



MADISON COUNTY FINANCE DEPARTMENT

Comptroller's Investigative Report

July 5, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

July 5, 2018

County Mayor and Board of Commissioners
Madison County, Tennessee
100 East Main Street, Suite 302
Jackson, TN 38301

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, conducted an investigation of pertinent records of the Madison County Finance Department, and the results are presented herein. These results have been reviewed with the district attorney for the Twenty-Sixth 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", written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

MADISON COUNTY FINANCE DEPARTMENT

BACKGROUND

The Comptroller's Office received a Fraud Reporting Form from the director of the Madison County Finance Department regarding allegations of financial improprieties. Madison County is in West Tennessee, and the county seat is in Jackson, Tennessee.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1: Two county employees improperly received county funds totaling \$8,281.93

Our investigation disclosed that two county employees improperly received county funds as noted below:

- A. The accounts payable clerk in the finance department collaborated with the county facilities maintenance supervisor to receive county funds through an unauthorized landscaping project. The clerk falsified two invoices for the project by creating an unauthorized vendor using a friend's name on the invoices. The clerk then prepared and disbursed two county checks totaling \$6,075 (\$2,875 and \$3,200) made payable to her friend. The two then cashed the checks at a local bank. The clerk paid the county facilities maintenance supervisor two cash payments totaling \$1,800 for allowing the clerk to receive the unauthorized funds out of the county's maintenance department budget. The clerk retained the balance of the funds totaling \$4,275 (\$6,075 minus \$1,800). The accounts payable clerk's employment was terminated on September 25, 2017. The county facilities maintenance supervisor acknowledged his involvement in the scheme and refunded the county \$1,800 from personal funds on December 13, 2017, the date of his resignation.
- B. The accounts payable clerk made 12 unauthorized charges to the county's procurement card (credit card) to pay her personal cable bill totaling \$2,206.93. Our investigation determined that she periodically reimbursed the county procurement card provider \$1,076.40 with personal money orders. The clerk has an outstanding credit card balance of \$1,130.53 due to the county for these charges. She was able to conceal these improper transactions by removing the charges from the monthly procurement card statements that were distributed to department heads.

Cash Shortage Summary

Unauthorized Landscape Project	\$ 6,075.00
Payments for Personal Cable Bill	<u>2,206.93</u>
Total Cash Shortage	<u>\$ 8,281.93</u>
Less: Repayment by Maintenance Supervisor	\$(1,800.00)
Less: Repayment by Clerk	<u>(1,076.40)</u>
Total Repayments	<u>\$(2,876.40)</u>
Total Remaining Shortage	<u>\$ 5,405.53</u>

RECOMMENDATION:

Madison County officials should take immediate steps to recover the remaining cash shortage of \$5,405.53 from the accounts payable clerk.

This matter was referred to the local district attorney general. On July 2, 2018, Donna Williams, the former accounts payable clerk, and Eric Skinner, the former county facilities maintenance supervisor, were each indicted for Theft over \$1,000 and Official Misconduct by the Madison County Grand Jury.

INTERNAL CONTROL DEFICIENCIES

FINDING 2: The Madison County Finance Department had financial and operational deficiencies

Our investigation revealed the following internal control deficiencies regarding the accounts payable clerk. These deficiencies can be attributed to a lack of management oversight.

- A. The duties of the accounts payable clerk were not segregated properly. The accounts payable clerk was responsible for preapproving and encumbering all purchases; approving all bills; and processing, preparing, and disbursing payments for the primary government.
- B. The clerk had exclusive administrative oversight over the county's procurement cards (credit cards), and she examined monthly procurement card statements and supervised the filing of the monthly statements for all county departments. The clerk imported the transactions from the monthly online banking procurement card statements to the county's accounting system which generated an applicable monthly purchasing card statement for each county department. In addition, the clerk did not maintain detailed records noting how many procurement cards were assigned to each department.

RECOMMENDATION:

Management should provide sufficient oversight over all financial and operational transactions. Duties should be segregated to the extent possible using available resources. Detailed records should be maintained noting how many procurement cards are assigned to each department. All procurement cards should be maintained in a secured location in each department when not in use. All applicable county departments should maintain a sign-out and sign-in log for procurement cards noting the employee name, date signed out, reason for use of the card, and the date the card is returned to the department. Receipt documentation for procurement card transactions should be returned to the finance department timely for proper accountability.
