Town of Whiteville for the fiscal year ended June 30, 2013, reported misappropriated funds related to overpaid payroll and related expenditures. An employee received workman’s compensation as well as compensation from the town for the same period. This employee also received sick leave and/or vacation pay in excess of the amount the employee was due. Overpayments due from the employee are summarized below.

Fiscal Year	Description	Amount
6-30-2013	Excess payroll compensation	\$ 1,808

**Exhibit B**

	Payroll taxes and retirement	972
	Unearned vacation and sick leave	4,824
6-30-2012	Excess payroll compensation	1,958
	Payroll taxes and retirement	259
	Insurances and other payroll deductions	784
		<hr/>
		\$ 10,605
		<hr/>

Disposition: At June 30, 2013, the employee owed a total of \$10,605. The audit for the year ended June 30, 2014, reported additional overpaid payroll and payroll taxes totaling \$686. Restitution of \$1,000 had been collected as of June 30, 2014. The town expects full restitution to be made when the employee receives a worker's compensation settlement.

*General Government* – The audit for the year ended June 30, 2014, reported a shortage of \$5,128 resulting from the town remitting payments in excess of voluntary withholdings from employee payroll checks for various insurance and bank payments during the years ended June 30, 2012, 2013, and 2014.

Disposition: No restitution has been determined since the employees affected by these errors have not been identified.

*Water and Sewer* – The audit for the year ended June 30, 2014, reported a shortage of \$436 resulting from the town remitting payments in excess of voluntary withholdings from employee payroll checks for bank payments.

Disposition: No restitution has been determined since the employees affected by these errors have also not been identified.

*General Government* – The audit for the year ended June 30, 2014, reported a shortage of \$450 resulting from the town remitting payments in excess of voluntary withholdings from an employee's payroll checks for payments to another town employee for rent during the year ended June 30, 2014.

Disposition: The town expects to receive restitution during the year ending June 30, 2015.

***Internal School Funds***

**Cannon County Schools**

28. *West Side School* – An investigative report issued on February 13, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, disclosed misappropriated and missing internal school funds at West Side School of the Cannon County School System. The investigation focused on the period

**Exhibit B**

July 1, 2010, through April 30, 2012. The investigative report details the circumstances surrounding the misappropriated and missing funds, summarized below.

---

Summary of Misappropriated and Missing Internal School Funds

---

The girls' basketball coach misappropriated money by depositing school funds into an unauthorized bank account and using these funds for her personal benefit. \$ 1,990

The school's accounting records did not reflect that school funds collected for basketball games held on November 18, 2010, were received or deposited into school accounts. 936

---

\$ 2,926

Disposition: The Division of Investigations referred the above matters to the local district attorney general. On January 24, 2014, the Cannon County Grand Jury indicted the girls' basketball coach on one count of theft over \$1,000. At June 30, 2014, school officials wrote these funds off because they did not believe they could recover them.

**Chester County Schools**

29. *Chester County Junior High* – An investigative report issued on December 3, 2013, by the Tennessee Comptroller of the Treasury, Division of Investigations, disclosed misappropriated and missing internal school funds at Chester County Junior High School in the Chester County School System. The investigation focused on the period April 1, 2011, through April 30, 2012. According to the investigative report, the former bookkeeper diverted \$1,400 of school collections to her home with the stated intention of using the money for her own personal benefit.

Disposition: The former bookkeeper repaid the balance of \$1,400 by making a cash deposit directly into the school bank account rather than bringing the money directly to the principal as requested.

**Clarksville-Montgomery County Schools**

30. *Kenwood Middle and Kenwood High School* – The audit for Clarksville-Montgomery County Schools Internal School Funds for the fiscal year ended June 30, 2014, reported cash shortages that totaled \$143 at the Kenwood Middle School. In one instance, the girls' basketball coach misappropriated \$82 in internal school funds and in another situation the Family, Career, and Community Leaders of America (FCCLA) advisor misappropriated \$61. The remaining \$225 represented a cash shortage of baseball gate receipts at Kenwood High School.

*West Creek High School:* A shortage of \$1,507 resulted from a misappropriation of cash by the cheer coach and cheer booster treasurer.

**Exhibit B**

Disposition: The shortage of \$143 at Kenwood Middle School was fully recovered while the amount of \$225 at Kenwood High School was written off. No charges were filed by the district attorney general and the amount of \$1,507 was written off at West Creek High.

*Kenwood Middle:* An investigative report issued on April 3, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, disclosed misappropriated internal school funds at Kenwood Middle School of the Clarksville-Montgomery County School System. The investigation focused on the period July 1, 2010, through June 30, 2012. The investigative report details the circumstances surrounding the misappropriated and missing funds, summarized below:

---

Summary of Misappropriated and Missing Internal School Funds	
The former Beta Club sponsor misappropriated school funds by removing cash collections for Beta Club dues and field trips. The former Beta Club Sponsor concealed the misappropriation by preparing false collection records, which did not include all amounts collected.	\$ 1,385
The former Beta Club sponsor misappropriated school funds by charging Beta Club dues in excess of authorized amounts and retaining the excess for her own personal benefit.	904
	<hr/>
	\$ 2,289

---

Disposition: This matter was referred to the local district attorney general. On March 4, 2014, the Montgomery County Grand Jury indicted the former Beta Club sponsor on one count of theft over \$1,000. As of the fiscal year end June 30, 2014, the balance remained at \$2,289.

