



## COMPTROLLER'S INVESTIGATIVE REPORT

### Leoma Utility District

*January 26, 2024*

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



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

January 26, 2024

Leoma Utility District Board of Commissioners  
2573 SR-6  
Leoma, TN 38468

Leoma Utility District Board of Commissioners:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Leoma Utility District, 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", is written over a faint, larger version of the signature.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## Leoma Utility District

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Leoma Utility District. The investigation was limited to selected records for the period December 1, 2020, through December 31, 2022. The results of the investigation were communicated with the Office of the District Attorney General of the 22<sup>nd</sup> Judicial District.

### BACKGROUND



The Leoma Utility District (district) in Leoma, Tennessee, provides water service to approximately 1,400 customers in Lawrence County. The district is governed by a five-member board of commissioners (board).

Daily operations were managed by the general manager, Bradley Lee, until his resignation in November 2022. Tenn.

Code Ann. § 68-221-904 states in part that it is unlawful to operate a water supply system “unless the competency of the operators in direct charge of such system are duly certified.” While Lee was general manager, he was also the certified operator for the district. To remain in statutory compliance for water distribution operations after Lee’s resignation, the board entered into a verbal agreement with Lee to continue working at the district as a contract employee and to be paid a monthly fee until a replacement certified operator could be hired. Lee continued as the certified operator for the district through June 30, 2023. A new certified operator was hired by the district, effective July 1, 2023.

### RESULTS OF INVESTIGATION

#### 1. FORMER GENERAL MANAGER BRADLEY LEE MISAPPROPRIATED DISTRICT FUNDS TOTALING AT LEAST \$7,944.08

During the period December 1, 2020, through December 31, 2022, former district general manager Lee misappropriated district funds totaling at least \$7,944.08. Lee perpetrated his misappropriation by making unauthorized purchases with district funds and obtaining petty cash that he retained for his personal use and benefit. Tenn. Code Ann. § 7-82-113 provides that all expenditures of money made by a utility district must be made for a lawful district purpose. Investigators noted the following improprieties:

A. Lee made personal purchases totaling at least \$1,858.96 from Amazon

The district’s bank account was linked by Lee to an Amazon account under his exclusive control. Lee knowingly utilized the district’s bank account to make personal purchases from Amazon totaling at least \$1,858.96. These purchases included such items as a countertop nugget ice maker, a beach tent canopy, and OnCloud running shoes. Lee attempted to conceal the nature of some of his personal purchases by providing fictitious justifications. On June 7, 2022, Lee ordered “Dog Shock Collar for 2 Dogs” that he had shipped to his home address. On the documentation for the district, Lee falsely indicated on the invoice that the item was a “dog beeper to run dogs away when reading meters...” Lee stated to investigators that the shock collar was a personal purchase. **(Refer to Exhibit 1.)**

**Exhibit 1**



***Documentation Lee submitted for dog shock collars he purchased for his personal use, falsely indicating they were for the district.***

B. Lee made personal purchases of automobile-related items totaling at least \$4,266.58

Lee purchased at least \$4,266.58 in automobile-related items, such as vehicle parts and repairs from vendors, including O’Reilly Auto Parts and other local automotive service repair shops, for his personal benefit. Lee attempted to conceal the nature of some of his personal purchases by providing fictitious justifications as well as falsified documentation.

In one example, Lee concealed a purchase from an automotive service repair shop by indicating on the invoice that the payment was for front-end work on the district’s service truck. However,

investigators confirmed using the vehicle identification number that the repair work was completed on Lee's personal vehicle. (Refer to Exhibit 2.)

**Exhibit 2**

**Customer: lee, bradley**

2006 GMC Sierra 2500 HD Work Truck Crew Cab 167" WB 4WD 4D P/U 8-6.6L Turbocharged Diesel Fuel Injection

**Job Number:**

  

Line	Oper	Description	Part Number	Qty	Extended Price \$	Labor	Paint
1		<b>FRONT SUSPENSION</b>					
2	Repl	LT Brake hose	19366683	1	51.95 m	0.6 M	
3		Bleed brake system			m	0.5 M	
4	Repl	LT Lower ball joint	19207137	1	110.57 m	0.9 M	
5	Repl	RT Lower ball joint	19207137	1	110.57 m	0.9 M	
6	Repl	RT Upper cntrl arm	25905442	1	247.02 m	1.0 M	
7	Repl	LT Upper cntrl arm	25905442	1	247.02 m	1.0 M	
8		<b>STEERING GEAR &amp; LINKAGE</b>					
9	Repl	Idler arm 3/4, 1 ton	15891516	1	218.00 m	0.6 M	
open	Repl	Pitman arm 3/4, 1 ton	12479051	1	143.42 m	0.5 M	
11	Repl	RT Inner tie rod	26059210	1	90.10 m	0.7 M	
12	Repl	LT Inner tie rod	26059210	1	90.10 m	0.7 M	
13	Repl	RT Outer tie rod 3/4, 1 ton	19352244	1	122.43 m	Incl. M	
14	Repl	LT Outer tie rod 3/4, 1 ton	19352244	1	122.43 m	Incl. M	
15	#	Alignment		1	69.99		
16	#	rotate and balance		1	40.00		
<b>SUBTOTALS</b>					<b>1,663.60</b>	<b>7.4</b>	<b>0.0</b>

  

Service truck  
front end  
work

<b>ESTIMATE TOTALS</b>			
Category	Basis	Rate	Cost \$
Parts			1,663.60
Mechanical Labor	7.4 hrs @	\$ 65.00 /hr	481.00
Subtotal			2,144.60
Sales Tax	\$ 2,144.60 @	9.7500 %	209.10
<b>Grand Total</b>			<b>2,353.70</b>
Deductible			0.00
<b>CUSTOMER PAY</b>			<b>0.00</b>
<b>INSURANCE PAY</b>			<b>2,353.70</b>

Check

*Documentation Lee submitted for repair work he falsely asserted was completed on the district's service truck.*

In February 2022, Lee used district funds to purchase a replacement windshield for a personal vehicle (Jeep Wrangler) from an automotive shop. To conceal his personal purchase, Lee used his work computer to fabricate an invoice purported to be from the automotive shop and indicated the purchase was for a windshield replacement for the district's meter truck. (Refer to Exhibit 3.)





