



COMPTROLLER'S INVESTIGATIVE REPORT

Town of Burns Concessions Operations

June 5, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

June 5, 2023

Town of Burns
Mayor and Board of Commissioners
2715 Church Street
Burns, TN 37029

Town of Burns Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Town of Burns Concessions Operations, 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 23rd 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

Town of Burns Concessions Operations

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Town of Burns and its city owned concessions operations. The Comptroller's Office initiated the investigation after town officials reported cash collections not being remitted for deposit. This investigation was limited to selected records for the period from October 29, 2022, through March 31, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 23rd Judicial District.

BACKGROUND



The Town of Burns (town) is in Dickson County, Tennessee, and is governed by a mayor and board of commissioners. The town owns a municipal park where baseball and football games are played. Within this park is a town-owned concessions stand.

The town's parks and recreation director oversees matters related to the operation of the municipal park and its concessions stand. The park's concession stand generates revenue from the sale of food during sporting events. An independent concession stand operator (operator) manages the concessions under a revenue sharing agreement that provides for an equal division of the profits from each sporting event. Customers may use cash or credit cards as payment and after each event, the operator is required to prepare a detailed report of revenue and expenses and remit all cash proceeds in a timely manner to the city recorder.

During the scope of our investigation, the town verbally contracted with two different operators. The former operator managed the concessions stand until the end of the 2022 season. In January 2023, the town hired a new operator.

RESULTS OF INVESTIGATION

THE FORMER CONCESSIONS STAND OPERATOR FAILED TO REMIT CONCESSIONS COLLECTIONS TO THE TOWN TOTALING APPROXIMATELY \$2,150

The former concessions stand operator failed to remit concessions collections to the town totaling approximately \$2,150*. The former operator managed the concessions stand at the municipal park from August 2022 through the end of the 2022 season. For events held on October 29th, November 6th, and November 12th, the former operator failed to comply with the established process of promptly remitting the cash proceeds to the town on the next business day. The former operator retained the town's money at her personal residence or in her vehicle for an extended period (approximately three weeks) with the intent to remit the cash to the town at one time rather than after each event. Based on available information provided by town officials and information provided by the former operator, investigators estimate that the former operator collected approximately \$2,150 in cash which was never remitted to the town. Exhibit 1 is an example of the records provided to investigators by town officials to determine the amount of the town's money that is unaccounted.

*Note: This estimated figure was determined based on the documentation provided by the town and statements that the former operator gave to investigators. The figures in Exhibit 1 (besides the credit card transactions) are self-reported by the former operator using the "trust" or "honor" system. This is an inadequate documentation procedure, thus the figures in Exhibit 1 could not be definitively verified by investigators due to the former operator not being required to keep itemized or more detailed records of the town's money or concession stand inventory.

Exhibit 1

10/29/22 Saturday's Game -
Total credit cards = 580.39
Total cash = \$2525.00

The former operator self-reported the cash collections using a "trust" or "honor" system. This amount includes the former operator's portion of the cash collections.

A revenue/expense reconciliation report prepared by the former operator after the October 29, 2022, event.

For several weeks, town officials made multiple unsuccessful attempts to have the former operator remit the town's money. On December 19, 2022, investigators met with town officials regarding the unaccounted-for funds. On December 20, 2022, the former operator filed a police report with the Dickson Police Department stating she believed someone broke into her car and took the concessions money. The town's money was reported stolen by the former operator approximately 52 days after the first event in question and only one day after investigators visited the town.

On December 22, 2022, the former operator told investigators she placed the town's money in a banker's bag, which she initially stored at her residence. The former operator stated that on an unknown date, she placed the banker's bag in the glovebox of her car. During this period, she used her car to travel considerable distances and at some point, the former operator lost possession of the town's money. The former operator could not give a location or date when the money was discovered missing. The former operator failed to timely notify the town's officials and file a police report.

During the December 22, 2022, meeting with investigators, the former operator stated she would repay the money owed to the town since it was lost while in her possession. As of May 24, 2023, the town had not received any of the missing funds.

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls, some of which contributed to the town's missing money:

Town officials did not provide adequate oversight of concessions operations and failed to implement internal controls over cash collections

Town officials did not provide adequate oversight and failed to implement effective internal controls over concessions operations. Management is responsible for designing effective internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Providing adequate oversight and establishing internal controls reduces the risks errors or intentional misappropriations will remain undetected. The town had the following internal controls deficiencies related to cash collections:

- A. The town's concessions operation did not have adequate segregation of duties regarding cash collections. The concessions operator was responsible for collecting and reporting to town officials the amount of cash that was collected at each event.
- B. The cash collected at the town's concessions stand was not adequately tracked. Items at the concessions stand were sold and cash was collected with no corresponding receipt or other record. The operator self-reported cash collections using the "trust" or "honor" system.

- C. Town officials authorized the operator to retain the town's cash in her possession. If cash collections occurred on a weekend, the operator was instructed to maintain possession of the town's money until the following business day; therefore, the town's cash collections were maintained in the possession of an individual who was not a town employee.

- D. The town did not have a written contract or an agreement between the town and the operator setting forth operational duties and fiscal responsibilities of both parties. The arrangement between the town and the operator has been historically coordinated based on a verbal agreement without any legally enforceable executed document in place.

On October 20, 2022, investigators met with town officials and discussed concerns related to an unrelated event that occurred in July 2022. At the time, investigators identified the above internal control weaknesses over cash collections and verbally recommended town officials take prompt corrective actions. Town officials failed to take corrective actions and instead, continued operating the concessions stand under inadequate controls while being exposed to increased risks of loss, theft, and noncompliance. The failure to implement the recommended controls over cash collection was a contributing factor that led to the loss of funds.
