



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
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September 25, 2017

MEMORANDUM

TO: Honorable Justin P. Wilson  
Comptroller of the Treasury

FROM: James R. Arnette, Director  
Division of Local Government Audit

SUBJECT: Report of Cash Shortages, Thefts and Judicial Actions in County  
Offices/Departments as Reported in the Annual Financial Reports for the  
Year Ended June 30, 2016, and Certain Special Reports

The Division of Local Government Audit has prepared the enclosed schedule of cash shortages and thefts; and explanations of cash shortages, thefts, and judicial actions reported in the annual financial reports for the year ended June 30, 2016, and certain special reports for Tennessee's 89 county governments audited by our division and for six counties audited by CPA firms.

If you have any questions, please let me know.

Enclosures

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

**REPORT OF CASH SHORTAGES, THEFTS AND JUDICIAL ACTIONS  
IN COUNTY OFFICES/DEPARTMENTS AS REPORTED IN THE ANNUAL FINANCIAL  
REPORTS FOR THE YEAR ENDED JUNE 30, 2016, AND CERTAIN SPECIAL REPORTS**

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Exhibit A

**Division of Local Government Audit**  
**Schedule of Cash Shortages and Thefts in County Offices/Departments as Reported in the**  
**Annual Financial Reports for the Year Ended June 30, 2016, and Certain Special Reports**

<b><u>Shortages Reported by the</u></b> <b><u>Comptroller's Office</u></b>	<b>Fiscal</b> <b>Year</b> <b>First</b> <b>Reported</b>	<b>Original</b> <b>Amount of</b> <b>Shortage</b>	<b>Beginning</b> <b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>Increase</b> <b>in</b> <b>Shortage</b>	<b>Reduction</b> <b>of</b> <b>Shortage</b>	<b>Ending</b> <b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>(1)</b> <b>Last Day</b> <b>of Fieldwork</b>
<b>County/Office or Department</b>							
<b><u>Benton</u></b>							
1. Animal Control Shelter	2014-15	\$ 3,600.50	\$ 3,600.50	\$ 0.00	\$ 0.00	\$ 3,600.50	12/2/16
<b><u>Bradley</u></b>							
2. Office of County Mayor	2015-16	15,818.50	0.00	15,818.50	0.00	15,818.50	11/10/16
<b><u>Cheatham</u></b>							
3. Office of Road Superintendent	2007-08	68,281.11	10,913.75	0.00	(4,400.00)	6,513.75	2/17/17
4. Office of Sheriff	2015-16	1,145.00	0.00	1,145.00	0.00	1,145.00	2/17/17
<b><u>Clay</u></b>							
5. Office of Road Superintendent	2014-15	3,911.36	3,911.36	0.00	0.00	3,911.36	9/16/16
<b><u>Cocke</u></b>							
6. Office of Clerk and Master	1996-97	101,821.73	35,915.13	0.00	(2,010.00)	33,905.13	11/17/16
<b><u>Crockett</u></b>							
7. Office of Director of Schools	2014-15	5,923.00	5,923.00	0.00	0.00	5,923.00	1/30/17
<b><u>Cumberland</u></b>							
8. Veteran's Service Office	2012-13	134,244.58	43,286.50	0.00	(9,875.00)	33,411.50	1/13/17
<b><u>Fayette</u></b>							
9. Office of Director of Schools	2009-10	177,629.93	7,574.93	0.00	(1,100.00)	6,474.93	11/29/16

Continued

Exhibit A

**Division of Local Government Audit**  
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**Annual Financial Reports for the Year Ended June 30, 2016, and Certain Special Reports**

<b><u>Shortages Reported by the</u></b> <b><u>Comptroller's Office</u></b>	<b>Fiscal</b> <b>Year</b> <b>First</b> <b>Reported</b>	<b>Original</b> <b>Amount of</b> <b>Shortage</b>	<b>Beginning</b> <b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>Increase</b> <b>in</b> <b>Shortage</b>	<b>Reduction</b> <b>of</b> <b>Shortage</b>	<b>Ending</b> <b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>(1)</b> <b>Last Day</b> <b>of Fieldwork</b>
<b>County/Office or Department</b>							
<b><u>Fentress</u></b>							
10. County Library	2012-13	\$ 40,217.00	\$ 15,484.64	\$ 0.00	\$ (1,000.00)	\$ 14,484.64	1/27/17
11. Office of Sheriff	2013-14	2,277.00	2,277.00	0.00	(2,277.00)	0.00	1/27/17
<b><u>Franklin</u></b>							
12. Director of Schools	2015-16	507.00	0.00	507.00	(507.00)	0.00	9/27/16
<b><u>Gibson</u></b>							
13. Office of Sheriff	2015-16	109,429.00	0.00	109,429.00	(120.00)	109,309.00	9/27/16
<b><u>Grainger</u></b>							
14. Ambulance Service	2014-15	6,181.32	5,797.32	0.00	(5,797.32)	0.00	2/23/17
<b><u>Hamblen</u></b>							
15. Office of County Clerk	2015-16	511.00	0.00	511.00	(511.00)	0.00	10/12/16
<b><u>Hardeman</u></b>							
16. Solid Waste Department	2014-15	3,062.72	3,062.72	7.28	(820.50)	2,249.50	9/20/16
<b><u>Hardin</u></b>							
17. Office of Circuit and General Sessions Courts Clerk	2012-13	15,008.00	5,383.00	0.00	(5,383.00)	0.00	2/9/17
<b><u>Henry</u></b>							
18. Office of Sheriff	2005-06	162,656.91	53,845.86	0.00	(53,845.86)	0.00	11/3/16
<b><u>Hickman</u></b>							
19. Office of Circuit and General Sessions	2014-15	1,106.00	1,106.00	0.00	(620.00)	486.00	9/1/16

Continued

Exhibit A

**Division of Local Government Audit**  
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<b><u>Shortages Reported by the</u></b> <b><u>Comptroller's Office</u></b>	<b>Fiscal</b>	<b>Original</b>	<b>Beginning</b>	<b>Increase</b>	<b>Reduction</b>	<b>Ending</b>	<b>(1)</b>
<b>County/Office or Department</b>	<b>Year</b> <b>First</b> <b>Reported</b>	<b>Amount of</b> <b>Shortage</b>	<b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>in</b> <b>Shortage</b>	<b>of</b> <b>Shortage</b>	<b>Cash</b> <b>Shortage</b>	<b>Last Day</b> <b>of Fieldwork</b>
<b><u>Houston</u></b>							
20. Office of Director of Schools	2013-14	\$ 4,453.33	\$ 1,652.50	\$ 0.00	\$ 0.00	\$ 1,652.50	2/27/17
21. Office of County Clerk	2015-16	3,553.15	0.00	3,553.15	(3,553.15)	0.00	2/27/17
<b><u>Jefferson</u></b>							
22. Office of Planning and Zoning	2014-15	21,752.33	21,752.33	0.00	(21,752.33)	0.00	2/8/17
<b><u>Lake</u></b>							
23. Office of County Mayor	2009-10	202,344.63	22,644.63	0.00	0.00	22,644.63	11/7/16
<b><u>Lauderdale</u></b>							
24. Office of Director of Schools	2015-16	42,644.64	0.00	42,644.64	0.00	42,644.64	6/26/17
<b><u>Madison</u></b>							
25. Office of County Clerk	2013-14	23,178.25	1,909.89	0.00	(557.25)	1,352.64	9/28/16
<b><u>McNairy</u></b>							
26. Office of Circuit Court Clerk	2007-08	13,528.19	3,390.50	0.00	0.00	3,390.50	1/17/17
27. Office of Sheriff	2011-12	9,782.36	6,441.38	0.00	0.00	6,441.38	1/17/17
<b><u>Meigs</u></b>							
28. Office of Finance Director	2013-14	26,604.17	26,604.17	0.00	(26,604.17)	0.00	11/22/16
<b><u>Morgan</u></b>							
29. Office of County Clerk	2009-10	54,611.33	7,373.00	0.00	(241.00)	7,132.00	12/9/16
<b><u>Overton</u></b>							
30. Millard Oakley Public Library	2011-12	5,999.53	3,649.95	0.00	(50.00)	3,599.95	12/7/16