**Dyersburg City Schools**

31. *Dyersburg High School* – The audit for the Dyersburg City Schools Internal School Funds for the fiscal year ended June 30, 2014, reported a cash shortage of at least \$3,085 at Dyersburg High School. The shortage resulted when an assistant coach opened a bank account in the name of Dyersburg Special Events of which the director of schools had no knowledge. The coach used his personal social security number to open the account and deposited funds from a school sponsored event into this bank account. The total amount of the cash shortage could not be determined due to the condition of the accounting records of this unauthorized bank account.

Disposition: The cash shortage has been reported to the local district attorney and further action is pending. The assistant coach is no longer employed by the Dyersburg City Schools.

**Humphreys County Schools**

32. *Lakeview Elementary School* – The audit for the Humphreys County Schools Internal School Funds for the fiscal year ended June 30, 2013, reported disbursements for items that did not appear to relate to legitimate school purchases. The Tennessee Comptroller of the Treasury, Division of Investigations, released a report on July 10, 2014, for the period August 1, 2009, through November 30, 2013, that revealed a teacher inappropriately used the school’s Wal-Mart credit card for personal purchases such as alcoholic beverages, clothing, food, cosmetics, a camera, iPad, DVDs, scrapbooking supplies, an Xbox membership and gift cards that totaled \$8,983.

Disposition: The teacher resigned her employment with Lakeview Elementary. She also admitted that she used the school’s credit card for personal purchases for which she repaid \$1,780 to the school, and at June 30, 2014, the remaining balance of the unpaid cash shortage is \$7,203.

**Lawrence County Schools**

33. *EO Coffman Middle School* – The annual audit for Lawrence County Schools Internal School Funds for the fiscal year ended June 30, 2013, reported a cash shortage of \$6,000 at EO Coffman Middle School. During the course of the audit, it was discovered that start-up change was not being re-deposited upon completion of a school event. Amounts disbursed from the school's Cash on Hand account exceeded amounts deposited by \$5,400. Additionally, the Athletic Start-Up account reported disbursements in excess of deposits of \$600. The bookkeeper in question was in her position through November 2013. An additional \$350 was identified as unaccounted for during the 2013-2014 school year.

Disposition: The school remains under investigation by the Tennessee Comptroller of the Treasury, Division of Investigations.

**Marion County Schools**

34. *Whitwell High School* – The audit for Marion County Schools Internal School Funds for the fiscal year ended June 30, 2010, reported a misappropriation in connection with an investigative report released by the Tennessee Comptroller of the Treasury for the period July 1, 2009, through October 31, 2010. The Division of Investigations released a report on June 10, 2014, detailing misappropriated cash collections totaling at least \$35,332 by the former bookkeeper at Whitwell High School. The bookkeeper did not record these collections in the school’s accounting records or deposit them into the school’s bank account. The misappropriation was concealed by the bookkeeper by depositing un-receipted checks to replace some of the misappropriated cash collections and by providing false account information to teachers, administrators, and auditors.

Disposition: On April 7, 2014, the Marion County Grand Jury indicted the bookkeeper on one count of theft over \$10,000 and one count of vandalism. At June 30, 2014, the school had not received restitution from the former bookkeeper.

**Shelby County Schools**

35. *Administration – Exceptional Children Services* – First Choice Staffing is a vendor contracted by the district. A relative of the vendor forged timesheets for her boyfriend that totaled \$5,795. Due to this matter the district did not pay all of the invoices submitted by the staffing company.

Disposition: As of June 30, 2014, the balance of the shortage was reported as zero.

*Administration – Facilities* – An investigation of the Memphis City School’s Facility Management Division conducted in 2007 revealed there was a kickback scheme with the vendor, Green Motors, in the amount of \$300,000. The investigation revealed fraudulent billing, falsified invoices and apparent forgeries. Beginning with the June 30, 2014, fiscal year, Memphis City Schools were combined with Shelby County Schools.

Disposition: As of the fiscal year end June 30, 2014, there had been a reduction in the shortage in the amount of \$193,725, and the remaining balance is \$106,275.

*Administration – Student Support* – An employee made unauthorized purchases to a vendor related to student support for personal use in the amount of \$411.

Disposition: As of June 30, 2014, the shortage had not been recovered.

*Arlington High School* – An investigative report issued on January 16, 2014, by the Tennessee Comptroller of the Treasury, Division of Investigations, disclosed misappropriated and missing internal school funds at Arlington High School in the Shelby County School System. The investigation focused on the period July 1, 2008, through June 30, 2010. The investigative report revealed the former financial secretary misappropriated school collections totaling \$142,307 and retained the cash for her personal benefit. To conceal the misappropriation, the former financial secretary altered, destroyed and discarded school records. The former financial secretary also made personal purchases on the school’s VISA card of \$566. An additional \$29,081 in misappropriated collections from ticket sales related to basketball games, football games and other activities such as winter concerts and locker fees was discovered.

Disposition: These matters were referred to the local district attorney general. The Shelby County Grand Jury indicted the former financial secretary on one count of theft over \$60,000 in December 2013. As of June 30, 2014, no restitution had been made.

*Central High School* – The athletic director deposited school fundraising receipts into her personal checking account of \$4,493.

Disposition: As of the fiscal year ended June 30, 2014, the ending balance for this shortage was reported as zero.

