

# **SPECIAL INVESTIGATION**

## **TENNESSEE PRISON FOR WOMEN INMATE TRUST FUND JULY 1, 2011, THROUGH JUNE 30, 2014**



# **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**

September 9, 2014

Commissioner Derrick Schofield  
Tennessee Department of Correction  
Rachel Jackson Building, 6<sup>th</sup> Floor  
Nashville, TN 37243

Dear Commissioner Schofield:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the Tennessee Women's Prison – Inmate Trust Fund, which focused on the period July 1, 2011, through June 30, 2014. 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  
TENNESSEE PRISON FOR WOMEN – INMATE TRUST FUND  
FOR THE PERIOD JULY 1, 2011, THROUGH JUNE 30, 2014**

**SUMMARY**

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, performed a special investigation of selected records of the Inmate Trust Fund accounts at the Tennessee Prison for Women. This investigation was initiated after the Law Enforcement Unit of Tennessee Department of Correction's Investigation and Compliance Unit exposed an apparent theft scheme. This investigation focused primarily on the period July 1, 2011, through June 30, 2014, and revealed the following:

- A former Tennessee Prison for Women trust fund custodian, Mary Williams, misappropriated at least \$216,845 by directing the issuance of unauthorized inmate trust fund checks and converting the proceeds for her personal use.
- Ms. Williams created fictitious credits, or deposits, into selected inmate trust fund accounts, thereby creating an artificial surplus which she promptly misappropriated.

These matters were referred to the local district attorney general. On September 5, 2014, the Davidson County Grand Jury indicted Ms. Mary Williams on one count of Theft, one count of Forgery, one count of Computer Fraud, and one count of Official Misconduct.

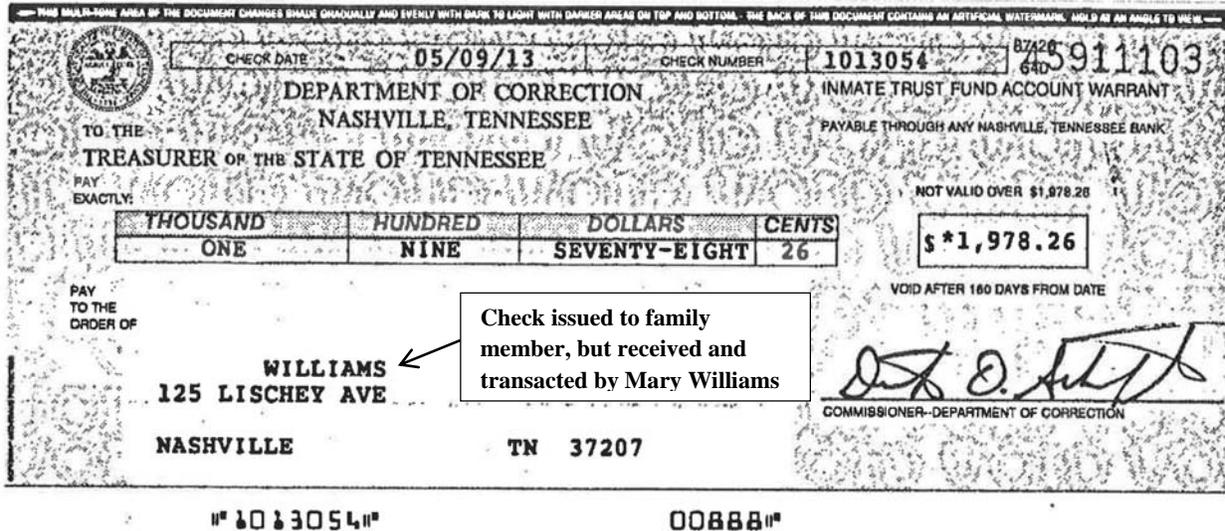
**INVESTIGATIVE FINDINGS**

The investigative findings resulting from this special investigation are shown below.

1. **FINDING: Former inmate trust fund custodian misappropriated at least \$216,845**

Our special investigation revealed that during the period October 2011 through June 2014, former inmate trust fund custodian Mary Williams misappropriated inmate trust funds totaling at least \$216,845. Without the knowledge or approval of inmates or prison officials, Ms. Williams directed the issuance of unauthorized checks, usually in the name of one of her family members. (Refer to the example below.) She deposited these checks into bank accounts that she controlled, using the funds for her personal benefit. Investigators also discovered that Ms. Williams directed the issuance of additional unauthorized checks totaling \$11,332, which were either intercepted by Department of Corrections' officials prior to being transacted or were otherwise not transacted. The total

of all unauthorized checks issued and intended for Ms. Williams' personal benefit was \$228,177.



2. **FINDING:** Former inmate trust fund custodian recorded fictitious deposits into selected inmates' trust fund accounts

Ms. Williams, the former inmate trust fund custodian, made fictitious entries into selected inmate trust fund accounts to make it falsely appear as if those accounts had available funds. She immediately siphoned off these artificial balances for her personal benefit. Ms. Williams appeared to target the trust fund accounts of inmates who, due to their custody or health status, were unable or unlikely to earn wages and, therefore, were unlikely to review their trust fund accounts and discover the fraudulent transactions.

**OTHER FINDINGS AND RECOMMENDATIONS**

Presented below is the finding related to internal control and compliance deficiencies noted during the investigation. Comptroller investigators discussed this matter with the Commissioner of the Tennessee Department of Corrections and members of his staff. Department officials indicated they have corrected this deficiency.

1. **FINDING:** Failure to adequately separate financial duties

Tennessee Prison for Women officials failed to ensure that employees' responsibilities were adequately separated; instead they allowed the former trust fund custodian access and control over all aspects of trust fund financial transactions. The former trust fund custodian was able to record credits into inmates' accounts, direct that checks be issued from the accounts, and then receive the completed and signed checks. In addition, officials did not periodically review accounts or reconcile actual trust fund bank deposits with the deposits recorded on individual inmate accounts.

Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. Allowing one employee complete control over a transaction from beginning to end increases the risk of fraud. Ideally, work flow should be established so that one employee's work is automatically verified by another employee working independently.

**RECOMMENDATION:**

To decrease the risk of undetected errors or fraud, prison officials should ensure that no employee has complete control of a financial transaction. The employee who has authority to record credits or deposits into trust fund accounts should not have authority to direct withdrawals or checks. Likewise, the employee who has authority to direct that trust fund checks be issued should not have access to the completed check. In addition, a periodic review and reconciliation of all activity in the trust fund should be completed by a designated individual not involved in the trust fund custodial process.