



CITY OF SAMBURG

Comptroller's Investigative Report
February 15, 2017

Justin P. Wilson, Comptroller





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

Justin P. Wilson
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**

February 15, 2017

City of Samburg
P. O. Box 238
Samburg, TN 38254

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, conducted an investigation of selected records of the City of Samburg, 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

City of Samburg

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the City of Samburg.

INVESTIGATIVE RESULT

- **Former city recorder Mary Swain misappropriated city money totaling at least \$31,759**

The investigation revealed that, during the period August 2012 through October 2014, former city recorder Mary Swain misappropriated city funds totaling at least \$31,759. As detailed below, Ms. Swain perpetrated the misappropriation by diverting city cash collections for her personal use and by issuing and transacting unauthorized city checks payable to herself, retaining the funds for her personal benefit.

1. Ms. Swain misappropriated cash collections totaling at least \$14,471 that she received on behalf of the city for property taxes, garbage pick-up, and other city services. Ms. Swain did not deposit these collections into a city bank account; instead she kept the money for her personal benefit. In fact, during the period July 1, 2013, through September 30, 2014, with the exception of fire protection fee collections, Ms. Swain deposited only \$85 of the cash she received.
2. Ms. Swain also issued and transacted unauthorized city checks totaling at least \$17,287 made payable to herself, and retained the funds for her personal benefit. Ms. Swain signed the names of the former mayor and former vice mayor on some of these checks without their permission. The former mayor and former vice mayor identified at least 10 checks made payable to Ms. Swain, to which their respective names were signed without their knowledge or authority. In addition, some of the misappropriated checks were signed in advance by the former mayor or former vice mayor, who stated that they thought the checks were to be used to pay legitimate city invoices.

The table below sets forth the misappropriated amounts:

| Summary of Misappropriated Funds by Mary Swain | Amount | Total |
|---|---------------|--------------------|
| Misappropriation from Collections | | |
| Property taxes | \$ 8,393.39 | |
| Garbage fees | 5,479.80 | |
| Police citations | <u>598.75</u> | |
| Total Misappropriation from Collections | | \$14,471.94 |
| Misappropriation from Disbursements | | |
| Unauthorized checks to payable to Mary Swain | \$17,287.42 | |
| Total Misappropriation from Disbursements | | <u>17,287.42</u> |
| Total Misappropriation | | <u>\$31,759.36</u> |

Investigators noted numerous other questionable payments made by Ms. Swain using city money. These included payments for various food items and party supplies. Documentation for these questionable purchases was insufficient to determine the benefits, if any, received by the city.

Ms. Swain admitted to investigators that she took cash collections from the City of Samburg for her personal use. She also admitted that she wrote checks to herself from city accounts without authorization for personal use. Ms. Swain resigned her employment with the city in October 2014.

These matters were referred to the local district attorney general. On February 7, 2017, the Obion County Grand Jury indicted former city recorder Mary Swain on one count of Theft over \$10,000.

ADDITIONAL ISSUES

Our investigation revealed significant deficiencies in the city's financial processes that contributed to the former recorder's ability to perpetrate her misappropriation scheme without prompt detection. These financial process deficiencies included:

1. City officials failed to separate incompatible financial duties and to provide increased oversight when appropriate. The former recorder prepared and signed city checks and was responsible for recording disbursements in the city's records. In addition, the former recorder received and opened mail, and she received, recorded, and deposited collections. The former recorder also received and was responsible for reconciling the bank statements.
2. City officials did not ensure that adequate documentation for disbursements was required and retained.
3. City officials failed to ensure that some collections were recorded and deposited within three business days. We noted delays of up to 17 days for recorded collections to be deposited into the related city bank account.
4. City officials signed some blank checks in advance of issuance. The mayor and former vice mayor both stated that they would occasionally sign blank checks and leave them with Ms. Swain with the understanding they were to be used for legitimate city business. They further stated that they did not always review related documentation for these checks, once issued.
5. City officials did not ensure that city checks were signed by two authorized signers. We noted that some checks were issued with just one signature and, in one case, with no authorizing signature.
6. City officials did not require and ensure that property tax and garbage accounts receivable were reconciled.

City officials indicated that they have corrected or intend to correct these deficiencies.