## Exhibit B

*Chickasaw Middle School* – The school’s financial secretary did not reconcile a bank account in a timely manner, and deposit shortages were noted of \$1,102.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Colonial Middle School* – Suspected courier thefts were reported of \$1,000.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Corry Middle School* – A review of the school's bank reconciliation indicated that receipted funds in the amount of \$1,814 were not deposited in the school's operating account which resulted in the resignation of the financial secretary.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Evans Elementary School* – The school’s financial secretary forged the name of the principal on certain unauthorized checks. In addition, certain teacher and other collections submitted to the financial secretary were missing. It was determined that unrecorded checks were swapped for cash collections. The financial secretary resigned and was indicted. The total amount of the shortages reported was \$1,458.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Frayser High School* – The school’s financial secretary failed to receipt and deposit funds in the amount of \$9,000.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Germanshire Elementary School* – Courier thefts were suspected at this school in the amount of \$860.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Holmes Road Elementary School* – Courier thefts of \$350 were suspected in this school.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Holmes Road Elementary School – SACC Program* – The review of the school age child care program (SACC) revealed the program should have collected \$44,728 in tuition payments for the period. After the tuition payments of \$19,800 for the period were verified and recorded, a variance of \$24,928 resulted, and the SACC program coordinator resigned.

Disposition: As of June 30, 2014, the shortage had not been recovered.

*Kingsbury High School* – The senior class sponsor collected funds of \$3,375 which were turned over to the school’s financial secretary.



## Exhibit B

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Kirby High School* – Courier thefts of \$1,500 were suspected.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Lester Middle School* – Bank deposits were not being made on a timely basis. As a result, \$600 could not be properly verified as deposited into the school's bank account. The financial secretary is no longer with the school district.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Melrose High School* – During the review of the school's regular audit, it was determined an employee operated the school's concession stand for which unaccounted funds of \$3,733 were reported. In addition, a wrestling stipend of \$4,744 was paid to an employee who did not coach; however, it was determined the school did not have a wrestling team during the period. A trip expense claim revealed overpayment to employees of \$780 as well as overpayment of trip expenses of \$2,120.

Disposition: As of June 30, 2014, the shortage had been reduced by \$7,449, which resulted in an ending shortage balance of \$3,928.

*Newberry Elementary School* – The School Age Child Care (SACC) program coordinator submitted a receipt book to the school that was not part of the school's inventory. The receipt book revealed receipts written in the amount of \$9,830 were never submitted to the school office, and the receipts in question were considered missing. The SACC coordinator was terminated.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Northside High School* – A shortage of \$1,283 was noted during the review of the school's bank reconciliation.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Oak Forest Elementary School* – Courier thefts of \$765 were suspected in this school.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Peabody Elementary School* – School Age Child Care (SACC) Program collections that totaled \$18,000 were never submitted to the school's office for receipting, depositing and recording in the school's accounting system. As a result, the SACC coordinator and financial secretary subsequently resigned.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

## Exhibit B

*Ross Elementary School* – Courier thefts of \$299 were suspected in this school.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Southwest Prep Academy* – The former financial secretary made several cash withdrawals from the school's operating account of \$1,180 that appeared to be made for personal use. This individual was terminated.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Trezevant High School* – The school's financial secretary misappropriated funds of \$11,877 for which the secretary's employment was terminated.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*William H. Brewster Elementary School* – During the review of the School Age Child Care (SACC) Program, the audit revealed that some financial records were missing and not properly completed. The SACC payment schedules indicated the payments were not properly posted or recorded in the school's accounting system nor were they deposited into the school's operating account. The SACC program coordinator and financial secretary were terminated. It was determined the shortage was \$4,000.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

*Wooddale Middle School* – The school's former financial secretary failed to enter transactions into the school's accounting records which led to unaccounted funds of \$1,900. The former financial secretary resigned and signed a promissory note to repay the entire \$1,900.

Disposition: As of June 30, 2014, the shortage had not been recovered by the school.

### **Sumner County Schools**

36. *Clyde Riggs Elementary School* – The audit for the fiscal year ended June 30, 2014, reported a cash shortage of \$637 that resulted from misappropriation of Christmas store sales by a parent volunteer.

Disposition: The parent volunteer at Clyde Riggs Elementary School admitted to taking proceeds from Christmas store sales, and the \$637 balance was repaid to the school.

*Hendersonville High School* – The audit for the Sumner County Schools Internal School Funds for the fiscal year ended June 30, 2014, reported a cash shortage of \$2,049. A fraud report was filed to the Tennessee Comptroller of the Treasury by the internal auditor for the Sumner County Board of Education. The report revealed that the wrestling coach did not remit \$1,320 of collections to the school bookkeeper for recording and deposit into the school's bank account. It was also revealed that the wrestling coach made questionable purchases of \$729 with a school credit card that appeared to be for personal use.

Disposition: Charges have been filed with the Hendersonville Police Department for the \$2,049 cash shortage reported at Hendersonville High School, and the matter is awaiting trial.

*T. W. Hunter Middle School* – The audit for the fiscal year ended June 30, 2014, reported a theft of \$40. A bookkeeper left her desk momentarily without securing a deposit that she was in the process of preparing, and when she returned, \$40 of the deposit was missing.

Disposition: It is unknown who stole the \$40; therefore, this balance was written off.

**Tipton County Schools**

37. *Brighton Elementary School* – School officials discovered through an internal investigation during the fiscal year ended June 30, 2014, that an assistant principal used \$260 of internal school funds for personal use. It was determined that the assistant principal arrived after business hours at the school’s financial institution on numerous occasions and afterward kept unlocked money bags over the weekend from which he removed funds for personal use. After the financial institution confirmed that it had not received such funds, the assistant principal admitted that he took the missing funds.

