



# SEQUATCHIE COUNTY FAIR ASSOCIATION

**Comptroller's Investigative Report**  
February 6, 2017

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**Justin P. Wilson, Comptroller**





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

**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 6, 2017

Board of Directors  
Sequatchie County Fair Association  
P. O. Box 1631  
Dunlap, TN 37327

Board of Directors:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Sequatchie County Fair Association, 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

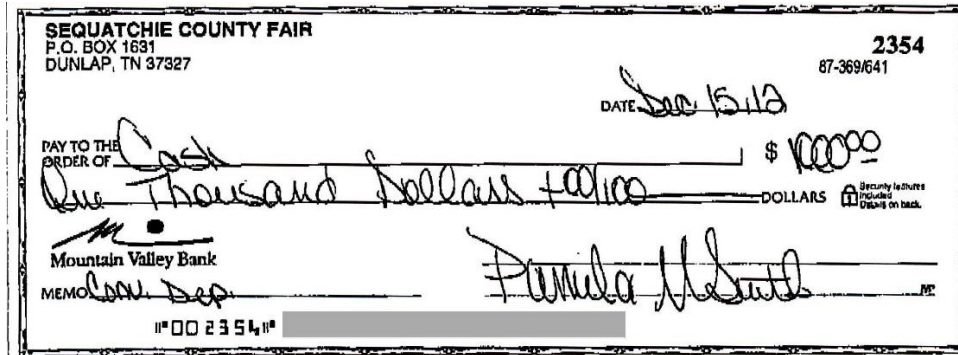
## Sequatchie County Fair Association

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Sequatchie County Fair Association (fair association). The fair association is a nonprofit organization, which, according to its bylaws, was formed for the purpose of organizing and conducting the Sequatchie County Fair. At the time of the investigation, Karen Marshall served as fair association board president and Pamela Smith served as fair association board treasurer.

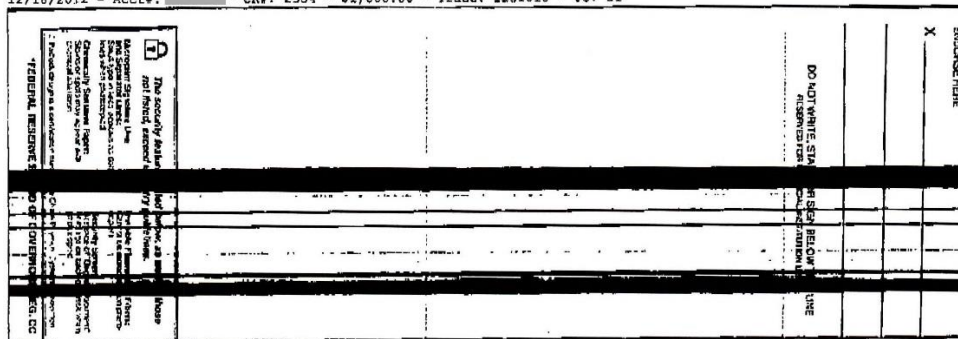
### INVESTIGATIVE RESULTS

- **Sequatchie County Fair Association Board Treasurer Pamela Smith misappropriated fair association money totaling nearly \$5,200**

During the period, June 2012 through December 2014, fair association board treasurer Pamela Smith misappropriated at least \$5,198 from the fair association. Ms. Smith perpetrated the misappropriation by writing and transacting at least 10 unauthorized fair association checks, including checks to herself and to cash, and retaining the funds for her personal benefit. Ms. Smith concealed her fraudulent actions by writing fictitious purposes on the memo line of the checks. [Refer to example below.]



12/18/2012 - Acct#: [redacted] - CK#: 2354 - \$1,000.00 - Trace: 1231018 - TC: 51

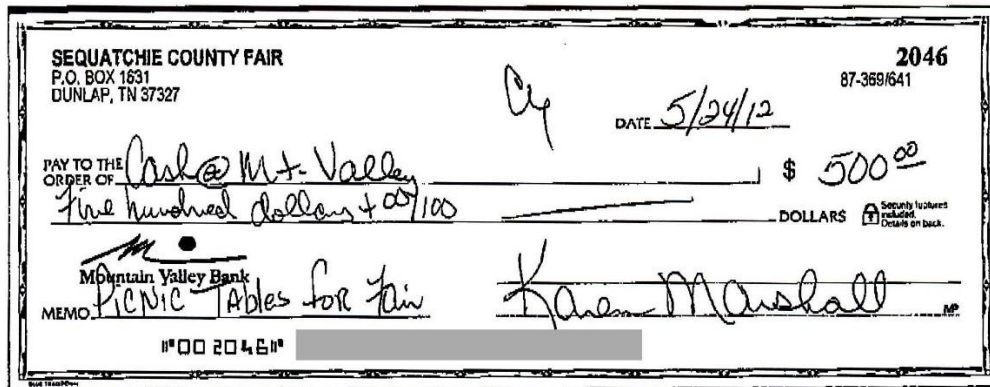


Ms. Smith admitted to investigators that without anyone else's knowledge, she wrote unauthorized checks from the fair association account and that she kept the money to pay personal bills. Ms. Smith resigned her position as treasurer on January 27, 2017.