Continued

Exhibit A

**Division of Local Government Audit**  
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<b><u>Shortages Reported by the</u></b> <b><u>Comptroller's Office</u></b>	<b>Fiscal</b> <b>Year</b> <b>First</b> <b>Reported</b>	<b>Original</b> <b>Amount of</b> <b>Shortage</b>	<b>Beginning</b> <b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>Increase</b> <b>in</b> <b>Shortage</b>	<b>Reduction</b> <b>of</b> <b>Shortage</b>	<b>Ending</b> <b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>(1)</b> <b>Last Day</b> <b>of Fieldwork</b>
<b>County/Office or Department</b>							
<b><u>Putnam</u></b>							
31. Office of Assessor of Property	2013-14	\$ 2,355.00	\$ 1,956.77	\$ 0.00	\$ 0.00	\$ 1,956.77	2/27/17
<b><u>Sevier</u></b>							
32. Office of County Clerk (Audit Fee)	2012-13	14,019.00	5,220.50	0.00	(4,242.00)	978.50	10/5/16
33. Office of Planning and Zoning	2015-16	5,392.00	0.00	5,392.00	(5,392.00)	0.00	10/5/16
<b><u>Sumner</u></b>							
34. Office of Director of Schools	2011-12	18,697.00	5,000.00	0.00	0.00	5,000.00	3/3/17
35. Office of Director of Schools	2012-13	10,762.00	5,000.00	0.00	(5,000.00)	0.00	3/3/17
<b><u>Unicoi</u></b>							
36. Office of Director of Schools	2009-10	20,967.36	4,140.00	0.00	(4,140.00)	0.00	9/29/16
<b><u>Van Buren</u></b>							
37. Office of Sheriff	2012-13	3,000.00	3,000.00	0.00	(2,000.00)	1,000.00	10/6/16
38. Office of Sheriff	2015-16	1,500.00	0.00	1,500.00	(1,500.00)	0.00	10/6/16
<b><u>Wayne</u></b>							
39. Office of Director of Schools	2013-14	319,134.58	169,634.58	0.00	(33,974.25)	135,660.33	12/15/16
40. Office of Sheriff	2015-16	7,700.00	0.00	7,700.00	0.00	7,700.00	12/15/16

Continued

Exhibit A

**Division of Local Government Audit**  
**Schedule of Cash Shortages and Thefts in County Offices/Departments as Reported in the**  
**Annual Financial Reports for the Year Ended June 30, 2016, and Certain Special Reports**

<b><u>Shortages Reported by the</u></b> <b><u>Comptroller's Office</u></b>	<b>Fiscal</b>	<b>Original</b>	<b>Beginning</b>	<b>Increase</b>	<b>Reduction</b>	<b>Ending</b>	<b>(1)</b>
<b>County/Office or Department</b>	<b>Year</b> <b>First</b> <b>Reported</b>	<b>Amount of</b> <b>Shortage</b>	<b>Report</b> <b>Cash</b> <b>Shortage</b>	<b>in</b> <b>Shortage</b>	<b>of</b> <b>Shortage</b>	<b>Cash</b> <b>Shortage</b>	<b>Last Day</b> <b>of Fieldwork</b>
<b><u>Williamson</u></b>							
41. Recreation Department	2005-06	\$ 45,037.43	\$ 33,783.43	\$ 0.00	\$ (600.00)	\$ 33,183.43	12/5/16
42. Office of County Clerk	2008-09	3,386.18	3,386.18	0.00	(3,386.18)	0.00	12/5/16
43. Animal Control Department	2009-10	106,446.17	105,341.92	0.00	(330.00)	105,011.92	12/5/16
44. Solid Waste Department	2014-15	385.96	385.96	0.00	(385.96)	0.00	12/5/16
<b><u>Wilson</u></b>							
45. Office of Sheriff	2013-14	401.66	401.66	0.00	0.00	401.66	1/18/17
<b><u>Eight Judicial District</u></b>							
46. Drug Task Force	2015-16	<u>21,872.91</u>	<u>0.00</u>	<u>21,872.91</u>	<u>(5,641.00)</u>	<u>16,231.91</u>	<u>2/21/17</u>
<b>Total</b>		<b><u>\$ 1,842,840.82</u></b>	<b><u>\$ 630,751.06</u></b>	<b><u>\$ 210,080.48</u></b>	<b><u>\$ (207,615.97)</u></b>	<b><u>\$ 633,215.57</u></b>	

Continued

Exhibit A

**Shortages Reported by Public Accounting Firms**

<b>County/Office or Department</b>	<b>Fiscal Year First Reported</b>	<b>Original Amount of Shortage</b>	<b>Beginning Report Cash Shortage</b>	<b>Increase in Shortage</b>	<b>Reduction of Shortage</b>	<b>Ending Report Cash Shortage</b>	<b>(1) Last Day of Fieldwork</b>
<b><u>Bedford County Emergency Communications District</u></b>							
1. Emergency Communications District	2012-13	\$ 46,806.60	\$ 46,806.60	\$ 0.00	\$ 0.00	\$ 46,806.60	N/A
<b><u>Blount Memorial Hospital</u></b>							
2. Blount Memorial Foundation, Inc.	2015-16	186,656.00	0.00	186,656.00	(186,656.00)	0.00	N/A
<b><u>Clarksville-Montgomery County Regional Airport</u></b>							
3. Airport Authority	2009-10	104,015.00	84,874.00	0.00	0.00	84,874.00	N/A
<b><u>Davidson</u></b>							
4. Metropolitan Nashville Airport Authority	2015-16	1,394,510.00	0.00	1,394,510.00	(1,394,510.00)	0.00	N/A
5. Metropolitan Nashville Circuit Court Clerk	2015-16	345.00	0.00	345.00	(345.00)	0.00	N/A
6. Metropolitan Development and Housing Authority	2015-16	621,793.00	0.00	621,793.00	(621,793.00)	0.00	N/A
<b><u>Hamblen County - Morrison Solid Waste Disposal</u></b>							
7. Solid Waste Disposal	2014-15	227,792.00	2,500.00	0.00	0.00	2,500.00	N/A
<b><u>Haywood County Utility District</u></b>							
8. Utility District	2015-16	1,506.36	0.00	1,506.36	0.00	1,506.36	N/A
<b><u>Jackson County Emergency Communications District</u></b>							
9. Emergency Communications District	2015-16	35.00	0.00	35.00	(35.00)	0.00	N/A
<b><u>Knox</u></b>							
10. Office of Director of Schools	2014-15	12,000.00	12,000.00	0.00	(7,500.00)	4,500.00	N/A
11. Office of Director of Schools	2014-15	4,500.00	4,500.00	0.00	0.00	4,500.00	N/A
<b><u>Oneida Special School District</u></b>							
12. Special School District	2015-16	25,893.00	0.00	25,893.00	(25,893.00)	0.00	N/A

