



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
FINANCIAL AND COMPLIANCE INVESTIGATIONS**

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Representative Steve McDaniel, Chair
Douglas Henry State Museum Commission
18 Legislative Plaza
Nashville, Tennessee 37243

Lois Riggins-Ezzell, Executive Director
Tennessee State Museum
505 Deaderick Street
Nashville, Tennessee 37243

Ladies and Gentlemen:

On February 3, 2014, Comptroller investigators met with officials from the Tennessee State Museum, and they advised us of inappropriate actions by an administrative services assistant. As a result of this meeting, our investigators, working with the chief investigator from the Office of the Tennessee Attorney General, conducted an investigation of the Tennessee State Museum for the period April 1, 2011, through January 31, 2014. The scope of our investigation related specifically to the actions of the administrative services assistant.

The investigation determined the administrative services assistant was a convicted felon on parole for a theft of property of over \$60,000. Museum officials stated that they were not aware of this conviction when the assistant was hired in April 2011, and that her parole did not expire until May 18, 2012. Approximately four months after being employed, the administrative services assistant established a fictitious vendor at the museum and started receiving unauthorized payments for that vendor. We determined that the administrative services assistant had been hired by Adecco USA in November 2008 for staffing and contracting employment. Adecco USA had a contract with the Tennessee Department of Human Resources to provide temporary and contract staffing services for the State of Tennessee. The administrative services assistant disclosed three prior convictions (forgery, credit card fraud between \$1,000 and \$10,000, and theft of property over \$60,000) on her Adecco USA application. Subsequently, she worked for the Department of Military, Department of Intellectual and Developmental Disabilities (Clover Bottom Developmental Center), and the Department of Finance and Administration as an Adecco USA employee before being hired full-time at the Tennessee State Museum. The Department of Human Resources advised us that they were not aware of these prior convictions. In addition, the

contract between Adecco USA and the Department of Human Resources did not require background checks for temporary and contract staffing or for full-time employment with the State of Tennessee. Museum officials told us that they assumed the administrative services assistant was vetted through Adecco USA and the Department of Human Resources because of her prior placement with other state agencies.

Tennessee Code Annotated provides for background checks for various positions within state government, such as jobs pertaining to law enforcement and jobs with responsibility for someone's safety and well-being, but there is not a standard requirement for all employees to undergo background checks.

Our investigation revealed a cash shortage of \$61,892.94 at January 31, 2014, as follows:

- The administrative services assistant obtained a rental car for personal use for 15 months through the state's Enterprise rental program. Rental fees totaled \$12,415.97 for the car and were charged to the Tennessee State Museum.
- The administrative services assistant, in her role as a processor of purchase orders and requisitions for the Tennessee State Museum, used a scheme to falsify invoices and submit them for payment to her personal account totaling \$49,476.97.

On February 13, 2014, during an interview with comptroller investigators and the Tennessee Attorney General's chief investigator, the administrative services assistant admitted to improperly using the rental car. She further admitted to falsifying invoices for payment and diverting the funds into her personal account. Her employment with the Tennessee State Museum was subsequently terminated.

Findings and recommendations as a result of our investigation are presented below. These findings and recommendations have been reviewed with management to provide an opportunity for their response. Also, these findings and recommendations have been reviewed with the state Attorney General and the District Attorney General for the 20th Judicial District.

INVESTIGATIVE FINDING

FINDING 1

A CASH SHORTAGE OF AT LEAST \$61,892.94 EXISTED ON JANUARY 31, 2014

Based on our interviews and investigative review of the accounting records for the Tennessee State Museum, we noted a cash shortage of at least \$61,892.94 consisting of the following:

- A. During the period April 1, 2011, through January 31, 2014, the administrative services assistant personally used a rental car for 15 months through the Enterprise rental program. The Enterprise rental program was created to allow all State of Tennessee employees to have access to a vehicle while conducting state business. We determined rental car fees totaling \$12,415.97 were for personal use and were charged to the Tennessee State Museum. During our investigation, museum

officials advised us that only a few employees travel, and their primary travel is to assemble, disassemble, and transport exhibits. The administrative services assistant initially advised that she had rented the car with personal funds; however, Enterprise Rental Car officials determined that the rental was made one time and renewed by phone each month. No personal payment information was found on file with Enterprise Rental Car to indicate that payment was made with personal funds. The administrative services assistant admitted to investigators that she improperly charged the rental car to the Tennessee State Museum when her personal car broke down.

