

SPECIAL INVESTIGATION

CITY OF PHILADELPHIA

JANUARY 1, 2013, THROUGH NOVEMBER 30, 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**

May 14, 2014

Honorable Mayor and Members of the
Board of Aldermen
City of Philadelphia
P. O. Box 10
Philadelphia, TN 37846

Mayor and Board of Aldermen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the City of Philadelphia which focused on the period January 1, 2013, through November 30, 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,

Stephanie S. Maxwell, Deputy General Counsel
Office of the Comptroller of the Treasury

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**SPECIAL INVESTIGATION OF SELECTED RECORDS
OF THE CITY OF PHILADELPHIA
FOR THE PERIOD JANUARY 1, 2013, THROUGH NOVEMBER 30, 2013**

SUMMARY

The Office of the Comptroller of the Treasury performed a special investigation of selected records and operations of the City of Philadelphia. The investigation focused on the period January 1, 2013, through November 30, 2013. The special investigation revealed the following:

- The former city recorder, Rosie Boston, signed and cashed an unauthorized city check payable to herself totaling \$200 and used the proceeds for her personal benefit.
- Ms. Boston signed and cashed an additional unauthorized city check payable to herself totaling \$438, and stated that the proceeds were provided to her friend.
- Ms. Boston admitted to Comptroller investigators that she cashed these unauthorized checks.

This matter was referred to the local district attorney general. In April 2014, the Loudon County Grand Jury indicted the former city recorder, Rosie Boston, on three counts of official misconduct and two counts of forgery.

BACKGROUND

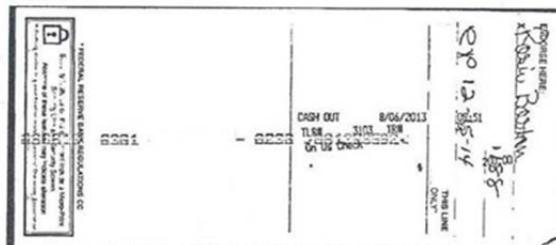
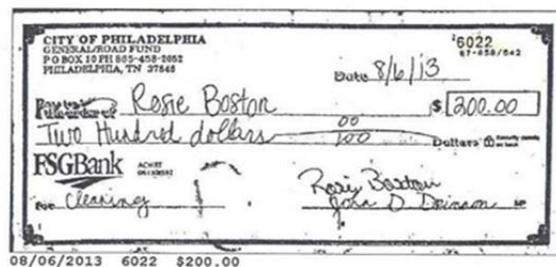
In July or August 2013, blank city checks that the former mayor¹ had been storing at his personal residence were apparently taken without permission by an individual who occasionally lived in the former mayor's home. The former mayor had been storing the city's financial records in the trunk of his car or at his residence due to extensive damage to city hall which occurred in June 2013. Beginning in August 2013, without the knowledge of the mayor and board of aldermen, 11 of those city checks were completed in amounts totaling \$5,476 and cashed by either the individual who had taken them or by his acquaintances. When the former mayor became aware that unauthorized city checks were being cashed, he contacted local law enforcement officials, who initiated an investigation. That investigation resulted in several indictments. Comptroller investigators initiated an independent investigation to determine whether or not city officials were involved in this check-cashing scheme. During that investigation, the former mayor advised Comptroller investigators that his signature had been forged on the 11 unauthorized city checks. In addition, the Comptroller investigation revealed other discrepancies and issues.

INVESTIGATIVE FINDING

Presented below is the investigative finding resulting from our special investigation of selected records of the City of Philadelphia.

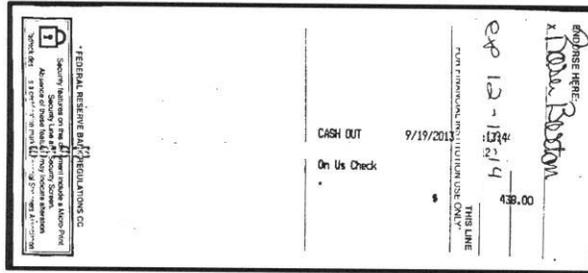
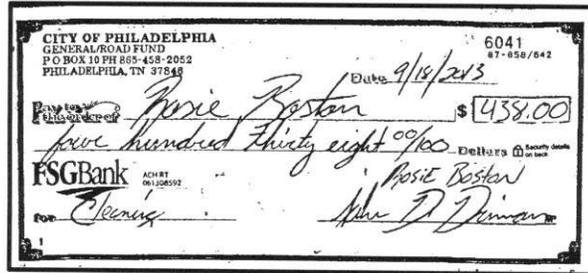
1. **FINDING:** Former city recorder Rosie Boston misappropriated \$638 by cashing two unauthorized checks to herself

The former city recorder, Rosie Boston, misappropriated at least \$638 in city funds. Ms. Boston admitted to Comptroller investigators that in August 2013, she cashed an unauthorized city check payable to herself totaling \$200 and used the proceeds for personal purposes.



¹ The mayor resigned on November 11, 2013, due to the “recent breach of financial security.”

In September 2013, Ms. Boston cashed another unauthorized city check payable to herself totaling \$438. Ms. Boston claimed that she did not retain the proceeds of the check, but instead gave them to a friend. Ms. Boston told Comptroller investigators that although she did not prepare these checks, she did sign and transact the checks without the authority or knowledge of the former mayor or members of the board of aldermen.



OTHER FINDINGS AND RECOMMENDATIONS

Presented below are the findings and recommendations related to internal control and compliance deficiencies noted during the special investigation that we believe warrant the attention of City of Philadelphia officials. In the accompanying responses, management has indicated they have corrected or intend to correct each of these deficiencies.

