



COMPTROLLER'S INVESTIGATIVE REPORT

Town of Gleason

September 9, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

September 9, 2021

Town of Gleason
Mayor Charles Anderson and Aldermen
101 College Street, P.O. Box 720
Gleason, TN 38229

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Gleason, 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 27th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", is written over a faint, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Town of Gleason

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Gleason. This investigation was initiated after Town of Gleason officials identified and reported questionable activity in utility accounts. The investigation was initially limited to selected records for the period from May 1, 2018, through June 30, 2019; however, investigators expanded the scope to include additional utility and payroll records for the period from November 1, 2013, through July 1, 2019.

On December 16, 2020, Town of Gleason officials reported they discovered funds had not been deposited on behalf of the town. Investigators expanded the scope of the investigation to include Town of Gleason bank account records and select documents through December 31, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 27th Judicial District.

BACKGROUND



The Town of Gleason (town) is in Weakley County and is governed by a mayor, vice mayor, and three aldermen who are elected every four years. The town employs 14 people including a city recorder, assistant city recorder, and water superintendent. The town provides utility services to its residents including water, sewer, and garbage. The city recorder is responsible for utility functions, payroll, property tax payments, deposits, reconciliations, acting as the court clerk, and recording the monthly Board of Mayor and Aldermen meeting minutes. The assistant city recorder accepts payments on utility accounts and is responsible for producing the monthly utility cutoff list.

In addition to accepting payments for services, the town also accepts payments on behalf of the Weakley County Municipal Electric System (WCMES). Collections are deposited into various bank accounts the day following receipt. Payments accepted on behalf of WCMES are deposited by the town into a WCMES operating account.

RESULTS OF INVESTIGATION

FORMER CITY RECORDER ANGELA HUNT MISAPPROPRIATED AT LEAST \$12,127.53 FROM THE TOWN OF GLEASON AND THE WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM

1. FORMER CITY RECORDER ANGELA HUNT MISAPPROPRIATED AT LEAST \$8,101.80 FROM THE TOWN OF GLEASON AND THE WEAKLEY COUNTY MUNICIPAL ELECTRIC SYSTEM AS NOTED BELOW:

During the period September 2020, through December 2020, former City Recorder Angela Hunt (Hunt) misappropriated at least \$8,101.80 from the town and WCMES by failing to deposit some collections and not recording some payments received.

A. Collections totaling at least \$7,992.93 were not deposited

Investigators reviewed receipts, bank statements, and daily transaction reports for four deposit accounts operated by the town and WCMES. Investigators found that during the period reviewed, 12 deposits comprised of payments received on three dates were never deposited. Furthermore, investigators found that deposits were made anywhere from three to 33 days after receipt. These collections included funds belonging to the town and WCMES. The chart below details the total collections not deposited into the town and WCMES bank accounts.

Missing Deposits by Bank Account			
	Date	Account	Deposit Amount
1	11/6/2020	Gleason General Fund Account	\$194.48
2	11/6/2020	Gleason Water Account	199.89
3	11/6/2020	Gleason Solid Waste Account	78.99
4	11/6/2020	WCMES Account	613.31
5	11/12/2020	Gleason General Fund Account	1,451.28
6	11/12/2020	Gleason Water Account	77.00
7	11/12/2020	Gleason Solid Waste Account	17.79
8	11/12/2020	WCMES Account	1,276.94
9	11/12/2020	WCMES Account	1,592.55
10	11/13/2020	Gleason Water Account	389.57
11	11/13/2020	Gleason Solid Waste Account	75.41
12	11/13/2020	WCMES Account	2,025.72

WCMES discovered the missing deposits during a routine monthly reconciliation and made Hunt aware that day. Hunt did not inform any other town employee of the missing deposits before leaving work that day. Hunt stated to investigators she did this because

she thought she could find the deposits. Hunt admitted to investigators that she was responsible for the deposits, however, Hunt claimed she did not know why the deposits were not made. Hunt acknowledged that on one of the days in question she was the only employee working but could not give a specific reason as to why the deposits were not made.

