



CITY OF LUTTRELL

Special Investigation
June 2, 2016

Justin P. Wilson, Comptroller





**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

JAMES K. POLK STATE OFFICE BUILDING, SUITE 1600

505 DEADERICK STREET

NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7907

FAX (615) 532-4499

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

June 2, 2016

Honorable Mayor and Members
of the City Council
City of Luttrell
P. O. Box 82
Luttrell, TN 37779

Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the City of Luttrell, 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

SPECIAL INVESTIGATION

City of Luttrell

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Luttrell. This investigation was initiated after the Mayor of Luttrell informed our office of possible discrepancies in the city's finances and requested our assistance.

INVESTIGATIVE RESULT

- **Former city recorder Rebecca Ailor misappropriated city money totaling at least \$120,506**

Misappropriation of at least \$120,506

During the period September 11, 2012, through February 22, 2016, former city recorder Rebecca Ailor misappropriated at least \$120,506 from the City of Luttrell. The investigation revealed that Ms. Ailor issued and transacted at least 140 unauthorized city checks payable to herself or to a family member and retained the funds for her personal benefit. In addition, Ms. Ailor signed the vice mayor's or mayor's signature on each of these checks. The mayor and vice mayor stated that they did not give Ms. Ailor permission to sign their names and that they had not authorized the issuance of the checks in question.

Concealment

Ms. Ailor used several means to conceal her misappropriation scheme. As noted previously, she falsified signatures on the unauthorized checks. Ms. Ailor also falsely entered the fraudulent payments into the city's records, recording them as checks payable to legitimate and authorized city vendors. [Refer to Exhibit 1 at the end of report.] Additionally, Ms. Ailor prepared and filed fictitious reimbursement claim documentation, ostensibly for training and travel, to support some of the unauthorized payments. [Refer to Exhibit 2 at the end of report.] Finally, after the investigation began, Ms. Ailor deleted the city's computerized financial records.

Admissions by Ms. Ailor

Ms. Ailor admitted to comptroller investigators that, with no one else's knowledge, she wrote unauthorized city checks for her personal benefit even though she knew it was wrong to do so. In addition, she acknowledged that she falsified signatures on these checks and that she falsely recorded many of them as payments to authorized vendors in order to hide them. She stated that she needed the money and that she was trying to make ends meet.

On May 18, 2016, the Union County Grand Jury indicted Ms. Ailor on one count of Theft over \$60,000 and one count of Tampering with Evidence.

ADDITIONAL ISSUE

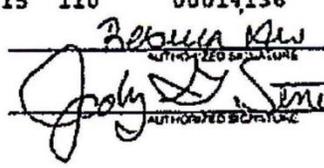
Our investigation revealed a significant deficiency in the city's financial processes that contributed to the former recorder's ability to perpetrate her misappropriation scheme without prompt detection. This financial process deficiency was:

1. City officials failed to separate incompatible financial duties and to provide increased oversight when appropriate. The former recorder prepared and signed all city checks, including payroll checks, and was responsible for recording all disbursements in the city's records. In addition, the former recorder received and opened all mail, and she received, recorded, and deposited collections. The former recorder also received and was responsible for reconciling the bank statements. Investigators noted that she was the sole reviewer of the bank statements and imaged checks, which allowed her scheme to remain undetected for more than three years.

City officials indicated that they have corrected this deficiency.

Exhibit 1

Check 14136 Recorded in City Records as Payment to Air Quest America

CITY OF LUTTRELL P.O. BOX 62 LUTTRELL, TENNESSEE 37770-0062 (615) 992-0870		COMMERCIAL BANK LUTTRELL, TN 82-228 642		14136
SALES TAX *****1,942 DOLLARS AND 65 CENTS				
PAY TO THE ORDER OF REBECCA AILOR 111 ARBY ACRES MAYNARDVILLE, TN 37807		DATE 12/18/2015	CHECK NO. 110 00014136	AMOUNT \$1,942.65
R-000011		 AUTHORIZED SIGNATURE		
⑆014136⑆ ⑆064202983⑆1405 790 5⑆				

Per vice mayor, this is not his signature.

