



MCMINNVILLE WATER AND WASTEWATER DEPARTMENT

Comptroller's Investigative Report July 7, 2017

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Justin P. Wilson
Comptroller

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Jason Mumpower
Chief of Staff

July 7, 2017

Honorable Mayor and Members of the
Board of Aldermen
City of McMinnville
P. O. Box 7088
McMinnville, TN 37110

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the McMinnville Water and Wastewater Department, 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".

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

McMinnville Water and Wastewater Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to McMinnville Water and Wastewater Department (department). Department officials notified the Comptroller's Office after becoming concerned about certain relationships and practices in the acquisition of specific chemicals.

INVESTIGATIVE RESULTS

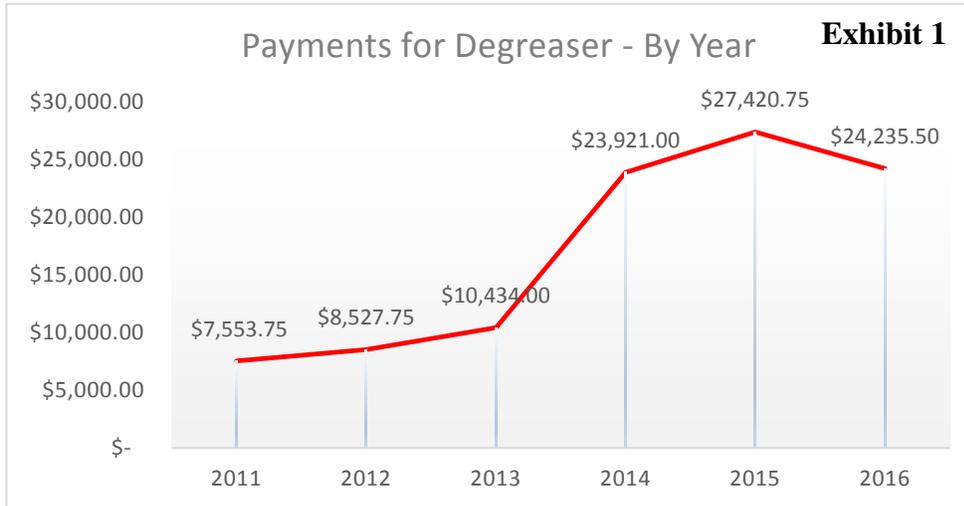
- **Appearance of a conflict of interest**

During the period June 2013 through September 2015, the department employee responsible for ordering specific chemicals made purchases totaling at least \$46,882 from a company owned by someone with whom he had a close personal relationship. The department used these chemicals, which were degreasing agents, to unclog and clear part of the city's sewer system. Even though the department employee had no formal ownership in the chemical company, this personal relationship between the government employee and the vendor created the appearance of a conflict of interest. Considering this relationship, it was not possible for department management to ensure that either the motivation for selecting that vendor as a supplier, or the volume of purchases from that supplier, was purely in the city's best interest. Department officials discharged the employee from his job in June 2016. Government officials hold a position of public trust and therefore must strive to hold themselves and their employees to the highest standards. Officials should not engage in any action, whether specifically prohibited by statute, regulation, or policy, which might result in or create the appearance of private gain, preferential treatment, or impeding government efficiency.

- **Failure to monitor cost of chemical usage**

During the period January 2011 through June 2016, the annual volume and cost of chemicals purchased for the department's degreasing program steadily, and at times, significantly increased. **[Refer to Exhibit 1]**. The most significant increases occurred during calendar years 2013, 2014, and 2015, the period that the department employee was purchasing primarily from the vendor with whom he had a personal relationship. Department management failed to adequately monitor, consider, and investigate the increasing cost. In addition, officials failed to determine if the chemicals used were effective, or to explore the availability of other chemicals, methods, or systems to achieve the desired effect at a more efficient cost.

Government officials have a fiduciary responsibility to be good stewards of the financial resources entrusted to them and should therefore always ensure that the city purchases the best goods and services at the best cost.



- **Failure to evaluate vendors adequately prior to adding them to the approved vendor list**

Officials failed to scrutinize and evaluate vendors adequately prior to adding them to the approved vendor list. Such an evaluation would not only identify the appearance of a conflict of interest, as noted above, but would assess the ability of the vendor to safely and reliably provide goods and services. Officials recently found that some of the chemical companies used during the period January 2011 through June 2016 failed to provide Material Safety Data Sheets (MSDS), which are documents that contain information on potential hazards (health, fire, reactivity, and environmental) and how to work safely with the chemicals. Officials should ensure that all approved vendors are free from potential conflicts of interest and are able to provide information for the safe handling of their products.

Department and other officials have indicated that they have corrected or will correct these deficiencies.