Continued



Exhibit A

**Shortages Reported by Public Accounting Firms**

<b>County/Office or Department</b>	<b>Fiscal Year First Reported</b>	<b>Original Amount of Shortage</b>	<b>Beginning Report Cash Shortage</b>	<b>Increase in Shortage</b>	<b>Reduction of Shortage</b>	<b>Ending Report Cash Shortage</b>	<b>(1) Last Day of Fieldwork</b>
<b><u>Shelby</u></b>							
13. Probate Court Clerk	2015-16	\$ 1,017.00	\$ 0.00	\$ 1,017.00	\$ (135.00)	\$ 882.00	N/A
14. Information Tech	2015-16	12,000.00	0.00	12,000.00	0.00	12,000.00	N/A
15. Public Works	2015-16	6,051.00	0.00	6,051.00	(6,051.00)	0.00	N/A
16. Board of Education	2014-15	49,619.48	49,619.48	0.00	0.00	49,619.48	N/A
<b><u>Washington</u></b>							
17. Office of Director of Schools	2014-15	1,060.00	1,060.00	0.00	0.00	1,060.00	N/A
<b>Total</b>		<b><u>\$ 2,695,599.44</u></b>	<b><u>\$ 201,360.08</u></b>	<b><u>\$ 2,249,806.36</u></b>	<b><u>\$ (2,242,918.00)</u></b>	<b><u>\$ 208,248.44</u></b>	
<b>Grand Total All Counties</b>		<b><u>\$ 4,538,440.26</u></b>	<b><u>\$ 832,111.14</u></b>	<b><u>\$ 2,459,886.84</u></b>	<b><u>\$ (2,450,533.97)</u></b>	<b><u>\$ 841,464.01</u></b>	

**Footnote:**

(1) The ending report cash shortage amount as of the last day of field work.

**Division of Local Government Audit**  
**Explanations of Cash Shortages, Thefts and Judicial Actions in County**  
**Offices/Departments as Reported in the Annual Financial Reports for the Year**  
**Ended June 30, 2016, and Certain Special Reports**

**Shortages Reported by the Comptroller's Office**

1. **Benton County - Animal Shelter**

An investigative report issued May 26, 2015, for the period July 2, 2013, through July 2, 2014, by the Comptroller's Division of Investigations, Financial and Compliance Unit, disclosed a cash shortage of at least \$3,600.50 existed at the Animal Shelter on July 2, 2014. Due to the poor condition of the accounting records, we could not determine if all collections were accounted for properly; therefore, the cash shortage could be greater. A former employee pled guilty to theft on November 19, 2015, and was ordered to pay restitution of \$3,600.50. No restitution had been received as of December 2, 2016.

2. **Bradley County - Office of County Mayor**

In April 2016, officials in the Bradley County Mayor's Office discovered that an employee, who had been dismissed from employment in July 2013 for an unrelated incident, allegedly made payments to fictitious persons for contracted services. These payments were purportedly for the former employee's personal benefit during the period December 2012 through June 2013. While updating the county's accounting software, office employees became suspicious of some payments that had been made for umpiring ballgames for the county's Recreation Department and discovered 70 suspicious payments totaling \$15,818.50 for the above-noted period. These payments were made to fictitious persons whose names were very similar to the name of the former employee and her husband, payments made to individuals with different names but living at the same address, and the fact that most of the checks were deposited at the same credit union. All of the individuals that were paid as umpires were required to file an IRS Form W-9, each of which included a social security number. County employees traced the social security numbers of the suspicious names and found the names to be fictitious. Each of the fictitious names received payments of less than \$600 in any calendar year; therefore, an IRS Form 1099 was not required to be issued. Other documentation associated with these payments, such as department head signatures, appeared to have been forged.

Bradley County officials filed a Fraud Reporting Form with the state Comptroller's Office as required by state statute, and auditors with the Division of Local Government Audit reviewed the county's investigative documents and confirmed their results. Also, Bradley County officials provided documentation to the local district attorney general; however, as of November 10, 2016, we are not aware that any legal actions have been taken.

3. **Cheatham County - Office of Road Superintendent**

The audit of Cheatham County for the 2007-08 year reported a cash shortage of \$68,281.11 in the Highway Department. Our investigation revealed that from February 5, 2007, through December 18, 2007, the Highway Department bookkeeper fraudulently issued 16 vendor checks totaling \$68,281.11 for personal use. On August 15, 2008, the bookkeeper was found guilty of theft of \$60,000 or more, sentenced, and ordered to pay restitution totaling \$68,211.11 to the Highway Department. Unpaid restitution of \$6,513.75 existed at June 30, 2016.

4. **Cheatham County – Sheriff’s Office**

The Cheatham County Sheriff Department’s Narcotics Unit had a cash shortage of \$1,145 at February 3, 2016. The unit maintains cash on hand to supply agents with funds for confidential undercover operations and drug buys. We noted \$1,120 of confidential funds maintained by the former Narcotics Unit lieutenant was unaccounted for, \$60 of confidential funds assigned to an agent was unaccounted for, and \$251 of seized funds was unaccounted for. When the former lieutenant left employment, \$286 was discovered in his office resulting in a net shortage of \$1,145 at June 30, 2016. The Sheriff’s Office has contacted the former lieutenant requesting reimbursement of the shortage.

5. **Clay County – Office of Road Superintendent**

A former employee of the Highway Department used a fuel card to make fuel purchases of \$3,911.36 after he left employment with the Highway Department on March 14, 2014. Upon discovering the charges, the Road Superintendent contacted local law enforcement to investigate the theft, and charges were subsequently filed. On June 22, 2015, the former employee was indicted by the grand jury on charges of theft over \$1,000 for the use of a Highway Department fuel card to purchase fuel for private vehicles. As of September 16, 2016, this case had not gone to trial.

6. **Cocke County - Office of Clerk and Master**

The audit of the Constitutional Officers – Agency Fund for the 1996-97 year reported details of a \$101,821.73 cash shortage in the Office of Clerk and Master. The clerk and master pled guilty to theft and conversion of office funds and was ordered to pay restitution totaling \$101,821.73. The clerk’s surety bond company paid the office \$50,000, and the clerk has been making payments toward the restitution. As of June 30, 2016, the remaining restitution balance due the office totaled \$33,905.13.

7. **Crockett County School Department**

On September 2, 2015, the Comptroller’s Division of Investigations, Financial and Compliance Unit, issued a special report on the School Department for the period September 1, 2002, through September 9, 2014. This report disclosed that the former director of technology falsified an invoice resulting in a cash shortage of at least \$5,923. In addition, the former employee misappropriated electronics and supplies totaling \$5,451. Also, the former director of technology admitted to receiving kickbacks from his former employer for steering business that included equipment

purchases and bid projects to businesses that his former employer owned. He also admitted to falsifying bids and invoices and stealing from the School Department. The report details numerous findings, including other questionable disbursements of at least \$372,455, and is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov). The former director of technology was indicted by a grand jury on July 20, 2015, on one count of theft of property, one count of tampering with evidence, and one count of official misconduct. As of January 30, 2017, this case had not gone to trial.