Transaction Type	Number	Date	Description	Debit Amount	Credit Amount	Balance
		12/01/2015	Beginning Balance			114,306.38
CR	4508	12/01/2015	STATE OF TN	3,150.85	0.00	117,457.23
PA	11201	12/01/2015	AUTOMATIC PAYROLL SUMMARY	0.00	136.76	117,320.47
CD	14106	12/03/2015	BARRON BOOKER ELECTRIC	0.00	75.00	117,245.47
CD	14107	12/03/2015	KEITH DESOTO	0.00	594.00	116,651.47
CD	14110	12/07/2015	APPALACHIA BUSINESS COMMU	0.00	45.00	116,606.47
CD	14111	12/07/2015	LBC	0.00	38.40	116,568.07
CD	14112	12/07/2015	QUILL	0.00	50.44	116,517.63
CD	14113	12/07/2015	REBECCA AILOR	0.00	25.00	116,492.63
PA	11208	12/08/2015	AUTOMATIC PAYROLL SUMMARY	0.00	142.35	116,350.28
JE	2982	12/10/2015	TCRS	0.00	48.62	116,301.66
JE	2986	12/10/2015	941	0.00	263.04	116,038.62
CR	4509	12/11/2015	BATES MKT - BEER PERMIT	100.00	0.00	116,138.62
CR	4510	12/14/2015	EAGLE DIST.	842.23	0.00	116,980.85
CD	14121	12/14/2015	AT&T	0.00	42.75	116,938.10
CD	14122	12/14/2015	REBECCA AILOR	0.00	25.00	116,913.10
PA	11215	12/15/2015	AUTOMATIC PAYROLL SUMMARY	0.00	612.16	116,300.94
CR	4506	12/18/2015	STATE OF TN	7,191.80	0.00	123,492.74
CD	14136	12/18/2015	AIR QUEST AMERICA	0.00	1,942.65	121,550.09
CR	4515	12/21/2015	CHEROKEE DIST.	337.97	0.00	121,888.06
CD	14125	12/21/2015	BRANDON COFFMAN	0.00	100.00	121,788.06
CD	14126	12/21/2015	BRIAN AMANNS	0.00	100.00	121,688.06
CD	14127	12/21/2015	GLENDA PHILLIPS	0.00	100.00	121,588.06
CD	14128	12/21/2015	GREG INGLE	0.00	100.00	121,488.06
CD	14129	12/21/2015	BARRY IDDINS	0.00	100.00	121,388.06
CD	14130	12/21/2015	REBECCA AILOR	0.00	125.00	121,263.06

Exhibit 2

Hotel Reservation Used as Supporting Documentation for Fraudulent Travel and Training Reimbursement Payment to Rebecca Ailor

Subject: Embassy Suites Confirmation #87814458
 From: Embassy Suites Confirmed (embassysuites@res.hilton.com)
 To: srcafarms@bellsouth.net;
 Date: Tuesday, March 4, 2014 10:34 AM



Embassy Suites Nashville SE - Murfreesboro
 1200 Conference Center Boulevard |
 Murfreesboro | TN | United States 37129
 T: 1-615-890-4464 | F: 1-615-890-4465



Rooms & Suites | Dining | Amenities & Services | Map & Directions

Thank you for booking with us, Rebecca Ailor

Confirmation: **87814458** Modify Reservation
 Hilton HHonors® Number: 151234346
 Arrival: 22 Apr 2014 4:00 PM
 Departure: 25 Apr 2014 11:00 AM

HHONORS POINTS UPGRADE
 Guaranteed room upgrade with HHonors Points.
 Upgrade with points >

HILTON HHONORS
 Welcome
Rebecca Ailor
 HHonors Status: BLUE
 Account: 151234346 Points as of Mar 04, 2014:
 View account >

Rate Information:

Rate per night:	219.99 USD
Total for Stay per Room:	
Rate	659.97 USD
Taxes	97.35 USD
Total	757.32 USD

EARN UP TO 9,000
 HHONORS BONUS POINTS
 ON A LONG WEEKEND STAY.
 Sign up >

Total for Stay: **757.32 USD**
 Includes estimated taxes and service charges. (Gratuities not included.)

- Tax:**
- 7.00% per room per night
 - 5.00% per room per night
 - 2.75% per room per night

- Additional Charges:**
- Self parking: 0.00/night

Room Information: We are a smoke-free hotel

Rooms: 1
 Clients: 1 Adult
 Room Type: 1 KING STE PREM RM NONSMOK
 Preferences: King

Your room type preferences have been submitted with your reservation, and are subject to hotel availability.

Rate Rules and Cancellation Policy:

SUITE HOTEL DEALS EMAIL
 SIGN UP

WITH THE CITI® HILTON
 HHONORS™ RESERVE CARD*
 *Learn more >

Exhibit 2 (cont'd)

Cancellation of Hotel Reservation Obtained by Investigators

Guest Name:	AILOR, REBECCA		
Property:	MBTES - Embassy Suites by Hilton Nashville SE Murfreesboro		
GNR Number:	77028029	SRP/Rate Level:	LV1
Confirmation #:	87814458	Booking Source:	INTERNET
Cancellation #:	38157061	Airline:	
Cancelled:	Yes	PNR #:	
No Show:		Total Rate (w/o Tax):	USD659.97
Early Checkout:		Total Rate (w/Tax):	USD757.32
Room Type:	NKSP	Room Revenue:	USD0.00
Room Number:		F&B Revenue:	USD0.00
Adults:	1	Phone Revenue:	USD0.00
Children:	0	Misc. Revenue:	USD0.00
Arrival Date:	4/22/14	Other Revenue/Tax:	USD0.00
Depart Date:	4/25/14	Total Revenue:	USD0.00
Request Codes:	NSMK K	Currency:	USD
Request Text:		GTD Method:	CC - GUARANTEED BY CREDI
Information:	GPM U:408790566		

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