




STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
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October 15, 2009

MEMORANDUM

TO: Honorable Justin P. Wilson  
Comptroller of the Treasury

FROM: Richard V. Norment   
Assistant to the Comptroller

SUBJECT: Report of Cash Shortages and Other Questionable Activity for Audits of  
2008 Financial Transactions of County Governments

This division has prepared the enclosed schedules of cash shortages and other questionable activity disclosed in audits of individual counties. This information was obtained from the Annual Financial Reports of Tennessee's 89 county governments audited by our division for the year ended June 30, 2008.

If you have any questions, please let me know.

Enclosures

This report is available at [www.tn.gov/comptroller](http://www.tn.gov/comptroller)

**REPORT OF CASH SHORTAGES AND OTHER QUESTIONABLE ACTIVITY FOR  
AUDITS OF 2008 FINANCIAL TRANSACTIONS OF COUNTY GOVERNMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**

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Exhibit A

**Division of County Audit**  
**Summary of Cash Shortages That Occurred in Fiscal Offices and**  
**Offices of Trustee, County Clerk, Clerks of Courts,**  
**Register of Deeds, and Sheriff**  
**For the Year Ended June 30, 2008**

<b>Office/Department</b>	<b>Cash Shortage June 30, 2007</b>	<b>New Shortages</b>	<b>Reduction Of Shortages</b>	<b>Cash Shortage June 30, 2008</b>
<b><u>Anderson</u></b>				
1. Trustee's Office	\$0.00	\$4,584.89	\$0.00	\$4,584.89
<b><u>Bedford</u></b>				
2. Emergency Management Agency	0.00	117,603.09	0.00	117,603.09
<b><u>Benton</u></b>				
3. General Sessions Court Clerks Office	0.00	693.00	0.00	693.00
<b><u>Cheatham</u></b>				
4. Highway Department	0.00	68,281.11	0.00	68,281.11
5. Landfill	0.00	8,000.00	0.00	8,000.00
<b><u>Cocke</u></b>				
6. Former Clerk and Master	43,190.00	0.00	(750.00)	42,440.00
<b><u>Cumberland</u></b>				
7. Ambulance Service	2,717.00	0.00	(2,717.00)	0.00
<b><u>Decatur</u></b>				
8. School Department	6,747.96	0.00	(6,747.96)	0.00
<b><u>DeKalb</u></b>				
9. General Sessions Court Clerks Office	0.00	8,501.00	0.00	8,501.00
<b><u>Dickson</u></b>				
10. Circuit Court Clerk's Office	300.00	0.00	0.00	300.00
<b><u>Fentress</u></b>				
11. Sharp/Alticrest Volunteer Fire Department	0.00	2,032.00	0.00	2,032.00
<b><u>Gibson</u></b>				
12. Office on Aging	0.00	916.59	0.00	916.59
13. Juvenile Court Clerk's Office	0.00	110.73	0.00	110.73

Exhibit A

Division of County Audit  
Summary of Cash Shortages That Occurred in Fiscal Offices and  
Offices of Trustee, County Clerk, Clerks of Courts,  
Register of Deeds, and Sheriff (Cont)

<u>Office/Department</u>	<u>Cash Shortage June 30, 2007</u>	<u>New Shortages</u>	<u>Reduction Of Shortages</u>	<u>Cash Shortage June 30, 2008</u>
<b><u>Hamblen</u></b>				
14. Sheriff's Office	\$14,326.40	\$0.00	(\$14,326.40)	\$0.00 (1)
15. County Clerk's Office	4,238.00	0.00	(4,238.00)	0.00
<b><u>Hardeman</u></b>				
16. Solid Waste Department	0.00	3,032.47	0.00	3,032.47
17. EMS Department	0.00	2,898.79	(2,898.79)	0.00
<b><u>Hawkins</u></b>				
18. Laurel Run Park	0.00	710.00	0.00	710.00
<b><u>Henderson</u></b>				
19. Highway Department	0.00	422.78	(422.78)	0.00
<b><u>Henry</u></b>				
20. Sheriff's Department	162,658.00	0.00	(2,253.00)	160,405.00
<b><u>Hickman</u></b>				
21. Emergency Communications Distr	11,773.06	0.00	(2,990.06)	8,783.00
<b><u>Jackson</u></b>				
22. Sheriff's Department	0.00	1,866.00	0.00	1,866.00
<b><u>Lake</u></b>				
23. School Department	0.00	507.80	(507.80)	0.00
<b><u>Marshall</u></b>				
24. Ambulance Service	0.00	49,950.00	0.00	49,950.00
<b><u>Maury</u></b>				
25. School Department	501.00	0.00	0.00	501.00
<b><u>McNairy</u></b>				
26. Circuit Court Clerk's Office	0.00	17,933.19	(13,528.19)	4,405.00
<b><u>Morgan</u></b>				
27. County Clerk's Office	0.00	721.00	0.00	721.00
<b><u>Pickett</u></b>				
28. County Executive's Office	2,077.00	0.00	(2,077.00)	0.00 (1)

Exhibit A

**Division of County Audit**  
**Summary of Cash Shortages That Occurred in Fiscal Offices and**  
**Offices of Trustee, County Clerk, Clerks of Courts,**  
**Register of Deeds, and Sheriff (Cont)**

<b>Office/Department</b>	<b>Cash Shortage June 30, 2007</b>	<b>New Shortages</b>	<b>Reduction Of Shortages</b>	<b>Cash Shortage June 30, 2008</b>
<b><u>Polk</u></b>				
29. School Department	\$0.00	\$12,499.19	\$0.00	\$12,499.19
30. School Department	0.00	1,047.45	0.00	1,047.45
<b><u>Rutherford</u></b>				
31. Landfill Office	0.00	26,209.82	0.00	26,209.82
<b><u>Scott</u></b>				
32. General Sessions Court Clerks Office	0.00	17,234.24	(17,234.24)	0.00
<b><u>Sequatchie</u></b>				
33. Sheriff's Department	8,669.00	0.00	(117.74)	8,551.26
34. Sheriff's Department	0.00	2,011.81	0.00	2,011.81
35. County Clerk's Office	0.00	4,248.51	0.00	4,248.51
<b><u>Sevier</u></b>				
36. County Clerk's Office	10,239.43	0.00	(10,239.43)	0.00
37. General Sessions Court Clerk's Office	16,643.47	0.00	(1,271.25)	15,372.22
38. County Executive's Office	0.00	741.00	(741.00)	0.00
<b><u>Smith</u></b>				
39. County Executive's Office	12,247.00	0.00	0.00	12,247.00
40. County Clerk's Office	0.00	819.04	0.00	819.04
<b><u>Sumner</u></b>				
41. School Department	2,022.70	0.00	0.00	2,022.70
42. Sheriff's Department	0.00	192.00	(192.00)	0.00 (1)
<b><u>Tipton</u></b>				
43. County Executive's Office	0.00	4,324.95	0.00	4,324.95
<b><u>Unicoi</u></b>				
44. General Sessions Court Clerk's Office	22,222.00	0.00	0.00	22,222.00

Exhibit A

Division of County Audit  
Summary of Cash Shortages That Occurred in Fiscal Offices and  
Offices of Trustee, County Clerk, Clerks of Courts,  
Register of Deeds, and Sheriff (Cont)

<u>Office/Department</u>	<u>June 30,</u> <u>2007</u>	<u>New</u> <u>Shortages</u>	<u>Reduction</u> <u>Of</u> <u>Shortages</u>	<u>June 30,</u> <u>2008</u>
<b><u>Williamson</u></b>				
45. Recreation Department	45,037.43	0.00	0.00	45,037.43
46. Library Department	266.00	0.00	(266.00)	0.00 (1)
47. County Clerk's Office	50.00	0.00	(50.00)	0.00 (1)
<b>Total</b>	<b>\$365,925.45</b>	<b>\$358,092.45</b>	<b>(\$83,568.64)</b>	<b>640,449.26</b>

**Footnote:**

- (1) The remaining unpaid balance of this cash shortage was written off as uncollectable.