Summary of Collections Not Deposited by Bank Account	
Gleason General Fund Account	\$1,645.76
Gleason Water Account	666.46
Gleason Solid Waste Account	172.19
WCMES Account	5,508.52
Total Collections Not Deposited	\$7,992.93

- B. At least two customer payments totaling \$108.87 were not credited to their accounts and were not deposited

Investigators discovered two customer payments totaling \$108.87 had been received by Hunt but were never processed in the utility software system. The payments were \$40.84 and \$68.03, respectively. When a customer makes a payment, employees can enter it into the software system and print a receipt at that time or manually stamp the customer copy as paid and enter the payment into the software system by the end of the business day.

Both customers stated to town officials they paid in cash and Hunt had taken their payments. Both customers also provided receipts that had been stamped as paid on 11/24/2020. (**Refer to Exhibit 1.**) Investigators confirmed the payments in question were not credited to the customers' accounts or deposited to the appropriate bank account. When questioned about these payments, Hunt stated to investigators she did not recall failing to enter any customer payments.

Exhibit 1

GLEASON WATER DEPARTMENT
P.O. BOX 720
GLEASON, TN 38229

ACCOUNT [REDACTED] 10/20/20 TO 11/17/20
SERVICE AT [REDACTED]

TYPE	PRESENT	PREVIOUS	USAGE	CHARGES
WA	3120	1820	1300	10.50
TX				1.02
SW				11.00
GB				17.79

PAID
NOV 24 2020
CITY OF GLEASON

NO LEAVES OR BRUSH IN TRASH
CARTS - TRASH ONLY - DO NOT
BURN LEAVES IN DITCHES - THIS
CAUSES BLOCKAGES IN CULVERTS

CLASS R01	AMOUNT DUE AFTER DUE DATE 40.84	DUE DATE 12/03/20	AMOUNT DUE ON OR BEFORE DUE DATE 40.81
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Customer receipt stamped paid by Hunt that was never credited to their account or deposited.

2. HUNT IMPROPERLY RECEIVED UTILITY SERVICES TOTALING \$4,025.73

The town adopted a policy governing dates of action on utility accounts. The adopted policy states that customers' utility billing accounts are due on the 3rd of the month, penalties are added on the 4th of the month, and service is cutoff on the 11th of each month due to non-payment. During the period from November 2013, through April 2019, Hunt improperly received a total of \$4,025.73 in utility services by not paying her personal utility bills in a timely manner as required by the town's utility billing policy.

Investigators analyzed utility records and discovered Hunt's personal utility account carried a past due balance for 55 of the 68 months analyzed. Hunt would go three to six months without making a payment on her account, which allowed her balance at times to reach a high of approximately \$600. When the assistant city recorder printed the service cutoff list each month, Hunt's name did not appear on the list. Hunt had full access to the town's utility customers' accounting software and the authority to remove names from the service cutoff list, which allowed her to conceal that she was not paying her personal utility bill. After officials discovered Hunt's past due account in March 2019, Hunt made three payments between March 29, 2019, and April 15, 2019, totaling \$537 to pay her balance in full. On July 23, 2020, Hunt admitted to investigators she was not paying her utility bills in a timely manner as required by the town's utility billing policy, and she removed her name from the cutoff list at the end of the month on numerous occasions to conceal the fact that her personal utility account was delinquent.

Summary of Utility Services Misappropriation by Hunt

Year	Number of Months Past Due	Amount of Services Improperly Received by Year
2013	2	\$ 141.12
2014	12	812.39
2015	12	862.52
2016	3	218.07
2017	12	936.06
2018	12	868.03
2019	2	187.54
Total	55	\$ 4,025.73

Summary of Misappropriations by Hunt	
Collections Not Deposited	\$7,992.93
Utility Services Improperly Received	4,025.73
Cash Payments Not Applied	108.87
Total Misappropriation	\$12,127.53