Disposition: The assistant principal at Brighton Elementary School replaced the missing funds of \$260. Effective August 13, 2014, the State of Tennessee revoked the assistant principal’s administrator license for one year. In addition, this individual was reassigned to another school in a non-administrative role with no custodial responsibility over school assets.

*Munford High School* – As part of an ongoing investigation regarding possession and distribution of drugs at Munford High School, a search of the automobile of the school’s bookkeeper was conducted by the Munford Police Department during the fiscal year ended June 30, 2014. Sixteen Wal-Mart gift cards purchased by the school and valued at \$15 per card were located. The cards valued at a total of \$240 were intended to be given to faculty and staff as Christmas gifts for meritorious service.

Disposition: Munford High School’s gift cards were returned to the school’s safe, and the bookkeeper was cited by the Munford Police Department for theft under \$500. The entire proceeding, including investigation for possession and distribution of drugs, is ongoing and has been turned over to the District Attorney’s Office.

**Utility Districts**

**Chuckey Utility District and Cross Anchor Utility District**

38. The Chuckey Utility District and the Cross Anchor Utility District are separately chartered utility districts. Both districts are located in the Town of Greeneville, Greene County, Tennessee, and provide water utility services. The Chuckey Utility District reported 4,310 customers and the Cross Anchor Utility District reported 3,131 customers in their 2013 audit reports.

**Exhibit B**

The June 30, 2013, audits for the Chuckey Utility District and the Cross Anchor Utility District, reported findings related to matters that were investigated by the Tennessee Comptroller of the Treasury. An investigative report was issued on August 18, 2014, by the Division of Investigations and focused primarily on the period July 1, 2011, through September 30, 2013; however, when warranted, this scope was expanded. The investigation focused on questionable transactions made by the retired general manager and her daughter who replaced her as general manager. The investigation questioned the following amounts:

---

Summary of Questioned Transactions  
by the Retired General Manager and Former General Manager

---

The retired general manager received bonuses in December 2012 that had not been approved by the board of commissioners.	\$ 25,056
The former general manager used district funds to purchase a computer for her personal benefit.	2,064
Inconsistencies were noted regarding the interpretation, authorization, and initiation date of an employment contract with the retired general manager.	182,334
	<hr/> <u>\$ 209,454</u>

The above issues were referred to the local district attorney. An additional \$7,671 and \$3,600 were questioned in the Comptroller's investigative report. District funds totaling \$7,671 were used for the retired general manager's retirement party and the former general manager paid annual phone allowances up to \$3,600 per individual to herself and certain other employees of the two districts.

Disposition: As of June 30, 2014, amounts related to the above issues had not been reported on by the Division of Investigations. Accordingly, no amounts of restitution had been made at June 30, 2014. In November 2014, both the retired and former managers were indicted on several counts of official misconduct as well as multiple counts of theft. The computer purchased using the district funds of \$2,064 for the former general manager's personal benefit was returned to the district.

**Lone Oak Utility District**

39. The Lone Oak Utility District is located in the City of Signal Mountain, Hamilton County, Tennessee, and provides water utility services. The district's 2014 audit reported 131 customers.

The annual audit reported that the district's three commissioners received per diem payments of \$100 per month for twelve board meetings; however, only eleven meetings were conducted. In addition, one commissioner did not attend one meeting.

**Exhibit B**

Disposition: As of December 31, 2014, the former commissioners have resigned, and the balance of \$400 has not been recovered by the utility district.

**Webb Creek Utility District**

40. The Webb Creek Utility District is located in the City of Gatlinburg, Sevier County, Tennessee, and provides water and wastewater utility services. The district's 2014 audit reported 525 water customers and 107 wastewater customers.

The Tennessee Comptroller of the Treasury in conjunction with the Fourth Judicial District Attorney General performed an investigative audit of selected records of the Webb Creek Utility District for the period January 1, 2010, through April 30, 2013, however, the scope was expanded as necessary. An investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on September 3, 2014, revealed questionable purchases by various employees including the district manager and the assistant district manager totaled \$43,929. A summary of these purchases is listed as follows:

---

Summary of Questionable Purchases	
Gift Purchases	\$ 19,320
Food Purchases	7,965
Other Questionable Purchases	3,852
Missing Electronic Equipment	3,808
Unaccounted for Gift Cards	1,575
Personal Use of Cell Phones	1,919
Unauthorized Meal Allowance	969
Entertainment Purchases	647
Meals Purchased	2,656
Unearned Leave Paid	1,218
	<hr/>
	\$ 43,929

---

Disposition: The former district manager and the former assistant district manager were terminated on August 2, 2013. Utility district officials plan to seek restitution from responsible individuals for non-business related purchases and to strengthen the district's internal controls to include proper oversight of the district's operations. In addition, the district has filed a claim with its insurance company for reimbursement of questionable costs in the amount of \$43,929 that was pending.

***Housing Authorities***

**Gallaway Housing Authority**

41. The Gallaway Housing Authority is located in the City of Gallaway, Shelby County, Tennessee, and administers funds received from the United States Department of Housing and Urban Development (HUD).

## **Exhibit B**

The audit of the Gallaway Housing Authority for the fiscal year ended September 30, 2014, disclosed misappropriations of \$250. Management discovered the property manager used the housing authority's vehicle and vacuum for a weekend for his personal use, sold scrap materials from the housing authority for which he received the proceeds and completed his time records inaccurately to reflect the actual work he performed. An estimated \$250 in usage of the authority's assets by the former property manager consisted of \$200 for use of the vehicle, \$10 for use of the vacuum and \$40 in proceeds from the sale of scrap materials. There was insufficient supporting documentation to quantify a dollar amount related to time reporting.