**Exhibit 4a**

INVOICE	
leoma tennessee 38468	DATE: June 30 2022
	FOR: <i>topsoil sold to Leoma For them to</i>
<b>Bill To:</b> Leoma Utility District	
DESCRIPTION	AMOUNT
2 loads of topsoil	\$ 400.00
Cash only	
<b>TOTAL</b>	\$ 400.00

**Exhibit 4b**

LEOMA UTILITY DISTRICT	7746
<i>Petty cash office Bot to pay for topsoil bought from individual</i>	

***Fabricated invoice Lee submitted to support the check written to petty cash (4a) along with the check stub (4b).***

Lee admitted to investigators that he made unauthorized personal purchases using district funds and kept cash for his personal benefit. Prior to the initiation of the Comptroller’s investigation, Lee returned some of the items he had purchased and retained for his personal benefit to the district. However, some of these items, such as dog shock collars and sunshades for a Jeep Wrangler, serve no purpose to the district or its customers.

<b>Summary of Misappropriation by Bradley Lee</b>	
A. Personal Amazon Purchases	\$ 1,858.96
B. Personal Automotive Purchases	4,266.58
C. Petty Cash	<u>1,818.54</u>
<b>Total Misappropriation</b>	<b><u>\$ 7,944.08</u></b>

## 2. LEE MADE QUESTIONABLE PURCHASES TOTALING AT LEAST \$1,255.28

During the period December 1, 2020, through December 31, 2022, investigators identified at least \$1,255.28 in questionable expenditures of district funds made by Lee. In some instances, purchases were not supported with receipts, invoices, or other sufficient documentation. Due to inadequate records and supporting documentation, investigators could not determine whether these purchases were for the exclusive benefit of the district.

On January 25, 2024, the Lawrence County Grand Jury indicted Bradley Lee for one count of Theft of Property over \$2,500, one count of Computer Crimes, three counts of Criminal Simulation, and one count of Official Misconduct.

Bradley Lee was also indicted by the Lawrence County Grand Jury on January 25, 2024, for a criminal charge resulting from a concurrent investigation of the [Center Point Volunteer Fire Department found here](#).

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.

[Leoma Utility District Investigative Exhibit](#)

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls and compliance, some of which contributed to Lee’s ability to perpetrate his misappropriation without prompt detection:

### **Deficiency 1: The board failed to report suspicions of unlawful conduct to the Comptroller of the Treasury**

Tennessee’s Local Government Instances of Fraud Reporting Act, Tenn. Code Ann. § 8-4-503 provides that “A public official with knowledge based upon available information that reasonably



causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time to the office of the comptroller of the treasury.” Public officials are defined as persons “...elected or appointed to any office of a public entity.” A reasonable amount of time “...shall not under any circumstances exceed five (5) working days.” The board did not report their knowledge of unlawful conduct by Lee to the Comptroller’s Office as required.

**Deficiency 2: The board failed to adequately document labor agreements between Lee and the district**

Lee resigned from his position as general manager effective November 12, 2022, and the board failed to document his resignation as general manager. Further, the board entered into a verbal agreement with Lee for his continued employment with the district as the certified operator. It was agreed that the district would pay Lee a monthly fee of \$900 for his contracted work, but the board failed to ensure that the contractual terms of the labor agreement were legally sufficient and properly documented.

The board became aware of potential inappropriate purchases and possible fraudulent conduct by Lee in December 2022, at which point the board met with Lee and entered into a verbal agreement to attempt to make district customers “whole.” The board and Lee agreed that he would forfeit his \$900 monthly fee from their previous verbal agreement as repayment for the funds he misappropriated by making unauthorized and personal purchases. As part of the verbal agreement, Lee returned some of the unauthorized items to the district that he had purchased with district funds and retained for his personal benefit. Investigators determined that this verbal agreement remained in effect from February 2023 through June 2023. The board failed to document this agreement and did not report Lee’s potentially fraudulent conduct. Failure to ensure that employment contract terms are lawful and properly documented increases the risk of legal liabilities.

**Deficiency 3: Lee failed to maintain supporting documentation for some disbursements**

Lee failed to maintain supporting documentation for numerous disbursements, including reimbursement payments to himself and payments to Amazon. Requiring and maintaining adequate supporting documentation, such as invoices or receipts, allows district officials to verify that all disbursements are proper and for the exclusive benefit of the district, and decreases the risk for errors or misappropriations to occur without prompt detection.

**Deficiency 4: The board failed to document internal controls or a formal written purchasing policy**

The board failed to document internal controls over district operations and failed to document a formal written purchasing policy. Tenn. Code Ann. § 9-18-102 requires that utility districts “establish and maintain internal controls, which shall provide reasonable assurance that...funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.” The *Internal Control and Compliance Manual* prepared by the Comptroller’s Office maintains that “developing an adequate internal control system requires written documentation as well as continual analysis and modification to address changing circumstances.”

The lack of documented internal controls and a formal written purchasing policy increases the risk of fraud, waste, and abuse.

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

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