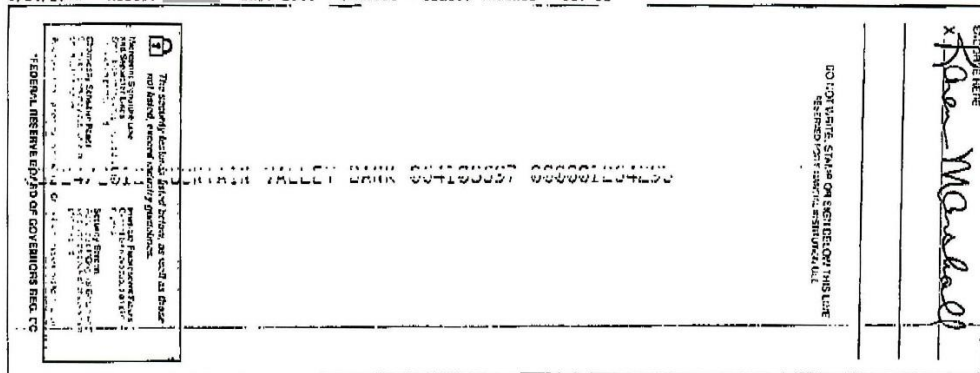
- **Sequatchie County Fair Association Board President Karen Marshall misappropriated fair association money totaling at least \$2,000**

During the period, March 2012 through March 2014, current fair association board president Karen Marshall misappropriated at least \$2,000 from the fair association. Ms. Marshall used two schemes to perpetrate the misappropriation:

- Ms. Marshall wrote and transacted at least six unauthorized fair association checks totaling \$1,355 payable to cash, to a bank, or to another vendor in order to obtain cash; and retained the funds for her personal use. [Refer to example below.]



5/24/2012 - Acct#: - CR#: 2046 - \$500.00 - Trace: 1264295 - TC: 51



- Without board authorization, Ms. Marshall used the fair association debit card to make 12 payments totaling at least \$700 for diet pills. [Refer to example below.]

SEQ CO FAIR ASSOC		30
PO BOX 1631		7
DUNLAP TN 37327		1
=====		
NOW NON-PERSONAL ACCOUNT [REDACTED]		
=====		
MINIMUM BALANCE	79.55	LAST STATEMENT 01/31/14 33.90
AVG AVAILABLE BALANCE	545.65	8 CREDITS 1,578.64
AVERAGE BALANCE	574.00	12 DEBITS 611.60
		THIS STATEMENT 02/28/14 1,000.94
-----		
DEPOSITS		
REF #.....DATE.....AMOUNT	REF #.....DATE.....AMOUNT	REF #.....DATE.....AMOUNT
02/03 220.00	02/10 125.54	02/24 58.00
02/06 136.25	02/19 70.00	
02/06 320.00	02/19 648.84	
-----		
OTHER CREDITS		
DESCRIPTION	DATE	AMOUNT
INTEREST	02/28	.01
-----		
CHECKS		
CHECK #..DATE.....AMOUNT	CHECK #..DATE.....AMOUNT	CHECK #..DATE.....AMOUNT
2431 02/19 65.00		
-----		
OTHER DEBITS		
DESCRIPTION	DATE	AMOUNT
Recur Pymnt 02/03/14 05:00 6369 LIVE BODY COACHLIVE BODY 800-522-6750 AZ 980005	02/03	19.95
POS 02/02/14 19:40 6369 Wal-Mart Super C HIXON TN 040116	02/03	42.41
POS 02/01/14 08:58 6369 SHERATON MUSIC SHERATON M NASHVILLE TN 100001	02/03	111.99
POS 02/06/14 15:16 6369 VISTA*VistaPrVISTAPR*Vi 866-6148002 CA 730375	02/06	27.97
POS 02/09/14 16:36 6369 ORIENTAL TRADNGORIENTAL T 800-228-0475 NE 143800	02/10	41.71
Recur Pymnt 02/10/14 20:58 6369 HEALTHY NEW BEGHEALTHY NE 888-6568893 FL 900011	02/11	86.90
Recur Pymnt 02/11/14 23:55 6369 8554599200NUTRA8554599200 855-4599200 FL 463708	02/12	77.86

Ms. Marshall admitted to investigators that she wrote unauthorized fair association checks to herself and to cash and that she did not use the money for the benefit of the fair. She also admitted that she used the fair association debit card without authorization for her personal use. Ms. Marshall claimed that the debit card use was a mistake, although investigators discovered that Ms. Marshall made multiple charges on the fair association debit card to at least four different companies for diet pills over a period of nearly four months. As of January 30, 2017, Ms. Marshall still serves as President of the Sequatchie County Fair Association Board of Directors.

These matters were referred to the local district attorney general. On January 23, 2017, the Sequatchie County Grand Jury indicted Ms. Pamela Smith on one count of Theft over \$1,000, and also indicted Ms. Karen Marshall on one count of Theft over \$1,000.

## **ADDITIONAL ISSUES**

Our investigation revealed significant deficiencies in the Sequatchie County Fair Association's financial processes that contributed to the treasurer's and to the president's ability to perpetrate their misappropriation schemes without prompt detection. These financial process deficiencies were:

1. The fair association board of directors failed to provide adequate oversight of the association's finances, of which the board president and the board treasurer had total control. Board members did not review bank statements, imaged checks, or other financial documentation. They instead relied on Ms. Smith's and Ms. Marshall's assertions as to amounts of collections, disbursements, and balances.
2. The fair association board of directors failed to require proper records to be kept of all business transactions and failed to "secure a careful audit of the books and accounts of the Association and render a report in writing ..." as required by the association's bylaws. Fair association records did not include receipts, invoices, or other documentation for many collections and disbursements. As a result, records were inadequate to determine that all collections were deposited in the fair association bank account and that all funds were appropriately used for the benefit of the fair association. In addition, the required audit reports were not prepared setting forth the association's assets and liabilities, annual operating statements, and itemized statements of all expenses.
3. The fair association board of directors did not require two signatures on all checks as set forth by the association's bylaws. Although checks for the fair board account were designed for two signatures, we noted almost all checks, including those involved in the misappropriation, bore only one signature.