



COFFEE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

Comptroller's Investigative Report
October 3, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
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October 3, 2018

Coffee County Emergency Communications District
911 Jack Welch Drive
Manchester, TN 37355

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Coffee County Emergency Communications District, and the results are presented herein. We reviewed these findings and recommendations with the district attorney general for the Fourteenth Judicial District.

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", is written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

COFFEE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

BACKGROUND

The Coffee County Emergency Communications District (the district) is based in Manchester, Tennessee. The district provides enhanced 911 emergency telephone service for the area. The district operates through the directives of a nine-member board appointed by the Coffee County mayor and confirmed by the county commission. The district has a director who oversees the district's daily operations.



The district does not have the authority to levy or collect taxes but is supported primarily by a 911 surcharge collected by communication service providers. The providers remit the fees to the Tennessee Department of Revenue and then the fees are disbursed to the district by the Tennessee Emergency Communications Board. The district receives a statutorily determined amount of base funding each year. Furthermore, districts may receive funds from federal, state, and local

governments as well as private sources.

Tennessee Code Annotated, Section 7-86-304, requires the district to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* (E-911 Manual) prescribed by the Tennessee Comptroller of the Treasury. Any use of 911 revenue must comply with *Tennessee Code Annotated*, Section 7-86-102(d), which states that the funds received by districts “from all sources shall be used exclusively in the operation of the emergency communications district.” The Tennessee Emergency Communications Board establishes three categories of revenue uses: Required Uses, Permissible Uses, and Prohibited Uses of 911 Revenue. The district is also required to follow Coffee County’s employee, travel, and purchasing policies.

We have reviewed the following findings and recommendations with the district attorney general for the Fourteenth Judicial District.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1: The district made a questionable payment totaling \$15,000 to the director

Our investigation noted the district made a questionable payment totaling \$15,000 to the director. In 2014, the district’s board approved the construction of a new district building. Bids were obtained, and on May 1, 2015, Sain Construction Company was contracted to construct the building at an amended cost of \$1,215,131. The district hired Oliver Little Gipson Engineers, Inc., as the project manager and to certify to the district that based on onsite observations, the data comprising the contractor’s payment applications, and that to the best of the engineer’s knowledge, information and belief, the work on the building had progressed as indicated by Sain, the quality of the work was in accordance with the contract documents, and that Sain was entitled to payment.

The board began discussing the project and its financing in the April 2014 board minutes, and the construction of the building was stated as completed in the June 2016 minutes. We found no evidence that the director was to be paid for any extra work related to the construction project; however, in April 2017, the district board determined that the director should be compensated \$15,000 above his normal salary for special services he provided related to the project. Additional information noted below make the payment of \$15,000 to the director appear questionable:

- A) A review of district board minutes from the beginning discussions (April 2014) through the completion of construction (June 2016) did not document any discussions of the director providing or receiving compensation for any special services. As noted above, an engineering firm was hired to approve the work performed by the construction company.
- B) In a special-called board meeting held April 7, 2017, the board voted to pay the director an additional \$15,000 for special services the director provided relating to the construction project. This approval was approximately 10 months after the completion of the construction project (June 2016) and two months (February 2017) after the director announced his retirement effective June 27, 2017. The timing of this payment gives the appearance of a bonus related to the director's retirement.
- C) Board minutes reflect discussion of construction financing and approval of a financial advisor with an initial cost of \$5,000, although legal counsel indicated this was a duty to be performed by the board chairman, board treasurer, and the director. However, if the director acted as the financial advisor, why did the board go to the expense of hiring a separate financial advisor?
- D) The board had legal counsel to review the services provided by the director that related to the planning, financing, and building of the new district building. The attorney responded that these services were above and beyond the director's regular duties relating to his management of the district's operations. However, the attorney noted that the board had given only minimal compensation to the director over the years, and that payment was intended to offset the value of the district-related duties only. Nevertheless, we found no evidence that the director was entitled to receive any extra compensation related to the construction project as services identified by the attorney appear to be duties that fit within the job responsibilities of a district director or were services already being performed by other individuals.
- E) Payroll for the director and full-time personnel is processed through Coffee County's payroll system, while the payroll for the part-time personnel is processed through the district's bank account. The \$15,000 payment to the director was processed through the district's bank account with no payroll deductions withheld. Since this supplemental payment was not paid through Coffee County's payroll system, the payment was not subjected to income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching portions of social security and Medicare associated with this supplemental payment. This \$15,000 in compensation was not reported to the federal government on the director's Form W-2.

We made several attempts to talk with the former director and were able to talk with him once briefly, but we were unable to establish a meeting with him.

RECOMMENDATION:

The district board should clarify and document the specific reason for the \$15,000 disbursement to the director. Board minutes should be clearly written and include all pertinent information. All payroll-related payments to the director should be made through Coffee County’s payroll system to properly reflect the employee’s total compensation. Also, all wages should be subject to the proper employee payroll taxes, the district’s matching portions, and properly reported to the federal government.

FINDING 2: The district had expenditures totaling \$3,400 that appear to conflict with the county’s nepotism policy

Our investigation revealed that during the period July 1, 2016, through June 30, 2017, the district made multiple payments totaling \$3,400 to three employees’ relatives, which appear to be conflicts of interest.