Exhibit B

**Division of County Audit**  
**Summary of Cash Shortages That Occurred**  
**in Fiscal Offices and Offices of**  
**Trustee, County Clerk, Clerks of Courts,**  
**Register of Deeds, and Sheriff**  
**Subsequent to the Year Ended June 30, 2008 (1)**

<u>Office/Department</u>	<u>New Shortages</u>	<u>Reduction Of Shortages</u>	<u>Ending Shortage</u>
<b><u>Benton</u></b>			
1. Animal Control Office	\$370.00	\$0.00	\$370.00
2. Drug Court	90.00	0.00	90.00
<b><u>Claiborne</u></b>			
3. Office of Circuit, General Sessions, and Juvenile Court Clerk's Office	28,232.76	(4,279.82)	23,952.94
<b><u>Lawrence</u></b>			
4. Sheriff's Department	120.00	(120.00)	0.00
<b><u>Rutherford</u></b>			
5. Landfill Office – Tool Theft	5,118.50	(5,118.50)	0.00 (2)
<b><u>Williamson</u></b>			
6. Landfill Office	7,351.70	0.00	7,351.70
<b>Total</b>	<b>\$41,282.96</b>	<b>(\$9,518.32)</b>	<b>\$31,764.64</b>

**Footnotes:**

(1) These cash shortages occurred subsequent to June 30, 2008, and were included in the county's 2007-08 Audit Report.

(2) The remaining unpaid balance of this cash shortage was written off as uncollectable.

**Division of County Audit**  
**Summary of Thefts and Other Questionable Activity That Occurred**  
**in Fiscal Offices and Offices of Trustee, County Clerk, Clerks of**  
**Courts, Register of Deeds, and Sheriff**  
**For the Year Ended June 30, 2008**

<b><u>Office/Department</u></b>	<b><u>Description</u></b>
<b><u>Carter</u></b>	
1. County Executive	Theft of fuel, employee funds and other items at the Solid Waste Department.
<b><u>Lawrence</u></b>	
2. Sheriff's Department	Lost seized cash of \$1,157 and a handgun from a drug raid.
<b><u>Marshall</u></b>	
3. Ambulance Service Department	Questionable circumstances surrounding the purchase of an ambulance and other questionable purchases.
<b><u>Moore</u></b>	
4. Highway Department	Employee paid for unearned sick leave.
<b><u>Wayne</u></b>	
5. Highway Department	Theft of fuel.

**Footnote:**

These thefts and other questionable activity were included in the county's 2007-08 Audit Report.



**Division of County Audit**  
**Explanations of Cash Shortages That Occurred in**  
**Fiscal Offices and Offices of Trustee, County Clerk, Clerks of**  
**Courts, Register of Deeds, and Sheriff**  
**For the Year Ended June 30, 2008**

1. **Anderson County**

**Trustee's Office**

A cash shortage of at least \$4,584.89 existed in the Office of Trustee as of June 30, 2008. This shortage occurred because proper internal controls did not exist over tax collections. Collections received by the office were not immediately receipted onto the office computer system. In an attempt to minimize customer wait time, the trustee allowed employees to accept and hold collections, then receipt the collections into the accounting system at a slower time of day. However, many collections were never receipted. This resulted in several days where cash on hand did not balance with receipts issued, and a surplus of funds was thought to have existed in the office. This also provided the opportunity for collections to be removed from the office without being readily detected. Further, on days when a surplus of funds was thought to have existed, the surplus was not deposited to the official bank account, but was held until such time as the money was identified to specific taxpayers. Section 9-2-103, Tennessee Code Annotated (TCA), requires that all funds be receipted, and Section 5-8-207, TCA, requires that all funds be deposited within three days of collection.

On June 12, 2008, the trustee notified the Comptroller's Office of potential improprieties in accounting for property tax collections. Office staff became aware of improprieties when certain taxpayers notified the office that they had received delinquent property tax notices for unpaid taxes, which in fact had already been paid. These taxpayers subsequently provided evidence to the Trustee's Office that their taxes had been paid. After examining the evidence presented by taxpayers, the trustee determined that some of the taxpayers' payments matched amounts and days that a surplus of funds was thought to have existed in the office. Those amounts were subsequently adjusted by the trustee and brought into accounting. However, there were not enough surplus funds to account for all of the payments claimed to have been made by the taxpayers. The trustee identified \$4,584.89 of tax collections, which could not be accounted for, resulting in the cash shortage.

The trustee advised the district attorney general and the Tennessee Bureau of Investigation (TBI) of the improprieties. The TBI investigated the cash shortage and on April 7, 2009, Hanna Pratt, a former part-time employee of the office pled guilty to theft of more than \$1,000 and was given diversion and placed on unsupervised probation for two years. Ms. Pratt was also ordered by the court to pay court costs of \$497, make restitution to the county of \$4,600, and make a \$500 contribution to the Fraud and Economic Crime Fund.

2. **Bedford County**

**Emergency Management Agency**

A cash shortage of at least \$117,603.09 existed in the Bedford County Emergency Management Agency at June 30, 2007. We noted 22 checks totaling \$107,409.25 written on three different bank accounts, which were payable to Midstate, Mid-S, or Mid St. These checks were actually paid to MidState Finance Company to repay a series of personal loans of employee Eugene Nichols. Another five checks totaling \$10,193.84 were written to repay other personal loans of Mr. Nichols with Litton Loan Service. Therefore, the sum of the checks written to repay personal loans comprises the cash shortage totaling \$117,603.09.

An additional 16 checks totaling \$33,451.12 were payable to Eugene Nichols purportedly for various reimbursements, overtime, or payroll advances. There is insufficient documentation to determine the legitimacy of these checks. Since we were unable to determine the legitimacy of these payments, we have not included these payments (\$33,451.12) as part of the cash shortage.

On November 17, 2008, Eugene Nichols was indicted by the Bedford County Grand Jury on 44 counts of theft and 26 counts of forgery. On May 27, 2009, Mr. Nichols pled guilty to one count of theft in excess of \$60,000 and was sentenced to nine years in prison and ordered to pay restitution of \$60,000.

3. **Benton**

**General Sessions Court Clerk's Office**

The Office of General Sessions Court Clerk had a cash shortage of \$693 on June 30, 2008. The following discrepancies comprise the \$693 cash shortage.

- A. On August 10, 2006, a deposit totaling \$167 had been posted to the accounting records; however, these funds were never deposited to the official bank account.
- B. On July 31, 2007, a bank deposit was \$30 short of the funds actually collected.
- C. In February 2007, the bank returned a litigant's check totaling \$451 for insufficient funds. This check had not been subsequently collected, and the actual returned check could not initially be located by office personnel.
- D. Two checks, one deposited on July 27, 2007, and the other deposited on July 31, 2007, were each receipted for \$20 less than the amounts of the checks received.

- E. On August 23, 2007, office personnel voided a receipt written for \$5 to make the bank deposit agree with the available cash. The voided receipt listing had a notation that office personnel had lost the check.

On July 17, 2008, the clerk was informed of the cash shortage. A replacement check was received from the litigant for the lost \$5 check on July 25, 2008. The clerk located the \$451 returned check and collected the funds from the litigant. On July 31, 2008, the clerk deposited the \$451 received from the litigant and \$237 from his personal funds to liquidate the remaining cash shortage.