3. HUNT WROTE-OFF THE BALANCE ON HER PERSONAL UTILITY ACCOUNT

In late 2015, Hunt moved to a new residence. As a result of this move, she was assigned a new account number in the utility software system. Investigators discovered that in January 2016, Hunt had a remaining balance on her previous account totaling \$395.62. On January 6, 2016, Hunt wrote-off the balance in the utility’s accounting software to the bad debt account without authorization. **(Refer to Exhibit 2)**. On June 10, 2019, Hunt reversed the write-off to bad debt and paid the \$395.62 balance on the account. Hunt admitted to investigators that she wrote-off the balance so her bill would no longer print. Hunt stated that she did not have the funds to pay the balance in 2016. Hunt further explained that she had some extra funds in 2019, which allowed her to pay off the delinquent balance that she had previously written-off.

Exhibit 2

12/22/15	12/22/15	222	Billing	SEWER	01	\$17.67	\$0.00	\$0.00		
	marsha				1,020	\$0.00	\$0.00	\$0.00	\$0.00	\$378.71
12/22/15	12/22/15	222	Billing	GARBAGE	01	\$16.03	\$0.00	\$0.00		
	marsha				0	\$0.00	\$0.00	\$0.00	\$0.00	\$394.74
01/05/16	01/05/16	222	Billing	WATER	01	\$0.00	\$0.00	\$0.00		
	marsha				0	\$0.00	\$0.00	\$0.88	\$0.00	\$395.62
01/08/16	01/08/16		BDW Bad Debt Write	WATER	01	(\$66.45)	\$0.00	\$0.00		
	Angela				0	\$0.00	(\$6.47)	(\$3.32)	\$0.00	\$319.38
01/08/16	01/08/16		BDW Bad Debt Write	SEWER	01	(\$66.45)	\$0.00	\$0.00		
	Angela				0	\$0.00	\$0.00	\$0.00	\$0.00	\$252.93
01/08/16	01/08/16		BDW Bad Debt Write	GARBAGE	01	(\$252.93)	\$0.00	\$0.00		
	Angela				0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Customer History Report showing Hunt's balance written-off to bad debt.

Angela Hunt voluntary resigned her employment with the Town of Gleason on December 28, 2020.

4. THE TOWN OF GLEASON PAID EMPLOYEES AT LEAST \$15,444 IN QUESTIONABLE ANNUAL LEAVE COMPENSATION

The town's annual leave policy provides for employees to carry over a maximum of ten days (80 hours) of annual leave each calendar year (January 1 is the cutoff date). **(Refer to Exhibit 3)**. However, our examination of payroll records revealed employees were allowed to accrue leave balances in excess of the policy. Our investigation noted one employee was allowed to accumulate approximately 800 hours, which is equal to 100 days of annual leave, while two other employees had more than 175 hours accrued each. The excessive leave accruals were discovered by Mayor Diana Poole when an employee became eligible for retirement. Instead of adjusting the employees' leave balance in accordance with the town's policy, officials paid out at least \$15,444 to settle the leave balances in excess of the leave policy. In addition to violating the town's leave policy, investigators determined the amounts paid for the leave balances in excess of the leave policy to be questionable after a review of official leave logs. These official leave logs did not agree with associated payroll records. Due to unreliable payroll records, investigators could not substantiate the amounts paid were an accurate reflection of these accrued leave balances.

Exhibit 3

The employee shall not accrue more than ten (10) days annual leave as of January 1, of each year.

The Town of Gleason Annual Leave Policy stating only ten days of annual leave may carry over as of January 1 each year.