1. **FINDING:** City recorder signed blank checks

The city recorder advised Comptroller investigators that she signed blank city checks at the request of the former mayor. As a result, the former mayor had total control over the related disbursements, effectively circumventing the intended separation of duties provided by dual signatures. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 42, states that “[c]hecks must not be signed in advance of their preparation and issuance.”

RECOMMENDATION:

To ensure that city funds are used only for valid city purposes and only for expenditures supported by adequate documentation, officials should never sign blank city checks or request that checks be signed in advance.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The officials should never presign blank city checks and the board will prohibit the practice here forward.

Recorder:

I concur. I avow that I will not presign checks.

2. **FINDING: No comprehensive written purchasing policy adopted**

The former mayor and members of the board of aldermen failed to develop and adopt a comprehensive written purchasing policy. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 61, states that municipalities should adopt a written purchasing policy that includes designating persons authorized to make purchases, requiring the use of prenumbered purchase orders, requiring approval by the finance officer, outlining procedures for emergency and small-item purchases without prior approval, and requiring bids for purchases over a stated amount.

RECOMMENDATION:

To ensure that the city purchases items at the best price and in the most advantageous manner, the mayor and members of the board of aldermen should adopt and enforce compliance with a comprehensive written purchasing policy.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The city needs to have a written purchasing policy. A draft ordinance was obtained from MTAS and the board plans to pass on first reading a tailored policy at the regularly scheduled May meeting with final adoption in June.

3. **FINDING: Failure to maintain complete inventory records of high-risk, moveable equipment**

City officials did not ensure that complete inventory records of high-risk, moveable property such as sound equipment and computers were maintained, or that all property purchased was available for municipal use. Investigators were unable to locate sound equipment costing over \$600, purchased by the former mayor with city funds for use at a benefit concert. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 72, requires that municipal officials maintain a record of moveable,

high-risk, sensitive property; perform an annual physical inventory; and tag or mark the municipal property immediately following the purchase of the items.

RECOMMENDATION:

To safeguard and account for high-risk, movable property, city officials should ensure that accurate and complete records of this property are maintained. A physical inventory should be performed and documented at least annually. In addition, all property should be identified (tagged or marked) as belonging to the city.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

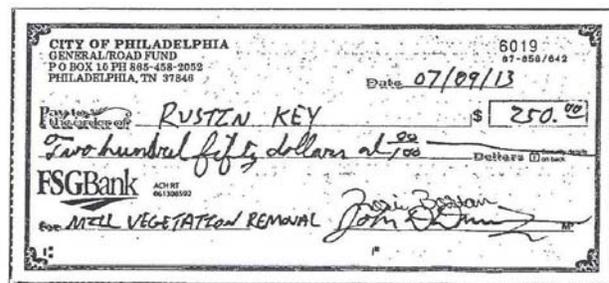
We concur. High-risk, moveable equipment needs to be inventoried annually. The city’s governing body will ensure the creation of an inventory of such high-risk, moveable equipment and will ensure that it is physically checked at least annually to validate that all property is properly accounted for. Furthermore, the board will ensure that said property will either be tagged or inscribed to prevent its theft and attempted resale.

Recorder:

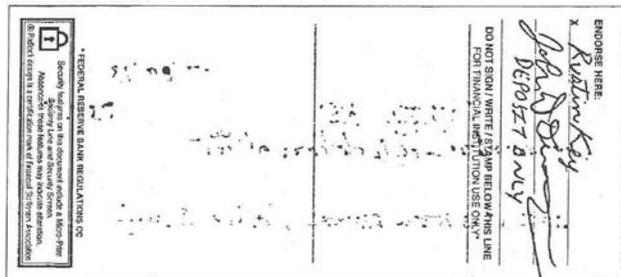
I concur. I will create the inventory list, audit the list annually, provide a copy to the governing body annually, and personally apply tags to or inscribe high-risk, mobile property.

4. **FINDING:** City officials did not obtain a written contract for day labor

The former mayor apparently contracted with certain individuals to provide day labor for various clean-up projects. However, the city did not obtain written agreements for these services, detailing the scope of the work or the responsibilities and liabilities of both parties. In addition, these agreements were not brought before the board of alderman prior to the work being done. Entering into these types of arrangements without the knowledge or involvement of the board of alderman could create an appearance of impropriety. For example, the former mayor used his personal funds and paid the \$246 bail



07/11/2013 6019 \$250.00



bond for a friend² who was incarcerated at the Loudon County jail. After his friend was released from jail, the former mayor wrote a city check totaling \$250 payable to his friend for work the friend purportedly performed for the city. His friend endorsed the city check, and returned it to the former mayor as reimbursement for paying the bail bond. The former mayor endorsed and deposited the city check into his personal bank account.

The *Internal Control and Compliance Manual for Tennessee Municipalities* requires that municipal officials maintain adequate records of contracts and agreements and include those documents with the minutes of the governing body. Pages 13-14 of the manual states:

The official minutes should be signed and kept together in date order and be easily accessible. The minutes should include the following ...

- i. copies of contracts entered into by officials. Municipal officials must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:
 - (1) contract labor and consultant agreements, including computer services, day labor, and similar work
 - (2) leases
 - (3) rentals
 - (4) management agreements ...

RECOMMENDATION:

To document that all contracts and agreements are properly considered and approved by the mayor and board of alderman, copies of such agreements should be maintained with the minutes of the meetings of the mayor and board of aldermen.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. All contracts and agreements should be properly considered and approved by the board. In the future, copies of contracts and agreements will be maintained with the minutes of the meeting during which said contracts were approved.

² According to the former mayor, this same friend took the city checks from his residence.