4. **Cheatham**

**Landfill**

On January 11, 2008, the Office of District Attorney General informed auditors about a cash shortage at the Cheatham County landfill. Their investigation revealed that during the period January 2006 through December 2007, the landfill director sold recyclable materials to PSC Metals and received cash totaling \$13,747.25. These collections were not deposited with the county or accounted for otherwise. On December 17, 2008, the solid waste director pled guilty to one count of theft of property from \$10,000 to \$60,000 and was sentenced to three years probation, 200 hours of unpaid community service, and ordered to pay restitution totaling \$8,000. The landfill director paid the \$8,000 in restitution on January 16, 2009.

5. **Cheatham**

**Highway Department**

On January 30, 2008, the county mayor and director of accounts and budgets notified auditors of possible irregularities at the Cheatham County Highway Department. Our investigation revealed that from February 5, 2007, through December 18, 2007, the Highway Department bookkeeper fraudulently issued 16 vendor checks totaling \$68,281.11 for personal use.

The flow of documents is for the Highway Department's bookkeeper to send packets of supporting documentation for expenditures along with the corresponding printed unsigned checks to the Office of Accounts and Budgets. Personnel in the Office of Accounts and Budgets are supposed to review the packets of supporting documentation, process the checks through a check-signing machine, and return all of the information back to the Highway Department. The Highway Department's bookkeeper then mails the checks to the vendors, attaches a duplicate copy of the check to the supporting documentation packet, and returns the completed packets to the Office of Accounts and Budgets to be filed for audit inspection. However, the 16 checks processed through the check signing machine were not physically compared with the supporting documentation packets by personnel in the Office of Accounts and Budgets until they

suspected an irregularity had occurred. Also, we noted that the Highway Department’s bookkeeper used a signature stamp to affix the Road Superintendent’s signature on payment approval forms.

The Highway Department bookkeeper’s husband operates a video and tanning business called Movietime. Our investigation noted that the bookkeeper issued the following checks, which were deposited with Movietime for the personal use of the bookkeeper.

Date	Payee	Check #	Amount	Expenditure Description
2-5-07	Charles McTann	17410	\$ 4,975.00	Bridge Construction
3-7-07	Charles McTann	17494	4,842.00	Bridge Construction
4-9-07	Charles McTann	17574	4,275.00	Bridge Construction
4-23-07	Charles McTann	17596	5,987.00	Bridge Construction
6-18-07	Charles McTann	17736	4,298.00	Bridge Construction
7-10-07	Charles McTann	17785	4,881.00	Bridge Construction
8-7-07	Movintime	17843	4,270.00	Equipment Parts - Light
8-27-07	Movintime	17881	3,644.47	Equipment Parts - Light
9-6-07	Movintime	17915	3,908.72	Equipment Parts - Light
9-25-07	Movintime	15962	4,464.00	Equipment Parts - Light
10-9-07	Moventime	16002	3,672.42	Equipment and Machinery Parts
10-29-07	Moventime	16033	4,272.00	Equipment and Machinery Parts
11-14-07	Moventime	16061	4,194.52	Equipment and Machinery Parts
11-28-07	Moventime	16093	2,402.71	Equipment and Machinery Parts
12-11-07	Moventime	16127	4,691.52	Equipment and Machinery Parts
12-18-07	Moventime	16148	<u>3,502.75</u>	Equipment and Machinery Parts
Total			<u>\$ 68,281.11</u>	

These checks were issued to fictitious payees using variations related to the family’s video and tanning company (Movietime). The county terminated the bookkeeper’s employment with the Highway Department on February 12, 2008. On August 15, 2008, the bookkeeper was found guilty of theft of \$60,000 or more and was sentenced to eight years. After serving six months, the sentence will be reduced to seven years and six months of probation along with 400 hours of unpaid community service. The bookkeeper was ordered to pay restitution totaling \$68,281.11 to the Highway Department. On December 5, 2008, the bookkeeper paid \$30,097.36 of this judgment.

6. **Cocke County**

**Former Clerk and Master**

The audit of Cocke County for the 1996-97 year revealed a cash shortage of \$101,821.73 in the Office of Clerk and Master. The former clerk and master, Charles Chesteen, established unofficial bank accounts that he did not reflect on the office records. Funds that were recorded as having been disbursed from the regular office checking account to

several litigants had actually been deposited into the unofficial bank accounts, and records were falsified to indicate that the litigants had received the funds. Also, receipts were not issued for certain collections of the Clerk and Master's Office. These unreceipted funds were deposited to the unofficial bank accounts. Mr. Chesteen then used the funds in the unofficial bank accounts to pay personal expenses.

On May 12, 1999, Mr. Chesteen pled guilty to theft and conversion of office funds. He has since served one year of confinement in the Cocke County Jail and has been placed on 14 years of probation. The surety bond company for the clerk and master paid the office \$50,000 during the 1998-99 year. It should be noted that the trial court ordered Mr. Chesteen to pay restitution of \$101,821.73, and in December 2001 he began making payments to the Office of Clerk and Master. As of June 30, 2008, Mr. Chesteen had made payments of \$9,382 toward restitution. The remaining balance of \$42,440 is reflected as a cash shortage at June 30, 2008.

7. **Cumberland County**

**Ambulance Service**

The audit of Cumberland County for the 2005-06 year revealed a cash shortage of \$2,716.80 at the Ambulance Service. We noted several receipts for cash collections that were not deposited to the office bank account or otherwise accounted for. A former employee was indicted for theft in the matter and in March 2008, this former employee was given pretrial diversion and paid restitution to the county of \$2,716.80 to liquidate the shortage.

8. **Decatur County**

**School Department Cafeteria Employee**

The discretely presented General Purpose School Fund reflected an outstanding cash shortage of \$6,747.96 at June 30, 2007. This cash shortage resulted from a theft (\$21,573.96) at the Parsons Elementary School Cafeteria during the period July 1, 2002, through February 29, 2004. A former bookkeeper pled guilty to the theft and liquidated the remaining shortage during the 2007-08 year.

9. **DeKalb County**

**General Sessions Court Clerk's Office**

A cash shortage of \$8,501 existed in General Sessions Court at June 30, 2008. This cash shortage resulted from numerous bank deposits for the period April 2008 through June 2008 being less than the amount of deposits posted to the general ledger. We noted the following internal control deficiencies that should have alerted officials of possible irregularities:

- A. The bank reconciliation prepared at June 30, 2008, did not reconcile with the general ledger by \$515. This variance should have been investigated and corrected promptly.
- B. Deposits for May 22, 28, 29, and June 11, totaling \$8,331 were listed as in transit on the June 30, 2008, bank reconciliation; however, these deposits actually cleared the bank prior to June 30, 2008; therefore, these deposits could not be in transit.
- C. Beginning April 11, 2008, several bank deposits were not made intact; i.e., funds collected during a specific period of time were not deposited together. Because the clerk used this method of depositing collections, we could not trace specific collections to specific deposits.
- D. Of the bank deposits that were not made intact, the difference between the sum of the receipts and the sum of the bank deposit was cash receipts. This difference indicates that cash was being manipulated.

This cash shortage was reviewed with the district attorney general. Tonya Page, a former office employee, has been indicted by the Dekalb County Grand Jury on the charge of theft in excess of \$1,000 and is currently awaiting trial.

10. **Dickson County**

**Circuit Court Clerk's Office**

The office has an outstanding cash shortage of \$300 on June 30, 2008. The audit of Dickson County for the 2005-06 year revealed a cash shortage of \$1,350 in the Office of Circuit Court Clerk. During December 2005, the circuit court clerk informed auditors that the office's bank deposit was short \$1,050, and the employee who receipted the collections could offer no explanation; therefore, the clerk replaced the cash shortage with personal funds. On August 28, 2006, the clerk informed auditors that this same employee had altered records and stolen an additional \$300 from the office by altering records in the office computer system. The employee' was terminated on August 30, 2006. On October 25, 2006, the Grand Jury indicted the employee. However, the case is still pending and no trial date has been set.