**8. Cumberland County - Veteran's Service Office**

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report dated August 26, 2013, on the Cumberland County Veteran's Service Office (VSO), an organization to assist veterans and needy veteran families to obtain government benefits. A cash shortage of at least \$134,244.58 was identified in the VSO. On October 3, 2014, the defendant pled guilty to theft over \$10,000, received an eight year suspended sentence, and paid \$50,000 in restitution. The plea agreement reduced the theft amount by \$12,437.79. The remaining \$50,000 in restitution is to be paid at \$175 per week through the Cumberland County Office of Circuit Court. As of June 30, 2016, the restitution outstanding totals \$33,411.50.

**9. Fayette County - Office of Director of Schools**

On April 27, 2010, a special report was issued on the Fayette County School Food Service Department for the period July 1, 2007, through December 15, 2009. This report disclosed that the food service supervisor circumvented purchasing procedures resulting in a cash shortage of \$142,433. In addition, the food service supervisor altered time sheets of a part-time cafeteria worker, resulting in a cash shortage of \$35,196.93. In May 2010, the School Department's insurance carrier paid the department \$149,500. Three individuals entered into plea agreements. As of November 4, 2016, the restitution outstanding totals \$6,474.93.

**10. Fentress County - Library**

On January 28, 2014, the Comptroller's Division of Investigations, Special Investigations Unit issued an investigative report of selected records of the Fentress County Library. The investigation focused primarily on the period January 1, 2010, through May 31, 2013. The investigation revealed that the Fentress County Library Director misappropriated library funds totaling at least \$40,217 and historical society funds collected by library employees totaling at least \$728. The director used several schemes to divert the funds for personal use. Investigators determined that the director had deposited \$7,000 of personal funds into the library account reducing the outstanding balance of misappropriated funds owed to the county of \$33,217. In January 2014, the Fentress County Grand Jury indicted the former director on multiple counts of theft, forgery, and one count of official misconduct. On September 25, 2014, the former director pled guilty, received ten years' probation, ordered to pay restitution of \$25,345, and was allowed to pay \$200 per month beginning October 2014 toward the restitution. As of June 30, 2016, the restitution outstanding totals \$14,484.64.

**11. Fentress County – Office of Sheriff**

On December 17, 2014, the Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report of selected records of the Fentress County Sheriff. This report provided that on April 2, 2012, the Fentress County Sheriff's Department seized \$2,277 on a drug related offense. In a plea agreement dated April 30, 2012, the defendant pled no contest to the drug offense and forfeited the \$2,277. However, our review of records of the county trustee and Sheriff's Department disclosed that the forfeited funds were never received by the county trustee or deposited into a Sheriff's Department bank account. In addition, seizure forms for this drug offense were never submitted to the Tennessee Department of Safety as required by *Tennessee Code Annotated*, Section 40-33-204(g). As of August 31, 2014, the \$2,277 is unaccounted for. This cash shortage resulted from a lack of management oversight. State and local officials have advised that due to numerous individuals with access to the missing funds, there will be no criminal charges filed relating to this shortage, therefore, this matter should be considered closed.

**12. Franklin County - Office of Director of Schools**

During the annual audit of the Extended School Program (ESP) at Clark Memorial Elementary School, auditors determined that amounts recorded for some entries in the deposit log were less than the amounts written on the original receipts. Therefore, auditors performed extended audit procedures and discovered that a cash shortage of \$507 existed in the ESP as of June 20, 2016.

Auditors identified several original receipts totaling \$2,287.70 had been recorded for different amounts in the deposit log and/or student log. ESP employees made deposits based on amounts recorded in these logs and not amounts recorded on the receipts.

As a result of these deficiencies, a cash shortage of \$507 existed in the Extended School Program at Clark Memorial Elementary School as of June 20, 2016. This cash shortage has been reviewed with the district attorney general and the Franklin County Director of Schools. The employee believed to be involved in these deficiencies resigned from the school system. Officials collected the cash shortage of \$507 from the former employee on June 30, 2016.

**13. Gibson County – Office of Sheriff**

On December 1, 2015, an investigative report by the Comptroller's Division of Investigations, Financial and Compliance Investigations Unit revealed that for the period July 1, 2013, through October 16, 2014, the Sheriff's Department had a cash shortage of at least \$109,429 as a result of numerous irregularities. On November 30, 2015, the Gibson County Grand Jury returned indictments on former Sheriff Chuck Arnold and several of his former employees on numerous charges including official misconduct, theft, and forgery. Three employees subsequently pled guilty to various charges and have been ordered to pay restitution totaling \$6,859. The remaining employees, as well as the former sheriff, are scheduled for trials beginning in November 2016. As of September 27, 2016, the outstanding cash shortage totaled \$109,309.

**14. Grainger County – Ambulance Service**

On January 26, 2016, an investigative report by the Comptroller's Division of Investigations, Financial and Compliance Investigations section revealed that deficiencies in payroll at the Grainger County Ambulance Authority resulted in a cash shortage totaling at least \$6,181.32. This investigative report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov). The period of this investigation was from January 1, 2015, through July 25, 2015. Between August 2015 and May 2016, restitution was made by direct payments, forfeit of wages, wage garnishments, and forfeit of leave from three employees totaling the balance of the shortage, which has been liquidated as of May 28, 2016.

**15. Hamblen County – Office of County Clerk**

The County Clerk's Office collects property taxes at a satellite office under an agreement with the county trustee, and these collections are remitted to the county trustee daily. On February 10, 2016, the county clerk filed a Fraud Reporting Form with the Comptroller of the Treasury indicating that the actual property tax collections for February 6, 2016, were \$511 less than the property tax collections noted in a computer generated report. The county clerk immediately investigated the discrepancy on February 6 and reviewed all of the documentation again on February 8. This shortage appeared to be related to various transactions involving one particular taxpayer who paid cash on multiple parcels in several different denominations.

On March 18 and March 25, auditors from the Division of Local Government Audit and the Division of Financial and Compliance Investigations visited the office. The auditor and investigator were unable to determine whether collections on February 6 were miscounted, taken back by the customer, or taken by one of the employees.

To reimburse the county, the county clerk liquidated the cash shortage from her personal funds. This deficiency is the result of inadequate controls over the property tax collection process.

**16. Hardeman County - Solid Waste Department**

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report dated February 4, 2015, on the Hardeman County Solid Waste Department, which revealed a cash shortage of at least \$3,062.72 at September 9, 2014, which resulted from a department employee failing to make deposits of collections. The former employee was indicted by a grand jury on May 4, 2015, pled guilty to theft between \$1,000 and \$10,000 on January 7, 2016, and was ordered to pay restitution of \$3,070 and a \$500 fine. The outstanding cash shortage totaled \$2,249.50 at June 30, 2016.