Disposition: The property manager was terminated from his position on August 26, 2013. As of September 30, 2014, the \$250 balance had not been recovered by the housing authority.

### **Other Related Housing Authority Thefts - Tenant Income Falsifications**

42. On a routine basis, housing authorities report thefts that are not the result of cash missing from the authorities, but the result of the housing authorities making a determination that a tenant receiving Section 8 housing assistance had misrepresented their household income, thus originally receiving more federal assistance than legally allowed. The housing authorities are allowed to keep one-half of the recovery amounts, and the Department of Housing and Urban Development receives the other half.

Disposition: Ending balances represent amounts that have not been recovered or resolved as of the respective housing authorities' fiscal year end.

## ***Nonprofit Organizations***

### **ABC Nutrition Program, Inc.**

43. ABC Nutrition Program, Inc., (ABC) is a non-profit organization located in the City of Camden, Benton County, Tennessee. The organization administers the Child and Adult Care Food Program (CACFP) and is a sponsoring organization for centers and day care homes. The organization passes federal funds from the Tennessee Department of Human Services (DHS) through to the homes and centers in the program. As of September 30, 2014, ABC administered federal grant funds received from DHS on behalf of 216 daycare homes and 120 daycare centers in Tennessee. ABC receives a percentage of these grant funds for administering the program, and these administrative funds are ABC's sole source of revenue. The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

A report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on March 18, 2015, revealed that from October 1, 2008, through September 30, 2014, ABC had unauthorized administrative disbursements in the amount of \$732,703 that are summarized as follows:

---

Summary of Deficiencies

---

Unauthorized pay received by ABC employees:	
Management bonuses	\$419,269
Management payroll	170,776
Other ABC employee bonuses	15,933
Unauthorized disbursements for construction and improvement to the CEO's home	27,186
Additional unauthorized disbursements made by ABC's management	99,539
	<hr/>
	<u>\$732,703</u>

Disposition: On February 19, 2015, the Benton County Grand Jury indicted the CEO, the Director of the Daycare Center, and the Director of Daycare Homes on two counts of felony theft. Each was charged with one count of theft of property over \$250,000 and one count of theft of property over \$60,000.

**Arc of Hamilton County**

44. The Arc of Hamilton County (The Arc) provides educational, advocacy, and legislative services to individuals and their families who have intellectual disabilities. The Arc finances its services primarily by fees from a contract for services with the State of Tennessee Department of Intellectual and Developmental Disabilities. Fees are primarily based on the number of clients served by the organization's advocacy staff. Substantially all of the organization's revenues are derived from the State of Tennessee. The organization is a not-for-profit corporation exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The audit for the fiscal year ended December 31, 2013, disclosed that the organization did not maintain a policy for the use of credit cards. A total of \$2,545 in questionable credit card charges, which had no approval or supporting documentation, was identified. It appeared most of the questioned costs were primarily for personal expenditures.

Disposition: The employee was dismissed, and no plans of repayment were made. As of December 31, 2014, no repayments have been applied to the ending balance of \$2,545.

**Benton County Development Services, Inc., dba Cornerstone**

45. Benton County Development Services, Inc., is a nonprofit organization located in the City of Camden, Benton County, Tennessee. The audit for the fiscal year ended June 30, 2014, revealed a theft which resulted from unauthorized fuel purchases of \$885 by an employee.

Disposition: The employee was terminated, and the organization received restitution of \$232 through the legal process. The organization wrote off the remaining balance of \$653.

**Jackson Area Council on Alcoholism and Drug Dependency**

46. The Jackson Area Council on Alcoholism and Drug Dependency is located in the City of Jackson, Madison County, Tennessee. The nonprofit corporation provides programs and services for the treatment of alcoholism and drug dependency to primarily West Tennessee residents. The main sources of the organization's support are federal grants and state service funds.

The annual audit revealed \$376 was stolen from petty cash by former employees, and an additional \$38 was discovered as missing from petty cash after the dismissal of the two former employees.

Disposition: Overall \$414 was stolen from petty cash of which \$257 was recovered from one of the former employees, and the remaining balance of \$157 was written off as uncollectible.

**Madison-Haywood Developmental Services, Inc.**

47. The Madison-Haywood Developmental Services, Inc., (the Corporation) is located in the City of Jackson, Madison County, Tennessee. The Corporation was created as a non-profit corporation under the laws of the State of Tennessee in 1972 and has received tax exempt status from the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code.

An investigative report issued by the State of Tennessee, Department of Intellectual and Developmental Disabilities on September 18, 2014, revealed that from January 2012 through October 2012 employees at the Corporation misappropriated \$22,169 of their clients' personal funds. An additional misappropriation by an employee that totaled \$74 included \$44 and \$30 in food stamps of a client of the Corporation. Finally, another employee of the Corporation misappropriated \$105 of food stamps that belonged to a client.

Disposition: All employees involved with each misappropriation were terminated, and the clients' funds were reimbursed by the Corporation. In addition, the employees involved with the \$22,169 misappropriation are being investigated.



*Other Governmental Entities*

**Bolivar-Hardeman County Library**

48. The Bolivar-Hardeman County Library is located in the City of Bolivar, Hardeman County, Tennessee. The library is a joint venture of the City of Bolivar and Hardeman County. Its major operations are funded through annual appropriations from the City of Bolivar and Hardeman County.