11. **Fentress County**

**Sharp/Alticrest Volunteer Fire Department**

In March 2008, the county executive notified us of an alleged misappropriation of county funds by a captain in the volunteer fire department and of an ongoing investigation by the county Sheriff's Department. This theft was related to the building used by the Sharp/Alticrest Volunteer Fire Department and owned by Fentress County. The county provides certain operational and maintenance expenses for the volunteer fire department.

In July 2007, a captain in the volunteer fire department requested and received a purchase order from the Fentress County Finance Department for some remodeling work to be performed at the Sharp/Alticrest Volunteer Fire Department. The captain subsequently provided the Finance Department with an invoice for the completed work, and the Finance Department paid the vendor. However, county officials later determined that the remodeling work had not been performed, and the county Sheriff's Department began an investigation. This investigation revealed that no remodeling work had been performed on the building; the vendor had cashed the check and had given the funds (\$1,532) to the captain for his personal use. Additionally, the captain used the county's credit card to purchase fuel (\$500) for his personal use. Therefore, the misappropriation of county funds totaled \$2,032.

In March 2008, we were asked to review the available records of the Sharp/Alticrest Volunteer Fire Department because other allegations had been made against the captain for misuse of county equipment and volunteer fire department funds. This review noted several questionable transactions; however, these transactions appeared to directly affect the volunteer fire department funds and not other funds provided by Fentress County. We shared the results of our review with the county executive, the Sheriff's Department, and the district attorney general. They determined from their review that the captain had misappropriated funds totaling \$1,556 from the Sharp/Alticrest Volunteer Fire Department.

The captain was dismissed and subsequently on September 24, 2008, pled guilty to one count of theft over \$500 and one count of theft over \$1,000. The former captain was ordered to pay restitution of \$2,032 to Fentress County and \$1,556 to the Sharp/Alticrest Volunteer Fire Department (\$150 per month beginning November 1, 2008) plus court costs and was sentenced to four years of unsupervised probation. As a result of the theft described above, the Finance Department has strengthened its internal controls by requiring all purchase orders issued for the county's volunteer fire departments to be requested through the fire chief or assistant fire chief.

12. **Gibson County**

**Office of Aging**

The Mayor's Office informed us of some possible irregularities in the Office of Aging. We investigated these irregularities and determined that Clarice Smith, director of the Gibson County Office on Aging, had misappropriated county equipment and materials resulting in a cash shortage of \$916.59 on June 30, 2008. Our examination of the operations of the Gibson County Office on Aging revealed the following:

- A. On May 7, 2008, Ms. Smith instructed the person painting the interior of her home to purchase paint (\$46.77) from Ace Building Center in Trenton, charge the paint to the Office on Aging, and she would reimburse the county for the paint later. However, Ms. Smith did not reimburse the county until August 21, 2008, after auditors confronted her about the purchase.

- B. On June 12, 2008, Ms. Smith used county funds to purchase a small refrigerator (\$69.96) from Wal-Mart. We performed an inventory of equipment on August 13, 2008, at the Office on Aging and were unable to locate the refrigerator. When auditors questioned Ms. Smith about the missing refrigerator, she denied having it at her home, but after further questioning, she admitted that the refrigerator was at her home. On August 14, 2008, Ms. Smith brought the refrigerator to the Office on Aging.
  
- C. During June 2005, a Compaq computer was purchased (\$799.86) and used by Ms. Smith at the Office on Aging. A new Gateway computer was purchased for her use in June 2007. However, our inventory of equipment at the Office on Aging on August 13, 2008, failed to locate the Compaq computer. We were informed by office personnel that this Compaq computer was returned from Ms. Smith's home to the Office on Aging on August 14, 2008. We asked Ms. Smith on August 20, 2008, if the computer was at her home prior to August 14, 2008, and she replied the computer was upstairs at the office. However, after further questioning, Ms. Smith admitted to having the Compaq computer at her home and using it for personal and business purposes.

On September 2, 2008, Ms. Smith's employment was terminated with the Gibson County Office on Aging. The total cash shortage of \$916.59 is considered paid as of August 14, 2008. We have reviewed this shortage with the district attorney general.

13. **Gibson County**

**Juvenile Court Clerk's Office**

Our examination disclosed that funds totaling \$110.73 had not been deposited to the bank account or accounted for in any manner resulting in a cash shortage at June 30, 2008. The bank balance reflected on the cash journal at June 30, 2008, was \$110.73 more than the balance reflected on the bank statement. Our examination also noted that a cash overdraft existed for six months in the bank account. This deficiency existed because the official did not implement a system of internal controls to ensure that any discrepancies were investigated and corrected promptly. After we reviewed this shortage with the Juvenile Court Clerk, he deposited \$110.73 in personal funds to the official bank account to liquidate this cash shortage.

14. **Hamblen County**

**Sheriff's Office**

The audit of Hamblen County for the 2002-03 year revealed a cash shortage of \$14,326.40 in the Sheriff's Office. This cash shortage resulted from commissary funds that were not accounted for (\$12,527.90) and from receipts that were issued from an unofficial receipt book without being accounted for (\$1,798.50). A former employee was



acquitted on criminal charges relating to this cash shortage. County officials wrote this shortage off as uncollectible during the 2007-08 year.

15. **Hamblen County**

**County Clerk's Office**

A special review performed by the previous auditor for Hamblen County during the 2001-02 year revealed a cash shortage of \$41,379.85 in the Office of County Clerk. A claim was filed with the county's insurance carrier, and the county received \$26,799.43 leaving a remaining shortage of \$14,580.42 at June 30, 2005. During the 2005-06 year, a former employee of the office entered into a pretrial diversion arrangement related to charges stemming from this cash shortage and has agreed to pay restitution to the county totaling \$15,000. As of June 30, 2008, the former employee had liquidated this shortage.

16. **Hardeman County**

**Solid Waste Department**

A cash shortage totaling \$3,032.47 existed in the Solid Waste Disposal Fund at June 30, 2008. This cash shortage is composed of the following two amounts:

- A. Collections received at the Landfill Office were delivered to the Solid Waste Office to be entered into the solid waste disposal accounting system. However, collections delivered to the Solid Waste Office totaling \$2,152.97 were not entered into the accounting system or deposited with the county trustee.
- B. All residents and businesses in Hardeman County are assessed a landfill fee, which is billed monthly and collected at the Solid Waste Office. Receipts issued for these monthly collections totaling \$879.50 were not deposited with the county trustee.

Contrary to sound business practice, management had not reconciled collections at the Landfill Office or at the Solid Waste Office with amounts receipted into the accounting system and deposited with the county trustee. It should be noted that some receipts were held in the Solid Waste Office up to 48 days before being deposited with the county trustee. Section 5-8-207, Tennessee Code Annotated, requires all funds to be deposited within three days of collection. This shortage has been reviewed with the district attorney general's office. Contrina Robertson has accepted responsibility for the cash shortage and agreed to pay the county back in full. Ms. Robertson resigned on October 29, 2008.

17. Hardeman County

**Emergency Medical Services Department**

The Tennessee Bureau of Investigation conducted an investigation into allegations of misconduct by certain Hardeman County Emergency Medical Services (EMS) personnel. The investigation revealed that Mandy Forman, the director of the EMS, and Jacqueline Kelley, a medical technician, ordered drugs and medical supplies for their personal use through EMS's accounts. Invoices for these drugs and medical supplies were approved by the EMS director and forwarded to the County Mayor's Office for payment. These purchases for personal use resulted in a cash shortage of \$2,898.79. The EMS director, as management, overrode the internal control system by approving these illegal purchases. Mandy Forman's employment was terminated on December 19, 2007, and Jacqueline Kelley resigned on January 7, 2008. On January 7, 2008, Ms. Forman was found guilty of official misconduct, received two years of judicial diversion, and was ordered to pay restitution of \$1,881.14. Ms. Kelley was found guilty of official misconduct, received one year of judicial diversion, and was ordered to pay restitution of \$1,017.65. Both parties paid the restitution in January 2008.