- B. During the period April 1, 2011, through January 31, 2014, the administrative services assistant, in her role as a processor of purchase orders and requisitions, used a scheme to falsify 26 invoices for payment to her personal accounts totaling \$49,476.97. Museum vendors sell historical artifacts to the museum and are registered through an on-line or manual registration process performed by museum personnel. In one instance, the administrative services assistant created a fictitious vendor in the museum's database in her son's name. She then used her son's name as a legitimate vendor to falsify invoices and submit those invoices for payment to the museum totaling \$22,580. In another instance, the administrative services assistant modified the payment information for an existing vendor to falsify additional invoices to submit for payment totaling \$26,896.97. To facilitate the approval of these invoices submitted for payment, she photocopied the signature approval of museum officials. These payments were then deposited to a money card in the name of the administrative services assistant. The administrative services assistant admitted to investigators that she created false invoices on her work computer and submitted these for payment with photocopies of supervisor's signatures as approval.

The following table summarizes the cash shortage of \$61,892.94:

A. Rental Car Fees	\$ 12,415.97
B. False Invoices - Created New Vendor	22,580.00
B. False Invoices - Existing Vendor	<u>26,896.97</u>
Total Cash Shortage	<u>\$ 61,892.94</u>

RECOMMENDATION

Museum officials should take immediate steps to collect the cash shortage of \$61,892.94.

MANAGEMENT'S RESPONSE - LOIS RIGGINS-EZZELL, EXECUTIVE DIRECTOR

The Tennessee State Museum concurs with the finding and recommendation. The agency will work with law enforcement officials to seek financial restitution to the fullest extent possible for all lost revenue on behalf of the State of Tennessee. The State Museum also continues to assess its fiscal office for weaknesses in its controls. Accordingly, the Museum Commission approved a motion to require background checks on all future museum hires pending authorization by the legal division of the Tennessee Department of Human

Resources and other legal counsel as an additional measure to safeguard against future loss from potential fraudulent activities.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCY

FINDING 2 **THE TENNESSEE STATE MUSEUM DID NOT ADEQUATELY RECONCILE PURCHASES WITH INVENTORY RECORDS**

The Tennessee State Museum makes purchases of historical artifacts/items. During our investigative review, we determined that no reconciliation of purchases with items actually received was performed for the 26 falsified invoices. We were advised that the administrative services assistant had primary responsibility for tracking the \$175,000 budget for these type purchases. Although a spreadsheet of historical artifacts purchased was maintained, no reconciliation or other management review of these items was noted. Sound business practices dictate these reconciliations be performed monthly. Lack of proper review and timely reconciliations allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

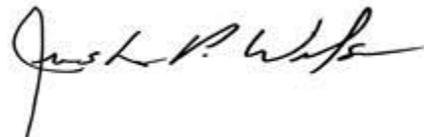
Museum officials should review and reconcile items purchased with items received.

MANAGEMENT'S RESPONSE - LOIS RIGGINS-EZZELL, EXECUTIVE DIRECTOR

The Tennessee State Museum (TSM) concurs with the finding and recommendation. The State Museum's Executive Director and Deputy Director met with the TSM Director of Collections and TSM Registrar, who hold primary oversight of the artifacts in the collection. When the Museum receives an object, it is immediately entered into the Collections log book along with the date and the appropriate staff signatures. This procedure was initially developed to prevent loss within the collection as items were received. In the future, museum collection staff will submit a copy of the log book entries to the TSM Deputy Director. Museum fiscal office staff will then reconcile the list of artifacts received entries in the log book against all artifact purchases.

If you have any questions concerning the above, please contact this office.

Sincerely,



Justin P. Wilson
Comptroller of the Treasury

JPW/kbh

CC: Members of the Douglas Henry State Museum Commission