The district paid one employee’s husband \$240 (A) for moving items between the old and the new district buildings. The district paid another employee’s husband \$2,645 (B) to mow for the district.

The district paid one employee’s two grandsons a total of \$515. One grandson was paid \$455 for various jobs performed on four separate occasions, three of which had no documentation. The other grandson was paid \$60 for sanding walls in the old district building to prepare for painting. The grandsons earned between \$12.50 and \$15.00 per hour. The invoices provided for two of these five disbursements were handwritten on notepad paper that were identified by a district employee as the director’s handwriting.

Exhibit 1

Date	Relationship	Amount
07/11/2016	Grandson	\$ 150.00
07/15/2016	Husband (B)	85.00
07/18/2016	Grandson	87.50
07/28/2016	Grandson	62.50
07/30/2016	Husband (B)	250.00
08/15/2016	Husband (B)	85.00
08/24/2016	Husband (B)	250.00
09/13/2016	Husband (B)	85.00
09/28/2016	Husband (B)	85.00
10/07/2016	Husband (B)	250.00
10/26/2016	Grandson	155.00
11/14/2016	Grandson	60.00
03/28/2017	Husband (A)	80.00
03/31/2017	Husband (B)	200.00
04/07/2017	Husband (A)	80.00
04/13/2017	Husband (B)	125.00
04/26/2017	Husband (B)	125.00
05/12/2017	Husband (B)	285.00
05/16/2017	Husband (B)	125.00
05/26/2017	Husband (B)	125.00
06/01/2017	Husband (A)	80.00
06/09/2017	Husband (B)	285.00
06/23/2017	Husband (B)	285.00
		<u>\$3,400.00</u>

The district should follow Coffee County's nepotism policy to avoid the appearance of conflict of interest situations. That policy states:

However to avoid conflict of interest situations, the County will not consider a relative for employment if: (a) the employee will participate in the decision to hire the relative, (b) the employee will supervise the relative or employment activities of the relative, (c) the employee will be in a position to influence the employment activities of the relative, or (d) the recruitment of the relative will create either an actual conflict of interest or the appearance of a conflict of interest.

RECOMMENDATION:

The district should resolve any conflicts of interest and follow Coffee County's nepotism policy. The district should pay for all applicable purchases of goods and/or services from official invoices submitted by the vendor.

FINDING 3: The district had questionable purchases of food totaling \$891.76

During the period July 1, 2016, through June 30, 2017, the district made food purchases totaling \$2,241.87. Of this amount, \$1,350.11 were for expenses of six regular board meetings and one special-called board meeting, which are a permissible use of 911 funds; however, the remaining \$891.76 of food purchases were questionable.

Food purchases were made on a regular basis and appear to be a general practice of the district. However, some purchases were not adequately supported with itemized receipts, and some appear to be for only one or two meals. The regular and general purchase of food without proper documentation could lead to fraud and abuse.

The food purchases are noted in the following table:

Exhibit 2

Date	Items	Amount	Description
08/24/2016	Touchdown Wings	\$ 105.34	District Meeting
08/24/2016	One Stop	13.60	District Meeting
08/26/2016	Alexis Howland Bakery	47.00	District Meeting
10/26/2016	Crazy Daisies	160.00	District Meeting
12/07/2016	Walmart	103.86	District Meeting
12/07/2016	Pizza Hut	64.68	District Meeting
02/21/2017	Kangaroo Express	29.85	District Meeting
02/22/2017	The Kake Lady	255.00	District Meeting
04/07/2017	Chick-fil-A	141.03	Special-Called Meeting
04/07/2017	Dairy Queen	29.62	Special-Called Meeting
04/26/2017	Barton Springs Grocery	32.78	District Meeting
04/26/2017	Slick Pig	262.65	District Meeting
06/26/2017	Walmart	104.70	District Meeting
Total Food Purchases for Board Meetings		<u>\$1,350.11</u>	
06/22/2016	Subway	\$ 12.79	For cleanup personnel
06/30/2016	Zaxby's	14.57	For cleanup personnel
07/06/2016	Donut Place	39.41	No details
07/06/2016	Hardee's	41.78	Unreadable
07/06/2016	Zaxby's	14.03	No details
07/28/2016	Crazy Daisies	26.25	Check signing
10/27/2016	Food Lion	10.78	Drinks
10/31/2016	Dollar General	42.80	Halloween Candy
11/30/2016	Crazy Daisies	63.50	No details
12/14/2016	Logan's	180.59	No details
12/20/2016	Cracker Barrel	241.43	Christmas dinner
01/04/2017	McDonald's Smithville	2.74	Drop of 1099 W-2s
01/06/2017	Hardee's Manchester	20.12	No details
01/06/2017	Crazy Daisies	32.00	Snow day
01/18/2017	Gondola's Pizza McMinnville	11.00	1099 W-2s
02/17/2017	Hardee's	23.62	Dispatcher's meeting
03/06/2017	Jersey Mikes	23.57	Banking in Tullahoma
03/08/2017	Las Chatitas	35.69	Remodeling meeting
03/10/2017	Chick-fil-A	20.98	Banking in Tullahoma
04/20/2017	Dunkin	34.11	No details
Total Questionable Food Purchases		<u>\$ 891.76</u>	
Total Food Purchases		<u>\$2,241.87</u>	

RECOMMENDATION:

The district should follow the 911 Revenue Standards established by the Tennessee Emergency Communications Board, which states as an allowable purchase, reasonable board meeting expenses. In addition, the board should adopt written policies and procedures that ensure purchase of food with district funds are related only to board meetings and require adequate documentation for all purchases.