18. Hawkins County

**Laurel Run Park**

On October 3, 2007, the county trustee notified us of a potential cash shortage at the Laurel Run Park. We performed audit procedures at the park through October 10, 2007, and determined that collections of at least \$710 were not accounted for between August 12, 2007, and September 9, 2007. The following deficiencies contributed to the cash shortage:

- A. Receipts were not always completed properly. In several instances, the date, amount, and/or payer were omitted on the receipts. Additionally, the receipts did not indicate the form of payment (i.e., cash or check).
- B. Since some receipts did not reflect the date of collection and/or the form of payment, we were unable to determine if collections were deposited intact and within three days as required by Section 5-8-207, Tennessee Code Annotated.
- C. Park personnel did not reconcile receipts with deposits; instead, park personnel subsequently provided copies of the receipts and deposits slips to the trustee's office for the trustee to reconcile the receipts with deposits. A reconciliation of receipts with deposits by park personnel would have indicated that all collections were not being deposited to the bank.
- D. Park personnel did not prepare the bank deposit slips. Based on information provided to us by park employees, deposit slips were prepared by the bank tellers instead of the park employees. The process of allowing the bank tellers to complete the deposit slips resulted in checks not being individually listed on the deposit

slips. Additionally, the validated deposit slips were not always maintained and remitted to the County Mayor's Office in a timely manner.

- E. Management of the park did not adequately supervise the receipting/ depositing operations of the Laurel Run Park. An employee, other than the park director or caretaker, was allowed access to collections. In accordance with job descriptions, only the park director or caretaker should have access to collections.

These internal control deficiencies existed because of an overall lack of management oversight and control in the daily financial functions of the park's operations. Weaknesses in internal control provide increased opportunities for fraud to occur.

19. **Henderson County**

**Highway Department**

As a follow-up to a citizen complaint filed with the local ethics committee, we examined some purchasing transactions back to 2004-05. Our examination of Highway Department invoices disclosed that auto parts had been purchased for vehicles not owned by the Highway Department. These purchases were made by mechanic Bobby Hensley. In some instances, it appeared that the items purchased were for vehicles owned by Mr. Hensley or other Highway Department employees. Invoices for parts purchased for private vehicles totaled \$422.78 (\$181.40 in 2004-05; \$124.82 in 2005-06; and \$116.47 in 2006-07) for the period examined. We were not able to determine if these parts were installed at the county facility by county employees. The cash shortage of \$422.78 was repaid to the Highway/Public Works Fund by Mr. Hensley on May 22, 2008. This shortage has been discussed with the district attorney general.

20. **Henry County**

**Sheriff's Department**

The audit of Henry County for the 2005-06 year revealed a cash shortage of \$162,658 in the Sheriff's Department. This cash shortage consisted of purchases of numerous items that had no apparent use or benefit to the Sheriff's Department, instances of collusion, falsified invoices, and purchases of items for personal use.

David Bumpus, Henry County Sheriff, Faye Scott, business manager for the Henry County Sheriff's Department, and Jason Ferren, former owner of Elite Firearms, were indicted by a federal grand jury on conspiracy, mail fraud, theft from organization receiving federal funds. Mr. Bumpus and Mr. Ferren were also indicted for false entries by a licensed dealer of a firearm record. Mr. Bumpus, Ms. Scott, and Mr. Ferren all pled guilty to various charges and have received various sentences and fines. The three defendants have also been ordered to pay restitution of \$71,512. This amount is net of estimated auction proceeds of items recovered from Mr. Bumpus. Mr. Bumpus paid

\$1,796 and Ms. Scott paid \$457 toward liquidating the shortage during the 2007-08 year. As of June 30, 2008, the remaining cash shortage totaled \$160,405.

21. **Hickman County**

**Emergency Communications District**

A special investigation by our office of the Hickman County Emergency Communications District during the 2005-06 year revealed a cash shortage of at least \$11,773.06. Records of the district were so poorly maintained that the cash shortage could exceed the amount noted; however, we were unable to make a determination on the validity of numerous transactions. On September 26, 2007, Darlene Field, the former address coordinator, pled guilty to theft and was placed on probation for a period of two years and ordered to pay restitution of \$7,500. At June 30, 2008, the district's audit report reflected an outstanding shortage of \$8,783.

22. **Jackson County**

**Sheriff's Department**

The Sheriff's Department had a cash shortage of \$1,866 during the 2006-07 year. This shortage was the result of not properly accounting for funds received from the County Mayor's Office for confidential undercover drug operations. We have reviewed this cash shortage with the district attorney general. This shortage remained outstanding at June 30, 2008.

23. **Lake County**

**School Department**

The director of schools and the supervisor of facilities/transportation conducted an internal investigation into suspected violations of the Board of Education's fuel purchasing policy. This investigation revealed that a maintenance supervisor used a School Department fuel card to purchase \$507.80 of gasoline for his personal vehicles. The maintenance supervisor's employment was terminated on March 12, 2008. The cash shortage was deducted from the supervisor's final payroll check dated March 31, 2008. These improper purchases were reviewed with the district attorney general.

24. Marshall County

**Ambulance Service Department**

The ambulance service director sold a used ambulance (2002 Ford E-350 Mini-Mod ambulance) on the internet auction site [www.govdeals.com](http://www.govdeals.com) to Mr. Daniel Stewart from North Carolina for \$49,950. Mr. Stewart presented a forged bank letter of credit, paid with a business check (Stewart's Electronics), and took delivery of the ambulance at 3:00 a.m. on October 19, 2007. The shift captain on duty at the ambulance service accepted the check from Mr. Stewart and turned over the title to the ambulance per prearranged discussions with the ambulance service director and Mr. Stewart. This check was deposited with the county trustee the next day; however, the check was subsequently returned by the bank for insufficient funds. In the meantime, Mr. Stewart sold the ambulance to Amelia Ambulance Leasing, LLC, in Amelia, Virginia. Mr. Stewart was indicted on January 20, 2008, and convicted on two counts of theft of property – \$10,000 to \$60,000, one count of forgery – \$10,000 to \$60,000, and one count of worthless checks – \$10,000 to \$60,000. Mr. Stewart was sentenced to six years in the Tennessee Department of Corrections and ordered to pay restitution of \$49,950. As of the date of this report, restitution has not been received. The county attorney has advised county officials that conflicting state laws prohibit the county from obtaining the ambulance from the third-party purchaser. County officials advised that the county is unable to receive an insurance recovery because the county issued a good title to the purchaser.

25. Maury County

**School Department**

The county's 2006-07 audit report reflected a cash shortage of \$501. This shortage resulted from an investigation by the Maury County Sheriff's Department who determined that a cafeteria employee was not recording some a la carte sales at the Central High School cafeteria. On February 28, 2008, the employee pled guilty to one count of theft under \$500. The employee was ordered to pay the Maury County Board of Education restitution totaling \$501, and her employment was subsequently terminated. The employee paid the restitution of \$501 on August 26, 2008, to liquidate the shortage.

