



## COMPTROLLER'S INVESTIGATIVE REPORT

### BonDeCroft Utility District

*October 24, 2019*

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



**DIVISION OF INVESTIGATIONS**



JUSTIN P. WILSON  
*Comptroller*

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*Deputy Comptroller*

October 24, 2019

Board of Commissioners  
BonDeCroft Utility District  
8756 Bockman Way  
Sparta, TN 38583

Commissioners:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the BonDeCroft Utility District, 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 13<sup>th</sup> 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", is written over a light gray rectangular background.

Justin P. Wilson  
Comptroller of the Treasury

JPW/MLC

# INVESTIGATIVE REPORT

## BonDeCroft Utility District

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the BonDeCroft Utility District (district). The investigation was limited to selected records for the period January 2016 through August 2019. The results of the investigation were communicated with the office of the District Attorney General of the 13<sup>th</sup> Judicial District.

### BACKGROUND

BonDeCroft Utility District provides water service to approximately 1,400 customers in White County. It is governed by a 3-member board of commissioners, which is responsible for adopting policies for district management to implement. The board of commissioners approve district policies, including policies related to employee vacation and sick leave. District policy



permits employees to cash in (request and receive payment for) unused vacation leave. The policy also allows employees to annually cash in any unused sick leave accrued during the calendar year, up to a maximum of 12 days, with certain restrictions.

### RESULTS OF INVESTIGATION

#### 1. GENERAL MANAGER AND FIELD SUPERVISOR VACATION LEAVE BALANCES WERE NOT PROPERLY MAINTAINED

From at least January 2016 through August 2019, the District General Manager (manager), and the District Field Supervisor (supervisor), did not properly report and record used vacation leave. This created inflated vacation leave balances, which caused the manager and supervisor to receive compensation they were not due.

- Each year, the manager cashed in 100% of his vacation leave earned, creating a zero balance in accumulated leave. During the period reviewed, however, he also took at least 13 days of vacation as time off, providing him compensation of at least \$3,320 that he was not due. The manager told investigators that he believed it was acceptable

for him to take time off even though he had no vacation leave because he regularly worked more than 40 hours a week.

- The supervisor's vacation leave balance was inflated by at least 22 days because he did not record used vacation leave. Although he cashed in some of his vacation leave each year, the supervisor maintained an accumulated balance adequate to repay the district for those days by a deduction from his existing leave balance. The supervisor told investigators that the manager permitted him to earn and use compensatory time.

Both employees held salaried positions and in accordance with the district's written policy were not eligible to earn overtime or compensatory time. Per district policy, salaried employees were expected to work the hours necessary to perform their jobs adequately.

## 2. VIOLATION OF SICK LEAVE REDEMPTION POLICY

The supervisor cashed in sick leave in excess of the maximum amount allowed by policy for the period 2016 through 2019. The district's written policy allowed employees to cash in unused sick leave annually, up to a maximum of 12 days. The supervisor, however, cashed in sick leave in excess of that limit in three of the four years reviewed, including one year in which he cashed in 30 days. The supervisor was also permitted to cash in his sick leave prior to December each year. Additionally, the supervisor used four days of sick leave in 2018, which were not properly deducted from his accumulated sick leave balance. Although he maintained a positive accumulated sick leave balance throughout the period, the supervisor was permitted to cash in leave at an accelerated rate not permitted by district policy.

The board of commissioners relieved the manager of his position and duties at the close of business on October 11, 2019. The manager was placed on an unpaid leave of absence effective October 14, 2019 through December 31, 2019, and he planned to retire effective January 1, 2020.

The board of commissioners placed the supervisor on a 90-day disciplinary probation effective October 9, 2019. The district deducted from his accrued vacation balance the vacation time off he used but did not record.

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## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

The Comptroller's investigation revealed the following deficiencies in internal control and compliance.

**Deficiency 1: The district management failed to comply with or administer responsibilities entrusted to him**

The manager failed to comply with or properly administer the board's approved leave policies. He received benefits he was not entitled to and permitted the field supervisor to violate leave policies. To adequately perform the responsibilities entrusted to him, the manager should implement and enforce all provisions of approved policies.

**Deficiency 2: The board of commissioners failed to provide adequate oversight of payroll**

The board of commissioners failed to adequately oversee payroll-related payments. As noted in the Results of Investigation section, the manager and supervisor did not comply with the district's vacation and sick leave policies for at least four years. This noncompliance allowed the employees to receive benefits they were not authorized to receive and to receive benefits at an accelerated rate. The two employees received additional payroll checks for their redeemed leave during the period January 2016 through August 2019 totaling \$33,621 for vacation leave and \$12,184 for sick leave. A cursory review of payroll records or bank statements could have revealed this noncompliance. Failing to oversee and monitor payroll transactions increases the risk that noncompliance with approved policies will occur and not be detected in a timely manner.

**Deficiency 3: The board of commissioners did not ensure that salaried employees maintained comprehensive leave records**

The board of commissioners did not ensure that the district's two salaried employees (the manager and supervisor) created and maintained comprehensive leave records, including documentation of when they were on leave status. By longstanding practice, the district paid those employees for regular working hours regardless of their leave status. Ensuring that salaried employees document their leave status not only establishes accurate leave balances, but also enables the board of commissioners to provide increased operational oversight when those employees are absent.

The board of commissioners indicated that they have corrected or will correct these deficiencies.

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