The audit for the year ended June 30, 2014, reported a \$231 shortage. The shortage represents the difference between library fine collections of \$3,269 reflected in the library's computer program as compared to \$3,038 reflected in the library's adjusted general ledger. Management attributed the shortage to possible error by employee(s) and the probability that some errors could have occurred due to implementing a new VERSO program for which the library was a beta testing site.

Disposition: Management did not expect to recover the shortage, and the balance of \$231 was written off.

**Delta Human Resource Agency**

49. The Delta Human Resource Agency is located in the City of Covington, Tipton County, Tennessee. The agency was established in 1990 in accordance with *Tennessee Code Annotated*, Title 13, Chapter 26, as amended. Federal grants are the agency's primary source of funding.

The Tennessee Comptroller of the Treasury conducted a performance audit of the Delta Human Resource Agency that focused on the period of January 1, 2011, through July 2, 2014. Regarding the transportation program, it was determined the agency failed to compare the fare that riders were anticipated to pay with the actual bank deposits related to those collections. As a result, the agency could not account for a discrepancy of \$6,427 in fares collected over a six month period from July 1, 2013, through December 31, 2013.

Disposition: As of the fiscal year ended June 30, 2014, no restitution of payments had been made nor had the governing body written off the ending balance of \$6,427 as uncollectible.

**Venale Corporation**

50. The Venale Corporation is located in the City of Jackson, Madison County, Tennessee. The agency was organized in 2002 under the name Tennergy Partners, Inc., under *Tennessee Code Annotated (TCA)* 7-39-101, et seq., the Energy Acquisition Corporations Act, along with *TCA* 12-9-101 et seq., the Interlocal Cooperation Act, by several municipal entities. As of January 1, 2008, it was reorganized as the Utilicor Corporation. As authorized under the Interlocal Cooperation Act, public agencies that are members of the Corporation cooperate among themselves and other public agencies on the basis of mutual advantage for the joint and cooperative purchasing of utility materials, tools, supplies, accessories, related equipment, services for

**Exhibit B**

construction, operation, and maintenance, etc. to conduct business. In July 2013, the Utilicor Corporation's name and major assets were sold to Boarder States Electric Supply of Tennessee, Inc. As part of the sales agreement, the Utilicor Corporation's name was changed to the Venale Corporation for ongoing operations.

*Accounting Department* – The audit of the Venale Corporation reported a cash shortage of \$23,318 for the fiscal year ended December 31, 2013. The theft was the result of credit cards, presumed to be closed, that were being improperly used to make personal purchases by an employee at the time. The Corporation sought restitution from the former employee when it became aware of the issue.

Disposition: The corporation received full restitution as of December 31, 2014, and it does not plan to pursue any legal action at this time due to the fact that all monies have been repaid by the former employee.

**Westate Corrections Network, Inc.**

- 51. Westate Corrections Network, Inc., is located in the City of Union City, Obion County, Tennessee. The Westate Corrections Network, Inc., receives funding and provides community correction services in accordance with Title 40, Chapter 36, of *Tennessee Code Annotated*. Their main source of funding comes from the Tennessee Board of Probation and Parole.

*General Government* – The audit of the Westate Corrections Network, Inc., for the fiscal year ended June 30, 2013, reported misappropriated municipal collections of at least \$63,972 in connection with an investigative report released by the Tennessee Comptroller of the Treasury, Division of Investigations, on August 22, 2013. From April 1, 2005, through March 31, 2013, a former probation officer diverted cash and money orders from drug court clients totaling at least \$63,972 for her personal benefit. Because the Westate Corrections Network, Inc., failed to adequately monitor certain collections, the probation officer continued the misappropriation undetected for an extended period of time.

---

Summary of Amounts Misappropriated by Former Probation Officer	
Court fines not remitted to county courts	\$ 56,206
Drug court and supervision fees collected from clients that were not remitted to the Westate Corrections Network, Inc.	7,166
Fines and fees paid by clients not supervised by the probation officer; deposited into the probation officer's personal bank account	600
	<hr/>
	<u>\$ 63,972</u>

Disposition: The above matters were referred to the local district attorney general. In August 2013, the Obion County Grand Jury indicted the former probation officer on one count of theft over \$60,000, and one count of money laundering. At June 30,

2014, restitution of \$40,762 had been made. Subsequent to this, the remaining balance of \$23,210 was repaid on July 19, 2014.

***Unaudited Entities***

***Nonprofit Organizations***

**Kingdom Dominion Worldwide Ministries, Inc.**

52. The Tennessee Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Tennessee Department of Human Services' Summer Food Service Program grant to the Kingdom Dominion Worldwide Ministries, Inc., in Memphis.

During the period June 2014 through July 2014, the operator of Kingdom Dominion Worldwide Ministries, Inc., misappropriated \$162,165 in federal grant funds. The program was intended to provide meals during summer months free of charge to children living in economically disadvantaged areas to ensure the children received nutritious meals when school was not in session. The Department of Human Services issued a letter to Kingdom Dominion Worldwide Ministries, Inc., to demand full repayment of the grant amount in October 2014.

Disposition: These matters were referred to the local district attorney general. On April 26, 2016, the Shelby County Grand Jury indicted the program operator on one count of theft over \$60,000.

**Mount Hopewell Community Development Corporation**

53. The Mount Hopewell Community Development Corporation is located in the City of Nashville, Davidson County, Tennessee. Mount Hopewell Community Development Corporation is a Section 501(c)(3) charitable non-profit organization.