26. McNairy County

**Circuit Court Clerk's Office**

On January 7, 2008, representatives from the Office of Circuit Court Clerk informed auditors that they were unable to reconcile receipts with bank deposits, and that it appeared that eight bank deposits were missing. We then performed an examination of the financial records of the office for the period July 1, 2007, through January 15, 2008. This examination disclosed a cash shortage of \$13,528.19. We noted the following discrepancies:

- A. Eight bank deposits totaling \$9,612.63 had been posted to the accounting records but had not been deposited to the official bank account. These bank deposits consisted of collections for the period November 13, 2007, through December 11, 2007. These undeposited collections (\$9,612.63) have been included in the cash shortage.
- B. The allocation between cash, checks, and money orders listed on several deposit tickets did not agree with the allocation listed on the receipt reports. On those deposits, less cash was deposited than was receipted, and more checks and money orders were deposited than were receipted. Due to these allocation discrepancies, we requested the clerk obtain copies of deposit items from the bank. As a result, we determined that six checks from customers and one check from the State of Tennessee totaling \$3,915.56 had been deposited to the bank account that had not been receipted. Therefore, these checks and money orders had been substituted for cash that had been receipted by the office. These unreceipted checks and money orders (\$3,915.56) have been included in the cash shortage.
- C. Collections were not deposited to the bank account on a current basis, allowing cash, checks, and money orders to accumulate. Several deposits were taken to the bank over a week after the funds were collected. Bank records reflected only one deposit in August 2007, and two deposits in September 2007. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit funds within three days of collection.
- D. Reconciliations of the bank balances with the cash control records were not performed on a current basis. We noted that the reconciliation for November 2007 was not performed until January 7, 2008.
- E. The office did not maintain any records indicating the breakdown of cash, checks, and money orders received by mail.
- F. The clerk informed us that the former bookkeeper, Dana Siegler, had been terminated from her job on December 13, 2007, for matters unrelated to this cash shortage. However, it should be noted that the clerk permitted Ms. Siegler to return to the office after her termination to work on the financial records of the office.

During our examination, we met with Ms. Siegler twice to discuss the missing funds. During our first meeting, Ms. Siegler admitted taking the missing deposits but denied taking any other funds from the office. During our second meeting, Ms. Siegler admitted taking the other missing funds. Ms. Siegler has restored the \$13,528.19 in missing funds to the office. She returned \$3,977.40 in missing money orders and checks, and she paid the office \$7,486.23 and \$2,064.56 from personal funds on January 25, 2008, and February 29, 2008, respectively.

On June 20, 2008, Ms. Seigler pled guilty in Circuit Court to official misconduct. She was sentenced to two years in state prison and immediately granted probation. In

addition, she was ordered to pay \$4,405 for restitution to the county for audit expenses. As of February 12, 2009, Ms. Seigler had not made any payments on the restitution.

27. **Morgan County**

**County Clerk's Office**

The Office of County Clerk had a cash shortage of \$721 on June 30, 2008. This cash shortage resulted from office receipts not being deposited to the official bank account or accounted for otherwise. Although the clerk routinely compared receipts with deposits, differences noted in her review were not investigated or satisfactorily resolved. This shortage has been reviewed with the district attorney general and the county executive.

28. **Pickett County**

**County Executive's Office**

The county's 2006-07 audit report reflected a cash shortage of \$2,077 in the landfill office. The Tennessee Bureau of Investigation investigated this shortage and eventually dropped the investigation due to a lack of evidence. The county's bonding company has refused to make payment on the cash shortage. Since the county could not recover this shortage, the \$2,077 was written-off during the 2007-08 year.

29. **Polk County**

**School Department**

A cash shortage of \$12,499.19 existed in the School Department on April 30, 2008. This cash shortage resulted from cash collections for land owned and leased by the School Department (\$12,000) and various other cash collections (\$499.19) that had not been deposited with the county trustee. In April 2008, the director of schools notified the Comptroller of the Treasury that various cash collections had not been remitted to the county trustee. The director of schools explained that during the budget preparation process, the School Department's finance director noticed that lease revenues varied significantly from year to year. Therefore, the finance director compared current-year receipts issued at the School Department with remittances to the county trustee and discovered that several receipts issued for cash collections had not been remitted to the county trustee. The finance director then proceeded to review prior-years' collections and noted additional cash receipts that had not been remitted to the county trustee. During the period 2004-05 through April 2008, one employee, Sharon Laycock, had been responsible for receipting collections at the central office and remitting the collections to the county trustee with no oversight by management. The finance director questioned Ms. Laycock about the unaccounted for receipts, and she initially stated that a former maintenance worker must have taken the money. After another meeting between the finance director, Ms. Laycock, and the director of schools, the Polk

County Sheriff's Department was contacted, and they began an investigation. The next week, Ms. Laycock announced that she had found two envelopes in her desk drawer containing a total of \$3,500 that she claimed had fallen down to the bottom of her desk. Ms. Laycock was again questioned by the Sheriff's Department and subsequently submitted a letter of resignation to the School Department.

The following table presents the cash receipts that were not accounted for during the period 2003-04 through April 2008.

Year	Land Leases	Facility Rentals	Refunds	Total
2003 - 04	\$ 1,000.00	\$ 0.00	\$ 0.00	\$ 1,000.00
2004 - 05	2,000.00	25.00	85.00	2,110.00
2005 - 06	3,500.00	65.00	11.00	3,576.00
2006 - 07	4,000.00	0.00	0.00	4,000.00
2007 - April 2008	5,000.00	25.00	288.19	5,313.19
Total	\$ 15,500.00	\$ 115.00	\$ 384.19	\$ 15,999.19
Deposited Cash	(3,500.00)	0.00	0.00	(3,500.00)
Cash Shortage, April 30, 2008	\$ 12,000.00	\$ 115.00	\$ 384.19	\$ 12,499.19

On July 2, 2008, as a result of investigations by the School Department's finance director, the Polk County Sheriff's Department, and the District Attorney General's Office, Sharon Laycock was indicted by the Polk County Grand Jury for unlawfully and knowingly exercising control over property over the value of \$1,000 and less than \$10,000. This is in violation of Section 39-14-103, Tennessee Code Annotated. This case is pending as of the date of this report.

30. **Polk County**

**School Department**

A School Department maintenance employee used a department owned welding machine and materials associated with welding for his personal benefit. The director of schools advised us that the employee was supposed to store this machine and the materials at the employee's home until a proper and secure place could be found at one of the schools. The equipment and materials were returned to the School Department after an allegation of misuse of school property was brought by a citizen. The maintenance employee in question is no longer employed by the School Department. As a result of an investigation by the Tennessee Bureau of Investigation, a plea agreement was entered into on March 23, 2009, that required the maintenance employee to pay restitution of \$1,047.45 for the personal use of the School



Department's equipment and materials. As of the date of this report no payments have been received.

31. **Rutherford County**

**Landfill Office**

In December 2007, the Rutherford County Finance Office conducted an internal investigation concerning an alleged theft at the county's landfill office. After some preliminary work, the finance office contacted our office and the district attorney general, who assigned an agent from the Tennessee Bureau of Investigation (TBI) to assist in the investigation. The preliminary investigation concluded that receipts totaling \$26,209.82 were not deposited or otherwise accounted for; however, the TBI is continuing the investigative process.

The county's theft insurance covers amounts over \$10,000. On December 17, 2008, the county received \$16,209.82 from the county's bonding company under employee dishonesty bond. The unliquidated portion of the cash shortage (\$10,000) is not reflected in the county financial statements because the county is self-insured and the amount will be written off.

32. **Scott County**

**General Sessions Court Employee**

The county's 2006-07 audit report reflected a cash shortage of \$17,234.24 in the Office of General Sessions Court Clerk. We questioned the employee who was responsible for taking deposits to the bank and she admitted taking the funds. This employee resigned on January 17, 2008, and subsequently liquidated the cash shortage. We discussed this shortage with the general sessions court clerk, district attorney general, and the county mayor. Subsequently, the individual entered into an agreement with the district attorney general for judicial diversion related to charges of theft greater than \$1,000 in connection with this cash shortage.

33. **Sequatchie County**

**Sheriff's Department**

The county's 2006-07 audit report reflected a cash shortage of \$8,669 in the commissary operation of the Sheriff's Office. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for. This shortage was reviewed with the district attorney general and county officials and subsequently investigated by the Tennessee Bureau of Investigation (TBI). On December 18, 2008, a former employee entered into a pretrial diversion agreement on charges related to this cash shortage and has agreed to pay

restitution of \$8,551.26. The difference of \$117.74 (\$8,669-\$8,551.26) between the original shortage amount and the agreed to restitution amount was written off.