**17. Hardin County - Office of Circuit and General Sessions Courts Clerk**

On February 14, 2014, an investigative report by the Comptroller's Division of Investigations, Special Investigations Unit revealed that beginning at least in March

2012 and continuing through April 2013 a deputy clerk misappropriated cash totaling at least \$15,008 from the office. The deputy admitted to investigators that she took cash from daily collections for her personal use and used cash collected on subsequent days to conceal the misappropriation. Additionally, the deputy subverted the clerk's established practice of rotating deposit duties among deputy clerks by voluntarily making all of the daily deposits. This enabled the deputy to continue her misappropriation scheme undetected. On May 17, 2014, the former deputy pled guilty to theft and official misconduct and was ordered to pay restitution of \$13,539 plus court costs of \$824. As of June 30, 2016, the full restitution had been made to Hardin County through payments from the former employee and payments totaling \$9,908 from the county's insurance provider.

**18. Henry County - Office of Sheriff**

The audit of Henry County for the 2005-06 year reported a cash shortage of \$162,657 as a result of irregularities in the Office of Sheriff. The former sheriff, former business manager, and former owner of Elite Firearms all pled guilty to various charges and received various sentences and fines. The three defendants have been ordered to pay restitution totaling \$71,512. This amount is net of estimated auction proceeds of items recovered from the former sheriff. The actual auction proceeds received during the 2008-09 year totaled \$12,205. On November 21, 2011, the Henry County Commission voted to agree to a consent judgment in the county's effort to try and recover money from the former sheriff, basically agreeing to settle a civil lawsuit for \$160,000. On June 20, 2016, the County Commission approved a resolution to write off the outstanding cash shortage balance of \$53,845.86.

**19. Hickman County – Office of Circuit and General Sessions Courts Clerk**

The audit of Hickman County for the 2014-15 year reported a cash shortage of at least \$1,106 in the Office of Circuit and General Sessions Courts Clerk. We noted outstanding deposits listed from four-to six-months old that had never been deposited to the bank. We expanded our procedures to review all deposits for the year and found other deposits that were made for less than the recorded amount. These discrepancies resulted in the cash shortage of \$1,106 (\$856 in General Sessions Court and \$250 in Circuit Court). During the year ended June 30, 2016, an envelope containing \$600 was found in the office safe and an office employee paid \$20 toward the shortage reducing the outstanding balance to \$486.

**20. Houston County - Office of Director of Schools**

The audit of Houston County for the 2013-14 year reported a cash shortage of \$4,453.33 in the Office of Director of Schools. Our investigation revealed the former payroll clerk had issued herself an extra payroll check (\$1,583.33) and had failed to withhold the required amount ordered by the U.S. Bankruptcy Court from her payroll check in four instances (\$2,870.00). A portion of the cash shortage was recovered through payroll deductions before the clerk left employment with the School Department, leaving an outstanding shortage of \$2,152.50 at June 30, 2015. The former payroll clerk pled guilty to theft on September 28, 2015, and was ordered to pay restitution of \$2,152.50. The defendant made a restitution payment of \$500 in November 2015, leaving a cash shortage total of \$1,652.50 as of June 30, 2016.

**21. Houston County - Office of County Clerk**

On October 20, 2016, an investigative report was issued by the Comptroller's Division of Investigations on the Houston County Clerk's Office for the period July 1, 2014, through May 10, 2016. This report disclosed that a cash shortage of at least \$3,553.15 existed in the office on May 10, 2016. The cash shortage resulted from a deputy clerk improperly modifying and deleting transactions after collecting funds. This report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov). On November 16, 2016, the cash shortage was liquidated when restitution of \$3,553 was received from the former deputy clerk. On December 19, 2016, the former deputy clerk was indicted by the Houston County Grand Jury for the theft of these funds.

**22. Jefferson County - Office of Planning and Zoning**

The audit of Jefferson County for the 2014-15 year reported a cash shortage of \$21,752.33 in the Planning and Zoning Office. The county's finance director, with assistance from the Comptroller's Office, performed an internal review of the receipts and deposits of the Planning and Zoning Office and determined that \$21,752.33 in adequate facilities tax and building permit collections had not been remitted to the county trustee. These unaccounted collections were for the period September 2013 through June 2015. The district attorney general was notified of the cash shortage, and the Tennessee Bureau of Investigations conducted an investigation. On January 11, 2016, the Jefferson County Grand Jury returned indictments charging a former employee of the Planning and Zoning Office with one count of theft over \$10,000, one count of theft over \$1,000, and four counts of official misconduct. The former employee was arrested on January 25, 2016, and was awaiting trial as of February 8, 2017. The cash shortage was liquidated by the county's insurance carrier during the year ended June 30, 2016.

**23. Lake County - Office of County Mayor**

The audit of Lake County for the 2009-10 year reported irregularities in the Lake County Mayor's Office. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The bookkeeper pled guilty and was ordered to pay \$53,344.63 in restitution. The county's insurance company paid the county \$149,000, Regions Bank paid the county \$17,500 to settle a civil lawsuit, and the bookkeeper has paid \$13,200 restitution, leaving an outstanding balance of \$22,644.63 due the county at November 7, 2016.

**24. Lauderdale County - Office of Director of Schools**

On June 26, 2017, an investigative report was issued by the Comptroller's Division of Local Government Audit on the Lauderdale County Director of School's Office. This report disclosed that two former employees continued to receive compensation after their employment was terminated. Devlyn Green, an educational assistant, and Milton Waller, a bus driver, terminated their employment with the Lauderdale County School Department during May 2014 and October 2016, respectively. Ms. Green continued to receive compensation through direct deposits to her personal bank



**Exhibit B**

account until December 19, 2016, resulting in salary overpayments of \$33,510.95. The School Department also paid the employer portion of Social Security and Medicare totaling \$2,563.59 and contributed \$1,769.78 to the Tennessee Consolidated Retirement System (TCRS) on behalf of Ms. Green. Mr. Waller continued to receive direct deposits to his personal bank account until February 16, 2017, resulting in salary overpayments of \$4,459.18. The School Department also paid the employer portion of Social Security and Medicare totaling \$341.14 for Mr. Waller. These overpayments resulted in a cash shortage totaling \$42,644.44 in the General Purpose School Fund as of the date of this report. A summary of the cash shortage is listed below:

Devlyn Green, Educational Assistant:	
Salary Overpayments	\$ 33,510.95
Employer Portion of Social Security and Medicare	2,563.59
Employer TCRS contributions	<u>1,769.78</u>
Subtotal	<u>37,844.32</u>
Milton Waller, Bus Driver:	
Salary Overpayments	\$ 4,459.18
Employer Portion of Social Security and Medicare	<u>341.14</u>
Subtotal	<u>4,800.32</u>
Total Cash Shortage	<u><u>\$ 42,644.64</u></u>

This deficiency was the result of a lack of management oversight and a failure of School Department personnel to follow the procedures in place regarding the termination of employees. This deficiency is also the result of the failure of School Department staff to review time sheets to support payroll disbursements. It should also be noted that School Department staff became aware of the overpayments to the educational assistant on approximately December 20, 2016, but failed to notify the director of schools until February 15, 2017. This matter was referred to the district attorney general who presented the shortage to the Lauderdale County Grand Jury on June 5, 2017. The grand jury returned indictments against Devlyn Green for the Class C Felony offense of theft over \$10,000 and against Milton Waller for the Class D Felony offense of theft over \$2,500. No trial date had been set as of June 26, 2017.