FINDING 4: The district had deficiencies related to travel

The district adopted by-laws and utilizes Coffee County's adopted Tennessee Comprehensive Travel Regulations for employee business travel. Our investigation of employee travel revealed the following deficiencies, which are the result of the district's failure to follow its adopted by-laws and the county's travel policy:

- A. The district had questionable lodging expenditures totaling \$1,457.84 related to a four-night conference trip to Orange Beach, Alabama, for three individuals. The travel policy provides that out-of-state lodging be paid at the Continental United States (CONUS) rate. The CONUS rate for this travel destination was \$105 per night; however, the district paid \$216.17 per night for two rooms and \$247.12 per night for the third room to a lodging establishment that was not at the location where the conference was held. It should be noted that two of these rooms could accommodate six individuals, and the third room could accommodate 10 individuals.
- B. The district did not follow its by-laws, which state that travel claims "shall be submitted within a reasonable time, not to exceed thirty (30) days." The district allowed the director to submit travel claims at six-month intervals – in December 2016 (\$2,101.14) and June 2017 (\$993.61) for the period July 1, 2016, through June 30, 2017. The district allowed the 911 assistant director to submit one travel claim for the 12-month period of January 2016 through December 2016 totaling \$653.24. The district allowed a dispatcher to submit one travel claim for the 12-month period of January 2016 through December 2016 totaling \$650.70.
- C. The district issued 16 checks totaling \$7,803.84 to individuals in advance for travel expenses for the period July 1, 2016, through June 30, 2017. These advances were for lodging, mileage, meals, parking, miscellaneous, and conference fees. Travel procedures for the district are governed by Coffee County's travel policy and are subject to the Tennessee Department of Finance and Administration's Policy 8 – Comprehensive Travel Regulations; therefore, the agency should not pay in advance for travel-related expenses unless extraordinary circumstances exist. The following table notes the payments for advance travel expenses.

Exhibit 3

Date	Training	Purpose	Amount
10/07/2016	NENA Conference	Lodging, Mileage, Per Diem	\$ 669.55
10/07/2016	NENA Conference	Lodging, Mileage, Per Diem	751.12
10/07/2016	NENA Conference	Lodging, Mileage, Per Diem	669.55
10/07/2016	NENA Conference	Lodging, Mileage, Per Diem	751.12
10/07/2016	NENA Conference	Lodging, Mileage, Per Diem	777.34
10/07/2016	NENA Conference	Lodging, Mileage, Per Diem	751.12
12/01/2017	T.I.E.S.	Mileage, Per Diem and Misc.	219.50
12/01/2017	T.I.E.S.	Mileage, Per Diem and Misc.	219.50
01/19/2017	Winter Workshop	Mileage and Per Diem	389.00
01/19/2017	Winter Workshop	Mileage and Per Diem	389.00
01/19/2017	Winter Workshop	Mileage and Per Diem	389.00
01/19/2017	Winter Workshop	Mileage and Per Diem	389.00
01/19/2017	Winter Workshop	Mileage and Per Diem	389.00
01/19/2017	QuickBooks Training	Mileage and Per Diem	152.04
03/09/2017	T.I.E.S.	Mileage, Per Diem, Parking, and Fee	449.00
03/09/2017	T.I.E.S.	Mileage, Per Diem, Parking, and Fee	<u>449.00</u>
Total Travel Advances			<u>\$7,803.84</u>

The district’s by-laws state that it may prepay reasonable estimated amounts to persons authorized to undertake travel; however, *Tennessee Code Annotated*, Section 7-86-125(a), states, “The minimum regulations shall be the same as those of the appropriate county or municipality that created the district. Nothing in this subsection (a) shall prohibit a district from adopting a more stringent policy.” Allowing prepayment is a less stringent policy than the state travel regulations.

RECOMMENDATION:

The district should follow the by-laws and written travel policies and good internal control practices.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCY

FINDING 5: The district had internal control deficiencies

Our investigation revealed the following internal control deficiencies:

- A) We noted that three individuals were paid a total of \$2,890, from five invoices that were handwritten on notepad paper in handwriting identified by a district employee as the director’s handwriting. These invoices were in addition to the handwritten invoices noted in Finding 2 above.
- B) We noted that the district paid sales tax on several invoices, even though the district is exempt from state sales tax. The payment of sales tax increases the costs of the goods and services to the district unnecessarily.

RECOMMENDATION:

Expenditures should be supported by official invoices prepared by the vendor. Also, purchases should be made using the district's tax-exempt status.