34. **Sequatchie County**

**Sheriff's Department**

The Sheriff's Office had a cash shortage of \$2,011.81 in its inmate funds operations (personal funds taken from a person at the time of his arrest) on June 30, 2008. This cash shortage resulted from receipted funds not being deposited to the official bank account or being accounted for otherwise. This cash shortage has been reviewed with the district attorney general and the county executive.

35. **Sequatchie County**

**County Clerk's Office**

In March 2008, the county clerk discovered that several motor vehicle title application transactions had been altered by an employee of the office. These alterations resulted in official funds totaling \$4,248.51 being diverted for the employee's personal use. The employee had diverted the funds by lowering the stated purchase price of the vehicles in the office computer system, thereby reducing the calculated amount of sales tax to be collected on the transactions. This diversion of funds was caused in part by the lack of adequate segregation of duties and the failure to currently review the computer generated audit logs. The county clerk and auditors reviewed the audit logs for the period October 31, 2007, through March 31, 2008, and discovered that the original amount of cash collected had been altered on 53 title applications totaling \$4,248.51.

The office contacted the district attorney general, who requested the Tennessee Bureau of Investigation conduct an investigation. On January 26, 2009, the Sequatchie County Grand Jury indicted Michelle Farley for theft of property of \$4,248.51.

36. **Sevier County**

**County Clerk Employee**

Sevier County's audit for the 2002-03 year revealed a cash shortage of \$16,835.93 in the Office of County Clerk. This shortage resulted from improprieties involving automobile license renewals transactions that were processed by an employee at the office's drive-through location. During the 2004-05 year, this former employee entered into a plea agreement to charges of theft and agreed to make monthly payments toward the shortage until it is liquidated. As of June 30, 2007, \$6,596.50 had been paid toward the shortage leaving an unpaid balance of \$10,239.43 at June 30, 2007. The outstanding balance of \$10,239.43 was paid during the FY 07-08 year which liquidated the shortage.

37. Sevier County

**General Sessions Court Clerk Employee**

As of June 30, 2005, the Office of General Sessions Court Clerk had a cash shortage of \$16,643.47. This cash shortage resulted from office personnel's failure to deposit or otherwise account for certain receipts and other deposit items that were not receipted. Therefore, it appears that these deposit items were substituted for receipts that had been properly written but not deposited. An office employee was terminated because of these improprieties. County officials, the District Attorney General's Office, and the Tennessee Bureau of Investigation have been informed about this matter. The Sevier County Grand Jury indicted the former employee for theft involving this cash shortage and this former employee was granted pretrial diversion in June 2008. As part of this pretrial diversion agreement, the former employee has agreed to pay restitution to the county of \$15,372.22 by June 4, 2010.

38. Sevier County

**County Executive's Office**

As reported in the county's 2006-07 audit report, officials determined that an employee of the Maintenance Department charged two purchases totaling \$741 that appeared to be for personal use to the county's account. These two purchases were made without a purchase order and without any documentation that approved overriding the purchase order system, such as an emergency purchase requisition. The invoices had been initialed as approved for payment by the maintenance supervisor and were paid by the Accounting Department. After county officials questioned the employee about the two purchases, the employee reimbursed the county \$741. This employee no longer works for Sevier County. We have discussed this shortage with county officials and the district attorney general.

39. Smith County

**County Executive's Office**

The former bookkeeper in the Office of County Mayor was indicted on December 6, 2004, on one count of theft over \$1,000 for improperly receiving reimbursements for postage that she did not purchase. She was also indicted on December 6, 2005, on two counts of theft over \$1,000 and one count of theft over \$10,000 related to questionable expenditures. On June 30, 2008, the former bookkeeper was granted pre-trial diversion. Upon completion of the terms of the agreement, including payment of restitution of \$12,247, the former bookkeeper's record will be expunged. The former bookkeeper paid restitution on September 30, 2008.

40. Smith County

**County Clerk's Office**

On May 7, 2008, the county clerk discovered that a break-in had occurred in his office, and \$819.04 had been stolen from the office vault. The county clerk requested an investigation by the City of Carthage Police Department and contacted auditors. On September 16, 2008, the county received payment from the county's insurance carrier. The case is still under investigation.

41. Sumner County

**School Department**

During the 2006-07 year, we reported that food service personnel observed that collections totaling \$2,022.70 for September 4, 2007, at the Station Camp High School Cafeteria were not deposited into the bank account or otherwise accounted for. We have discussed this shortage with the district attorney general.

42. Sumner County

**Sheriff's Department**

In February 2008, the sheriff advised us that an inmate's funds totaling \$192 were missing. The Sheriff's Department conducted an internal investigation, but could not determine who was responsible for the shortage. Therefore, a check was written from the sheriff's fee account to return the funds to the inmate. This shortage was the result of a lack of management oversight over risks related to safeguarding assets.

43. Tipton County

**County Executive's Office**

The Tennessee Bureau of Investigation and the Tipton County Sheriff's Department conducted an investigation into suspected violations of the county's fuel purchasing policy in the litter control program. The investigation revealed that Jonathan Hartsfield, a litter control officer, used a county fuel card to purchase gasoline for his personal vehicles. These improper purchases of gasoline resulted in a cash shortage of \$3,658.41 in the General Fund at June 30, 2008. Additional improper gasoline purchases of \$666.54 were made by Mr. Hartsfield subsequent to June 30, 2008, that increased the cash shortage to \$4,324.95. Mr. Hartsfield's employment with the county was terminated on September 16, 2008. On November 3, 2008, Mr. Hartsfield was indicted by the Tipton County Grand Jury on charges of official misconduct and theft of property.

44. Unicoi County

**General Sessions Court Clerk's Office**

During the 2005-06 year, we reported a cash shortage of \$21,431 in the Office of General Sessions Court Clerk. Audit procedures performed for the period from December 6, 2006, through June 30, 2007, revealed an additional cash shortage of \$791, bringing the total cash shortage to \$22,222 as of June 30, 2008. The majority of this shortage consisted of checks and money orders that had been deposited to the official bank account but had not been receipted. Therefore, these checks had been substituted for cash that had been receipted by the clerk's office.

The cash shortage and other irregularities have been reviewed with the former and current the circuit and general sessions courts clerk, the district attorney general, the Tennessee Bureau of Investigation, the circuit and general sessions judges, and the county mayor. Subsequent to June 30, 2008, the county received \$9,330 in settlement of a claim filed against the bonding company of the former circuit and general sessions court clerk. A different bonding company insured the Office of General Sessions Court Clerk beginning September 1, 2006. A claim has been filed with that company for the remaining balance of the shortage (\$12,892).

45. Williamson County

**Recreational Department**

The audit of Williamson County for the 2005-06 year, disclosed a cash shortage of at least \$45,037.43 on June 30, 2006, at the Fairview Recreational Center. This cash shortage resulted from collections that were not deposited or otherwise accounted for. On September 10, 2007, a former supervisor at the Fairview Recreational Center was indicted by the Williamson County Grand Jury for theft in excess of \$10,000. On October 6, 2008, the defendant pled guilty and was sentenced to four years probation and ordered to pay restitution to Williamson County. On October 7, 2008, the defendant signed a promissory note with Williamson County. The promissory note states that the debtor shall pay the principal amount in full no later than 48 months from November 1, 2008.

