



## COMPTROLLER'S INVESTIGATIVE REPORT

### Town of Oneida

*April 23, 2020*

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



**DIVISION OF INVESTIGATIONS**



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

April 23, 2020

Scott County Mayor  
2845 Baker Highway  
Huntsville, TN 37756

and

Oneida Board of Aldermen  
19922 Alberta St.  
Oneida, TN 37841

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Oneida, 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 8<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", written over a light gray rectangular background.

Justin P. Wilson  
Comptroller of the Treasury

JPW/MLC

# INVESTIGATIVE REPORT

## Town of Oneida

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Oneida for the period January 29, 2013 through December 31, 2019. The investigation was initiated after the Comptroller's Office received allegations of questionable practices. The results of the investigation were communicated with the Office of the District Attorney General of the 8<sup>th</sup> Judicial District.

### BACKGROUND



The Town of Oneida (town) is located in Scott County, Tennessee, and is governed by a five-member board consisting of the mayor and four aldermen. On January 29, 2013, resulting from state oversight recommendations, the town's board of mayor and aldermen assumed control of the water & wastewater department, which was previously governed by a separate board (Board of Oneida Water & Sewer Commission). As of the date of this report, the water & wastewater department is still governed by the town's board of mayor and aldermen.

Except for the town's municipal golf course and the water & wastewater department, the remaining departments of the town utilize unleaded and diesel fuel pumps located behind the town's municipal services building. These pumps are owned by the town and operate for its fuel needs. The town's municipal golf course maintains its own unleaded and diesel fuel pumps, and the water & wastewater department distributes fuel cards to employees for use at off-site locations. In addition to various emergency employees, the town's mayor, the municipal golf course superintendent, and the parks and recreation director drive town-owned vehicles home after work hours.

## INTERNAL CONTROL DEFICIENCIES

Our investigation revealed deficiencies in internal control related to town aldermen pay, employee fuel use, and the reporting of employees' personal use of town-owned vehicles for tax purposes. These deficiencies included:

### **Deficiency 1: Board of mayor and aldermen minutes do not clearly authorize aldermen pay for governing the town's water & wastewater department**

Since assuming control of the water & wastewater department on January 29, 2013, and through December 31, 2019, town aldermen were paid a total of \$114,175, including \$32,550 for governing the water & wastewater department. During this period, aldermen were paid \$100 per month for water & wastewater duties in addition to the \$250 per month the aldermen receive to govern regular town business. Aldermen do not hold separate water & wastewater department board meetings but conduct water & wastewater department business at monthly board of mayor and alderman meetings.

A town ordinance from January 20, 2000, authorizes "The salary of the aldermen be set at \$250 per month...". Investigators found no authorization in board of mayor and aldermen minutes for their additional \$100 monthly pay other than minutes from a February 19, 2013 emergency session that accepted existing operational policies of the water & wastewater department under the former water & wastewater governing board. Minutes from the prior water & wastewater governing board state, "In a previous meeting of the Mayor and Aldermen, a motion was passed to increase the monthly allowance of Board Members (prior governing board) to \$100 per month." This authorization by the board of mayor and aldermen was not found in the town's minutes. The prior water & wastewater governing board then passed a motion to establish their pay at "\$100 per monthly meeting attended". Therefore it is unclear whether aldermen should have been paid \$100 per month or per monthly meetings attended. Multiple alderman were paid \$100 per month as part of the water & wastewater governing board although they did not attend meetings, totaling \$12,450 during the period. Aldermen pay should be authorized by the board of mayor and aldermen and clearly documented in their minutes.

### **Deficiency 2: The Town of Oneida did not maintain adequate controls over fuel**

Our investigation revealed the following deficiencies that weaken controls over fuel and increase the risk of theft or inventory loss. These deficiencies were the result of a lack of management oversight:

- A. The fuel pumps located behind the municipal services building were not properly secured. The fuel pumps were located behind a gated fence; however, the gate remained unlocked to allow emergency personnel continuous access to fuel. The unleaded fuel tank was locked after normal business hours, but the diesel fuel pump remained unlocked. Numerous town employees possess a key to the unleaded fuel pump; however, management does not maintain a list of employees who possess these keys. The lack of security over these fuel pumps increases the risk of theft.

- B. Except for the police department and city park, the town did not log fuel usage for any of the town's fuel pumps during the period reviewed. The use of fuel logs noting the purpose and amount of each fuel use ensures all town fuel uses are documented and decreases the risk of theft or inventory loss.
  
- C. Management did not reconcile fuel usage with fuel purchases for any of the town's fuel pumps during the period. The use of fuel reconciliations, noting any discrepancies between fuel logs and invoices, ensures all fuel purchased by the town was used properly for town business and decreases the risk of theft or inventory loss.

**Deficiency 3: The economic benefit derived from the use of employer provided vehicles was not calculated and reported on federal Forms W-2**

The town mayor, municipal golf course superintendent, and parks and recreation director used town-owned vehicles to commute to and from work. The economic benefit derived from such use was not calculated and reported on their Forms W-2 as required by Internal Revenue Service regulations. The parks and recreation director was issued Forms 1099-MISC for his personal use of a town-owned vehicle in tax years 2014 through 2019; however, these taxable fringe benefits to employees should be reported on the employee's Form W-2 since the benefits are generally subject to employment taxes.

Town officials indicated that they have corrected or intend to correct these deficiencies.

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