



COMPTROLLER'S INVESTIGATIVE REPORT

City of Spring Hill Finance Department

September 30, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

September 30, 2019

Spring Hill Board of Mayor & Aldermen
199 Town Center Parkway
Spring Hill, TN 37174

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Spring Hill Finance Department, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 22nd Judicial District, 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".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

City of Spring Hill Finance Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Spring Hill Finance Department. The investigation was initiated after city Finance Department officials reported unaccounted collections received by a clerk. The investigation was limited to selected records for the period November 2017 to January 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 22nd Judicial District.

BACKGROUND

The City of Spring Hill is located within Maury and Williamson counties and has a population of 40,436. On November 3, 2017, the city suffered a cyber attack that locked its computer servers, preventing Finance Department employees from accessing its software and payment processes. While the system was disabled, the city only accepted cash and check payments. Customers were able to pay by mail, drop box, or at the Finance Department's service window. In January 2018, once new software was in place, the Finance Department began entering the transactions for November and December 2017, and January 2018, and by March 2018, normal payment processes were resumed.



RESULTS OF INVESTIGATION

1. ACCOUNTS RECEIVABLE SPECIALIST CLERK DEANNA JONES MISAPPROPRIATED COLLECTIONS TOTALING AT LEAST \$1,543.96

Accounts Receivable Specialist Clerk (Clerk) Deanna Jones misappropriated money she collected directly from customers and from the city's payment drop box totaling at least \$1,543.96. (**Refer to Exhibit 1.**)

Prior to the cyber attack affecting the Finance Department, clerks accepted payments for utility billing, permits, business licenses, court fees, and other types of payments. Clerks were responsible for immediately posting the payments and providing the customer with an electronically generated receipt of payment. At the end of the day, clerks reconciled payments posted to customer accounts with the cash collected for deposit. Clerks then printed a software generated report and placed the report with the cash for deposit. After the cyber attack, clerks could only accept cash or checks for payments, and the clerks were responsible for documenting information regarding the payments noting the receipt date, clerk, customer account number, name on account, payment amount, and cash or check (with check number). The clerks totaled the cash and checks at the end of the day and reconciled them with cash-on-hand. Because of the cyber attack, the clerks made copies of payment documents to enable them to make postings to customer accounts when the system returned online and to support deposits.

Once the new software became operational, clerks began posting the previous months' transactions (November and December 2017, and January 2018) to customer accounts based on the aforementioned daily copies of records maintained for posting. The office bookkeeper then reconciled the customer accounts with the deposits for each day. Management then noted that transaction amounts on customer accounts were not agreeing with the deposits. (**Refer to Exhibit 2.**)

Office policy required clerks to initial work completed on daily records. Management confronted Jones regarding the discrepancies between transactions and deposits, and she acknowledged improperly taking customer payments totaling \$798.08. The City of Spring Hill

Exhibit 1



Payment Drop Box

terminated Jones' employment in February 2018, and she repaid the city \$798.08 from her final paycheck.

After posting all customer transactions received after the cyber attack and resuming the normal billing cycle, city records indicated some customer accounts remained delinquent. Subsequently, customers of these delinquent accounts provided receipts as proof that they had made their payments. Investigators then determined that Jones misappropriated additional collections totaling at least \$745.88, resulting in a total misappropriation from 19 customers of at least \$1,543.96.

Exhibit 2

Documentation submitted for deposit on 12/29/2017

City of Spring Hill Receipt Register			
Page #: 1 _____			
Batch Des: FRONT CASH			
on Account	Payment Type	Payment Amt	Check #
	CA	\$10.71	
	CA	\$82.58	
S	CA	\$64.47	
GGG	CA	\$40.28	
	CA	\$80.56	
RD	CA	\$61.44	
	CA	\$80.56	
N	CA	\$42.77	
J	CA	\$75.86	
CLINT	CA	\$58.65	
	CA	\$83.42	
N	CA	\$181.32	
	CA	\$40.28	
D	CA	\$47.00	
FR	CA	\$43.69	
	CK		
	CK		

DEPOSIT TICKET
TOTAL ITEMS _____
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL
E2411641

RE-ENTER GRAND TOTAL IN SCREWED BOXES

18:29 3-2018 01/03/18 10:41 AM

RMERS Member FDIC

\$ 993.59

600

RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE AND ANY APPLICABLE COLLECTION AGREEMENT.

CK	CK
TOTAL \$993.59	

Documentation submitted for deposit on 12/29/2017 totals \$993.59, but the spreadsheet documentation posted to customer accounts totals \$1,278.69. The clerk diverted the difference of \$285.10.

Documentation submitted for entry into customer accounts for 12/29/2017

CA	\$10.71
CA	\$82.58
CA	\$64.47
CA	\$40.28
CA	\$80.56
CA	\$61.44
CA	\$80.56
CA	\$42.77
CA	\$75.86
CA	\$58.65
CA	\$83.42
CA	\$181.32
CA	\$40.28
CA	\$47.00
CA	\$43.69
CA	\$60.00
CA	\$60.00
CA	\$100.00
CA	\$65.10
TOTAL	\$1,278.69

\$285.10

On September 5, 2019, the Maury County Grand Jury indicted Deanna Jones on one count of Theft over \$1,000, one count of Official Misconduct, one count of Computer Crimes Violation over \$1,000 and one count of Destruction/Tampering of Government Records.

[City of Spring Hill Finance Department Investigation Exhibit](#)

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed deficiencies in internal controls that increased the risk to the city's assets. These deficiencies included:

Deficiency 1: The cash drawer is shared by all clerks

Multiple employees operated from the same cash drawer in the Finance Department. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash for making change, and remove and deposit all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts by management at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a misappropriation may not be detected in a timely manner.

Deficiency 2: City officials did not adequately control access to the City Hall offices

City officials did not adequately control access to the City Hall offices. Various department office doors inside City Hall were secured with keypad entry, including the Finance Department, Building Codes and Inspection, and the Court Clerk and Business Licenses. (**Refer to Exhibit 3.**) However, all doors in the building required the same code, and every employee was given the code by management. It was also noted that the exterior doors to City Hall were not rekeyed after staff changes. Sound business practices dictate that unsupervised access to offices weakens internal controls over assets, documents, and records. When investigators asked Finance Department Officials about not changing the entry code after an employee voluntarily or involuntarily separates from service, management changed the code. Later, all departments changed the code to their offices, but management did not rekey the exterior doors.

Exhibit 3



Keypads Used for Interior Entry

Deficiency 3: The City of Spring Hill did not issue official prenumbered receipts for collections

The City of Spring Hill did not issue official prenumbered receipts for collections as required by Section 9-2-104, *Tennessee Code Annotated*. Instead, the office used generic receipts that did not reflect the name of the office. The use of generic receipts exposes the office to risks that collections may not be accounted for properly. Section 9-2-104, *Tennessee Code Annotated*, states that receipts be issued in duplicate and a copy retained, and receipts shall be prenumbered consecutively in a well-bound book.

Management has indicated they have corrected or plan to correct these deficiencies.