



## COMPTROLLER'S INVESTIGATIVE REPORT

### Pulaski Electric System

*August 9, 2022*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

August 9, 2022

Pulaski Electric System  
Bobby Jones, CFO  
128 S 1<sup>st</sup> St.  
Pulaski, TN 38478

Bobby Jones, CFO of Pulaski Electric System:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Pulaski Electric System, 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 22<sup>nd</sup> 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", with a long horizontal flourish extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## Pulaski Electric System

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Pulaski Electric System (PES). The Comptroller's Office initiated the investigation after PES officials reported the misappropriation of cash receipts by a customer service employee. The investigation was limited to selected records for the period from January 1, 2019, through February 17, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 22<sup>nd</sup> Judicial District.

### BACKGROUND



PES is in Pulaski, Tennessee, and it provides residential and commercial electric power. Its component unit, PES Energize, provides phone, internet, and cable television services. PES is governed by a six-member Board of Directors who are appointed by the Mayor of Pulaski and confirmed by the Pulaski Board of Aldermen. PES employs customer service representatives (CSR) to take payments from PES and PES Energize customers and apply those payments to customer accounts. CSRs' cash drawers are reconciled daily, and all cash is deposited into the bank the next day. CSRs are also responsible for processing the customer payment penalty calculation each month. Customer penalties are applied if customers become delinquent in paying their bills, and PES generates a report to identify those delinquent customers on a regular basis. Jenna Coleman (Coleman) was a CSR from May 2015 until her employment was terminated in February 2020.

### RESULTS OF INVESTIGATION

- **FORMER PULASKI ELECTRIC SYSTEM CUSTOMER SERVICE REPRESENTATIVE JENNA COLEMAN MISAPPROPRIATED COLLECTIONS TOTALING \$37,845.97**

From March 11, 2019, through February 17, 2020, Coleman misappropriated PES collections totaling \$37,845.97. Coleman perpetrated her misappropriation by collecting cash payments from PES customers, entering their payments into the accounting system, reversing those same payments in the accounting system, withholding the cash from deposits, and taking the cash from

her cash drawer for her personal use. Coleman employed a lapping scheme to effectively conceal her misappropriation, continually replacing collections she diverted for her personal use with collections received from other customers on subsequent days. Coleman made unauthorized adjustments that customers did not request or approve to 188 customer accounts in the accounting system to conceal her removal of the customers' payments. Coleman later reapplied funds to 178 of the 188 accounts and made deposits for those accounts sporadically during 2019-2020. Coleman held customer funds for personal use for as many as 35 days before redepositing funds into the customers' accounts. The reapplied amounts included 91 accounts that incurred late fees, three accounts where the redeposited amount was more than the reversed amount, and one account where the redeposited amount was less than the reversed amount. Coleman also deleted three late fee penalties and three disconnect fees to accounts, without explanation, to conceal her actions from detection. (Refer to Exhibit 1.)

Coleman's scheme was discovered when another CSR observed a customer's name on the delinquent payment report even though the CSR saw this customer pay their bill the week prior. When the CSR looked at the customer's account, the CSR noticed that Coleman had reversed the payment. The CSR contacted the customer about the payment to see if the customer had canceled the payment. The customer had not canceled the payment and brought their receipt to PES showing proof of the payment. The matter was brought to the attention of the CSR supervisor and PES management, and that culminated in Coleman's employment being terminated.

When Coleman's scheme was discovered, there were ten accounts that had not been repaid totaling \$1,715.21. PES deducted this amount from Coleman's final paycheck. (Refer to Exhibit 2.)

**Exhibit 1**

09/18/2019 10:24:45	<a href="#">PAYMENT</a>	CRPMT	0.00	-108.43	0.00	jcoleman
09/16/2019 16:27:56	<a href="#">PAYMENT</a>	CRPMT	0.00	108.43	108.43	jcoleman
09/16/2019 16:03:02	<a href="#">PAYMENT</a>	CRPMT	0.00	-108.43	0.00	jcoleman

Example of Coleman reversing payment of \$108.43 on 9/16/2019 and repaying \$108.43 on 9/18/2019.

