



LOUDON COUNTY HEALTH DEPARTMENT

**Comptroller's Investigative Report
April 11, 2017**

Justin P. Wilson, Comptroller





**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS**

Justin P. Wilson
Comptroller of the Treasury

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April 11, 2017

Loudon County Mayor and
Board of County Commissioners
100 River Road, #106
Loudon, Tennessee 37774

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of Loudon County for the period May 1, 2015, through June 30, 2016, 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson".

Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

LOUDON COUNTY HEALTH DEPARTMENT

BACKGROUND

In January 2014, the Tennessee Department of Health approved special needs funding for Loudon County, which consisted of funds from the Tennessee Tobacco Settlement Initiative 2014. Loudon County planned to use the funds for activities related to smoking prevention and awareness. The director of the Loudon County Health Department is responsible for oversight of the funds.

A finding, recommendation, and management’s response, as a result of our investigation, are presented in this report. Also, this finding, recommendation, and management’s response has been reviewed with the district attorney general for the 9th Judicial District.

INVESTIGATIVE FINDING AND RECOMMENDATION

FINDING **LOUDON COUNTY HAS DEFICIENCIES RELATED TO PURCHASES USING A COUNTY CREDIT CARD**

Our examination revealed internal control and compliance deficiencies in the Loudon County Health Department. These deficiencies can be attributed to a lack of management oversight and inadequate maintenance of accounting records. We noted the following internal control and compliance deficiencies:

- A. The director of the Loudon County Health Department made questionable purchases using Loudon County credit cards. From May 1, 2015, through June 30, 2016, the director purchased 49 fixed amount gift cards totaling \$3,055 and 18 loadable gift cards totaling \$5,200 with county credit cards. Gift card values ranged from \$25 to \$500, and the county incurred fees totaling \$79.04 for processing the loadable gift cards. The county paid for the purchase of the cards from the county’s General Fund with a reimbursement from state tobacco grant funds.

According to the director, the health department used these gift cards for tobacco awareness and prevention, to purchase food and supplies, and for seminar attendees as incentives or to cover travel expenses. The director had no documentation to support who received the cards, the amount of each card, or how the recipients used each card. In addition, based on information obtained from the retailer from which the department purchased the cards, some of the cards appeared to have been exchanged for cash.

The following table summarizes the questionable credit card disbursements at June 30, 2016:

County Funding Source	Gift Card Purchases	Loadable Gift Cards	Gift Card Fees
Health Department	\$ -	\$ 950.00	\$ 9.88
Tobacco State Grant	<u>3,055.00</u>	<u>4,250.00</u>	<u>69.16</u>
Total Questionable Expenditures	\$3,055.00	\$5,200.00	\$79.04

- B. By allowing the director to use county credit cards to purchase gift cards, Loudon County violated its purchasing policy. The policy requires advance approval for purchases. The director obtained approval from the county to purchase the gift cards, but there was no approval for the use of the gift cards. This creates a situation where the cards could be used to purchase items that were not approved in advance, thereby circumventing the county's purchasing process. Because the director did not maintain documentation to show how the cards were used, the county has no way of knowing if the cards were used for an improper purpose. Loudon County does have written credit card guidelines regarding the use of credit cards by county employees as well as a purchasing policy; however, neither policy addresses purchases and uses of gift cards.

- C. Loudon County credit card guidelines require cardholders to sign the purchasing card agreement form. The health department director did not have a credit card agreement on file.

RECOMMENDATION

Gift card purchases should be supported with adequate documentation indicating who received the gift cards, the amounts received, and the purpose of the gift card. Gift cards should not be used to circumvent purchasing policies, and all disbursements for the health department should be made with official county warrants. All cardholders should sign a credit card agreement as required by the credit card guidelines.

MANAGEMENT'S RESPONSE – LOUDON COUNTY MAYOR ROLLEN BRADSHAW

Loudon County management concurs with the finding and recommendation. Credit card guidelines will be revised to prohibit gift card purchases. Internal controls will ensure that all county departments comply with current procurement policies.