**25. Madison County - Office of County Clerk**

The audit of Madison County for the 2013-14 year reported a cash shortage of \$23,178.25 in the Office of County Clerk due to the theft of cash and checks from an office safe in December 2014. On January 6, 2015, an office employee admitted to Sheriff's Department investigators that she stole the funds and burned the checks. The former employee plead guilty to the theft on July 14, 2015, and was ordered to pay restitution totaling \$700. No restitution has been paid as of the date of this report. The actual missing checks (\$19,472.94) that were stolen have not been located; however, the county clerk recovered some of these checks by contacting individual payors and having them reissue their checks to the county. As of June 30, 2016, \$18,820.30 had been received from the collection of individuals providing replacement

checks. In addition, the missing cash of \$3,705.31 was seized by the Sheriff's Department during the arrest of the former employee. This cash was returned to the County Clerk's Office after the case was settled in September 2015. The remaining cash shortage and restitution totaling \$1,352.64 is outstanding as June 30, 2106.

**26. McNairy County - Office of Circuit Court Clerk**

The audit of McNairy County for the 2007-08 year reported a cash shortage of \$13,528.19 in the Office of Circuit Court Clerk. A former office employee admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, the former employee pled guilty in Circuit Court to official misconduct, was sentenced to two years in state prison, and immediately granted probation. In addition, she was ordered to pay \$4,405 for restitution to the county for audit expenses. The former employee has unpaid audit expense restitution of \$3,390.50.

**27. McNairy County - Office of Sheriff**

The audit of McNairy County for the 2011-12 year reported a cash shortage of \$9,782.36 in the Office of Sheriff commissary operation. This cash shortage consisted of \$8,536.66 from a kiosk machine identified by the TBI and an additional cash shortage of \$1,245.07 in the commissary operation, which remained undetected by the Sheriff's Office until discovered by our audit. We were unable to determine the exact amount of the cash shortage as of June 30, 2012, because of inadequate records. Due to these deficiencies, there could be other collections that have not been accounted for properly and have not yet been detected. The defendant was found guilty on February 3, 2014, and was ordered to pay restitution of \$8,600 plus court costs of \$2,371 for a total of \$10,971. The unpaid balance of \$6,441.38 remains.

**28. Meigs County - Office of Finance Director**

On October 23, 2014, our office issued a special report on the Meigs County Finance Department for the period July 1, 2008, through November 30, 2013. This report disclosed that Finance Department employees received unauthorized compensation totaling \$26,604.17, and detailed time records were not on file to support the payment of \$1,201.50 for compensatory leave of the former interim finance director. This report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov). In March 2015, the former finance director was indicted on charges of theft over \$10,000 but the case was settled out of court with the former interim director agreeing to reimburse the county \$11,000, which was paid on October 20, 2016. The remaining amount of the shortage has been written off by the County Commission.

**29. Morgan County - Office of County Clerk**

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 on December 14, 2010. The state Comptroller's Office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, the former county clerk liquidated the cash shortage. However, the clerk was also ordered by the Criminal Court of Morgan County to repay \$11,562 to

Morgan County for a portion of the extended audit costs associated with the cash shortage. The unpaid balance of the audit costs totals \$7,132 as of December 5, 2016.

**30. Overton County - Millard Oakley Public Library**

A special audit report dated June 4, 2012, for the period July 1, 2008, through March 26, 2012, reported a cash shortage of \$5,999.53 at March 2, 2012. This cash shortage included disbursements from the library's checking account for personal expenses of the deputy director totaling \$2,289.58. In addition to the personal expenses, the deputy director also collected cash and checks on behalf of a nonprofit organization, Friends of the Library; however, instead of turning the collections over to the Friends of the Library, the deputy director deposited these funds into the library's checking account in an apparent attempt to balance the library's books by replacing the cash taken from the library with the nonprofit's funds. This substitution scheme totaled \$3,709.95. On February 18, 2014, the defendant pled guilty to theft of property over \$1,000 and received a three-year sentence suspended to three years of supervised probation and 100 hours community service, as well as being ordered to pay restitution of \$3,709.95. Restitution of \$110 has been received as of December 7, 2016, leaving a balance of \$3,599.95.

**31. Putnam County - Office of Assessor of Property**

An investigative report dated March 27, 2014, by the Comptroller's Office of General Counsel revealed that the Putnam County Assessor of Property used county funds totaling at least \$2,355 to purchase computers and accessories, which he traded or sold for his personal benefit. During the period April 1, 2013, through March 15, 2014, the assessor used a county credit card to purchase at least eight computers and related accessories totaling \$2,355. He then sold these computers for cash, kept the cash for his own use, or traded the computers to pay off his personal debts. The assessor acknowledged to Comptroller investigators that he had sold or traded these computers for his personal benefit. On March 24, 2014, the assessor resigned from office, and the grand jury indicted the assessor on one count of theft over \$1,000 and one count of official misconduct. On December 12, 2014, the former assessor of property pled guilty to theft, agreed to pay restitution of \$1,956.77, and agreed to serve three years of probation. He also agreed to a two-year suspended jail sentence for the charge of official misconduct. The former assessor has not paid any of the \$1,956.77 restitution to date.

**32. Sevier County - Office of County Clerk**

In 2009-10, a \$94,645 cash shortage was reported in the Office of County Clerk, which the clerk subsequently repaid. On May 23, 2012, the court ordered the clerk to pay an additional \$14,019 to the county for the costs of additional audit services related to this theft. The outstanding balance for audit costs totals \$978.50.

**33. Sevier County - Office of Planning and Zoning**

On October 9, 2015, the county mayor was informed of a potential cash shortage in the county's Planning Office. The county mayor immediately notified the district attorney general, and the county finance director contacted representatives with the

Comptroller's Office. The finance director performed an internal review of receipts and deposits of the Planning Office and determined that \$5,392 in building permit collections had not been remitted to the county trustee during the period February 2014 through October 16, 2015. The district attorney general and the Tennessee Bureau of Investigation were notified of the alleged cash shortage. On November 2, 2015, the Sevier County Grand Jury returned indictments charging a former employee of the Planning Office with one count of theft over \$1,000 and one count of official misconduct. On April 19, 2016, the former employee agreed to judicial diversion and restitution of \$5,392. The employee paid the \$5,392 in restitution on May 31, 2016.

**34. Sumner County - Office of Director of Schools**

The audit of Sumner County for the 2011-12 year reported a cash shortage of \$18,697 in the School Department. An investigation by the School Department's internal auditor and the local police revealed that an employee had purchased personal items with school funds. On February 15, 2013, the former employee pled guilty to one count of theft of property between \$10,000 and \$60,000. The former employee was sentenced to six years of probation and was ordered to pay restitution of \$18,697 to the Sumner County School Department. The School Department's insurance carrier paid the county \$13,697 on May 7, 2013, leaving an unrecovered shortage of \$5,000.

**35. Sumner County - Office of Director of Schools**

During the 2012-13 fiscal year, the School Department's internal auditor informed us that an employee had taken \$10,762 cash from collections purportedly to reimburse herself for mileage and other expenses she paid from personal funds. The employee's employment was terminated on March 20, 2013. On October 10, 2013, the employee was indicted on one count of theft of property over \$1,000. The county's insurance carrier paid the county \$5,762 on October 17, 2013. The former employee paid the School Department \$5,000 on May 19, 2016.