The Tennessee Comptroller of the Treasury, Division of Investigations, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Mount Hopewell Community Development Corporation for the period January 2011 through March 2015. The investigation revealed the president and executive director misappropriated \$62,075 in state grant funds. The misappropriation was facilitated by filing fraudulent requests for payment for addiction recovery services that were never provided. Several of the clients reported to the state for which services were provided by the Mount Hopewell Community Development Corporation were either deceased or incarcerated at the time of the alleged services. In addition, other individuals who were claimed as clients had not received recovery services for years or had never received services from the corporation. The grant funds were deposited into the bank account controlled by the president, and he issued checks from this account to himself and the executive director.

Disposition: The Davidson County Grand Jury indicted the president and executive director of Mount Hopewell Community Development Corporation on four counts each of theft over \$10,000 in June 2016.

**Tennessee Law Enforcement Training Officers Association (TLETOA)**

54. The Tennessee Law Enforcement Training Officers Association (TLETOA) is located in the City of Sparta, White County, Tennessee. TLETOA was created in 1994 as a nonprofit association, and its primary purpose is to provide training to law enforcement personnel throughout the state. The Governor's Highway Safety Office, an office of the Tennessee Department of Transportation, currently provides the primary funding for the training conducted by TLETOA via a grant to Columbia State Community College.

An investigative report issued on January 11, 2016, by the Tennessee Comptroller of the Treasury, Division of Investigations, revealed allegations of malfeasance related to the TLETOA. The investigation focused on the period May 2010 through October, 2013. Two TLETOA members misappropriated funds that totaled at least \$175,700. The former treasurer and former TLETOA project director each misappropriated at least \$87,850 by accepting and transacting multiple TLETOA checks to themselves and retaining the proceeds for their personal benefit. The former project director and treasurer placed unauthorized duplicate signatures of two TLETOA presidents on certain documents to falsely indicate approval of some of the unauthorized payments. In addition, the former treasurer omitted the unauthorized checks in his verbal financial reports. Neither the treasurer nor the project director were identified as recipients of the payments on the income and expense reports created by the former treasurer.

Disposition: This matter was referred to the local district attorney general. On January 4, 2016, the White County Grand Jury indicted the former TLETOA treasurer and project director each on one count of theft over \$60,000, one count of conspiracy to commit theft over \$60,000 and two counts of forgery.

***School Support Organizations***

**Campbell County High School Choral Booster Club**

55. The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of malfeasance related to the Campbell County High School Choral Booster Club for the period September 2014 through January 2015. The investigation revealed that the former club president misappropriated booster club funds totaling at least \$6,502. The former choral booster club president charged personal expenses on the booster club bank card and issued two checks to herself which she cashed. The former booster club president performed all financial functions with virtually no assistance from other booster members which allowed her to perpetrate the misappropriations. In addition, booster club officials did not retain adequate supporting documentation for disbursements and withdrawals or for fundraising activities.

Disposition: The above matters were referred to the local district attorney general. On October 7, 2015, the Campbell County Grand Jury indicted the former booster club president on one count of theft over \$1,000.

**Cheatham County Central High School Band Boosters**

56. The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of malfeasance related to the Cheatham County Central High School Band Boosters for the period July 2013 through October 2013. The investigation revealed that the former band boosters' treasurer misappropriated booster funds totaling at least \$3,072. The former band boosters' treasurer perpetrated the misappropriations by making unauthorized ATM withdrawals of band booster funds and retaining funds for her personal benefit. The former treasurer performed all financial functions without any oversight by band booster officials which allowed her to perpetrate the misappropriations.

Disposition: On March 7, 2016, the Cheatham County Grand Jury indicted the former band booster treasurer on one count of theft over \$1,000.

**Hilham Elementary School Parent-Teacher Organization**

57. The Tennessee Comptroller of the Treasury, Division of Investigations, in conjunction with the Tennessee Bureau of Investigations, investigated allegations of malfeasance related to the Hilham Elementary School Parent-Teacher Organization (PTO), located in Overton County, for the period August 2012 through February 2014. The special investigation revealed that the former PTO president misappropriated PTO funds that totaled at least \$10,465. The former PTO president used two schemes to perpetrate the misappropriation. The individual took concession collections to her home after volleyball and basketball games and placed them in a locked cash box under her bed. She then claimed that when she retrieved the locked cash box from under her bed in preparation for the next game, the cash box had been emptied. It should be noted this scheme continued for almost two years during which the school hosted at least 30 volleyball and basketball games. In addition, the former PTO president wrote PTO checks payable to herself or to cash.

Disposition: These matters were referred to the local district attorney general. The Overton County Grand Jury indicted the former PTO president and her husband, each on one count of theft over \$10,000, on February 2, 2015.

**Jefferson County High School Band Booster Club**

58. The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of malfeasance related to the Jefferson County High School Band Booster Club for the period November 2012 through February 2014. The investigation revealed that the former booster club treasurer misappropriated band booster club funds that totaled at least \$12,827. The former band booster club treasurer perpetrated the misappropriation by making payments from the band booster club bank account to her personal Discover and GE (Sam's Club/Wal-Mart) credit card accounts. She also made unauthorized cash withdrawals from the band booster club

bank account and withheld cash from a cook-out fundraiser. The individual concealed the misappropriation by preparing false financial reports from which she presented false financial information at band booster meetings.

Disposition: This matter was referred to the local district attorney general. On August 24, 2015, the Jefferson County Grand Jury indicted the former band booster club treasurer on one count of theft over \$10,000.

