

SPECIAL INVESTIGATION

CITY OF COLLINWOOD
JULY 1, 2012, THROUGH JULY 31, 2013



State of Tennessee

Comptroller of the Treasury



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

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**Justin P. Wilson
Comptroller of the Treasury**

April 7, 2014

Honorable Mayor and Members of the
Board of Commissioners
City of Collinwood
P. O. Box 98
Collinwood, TN 38450

Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the City of Collinwood which focused on the period July 1, 2012, through July 31, 2013. When warranted, this scope was expanded.

Presented in this report are the findings resulting from this special investigation. 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,

L. Rene Brison, CPA, CFE, Assistant Director
Office of the Comptroller of the Treasury

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**SPECIAL INVESTIGATION OF SELECTED RECORDS OF
THE CITY OF COLLINWOOD
FOR THE PERIOD JULY 1, 2012, THROUGH JULY 31, 2013**

SUMMARY

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, performed a special investigation of selected records of the City of Collinwood. The investigation focused primarily on the period July 1, 2012, through July 31, 2013; however, when necessary, this scope was expanded. The investigation revealed the following:

- Former recorder Melissa Broome misappropriated city collections totaling at least \$94,426. Ms. Broome diverted the funds for her personal use by:
 - Retaining city utility cash collections totaling at least \$91,682 received from utility customers;
 - Withholding from deposit \$1,865 in city swimming pool collections which had been turned over to her by pool employees; and
 - Retaining \$879 collected for city property taxes.
- The mayor and members of the board of commissioners failed to ensure that employees' duties were properly separated and that collections were promptly deposited into a city bank account.

These matters were referred to the local district attorney general. On March 14, 2014, the Wayne County Grand Jury indicted the former City of Collinwood recorder, Melissa Broome, on one count of theft over \$60,000.

INVESTIGATIVE FINDINGS

A schedule summarizing the misappropriation by the former recorder, Melissa Broome, along with the investigative findings resulting from this investigation are shown below:

Summary Schedule of Amounts Misappropriated by Former Recorder

Method	Amount
Utility cash collections	\$91,682
City swimming pool cash collections	1,865
Property tax cash collections	<u>879</u>
Total	<u>\$94,426</u>

1. **FINDING: Former recorder misappropriated at least \$91,682 by withholding utility cash collections from deposit into a city bank account**

Our special investigation revealed that during the period July 2012 through June 2013, the former recorder, Melissa Broome, misappropriated at least \$91,682 in utility cash collections. Ms. Broome was responsible for collecting, recording, and depositing customer utility payments. However, an examination of city accounting records and bank records indicated that Ms. Broome did not deposit all cash collections she received and recorded. For example, Comptroller investigators found that during the months of May and June 2013, Ms. Broome recorded over \$19,000 in utility cash collections; however, she deposited only \$117 in cash into the city’s utility bank account during this period.

2. **FINDING: Former recorder misappropriated at least \$1,865 by withholding city swimming pool collections from deposit**

Comptroller investigators determined that the former recorder, Melissa Broome, failed to deposit at least \$1,865 in city swimming pool cash collections into a city bank account. Comptroller investigators located evidence that Ms. Broome had received at least \$1,375 from the city pool manager during the period June 2012 through August 2012 that she never deposited into a city bank account. In addition, in June 2013, Ms. Broome failed to deposit at least \$490 in cash collections from the city pool that had been turned over to her.

3. **FINDING: Former recorder misappropriated at least \$879 by withholding property tax collections from deposit**

Comptroller investigators determined that the former recorder, Melissa Broome, failed to deposit at least \$879 in property tax cash collections into a city bank account. City

property tax records indicate that the former recorder collected \$879 in cash from certain taxpayers. She did not deposit the cash into a city bank account.

OTHER FINDINGS AND RECOMMENDATIONS

Presented below are the findings and recommendations related to internal control and compliance deficiencies noted during the special investigation. City officials indicated they have corrected each of these deficiencies.

1. **FINDING: City officials failed to adequately separate financial duties**

City officials failed to adequately separate financial duties. The former recorder collected and receipted customer utility payments. She was also solely responsible for recording utility collections and for preparing related bank deposits. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 4, states:

Municipal officials should ... separate duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow should be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons should be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion.

RECOMMENDATION:

To decrease the risk of undetected errors and irregularities, management should review employees' responsibilities to ensure that no employee has control over a complete financial transaction. Elected officials should exert increased oversight, when necessary.

2. **FINDING: Collections not deposited promptly and intact**

The former city recorder failed to deposit collections intact within three days of receipt. Section 6-56-111(a), *Tennessee Code Annotated*, states:

Every municipal official handling public funds shall be required to, as soon as practical, but no later than three (3) working days after the receipt by such municipal official of any public funds, deposit the funds to the credit of such municipality's official bank account, or bank accounts.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 42, states:

Municipal officials should ensure that . . . collections are deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections should be withheld from the deposit for any reason.

RECOMMENDATION:

To help prevent the misuse, manipulation, or loss of collections, management should ensure that all collections are deposited intact within three working days into an official city bank account.