

SPECIAL INVESTIGATION

CITY OF NEW JOHNSONVILLE



December 4, 2014



STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Justin P. Wilson

Comptroller

STATE CAPITOL

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December 4, 2014

Honorable Mayor and Members
of the City Council
City of New Johnsonville
323 Long Street
New Johnsonville, TN 37134

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the City of New Johnsonville, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

Justin P. Wilson
Comptroller of the Treasury

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SPECIAL INVESTIGATION

CITY OF NEW JOHNSONVILLE

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the personal use of a city vehicle and personnel in the City of New Johnsonville.

INVESTIGATIVE RESULTS

- **Mayor used city assets, personnel, and money to retrieve his personal vehicle from another state**

The investigation revealed that the City of New Johnsonville Mayor, Lance Loveless, benefited directly from the use of city personnel, city money, and a city vehicle for the retrieval of his personal vehicle from South Carolina. As noted in the table below, the personal benefit to the mayor paid with taxpayer funds was at least \$1,732.

Costs Related to Trip for Personal Benefit to Mayor	Amount
Payroll costs of public works director for two days	\$ 303
Payroll costs of contract employee for two days	247
Gasoline for personal trip paid by city	192
Invoice for towing city's vehicle and mayor's personal vehicle	<u>990</u>
Total Costs to Taxpayers Related to Trip for Mayor's Personal Benefit	\$1,732
Other related costs – repair of city vehicle	<u>5,500</u>
Total	<u><u>\$7,232</u></u>

This matter was referred to the local district attorney general. On December 1, 2014, the Humphreys County Grand Jury indicted Mayor Lance Loveless on one count of theft over \$1,000.

Costs and Circumstances of Trip for Personal Benefit of Mayor:

On September 6, 2012, the public works director and a city contract employee drove a city truck and a trailer¹ to Columbia, South Carolina. According to the public works director, the sole purpose of the trip was to purchase and retrieve a personal vehicle for Mayor Lance Loveless.

On the return trip back to New Johnsonville the following day, the city truck had a mechanical breakdown, leaving it stranded in Unicoi County, approximately 375 miles from the New Johnsonville city hall. When contacted by the public works director about the breakdown, Mayor Loveless engaged a towing service from Knoxville. Mayor Loveless directed the city recorder to charge the city's debit card for the \$990 cost of towing the city truck, trailer, and personal vehicle approximately 300 miles to a car dealership in Madison, Tennessee. The dealership service department repaired the city truck, which included installation of a new engine, at a cost to the city of \$5,500. They completed the repair work by September 12, 2012. The ordinance to repair the truck, first put before the city council on October 8, 2012, omitted any detail of the circumstance surrounding the breakdown, stating simply that "[t]he engine of this truck malfunctioned and locked up requiring a new engine." The true nature of the trip and circumstances of the breakdown were not disclosed to the full city council or to the public.

The personal trip to South Carolina also cost the city two days' pay for the public works director totaling \$303, and 20 hours for the contract employee totaling \$247. In addition, they charged fuel purchases totaling \$192 related to this trip to the city's debit card.

Explanations provided by Mayor Lance Loveless:

Mayor Loveless told investigators that he was unaware the public works director had taken a city truck on his personal errand until notified of the vehicle breakdown. The mayor stated the public works director must have misunderstood his directions and believed he had permission to use the city vehicle. Mayor Loveless acknowledged to Comptroller investigators, however, that he knew the city truck was being used for his personal errand when he ordered the cost of the towing to be paid by the city.

Mayor Loveless further claimed that he told two of the councilmen the details and circumstances of the city vehicle breakdown shortly after it happened, and they advised him just to speak to the public works director and make sure it never happened again. Mayor Loveless said that he gave a verbal reprimand to the public works director. He did acknowledge that he kept the true nature of the trip and circumstances of the breakdown from the full council and from the public.

Clarifications provided by public works director:

The public works director told investigators that there was absolutely no misunderstanding between him and the mayor. The mayor instructed him to use a city truck on this personal errand. The public works director further stated that he would

¹ They borrowed the trailer from a former business associate of Mayor Loveless.

never use city property without the permission of the mayor. He said he never received a verbal reprimand related to this trip, either at the time of the trip or since. He went on to explain that in addition to his city pay, the mayor had personally paid him \$400 in cash to make the trip. Finally, the public works director stated that the mayor took two days of vacation away from him in July 2014, which he agreed was only fair.

Details provided by councilmen:

The two councilmen whom the mayor claimed that he advised and consulted back in September 2012 told investigators that the mayor absolutely did not advise them of the true nature of the trip. They both said they knew nothing about the personal use of the city truck until they saw a television news media report in the summer of 2014.

Subsequent Events:

On July 7, 2014, the mayor paid the city \$1,182, the cost of the towing and the fuel. He told investigators that he thought it was the right thing to do “now that it is out.” On July 18, 2014, the public works director’s leave balance was reduced by two days with the notation “per Mayor Loveless – 2012 SC trip – reprimand.”