**West Creek High School Coyote Cheer Booster Club**

59. The Tennessee Comptroller of the Treasury, Division of Investigations, investigated selected records related to the Coyote Cheer Booster Club (CCBC) for the period February 1, 2012, through August 30, 2013. The scope was expanded to include the close-out of the CCBC's bank account on July 31, 2014. The investigation revealed a cash shortage of at least \$1,699 and questionable expenditures of \$56,458, totaling \$58,157. The cash shortage of at least \$1,699 was comprised of various fundraisers held during the period examined. The CCBC did not reconcile amounts collected from fundraisers with amounts that should have been collected based upon the difference between the cost of the items sold and the sales price of the items. The questionable expenditures that totaled \$56,458 were the result of not following CCBC bylaws. These bylaws required the executive committee, which was comprised of the president, vice-president, and secretary/treasurer, to maintain accurate records of all club meetings, review bills, approve disbursements and ensure collections were appropriately documented in the accounting records. A total of 44 checks were disbursed during the period examined for uniforms, banquets and other expenses. Twenty of these checks totaling \$43,004 were issued without membership review or approval. An additional 16 checks totaling \$13,454 had no supporting documentation.

Disposition: The CCBC had ceased operations as of July 31, 2014, and funds totaling \$441 were remitted to West Creek High School and deposited into an activity fund account associated with the cheerleading team.

***Volunteer Fire Departments***

**Hardy's Chapel Volunteer Fire Department**

60. The Hardy's Chapel Volunteer Fire Department (HCVFD) is located in the City of Cookeville, Putnam County, Tennessee. The HCVFD receives funds from annual contributions from Putnam County, federal grants, donations from citizens, collections from various fundraising events and insurance payments for certain emergency calls and claims.

The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of the mismanagement of funds by the HCVFD during the period of January 1, 2013, through May 31, 2014. The investigation revealed that a cash shortage of at least \$37,496 existed in the HCVFD at May 31, 2014; however, this amount could have been greater because HCVFD did not maintain records of donations.

## **Exhibit B**

The investigation revealed that the fire chief issued eight checks from the HCVFD bank account to himself for \$9,721, made numerous withdrawals of cash from the HCVFD bank accounts totaling \$11,850 that were not for HCVFD-related purchases, and did not deposit funds totaling \$15,925 into the bank from checks received from insurance proceeds and incident cost recoveries.

Disposition: On July 17, 2015, the former fire chief was indicted by the Putnam County Grand Jury on one count of theft over \$10,000.

### **Lawrence County Fire and Rescue, Inc.**

61. The Lawrence County Volunteer Fire Department (LCVFD) is located in the City of Lawrenceburg, Lawrence County, Tennessee. Lawrence County Fire and Rescue operates as an umbrella organization to facilitate the operations of the 13 volunteer fire departments in Lawrence County, including Crossroads Volunteer Fire Department. The organization receives funds from Lawrence County, distributes to each volunteer fire department its share of those funds, and acquires insurance on behalf of the fire departments.

The Tennessee Comptroller of the Treasury, Division of Investigations, in conjunction with the District Attorney General's Office of the 22nd Judicial District, investigated allegations of malfeasance of funds by the LCVFD during the period May 2009 through March 2016. The investigative report released on April 18, 2016, revealed that the former treasurer took fire department funds totaling at least \$254,266 for his personal benefit. The former treasurer wrote more than 80 checks that totaled \$188,679 to cash, which he cashed for his personal use. He also wrote over 80 checks that totaled \$42,491 to Wal-Mart which he used primarily to purchase gift cards for his personal benefit. The former treasurer made other improper withdrawals from the Lawrence County Fire and Rescue bank account that totaled \$12,651. The remaining \$10,445 was funneled from the Lawrence County Fire and Rescue bank account to the Crossroads Volunteer Fire Department bank account which he also controlled.

Disposition: This matter was turned over to the local district attorney general. On April 15, 2016, the Lawrence County Grand Jury indicted the former treasurer on one count of theft over \$250,000, one count of theft over \$10,000 and 136 counts of forgery.

### **Pea Ridge Volunteer Fire Department**

62. The Pea Ridge Volunteer Fire Department (PRVFD) is located in the City of Celina, Clay County, Tennessee.

The Tennessee Comptroller of the Treasury, Division of Investigations, in conjunction with the District Attorney General's Office of the 13th Judicial District, investigated allegations of malfeasance of funds totaling \$13,180 by the PRVFD during the period of April 2012 through May 2015. The investigative report released on January 26, 2016, revealed that the former fire chief and former assistant fire chief took fire department funds totaling at least \$8,705 for their personal benefit, and they received undocumented reimbursement payments totaling \$4,475.

Disposition: This matter was referred to the local district attorney general. On December 14, 2015, the Clay County Grand Jury indicted the former fire chief, the former assistant fire chief, and three others on several counts of theft and conspiracy to commit theft.

**Union Grove Volunteer Fire Department**

63. The Union Grove Volunteer Fire Department (UGVFD) is located in the City of Niota, McMinn County, Tennessee.

The Tennessee Comptroller of the Treasury, Division of Investigations, investigated allegations of malfeasance of funds by the UGVFD during the period of June 2012 through January 2013. The investigative report released on January 21, 2015, revealed that the former fire department treasurer took fire department funds that totaled at least \$4,954. The former fire department treasurer cashed 21 unauthorized checks that she wrote to herself for which she used the proceeds for her personal benefit.

Disposition: On November 18, 2014, the McMinn County Grand Jury indicted the former volunteer fire department treasurer on 20 counts of forgery and one count of theft over \$1,000.