

# **INVESTIGATIVE AUDIT REPORT**

## **FENTRESS COUNTY LIBRARY**

**JANUARY 1, 2010, THROUGH MAY 31, 2013**



# **State of Tennessee**

**Comptroller of the Treasury  
Department of Audit  
Division of Investigations  
Special Investigations Unit**



STATE OF TENNESSEE

C O M P T R O L L E R O F T H E T R E A S U R Y

Justin P. Wilson

Comptroller

STATE CAPITOL

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January 28, 2014

Members of the Library Board  
Fentress County Library  
306 South Main Street  
Jamestown, TN 38556

Ladies and Gentlemen:

The Division of Investigations, Special Investigations Unit, conducted an investigative audit of selected records of the Fentress County Library which focused on the period January 1, 2010, through May 31, 2013.

Presented in this report are the findings resulting from this investigative audit. 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

JPW/RAD

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**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE  
FENTRESS COUNTY LIBRARY  
FOR THE PERIOD JANUARY 1, 2010, THROUGH MAY 31, 2013**

**CASE SUMMARY**

The Comptroller's Division of Investigations performed an investigative audit of selected records of the Fentress County Library. The investigation focused primarily on the period January 1, 2010, through May 31, 2013; however, when warranted, the scope was expanded. The Library Director, Leslie Pullins, was suspended in May 2013. The investigation revealed the following:

- Former Fentress County Library Director Leslie Pullins misappropriated library funds totaling at least \$40,217 and historical society funds collected by library employees totaling at least \$728. Ms. Pullins used several schemes to divert the funds for personal use, which included:
  - a. Misappropriating cash collections totaling at least \$18,256;
  - b. Making automated teller machine (ATM) withdrawals from the library bank account totaling at least \$10,991;
  - c. Using \$2,170 in library funds to repay a portion of a personal loan from a family member;
  - d. Requesting and receiving cash back totaling at least \$8,800 from library bank deposits; and
  - e. Misappropriating cash totaling at least \$728 that had been collected by library employees on behalf of the Fentress County Historical Society.
- Investigators determined that Ms. Pullins had deposited \$7,000 of personal funds into the library account reducing the outstanding balance of misappropriated funds to \$33,217.
- In interviews with investigators, Ms. Pullins admitted that she used library and historical society funds to pay for personal expenses.
- Library officials did not ensure that financial duties were adequately segregated and that cash collections were deposited promptly. They also failed to provide adequate oversight of the library debit card.

**INVESTIGATIVE FINDINGS**

A schedule summarizing the misappropriations by the former library director and the investigative findings resulting from this investigative audit are presented below.

**Summary Schedule of Amounts Misappropriated by Former Library Director Leslie Pullins**

<b>Missappropriations from the library</b>	<b>Amount</b>
Misappropriated cash collections	\$ 18,256
ATM withdrawals for personal benefit	10,991
Repayment of personal loan with library funds	2,170
Cash received from bank deposits	8,800
<b>Total Funds Misappropriated from the library</b>	<b>\$ 40,217</b>
Less: Personal funds deposited into the library account by Ms. Pullins	(7,000)
<b>Total outstanding balance of misappropriated library funds</b>	<b>\$ 33,217</b>
<b>Missappropriations from the Historical Society</b>	
Misappropriated cash collections	\$ 728

1. **FINDING: THE FORMER LIBRARY DIRECTOR MISAPPROPRIATED \$18,256 BY DIVERTING LIBRARY CASH COLLECTIONS FOR PERSONAL BENEFIT**

The investigative audit revealed that beginning at least in January 2010 and continuing through May 2013, former Library Director Leslie Pullins failed to deposit into a library bank account, cash collections totaling at least \$18,256, and retained the funds for personal benefit. Library employees collected late book return fines, copier and fax fees, donations, and other revenue and recorded each collection on a daily cash log. The bank deposits Ms. Pullins prepared and made totaled at least \$18,256 less than the amount recorded as collected.

2. **FINDING: THE FORMER LIBRARY DIRECTOR USED A BANK DEBIT CARD TO OBTAIN AT LEAST \$10,991 IN CASH FROM BANK ATMs**

Comptroller investigators determined that former Library Director Leslie Pullins used the library debit card to make at least \$10,991 in unauthorized ATM withdrawals for personal benefit. Ms. Pullins obtained a debit card on the library’s bank account in March

2009. Beginning in July 2009 and continuing until her suspension in May 2013, Ms. Pullins made several ATM withdrawals per month for personal use, withdrawing as much as \$1,100 in a single month.

3. **FINDING: THE FORMER LIBRARY DIRECTOR ISSUED LIBRARY CHECKS TOTALING \$2,170 TO REPAY A PERSONAL LOAN**

In July 2011, Ms. Pullins obtained a personal loan from a family member and deposited the \$3,500 check into the library account, ostensibly to repay a portion of the money she had previously misappropriated from the library. In 2012 and 2013, however, Ms. Pullins issued several library checks totaling \$2,170 to this family member. Ms. Pullins told Comptroller investigators that she issued these checks to repay the loan she obtained from the family member in 2011.