On September 7, 2021, the Weakley County Grand Jury indicted Angela McElhiney Hunt on two counts of Theft over \$2,500, one count of Theft of Services, and three counts of Official Misconduct.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Town of Gleason Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance, some of which contributed to the city recorder's ability to perpetrate her misappropriation without prompt detection. These deficiencies included:

Deficiency 1: Town of Gleason officials did not provide adequate oversight of operations

We noted the following deficiencies:

- Bank statements for town bank accounts were not reconciled timely. Bank accounts for the town had not been reconciled since January 2018. Failing to reconcile bank accounts monthly allowed the city recorder to conceal late and missing deposits.
- Utility procedures were not adequately segregated. City Hall employees had full access to all water system functions such as receiving payments, removing a customer from the service cutoff list, etc. The water cutoff list was maintained by the assistant recorder; however, the city recorder had full access to the utility customers' accounting software. The lack of segregation allowed the city recorder to remove her name from the cutoff list each month without detection.
- Employees have discretion to allow utility customers to make payments after the cutoff date stated in the town's policy and still receive services. The lack of enforcement of the policy governing utility procedures increases the risk of fraud.
- Employees could write-off utility account balances without proper authorization. This internal control deficiency allowed the city recorder to dispose of her debt owed the town without detection. The lack of a formal written policy for write-offs requiring proper authorization increases the risk of fraud and misappropriation.

Deficiency 2: Town of Gleason employees did not deposit some funds within three days of collection

During our review of receipts and bank statements, we noted at least 36 instances where collections were not deposited within three days of receipt. As previously noted, some deposits were made 33 days after the receipts were issued. *Tennessee Code Annotated*, Section 5-8-207, requires all funds to be deposited in the official bank account within three days of collection. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

Deficiency 3: Town of Gleason officials did not provide adequate oversight of payroll operations

Investigators analyzed the town's payroll records along with corresponding time sheets and noted the following weaknesses:

- Payroll records revealed several instances where employees' time sheets did not accurately reflect their payroll. Investigators found multiple instances where the total hours paid to employees agreed with the corresponding time sheets; however, the classification of hours, i.e., regular work hours, sick leave, annual leave, etc. did not agree with the itemized hours paid, which resulted in inaccurate payroll records.
- Employees were allowed to earn overtime by not taking scheduled breaks. Documents on file at City Hall clearly listed a lunch break as part of the workday; however, employees could work through their lunch hour as a means of earning overtime. Investigators were not able to ascertain that this work was necessary. The lack of a formal written policy regarding requirements for overtime increases the risk for fraud.

Deficiency 4: Town of Gleason officials did not follow the annual leave policy

Officials failed to follow the annual leave policy related to the following:

- Employees were allowed to accrue annual leave balances in excess of what the town's annual leave policy provided. Failure to follow the policy regarding annual leave balances resulted in employees receiving excessive compensation that investigators consider questionable.
- According to the town's annual leave policy, annual leave is "earned on the first day of each month and may not be borrowed or used prior to that day, unless authorized by the Department Head." Investigators noted instances where employees used annual leave in advance of earning it; however, there was no supporting documentation to verify this was approved by a Department Head. Allowing employees to use annual leave prior to earning the leave increases the risk of fraud.

- Investigators discovered employees were compensated for annual leave during weeks they worked, resulting in the employee receiving two paychecks weekly. The formal written policy governing leave balances states “annual leave in each department must be scheduled.” Employees receiving compensation for annual leave while concurrently working is in direct violation of the annual leave policy.

Deficiency 5: The Town of Gleason’s credit card policy is inadequate

The town adopted a credit card policy at the recommendation of the Comptroller’s Office; however, the policy does not require that the town’s credit cards be maintained in a secure location when not in use. The current policy states that the “credit card should be kept in the custody of the Department Head at all times that it is not in use,” which allows certain employees to maintain credit cards on their person at all times. The formal written policy should require the credit cards to be maintained in a secure location when not in use.

Deficiency 6: The Town of Gleason’s city recorder did not maintain all required records

Tennessee Code Annotated, Section 6-21-404, states the recorder “shall have custody of, and preserve in the recorder’s office..., all [other] records, papers, and documents, ... and shall keep an accurate and modern index thereof.” Investigators visited City Hall and requested documents pertinent to the investigation, such as time sheets and vacation logbooks, and the city recorder could not produce all records requested. Failure to retain required documents increases the risk of fraud.

Town of Gleason officials indicated that they have corrected or will correct these deficiencies.
