



**WILSON COUNTY  
OFFICE OF TRUSTEE**

**Comptroller's Investigative Report**  
July 18, 2017

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**Justin P. Wilson, Comptroller**





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

**Justin P. Wilson  
Comptroller of the Treasury**

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PHONE (615) 401-7907  
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July 18, 2017

Jim Major, Trustee  
Wilson County Office of Trustee  
P. O. Box 865  
Lebanon, TN 37087

Dear Mr. Major:

The Office of the Comptroller of the Treasury conducted an investigation of pertinent records of the Wilson County Office of Trustee, 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

## WILSON COUNTY OFFICE OF TRUSTEE

### BACKGROUND

In February 2017, our office was informed of suspected irregularities regarding receipts issued by the Wilson County Office of Trustee. We performed an investigation of pertinent records of the trustee's office in coordination with the Comptroller's Division of Local Government Audit and the Tennessee Bureau of Investigation for the period October 1, 2015, through February 28, 2017. On July 10, 2017, Shannon Hodgins was indicted by the Wilson County Grand Jury on one count of Theft Between \$10,000 and \$60,000, one count of Official Misconduct, and one count of Tampering with an Official Government Record.



A finding and recommendation, resulting from our investigation, is presented below. This finding and recommendation has been reviewed with management. Also, this finding and recommendation has been reviewed with the district attorney general for the Fifteenth Judicial District.

### INVESTIGATIVE FINDING AND RECOMMENDATION

#### FINDING 1 A CASH SHORTAGE OF \$14,333.74 EXISTED IN THE TRUSTEE'S OFFICE ON FEBRUARY 28, 2017

A cash shortage of \$14,333.74 existed in the office of trustee on February 28, 2017. This cash shortage resulted from a deputy clerk removing cash that had been recorded and substituting checks that had not been recorded. The deputy clerk used a scheme known as substitution to manipulate transactions to remove monies from the office. Substitution occurs when a transaction is properly recorded and paid for with cash, and another transaction is paid with a check but is not recorded in the records. The employee removes the cash and substitutes the unrecorded check payment for the transaction that was recorded and made in cash.

The following are details of the improprieties we noted:

- A. We found multiple instances where receipts issued for cash collections had been recorded as void on the accounting records; however, the original receipts were later produced by the customer or we confirmed that a cash payment was made by the customer. These receipts totaled \$9,123 and are included in the cash shortage. **(Refer to Exhibit 1.)**

**Exhibit 1**

Source: Trustee Accounting Records

Transactions										Notes
Date	Rcpt #	GL Trans #	Method	Detail	Status	Code	Description	Debit	Credit	
1 10/04/16						100	BILLING	1,563.00		
2 12/05/16	<u>232431</u>		CASH		VOID	200	RECEIPTS		700.00	
3 12/05/16	<u>232431</u>		CASH			999	VOID	700.00		
4 12/20/16	<u>253377</u>		CHECK	ck1146		200	RECEIPTS		700.00	

Customer's cash payment received and improperly voided.

Duplicate check payment misapplied to customer's account

- B. We discovered multiple instances where receipts for cash collections were incorrectly recorded as check payments. We confirmed these cash payments with the customers. These receipts totaled \$4,676.86 and are included in the cash shortage.
- C. We noted one instance where a cash collection from the solid waste department was not receipted and not deposited into the trustee's bank account. This amount totaled \$533.88 and is included in the cash shortage.

The following table<sup>1</sup> summarizes the cash shortage:

<b>Date</b>	<b>Amount</b>	<b>Daily Total</b>	<b>Method</b>
12/20/2016	\$ 700.00	\$ 700.00	cash void – A.
12/28/2016	1,205.00	1,205.00	cash void – A.
01/04/2017	533.88	533.88	cash not deposited – C.
01/26/2017	1,364.00		cash void – A.
01/26/2017	767.00		cash void – A.
01/26/2017	1,104.00	3,235.00	cash void – A.
02/02/2017	952.00	952.00	cash void – A.
02/03/2017	437.00	437.00	cash void – A.
02/07/2017	2,204.00		cash received as check – B.
02/07/2017	(136.45)	2,067.55	cash received as check – B.
02/13/2017	2,367.00		cash void – A.
02/13/2017	1,259.31	3,626.31	cash received as check – B.
02/15/2017	932.00	932.00	cash received as check – B.
02/17/2017	418.00		cash received as check – B.
02/17/2017	326.00		cash void – A.
02/17/2017	(99.00)	645.00	cash void – A.
<b>Cash Shortage</b>	\$14,333.74	\$14,333.74	

Employees maintain separate cash drawers, and each employee is responsible for the cash and checks they collect each day. Employees use adding machines to total their cash and check collections. The adding machine tapes are initialed by the employee and should agree with their recorded collections. We examined the adding machine tape totals, and the days with discrepancies in receipts and collections were all initialed by the same deputy clerk.

During our investigation, we were advised that each deputy clerk had unique computer system login credentials, and the trustee maintained a master list of these credentials. Suspicious transactions in the computer system could be identified and traced to a specific deputy clerk. Furthermore, customers identified this deputy clerk as receipting their cash payments.

The trustee's office has issued refunds to customers who made payments in error or whose payment was an overpayment and subsequently had their checks misapplied.

<sup>1</sup> Negative amounts were noted on February 7 and 17, 2017. This occurred due to portions of the cash collected by the office on previously voided cash receipts being applied to other accounts. This action was taken to reconcile the total check and cash collections in the accounting records to the total check and cash collections turned over for deposit.

**RECOMMENDATION**

Officials should take immediate steps to collect the \$14,333.74 cash shortage. Any variances in daily deposits compared with collections should be investigated and corrected promptly.

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