**36. Unicoi County - Office of Director of Schools**

A special audit report dated June 28, 2010, for the period July 1, 2009, through May 25, 2010, reported a cash shortage of \$20,967.36. This cash shortage resulted from the disbursement of School Department funds for personal expenses of the School Department's finance director. The finance director resigned her position on May 25, 2010, and she liquidated the cash shortage of \$20,967.36 with personal funds on May 27, 2010. The former director of finance pled guilty to theft over \$10,000 on January 6, 2011, and was sentenced to 90 days confinement, ten years' probation, and payment of restitution of \$8,790 for the additional costs of the audit. The audit costs were liquidated as of September 29, 2016.

**37. Van Buren County - Office of Sheriff**

During the 2013 fiscal year, the Sheriff's Department had a cash shortage of \$3,000 from their confidential undercover drug operations. On February 19, 2014, a former employee of the Sheriff's Department was indicted on multiple counts of theft and official misconduct related to this and other incidents, which occurred when the individual

was an employee of the Sheriff's Department. The defendant entered a plea agreement on February 23, 2015. During the year, the county received insurance proceeds of \$2,000 from the employee blanket bond leaving a remaining balance of \$1,000 which is the county's insurance deductible.

**38. Van Buren County - Office of Sheriff**

During the 2016 fiscal year, the Sheriff's Department discovered that a former jail administrator had receipted two cash bonds totaling \$1,500 on July 24, 2015; however, these collections had not been deposited to the office's bank account. These funds were recovered from the former jail administrator on September 15, 2015. This deficiency was reported in the county's annual financial report for the year ended June 30, 2015. The Tennessee Bureau of Investigation investigated this discrepancy, and according to county officials, there will be no further action related to this shortage since the funds were recovered.

**39. Wayne County - Office of Director of Schools**

The Comptroller's Division of Investigations, Financial and Compliance Unit issued an investigative report on July 29, 2014, on the Wayne County School Department for the period July 1, 2009, through February 28, 2013, which revealed a cash shortage totaling \$319,134.58. This shortage was comprised of unauthorized payroll checks and disbursements. This investigative report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov). In August 2014, one former employee pled guilty to federal program fraud. Also, in August 2014, the county received an insurance check totaling \$149,500. On January 16, 2015, the former employee was sentenced to three years of probation and ordered to pay the county's insurance carrier \$135,600. On September 22, 2016, a second former employee pled guilty in federal court and was sentenced to three years of probation and ordered to pay restitution of 17,195, which was received by the county on September 22, 2016. The outstanding cash shortage totals \$135,660.33.

**40. Wayne County - Office of Sheriff**

On October 3, 2016, the Comptroller's Division of Investigations issued a special report on the Wayne County Sheriff's Office (WCSO). This report disclosed that the former Chief Deputy Gerald Baer misappropriated WCSO funds totaling at least \$7,700. Mr. Baer did this through two schemes. He misappropriated at least \$3,400 from the county's confidential drug fund by taking funds for his personal use and misappropriated at least \$4,283 by using a county fuel card for his personal benefit. On September 29, 2016, Mr. Baer was indicted by the Wayne County Grand Jury on two counts of theft over \$1,000, 111 counts of forgery, and once count of official misconduct. Details of this misappropriation are discussed in the special report issued by the Comptroller's Office, which is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov).

**41. Williamson County - Recreation Department**

The audit of Williamson County for the 2005-06 year reported a cash shortage of at least \$45,037.43 as of June 30, 2006, at the Fairview Recreational Center. This cash shortage resulted from collections that were not deposited or otherwise accounted for properly. On October 6, 2008, the defendant pled guilty and was sentenced to

four years' probation and ordered to pay restitution to Williamson County. On October 7, 2008, the defendant signed a promissory note with Williamson County. The promissory note stated that the debtor shall pay the principal amount in full no later than 48 months from November 1, 2008, but was extended for an additional four years in FY 2012 and again in FY 2016. As of June 30, 2016, the outstanding cash shortage totaled \$33,183.43.

**42. Williamson County - Office of County Clerk**

The audit of Williamson County for the 2008-09 year reported a cash shortage of \$3,386.18 in the Office of County Clerk. In December 2008, the county clerk discovered that collections from a title application transaction totaling \$1,877.68 had been diverted for an employee's personal use. On December 29, 2008, the employee admitted to fraudulently substituting funds to cover the diversion of funds, and the county clerk terminated the employee's employment for mishandling the funds. Subsequently, the county clerk's bookkeeper and auditors discovered two additional title applications totaling \$1,508.50 had been stolen. Therefore, the amount of funds diverted from the office totaled \$3,386.18 (\$1,877.68 plus \$1,508.50). On November 10, 2009, the defendant pled guilty to one count of theft over \$1,000 and one count of forgery. The defendant was sentenced to two years' probation, and ordered to pay restitution of \$3,386.18 to Williamson County. As of June 30, 2016, no restitution had been paid, so county officials have decided to write off the balance.

**43. Williamson County - Animal Control Department**

A special audit report dated July 26, 2010, for the period May 17, 2005, through March 31, 2010, reported a cash shortage of at least \$106,446.17 from receipts that were not deposited with the county or otherwise accounted for properly. On November 15, 2010, the employee pled guilty to theft over \$60,000 and was sentenced to eight years' confinement, which was suspended to eight years' probation, and was ordered to pay restitution of \$106,446.17. As of June 30, 2016, the outstanding cash shortage totaled \$105,011.92.

**44. Williamson County Solid Waste Department**

The Williamson County Solid Waste Department notified the state Comptroller's Office of a theft at the landfill on April 15, 2015. Cash totaling \$385.96 was noted to be missing. A police report was filed and the matter investigated, but no individuals have been charged. Since the investigation did not yield any suspects, county officials have decided to write off the balance.

**45. Wilson County - Office of Sheriff**

The Sheriff's Department received information alleging an employee was using a county credit card to purchase fuel for his private vehicle. Officials filed a Fraud Reporting Form with our office on June 25, 2013, and the allegation was investigated internally with help from the district attorney general. The employee's employment with the Sheriff's Department was terminated on July 1, 2013, and on September 22, 2014, the former employee pled guilty to eight counts of theft under

\$500, received supervised probation, and was ordered to pay restitution of \$401.66. No restitution has been received as of June 30, 2016.

**46. Eighth Judicial District - Drug Task Force**

An investigation was conducted by the Tennessee Bureau of Investigation (TBI) in March 2015. The director of the Drug Task Force was placed on leave with pay due to suspicions of tampering with evidence and misuse of cash held in the office. The director's employment was later terminated, and the TBI investigation revealed that evidence and cash were missing. At the conclusion of the investigation, the former director was charged with two felony counts of official misconduct and one felony count of theft over \$10,000. In September 2015, the former director was found guilty on all three counts and was sentenced to five years of supervised probation. He was ordered by the court to pay court costs and \$21,872.91 in restitution at \$400 per month. As of February 21, 2017, the former director has paid all court costs and has paid restitution of \$5,641, leaving a balance owed of \$16,231.91.

**Shortages Reported by Public Accounting Firms**

**1. Bedford County Emergency Communications District**

Questionable purchases totaling \$46,806.60 were made from Bedford County Emergency Communications District funds during the period July 1, 2005, through March 31, 2012. These questionable purchases were published in a Special Report on March 25, 2013, by the State of Tennessee Comptroller's Office. A former district employee pled nolo contendere and was sentenced to three years' probation beginning March 31, 2015. The former employee was also ordered to pay restitution of \$22,392, which was the amount paid by the district for the investigative audit fee. Therefore, the cash shortage remains \$46,806.60.

