



COMPTROLLER'S INVESTIGATIVE REPORT

Henderson County Solid Waste

January 29, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

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Deputy Comptroller

January 29, 2020

Henderson County Mayor
and County Commission
17 Monroe Street
Suite #4
Lexington, TN 38351

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Henderson County Solid Waste, 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 26th 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 that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Henderson County Solid Waste

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Henderson County Solid Waste. The Comptroller's Office initiated the investigation after Henderson County officials reported questionable transactions made by employees at the Solid Waste Office. The results of the investigation were communicated with the Office of the District Attorney General of the 26th Judicial District.

BACKGROUND

Henderson County Solid Waste (HCSW) is a department of the Henderson County government and is maintained through the county's Solid Waste/Sanitation Fund. The HCSW department consists of a main office located in Lexington and seven convenience centers throughout Henderson County. The convenience centers accept a variety of waste such as paper, plastics, metal, electronics, glass, batteries, oil, paint, antifreeze, and used tires. Revenue is generated from the sale of recyclable materials such as metal, paper, and cardboard. In addition, the convenience centers charge user's disposal fees for tires and barrels, and fees for commercial customers. Items that cannot be recycled are disposed of at a landfill in Camden.



Oversight for HCSW is provided by the Henderson County Commission and a Solid Waste Board that meets quarterly.

RESULTS OF INVESTIGATION

- **AT LEAST \$2,239 WAS UNACCOUNTED FROM THE SALE OF SCRAP METAL**

Our investigation determined that during the period July 1, 2016, through November 30, 2018, Grimes Recycling Center paid HCSW at least \$8,640 for scrap metal. HCSW did not record these proceeds in their accounting records. Investigators determined that HCSW remitted \$6,401 of these proceeds to the county trustee from the sales of the scrap metal to Grimes Recycling Center, leaving an unaccounted balance of \$2,239. Investigators interviewed current

and former employees regarding the unaccounted funds during this timeframe. Due to the inadequate HCSW accounting records, investigators could not determine the status of the remaining \$2,239. Also, due to the lack of records at Grimes Recycling Center and inadequate records at HCSW, the amount of sales and unaccounted funds could be higher. It should be noted that the recycling vendor normally paid HCSW in cash for scrap metal.

- **INMATES WERE PERMITTED TO KEEP PROCEEDS FROM THE SALE OF RECYCLABLES**

Inmates incarcerated at the Henderson County Sheriff's Department worked as part of a litter grant program under the supervision of HCSW employees. Our investigation determined that during the period July 1, 2016 through November 30, 2018, inmates were permitted by HCSW employees to retain proceeds for their personal use from the sales of scrap metal and aluminum cans collected while policing county roads. Proceeds from the sale of recyclables are local revenues and should be administered as any other local revenue per section 8-24-103, *Tennessee Code Annotated*, which provides that all funds earned by HCSW should be reported to the county trustee monthly. Investigators were unable to determine how much money the inmates received from these sales due to inadequate records.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance, which contributed to the unaccounted funds noted above. The deficiencies included:

Deficiency 1: Henderson County Solid Waste did not issue receipts for some collections.

Henderson County Solid Waste employees issued receipts for tire and commercial waste disposal. However, the employees did not issue receipts for all transactions involving the sale of recyclable materials, such as scrap metal and cardboard. Section 9-2-103, *Tennessee Code Annotated*, provides for official receipts to be issued for all collections. Also, duplicate receipts should be maintained on file for audit inspection. The failure to issue receipts for all collections is a violation of state statute, which weakens internal controls over collections and increases the risks of fraud and misappropriation.

Deficiency 2: Henderson County Solid Waste did not deposit collections intact and violated the three-day deposit law.

Collections made by Henderson County Solid Waste were not deposited intact or in compliance with the three-day deposit law. Funds collected and receipted during a specific period should be deposited together. Certain solid waste collections were not deposited with the county trustee for a month or longer. Section 5-8-207, *Tennessee Code Annotated*, provides that county officials are

required to deposit public funds within three days of receiving the funds. The failure to deposit funds intact and the delay in depositing the funds increases the risks of fraud and misappropriation.

Deficiency 3: Henderson County Solid Waste did not secure its funds.

Funds collected at the Solid Waste Office were often stored in an unsecured filing cabinet or under a cover on top of an office desk. Additionally, the office door was often left unlocked, and multiple employees had access to the office. The failure to secure funds increases the risk of theft.

County officials indicated that they have corrected or will correct these deficiencies.