4. **FINDING: THE FORMER LIBRARY DIRECTOR INAPPROPRIATELY RECEIVED CASH TOTALING \$8,800 FROM LIBRARY BANK DEPOSITS**

FENTRESS COUNTY LIBRARY  
306 SOUTH MAIN STREET  
JAMESTOWN, TN 38558

DATE: 8-12-11

CURRENCY: 750.00  
COINS: 450.00  
TOTAL OF CHECKS: 300.00  
TOTAL DEPOSIT: 300.00

UNION BANK  
P.O. Box 100  
Jamestown, TN 38558

08/12/11 \*700010 300.00

Comptroller investigators noted that for at least six library deposits, Ms. Pullins instructed bank tellers via the deposit ticket to give her cash back totaling \$8,800, which she retained for personal use. For example, as noted in the exhibit, when depositing a check issued to the library totaling \$750, she requested cash back of \$450.

VEC CUSTOMERS SHARE, INC.  
1587 Highway 38 N.  
Decatur, TN 37122

REGIONAL BANK  
87-1640

7/20/2011

750.00

PAY TO THE ORDER OF Fentress County Public Library

Seven Hundred Fifty and 00/100

Fentress County Public Library

MEMO

08/12/11 \*700012 750.00

TENNESSEE BANK SUPPLY UNION BANK

CASH OUT TICKET  
TELLER NO. 0106

CREDIT

\*\*\*\*\*450.00  
CASH OUT  
Cust Acct: 00000000  
Transaction 0023 by Teller's  
Received 8/12/2011 at 08:03am  
to drawer 005 on 8/12/2011 business.

08/12/11 \*700011 450.00

The investigative audit also revealed that for another of these deposits, comprised of a grantor check and made on a Friday, Ms. Pullins requested and received cash back totaling \$5,000. Bank records revealed that she

deposited \$3,500 in cash into the library bank account the following Monday. Library records did not indicate the source of this deposited cash.<sup>1</sup>

5. **FINDING: THE FORMER LIBRARY DIRECTOR MISAPPROPRIATED CASH TOTALING AT LEAST \$728 COLLECTED BY LIBRARY EMPLOYEES ON BEHALF OF THE FENTRESS COUNTY HISTORICAL SOCIETY**

During May 2013, Ms. Pullins misappropriated cash totaling at least \$728 collected by library employees on behalf of the Fentress County Historical Society. By arrangement and for convenience, library employees accepted preorders for a book under production by the historical society. Library employees also collected, receipted, and logged the collections related to the preorders. Prior to turning the funds over to the historical society, Ms. Pullins removed cash and prepared false collection records to conceal her misappropriation. Comptroller investigators found at least \$728 in receipted cash collections from these preorders was never remitted to the historical society.

We referred these matters to the local district attorney general. In January 2014, the Fentress County Grand Jury indicted former Fentress County Library Director Leslie Pullins on multiple counts of theft, forgery, and one count of official misconduct.

**INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES**  
**FINDINGS AND RECOMMENDATIONS**

Presented below are the findings related to internal control and compliance deficiencies noted during the investigative audit. Library board officials have indicated they have corrected each of these deficiencies.

1. **FINDING: FINANCIAL DUTIES WERE NOT ADEQUATELY SEGREGATED**

Library officials failed to ensure that employee responsibilities were adequately segregated; instead they allowed the former library director access and control over all aspects of financial transactions. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. Allowing one employee complete control over a financial transaction increases the risk of fraud. Ideally, work flow should be established to automatically verify one employee's work by another employee.

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<sup>1</sup> For purposes of calculating the misappropriated amount, investigators considered this a personal deposit by Ms. Pullins, which decreased the balance of the misappropriation accordingly.

**RECOMMENDATION:**

To decrease the risk of undetected errors or fraud, library officials should ensure that no employee has complete control of a financial transaction. The library board should provide sufficient oversight.

2. **FINDING: COLLECTIONS WERE NOT DEPOSITED PROMPTLY AND INTACT**

Library officials failed to ensure that collections were deposited intact and within three days of collections as required by state statute. Our investigative audit revealed that some library collections were not deposited until as many as 30 days after collection, and not all collections were deposited intact (in the form and amount in which they were collected). Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit collections within three days of the receipt of those funds.

**RECOMMENDATION:**

To help prevent the misuse, manipulation, or misappropriation of collections, library officials should ensure that all collections are deposited intact within three working days into an official county bank account.

3. **FINDING: THE LIBRARY BOARD FAILED TO OVERSEE, MONITOR, AND ESTABLISH POLICIES RELATED TO THE LIBRARY DEBIT CARD**

Members of the library board failed to oversee, monitor, or establish policies related to a debit card issued on the library's bank account. The former library director obtained a debit card on the library account in March 2009. Several board members indicated that they were unaware there was a debit card issued on the library bank account. Beginning in July 2009 and continuing until the former library director's suspension in May 2013, the library bank statements clearly documented frequent ATM cash withdrawals as well as other debit card transactions every month. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations.

**RECOMMENDATION:**

When library officials obtain debit or credit cards in the name of the library, members of the library board must take sufficient steps to adequately oversee the use of those cards, including:

- a. Adopting guidelines regarding the types of transactions permissible for library debit or credit card use;

- b. Reviewing bank statements and canceled checks for evidence of debit or credit card purchases or charges to ensure all debit or credit cards issued in the name of the library are identified;
- c. Performing a thorough review of all debit or credit card transactions to substantiate that purchases and charges are authorized and appropriate;
- d. Ensuring adequate documentation, including original invoices and charge slips, for each transaction on file; and
- e. Addressing physical custody and safekeeping of the debit or credit card.