**2. Blount Memorial Hospital, Inc.**

The audit for the 2015-16 fiscal year reported a theft of \$186,656 from the hospital. The theft was a result of a former employee making unauthorized disbursements for the period October 2007 through April 2016 for personal use. As of September 30, 2016, the former employee had made full restitution to the hospital, including interest.

**3. Clarksville – Montgomery County Regional Airport Authority**

The audit for the 2009-10 fiscal year reported a theft of \$104,015 from the Authority. The theft was a result of a former employee utilizing the Authority's debit cards and online banking to pay for personal expenses. On September 16, 2011, the former employee pled guilty and was ordered to pay restitution of \$85,123. To date, \$249 of the restitution has been paid.

4. **Davidson County – Metropolitan Nashville Airport Authority**

During calendar year 2014, management of the Authority became aware of a potential fraud by an employee. The employee was ultimately charged for crimes involving approximately \$1.39 million worth of fraudulent invoices submitted between the period 2009 and 2014. The employee later pled guilty of the charges in federal court and was ordered to make restitution. The Authority submitted a claim with its insurance carrier for reimbursement of this theft and in August of 2016 the Authority was paid an insurance settlement of \$1,394,510 less their deductible of \$10,000.

5. **Davidson County – Circuit Court Clerk’s Office**

On October 20, 2015, the clerk’s Traffic Violation Bureau was notified by a citizen that they had received a notice of nonpayment of a traffic citation that they had previously paid. The office investigated the matter and discovered that an office employee has stolen a total of \$345 from three different traffic violations. When confronted the employee admitted the theft and immediately resigned. The office has written off the shortage and placed additional procedures in place to strengthen internal controls over the traffic violations collections process.

6. **Davidson County – Metropolitan Development and Housing Agency Center**

Participants in the Housing Choice Voucher program underreported their income causing rents subsidized by Housing Assistance Payments (HAP) to the participants to be higher than they should have been. During the year ended September 30, 2016, the agency discovered the underreported income, which would have led to reduced HAP expense of \$621,793 in the year(s) the participant underreported their income and increased the rent burden on the tenant. During the year ended September 30, 2016, the agency collected \$173,776; however, the governing body of the agency does not believe the additional amounts owed are collectible and the remaining balance has been written off.

7. **Hamblen County – Morristown Solid Waste Disposal System**

The Special Investigations Unit of the Office of the Comptroller of the Treasury, released a Special Report in March 2015 on the Hamblen County – Morristown Solid Waste Disposal System. This report disclosed that the former director, Ronald Brady, misappropriated solid waste system funds totaling at least \$227,792 and used the proceeds for his personal benefit. Mr. Brady was indicted by a grand jury in March 2015. During the year ended June 30, 2015, insurance provided payments of \$225,292. The remaining \$2,500 will be sought from the former director.

8. **Haywood County Utility District**

The audit of the district disclosed that the president of the utility board was reimbursed for various expenses totaling \$1,506.36 which were not permitted under Tennessee Code Annotated (TCA) 7-82-308. These unauthorized expenses included a travel per diem for traveling to a conference, various reimbursements for mileage, office supplies, and hams for board members and the accountant as a Christmas gift. TCA 7-82-308 states that the only compensation that board members are entitled are



“per diem fees for not more than twelve (12) meetings of the board of commissioners in any given calendar year.”

**9. Jackson County Emergency Communications District**

An investigation by the Comptroller’s Office Division of Investigations discovered that \$35 was missing from the district’s petty cash fund. Beginning January 2016, petty cash is no longer maintained by the district.

**10. Knox County – Office of Director of Schools/Credit Cards**

Investigations were conducted during FY15 related to possible personal or other improper use of credit cards within the Knox County Schools Administrative Office by the former board of education accounts payable supervisor. Both the Special Investigative Unit of the Comptroller of the Treasury and the Office of the Knox County Internal Auditor have issued reports related to their findings of inappropriate use of credit cards by the former supervisor. The reported misappropriations total at least \$12,000. The former supervisor was terminated in October 2014 and was indicted by the Knox County Grand Jury in August 2015. The former employee pled guilty to the charges in August 2016 and was scheduled to be sentenced in January of 2017. In September 2016 the former employee paid restitution of \$7,500 to the district leaving a remaining shortage \$4,500.

**11. Knox County – Office of Director of Schools/Food and Nutrition Department**

In May 2015, the Special Investigative Unit of the Comptroller of the Treasury issued a special report related to the former Knox County Schools Nutrition Director’s misappropriation of approximately \$4,500, resulting from inappropriate travel and expense reimbursements during the period February 2013 through July 2014. The former director resigned in November 2014, and indicted by the Knox County Grand Jury in October 2015. As of the completion of the FY 2016 audit, the employee had not gone to trial.

**12. Oneida Special School District**

The audit report for the 2015-16 year disclosed a cash shortage of \$25,893. This shortage consisted of an unauthorized payment to an employee for sick leave of \$21,801, insurance benefits of \$3,698, and personal phone calls of \$394. The employee has made full restitution to the school system.

**13. Shelby County – Office of Probate Court Clerk’s Off**

The audit report for the 2015-16 year disclosed a cash shortage of \$1,017 due to fraud. A report from the Shelby County Internal Audit Department disclosed that an employee of the clerk’s office created manual receipts for passport collections which could not be traced to deposit records. The loss was estimated to include unaccounted for execution fees of \$562 and unprocessed passport applications of \$455. Management had not recovered or written off the outstanding loss balance of \$882 as of June 30, 2016. The Internal Audit report of the shortage has been provided to the county attorney and District Attorney General.

14. **Shelby County – Department of Information Technology**

The county's Information Technology Department purchased several CISCO switches with a value of approximately \$12,000 from a vendor. When the department attempted to register these switches with CISCO they were informed that the numbers has already registered by other individuals. Upon further investigation by CISCO, it was determined that the switches purchased by the county were counterfeit items. The county has filed a lawsuit against the vendor seeking restitution in Chancery Court.

15. **Shelby County – Department of Public Works**

Between April 2014 and September 2015, the county's Public Works Department had an employee that stole gasoline with an estimated value of \$6,051 by filling gasoline cans and transporting them to their residence for personal use. When the department became aware of a possible theft of gasoline by the employee they requested that the Sheriff's Department investigate the matter. The Sheriff's Department captured the employee filling gasoline cans on video and later placed him under arrest. The employee was ordered to pay restitution of \$4,788.70 which was collected from the individual and the remaining amount was written off.

16. **Shelby County Board of Education - Payroll**

On two separate occasions in July 2014 and September 2014, the employee portal related to payroll was compromised, which led to \$49,619.48 of employee compensation being diverted to several prepaid cards. A police report was filed after each incident. The Information Technology Department, along with the software vendor, and other personnel of the Board, have taken steps to improve system security and prevent a recurrence of the compromise.

17. **Washington County – Office of Director of Schools**

The audit for fiscal year 2015 reported a cash shortage of \$1,060 at the Board of Education. A money bag containing one week's payments collected from parents for the School Age Child Care (SACC) program at Ridgeview School was reported missing on March 9, 2015, by the SACC Site Director. During the investigation, the SACC Site Director expressed an understanding of the proper SACC finance control procedures but had failed to follow these procedures.