*Example of screenshot from PES's accounting system.*

**Exhibit 2**

02/13/2020 08:22:26	<a href="#">PENDQ</a>	ADD		5.58	140.45	
01/27/2020 17:02:24	<a href="#">PAYMENT</a>	CRPMT	0.00	134.87	134.87	jcoleman
01/27/2020 16:44:20	<a href="#">PAYMENT</a>	CRPMT	0.00	-134.87	0.00	jcoleman

Example of Coleman reversing payment of \$134.87 on 1/27/2020. Coleman did not repay before her employment was terminated.

*Example of screenshot from PES's accounting system.*

On July 13, 2022, the Giles County Grand Jury indicted Jenna Coleman for one count of Theft of Property over \$10,000, one count of Computer Crimes over \$10,000, and one count of False Entries in Governmental Records.

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.

[Pulaski Electric System Investigative Exhibit](#)

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which enabled the former CSR to perpetuate her misappropriation scheme. These deficiencies included:

### **Deficiency 1: Management failed to act on a reported cash drawer shortage**

According to the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should document reported internal control issues and deficiencies and evaluate each for corrective action. Coleman's deposit was short at least \$1,000 on a particular day in January 2020. The shortage was reported to the CSR supervisor by another employee who reconciled the deposit that day. The supervisor failed to take any corrective action and failed to report the issue to a higher level of management.

### **Deficiency 2: Management failed to segregate incompatible duties**

According to the *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should adequately segregate duties among employees. PES assigned the same manager to supervise both the billing and CSR departments. The CSR department collected payments and the billing department made the bank deposits. When Coleman's cash drawer was short at least \$1,000 in January 2020, the same person had the responsibility of correcting the cash drawer issue and completing the deposit. If there had been a segregation of duties, it would have reduced the likelihood of Coleman's cash drawer shortage not being reported. Responsibility for each step of cash handling and recording should be clearly established. Segregation of duties reduces the risk that errors or intentional misappropriations will remain undetected.

### **Deficiency 3: Management failed to reconcile and count backup cash drawers**

According to the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should identify, analyze, and respond to risks to ensure that the entity's resources are adequately safeguarded. Management informed investigators that PES had two backup cash drawers for a supervisor to use in case there

was a staff shortage. Each drawer contained \$150. After Coleman’s employment was terminated, management reconciled those cash drawers and determined \$171.44 was missing. PES deducted this amount from Coleman’s final paycheck. Management failed to restrict access to, regularly verify, or reconcile these backup cash drawers. Therefore, it is not possible to determine when or exactly how the cash went missing. Investigators excluded this amount from the misappropriation noted above.

**Deficiency 4: Management failed to monitor reversed and void payment reports for unexplained payment reversals**

According to the Tennessee Comptroller of the Treasury’s *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should monitor internal controls through built in monitoring activities and periodic evaluations and document the results. Management had reversed and voided payment reports but did not monitor those reports. Management informed investigators that Coleman’s reversal and void payment reports for her final six months of employment were over 60 pages while other CSRs’ reversal and void payment reports for the same time frame were three to four pages each. Management failed to review these reports that would have revealed a pattern of unexplained payment reversals.

**Deficiency 5: Management failed to act on a discrepancy in deposits**

According to the Tennessee Comptroller of the Treasury’s *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, management should document reported internal control issues and deficiencies and evaluate each for corrective action. Investigators found one instance in August 2019 where Coleman’s cash drawer amount, per a report generated by the PES accounting system (the cash register report), was lower than the total cash needed for deposit, according to another report generated by the PES accounting system (the cash register deposit summary). After conversations with management, investigators determined that these amounts should always be the same. After this occurred, management failed to take action to resolve this issue or to increase the monitoring of Coleman’s cashing activities.

**Deficiency 6: Management failed to adequately document a cash count of Coleman’s cash drawer**

According to the Tennessee Comptroller of the Treasury’s *Internal Control and Compliance Manual for Governmental Units and Other Organizations*, “Management should consider the potential for fraud when identifying, analyzing and responding to risks.” PES failed to adequately document a cash count of Coleman’s cash drawer after her misappropriation scheme was detected. PES included the shortage in Coleman’s cash drawer in the total amount deducted from Coleman’s final paycheck. However, investigators could not recalculate that amount because of inadequate documentation of the cash remaining in Coleman’s cash drawer at the time her employment was terminated.

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