46. Williamson County

**Library Department**

On October 9, 2007, the director of accounts and budgets notified us about the theft of library collections totaling \$266. Williamson County has six branch libraries, with the main branch located in Franklin. The five outlying branches place their collections in envelopes, and periodically transport the envelopes to the main branch by a courier service. Various employees at the main branch receive the envelopes from the courier service and place the envelopes in unsecured mail boxes located near the door

entrance. The bookkeeper at the main branch retrieves the envelopes containing cash from the mail boxes, records the transactions, and deposits the collections to the bank. On October 4, 2007, library collections from two branch offices were delivered to the main branch. On October 5, 2007, library employees discovered that collections totaling \$266 had been stolen. The library director performed an internal investigation, filed a police report, and communicated the theft to county officials.

This shortage was discussed with county officials and the district attorney general. The police investigation did not discover any suspects and the county does not expect to recover these funds.

47. **Williamson County**

**County Clerk's Office**

The Office of County Clerk had a theft of \$50. On November 19, 2007, a man entered an unlocked exterior door used by employees of the County Clerk's Office. This rear door provides access to records of the office and the vault. This man was observed loitering in the office's unlocked vault. When an employee noticed the man in the vault, he was escorted out of the office. Subsequently, an inventory of the vault revealed that \$50 was missing from an employee's cash drawer. The clerk requested an investigation by the Williamson County Sheriff's Department and contacted auditors. The police investigation resulted in an arrest and the defendant was sentenced to four years for violating parole on another charge and ordered to pay \$50 in restitution; however, the county does not expect to recover these funds.

**Footnotes:**

- (1) Source: 2007-2008 Annual Financial Reports for the 89 counties audited by the Division of County Audit.
- (2) Updated August 26, 2009.

**Division of County Audit**  
**Explanations of Cash Shortages That Occurred in**  
**Fiscal Offices and Offices of Trustee, County Clerk, Clerks of**  
**Courts, Register of Deeds, and Sheriff**  
**Subsequent to the Year Ended June 30, 2008**

1. **Benton**

**Animal Control Office**

In the fall of 2008, the animal control officer suspected a volunteer worker of theft, and the officer conducted an internal investigation. It was determined that the volunteer had stolen \$370 from the animal shelter, as well as personal property of an employee. The suspect was subsequently arrested, pled guilty to theft charges on December 10, 2008, and was ordered to pay restitution of \$370 to the animal shelter. However, as of the date of this report, the defendant has not paid the restitution. We were not informed of this theft until March 24, 2009. The county mayor subsequently advised us that he was also not aware of this theft, as animal shelter personnel had not reported it to him.

2. **Benton**

**Drug Court**

The Drug Court program had a cash shortage of \$90 on September 29, 2008. Policies and procedures provide for Drug Court participants to pay a \$10 weekly fee while in the last two phases of the Drug Court program. The receipts written for fee collections were \$90 more than the Drug Court fees deposited to the General Fund. However, it should be noted that on occasion, more fees were remitted to the county's General Fund than were receipted. Therefore, it appears that official receipts were not issued for all collections as required by Section 9-2-103, Tennessee Code Annotated (TCA). The probation company collected and remitted the Drug Court fees. Probation company activity sheets documented some participant's payments as well as other probation payments. The probation company did not maintain ledger accounts reflecting the balance of the fees due and paid for each participant. Due to a lack of adequate documentation in the Drug Court program files, we were unable to determine what phase of the Drug Court program the participants were in or the amount of fees that should have been collected. We could not determine if all Drug Court fee collections were properly accounted for due to receipts not being issued for all collections.

3. Claiborne County

**Circuit, General Sessions, and Juvenile Court Clerk’s Office**

When reconciling bank statements with cash control records for October 2008, the clerk discovered that eight deposits from September 29, 2008, through October 31, 2008, totaling \$20,576.43, had been posted to the cash control records but were not deposited into the office bank accounts. The clerk then notified our office and the Tennessee Bureau of Investigation (TBI) of these discrepancies. On November 17, 2008, we performed a cash count in each court and began reviewing collection and deposit records of the office. Our examination revealed that as of November 25, 2008, nine deposits were missing, and one receipt for cash had been inappropriately voided resulting in a cash shortage of \$28,232.76. The following table details the cash shortage:

Collection	Court			Total
	Juvenile	General	Circuit	
9-29-08	\$ 0.00	\$ 0.00	\$ 3,829.50	\$ 3,829.50 (1)
10-3-08	249.00	0.00	0.00	249.00 (1)
10-7-08	0.00	0.00	1,397.00	1,397.00 (1)
10-14-08	0.00	0.00	1,840.00	1,840.00 (1)
10-23-08	0.00	2,796.02	0.00	2,796.02 (1)
10-27-08	0.00	6,095.41	0.00	6,095.41 (1)
10-30-08	0.00	0.00	2,239.50	2,239.50 (1)
10-31-08	0.00	0.00	2,130.00	2,130.00 (1)
11-10-08	0.00	0.00	7,514.06	7,514.06 (1)
11-25-08	0.00	0.00	142.27	142.27 (2)
<b>Total</b>	<b>\$ 249.00</b>	<b>\$ 8,891.43</b>	<b>\$ 19,092.33</b>	<b>\$ 28,232.76</b>
Funds Recovered by the TBI				<u>(4,279.82)</u>
Unliquidated Cash Shortage				<u>\$ 23,952.94</u>

(1) This amount represents an entire day's collections.

(2) This amount represents a receipt inappropriately voided.

As a result of the TBI’s investigation, an employee of the office subsequently turned over certain items to the agent. These items included deposit slips for the missing deposits and checks and money orders totaling \$4,279.82, which reduced the cash shortage to \$23,952.94. Beginning September 2008, this employee was responsible for preparing deposits for the courts. This individual’s employment was terminated on November 26, 2008. The TBI is continuing its investigation of this shortage.



4. Lawrence County

**Sheriff's Department**

The department had a cash shortage of \$120. During our review, we noted that receipt number 77 for \$120 dated October 23, 2008, was not deposited to the official bank account or otherwise accounted for. When we brought this to the official's attention, the cash shortage was repaid on May 11, 2009, by the deputy in charge at the time of the receipt. This cash shortage has been discussed with the district attorney general.

5. Rutherford County

**Landfill Office**

On Saturday, August 30, 2008, county employees discovered that various tools were stolen from the landfill service truck parked near the shop building. The driver of the truck advised that he parked the truck, locked the tool boxes, but could not remember whether he left the keys to the truck in the ignition or if he put the keys in the tool box in the shop. The toolbox in the shop is not locked, but the door to the shop is locked at night. There are six employees who have a key to the building. Access to the landfill lot was gained by cutting through a section of fencing. The value of the missing tools that could be tied to a vendor's invoice totaled \$5,118.50; however, other items were missing that could not be tied to a vendor's invoice. Also, the keys to the truck are missing. The Rutherford County Sheriff's Department is investigating the theft.

Accounting standards provide that internal controls be designed to safeguard assets. Our review of this theft noted the following internal control deficiencies that are the result of management's lack of oversight, which increases the risks of theft:

- A. There are no standard operating procedures directing employees how to secure the keys to vehicles left overnight.
- B. The tool box in the shop that is sometimes used to store vehicle keys is not locked.
- C. Six employees have keys to the shop building.

This shortage is not reflected in the financial statements of Rutherford County because the county is self-insured.

6. **Williamson County**

**Landfill Office**

The office had a theft of \$7,351.70. On Monday morning, September 22, 2008, county employees discovered that a burglary had occurred at the county's landfill office. The office safe was opened, and cash totaling \$3,052.12 and checks totaling \$4,299.58 were stolen. Also, keys to the safe, cash register, vehicle fuel tanks, and shop building were missing. The Williamson County Sheriff's Department is investigating the theft.

**Footnotes:**

- (1) Source: 2007-2008 Annual Financial Reports for the 89 counties audited by the Division of County Audit.
- (2) Updated August 26, 2009.
- (3) These cash shortages occurred subsequent to June 30, 2008, and were included in the audit reports for the year ended June 30, 2008.

**Division of County Audit**  
**Explanations of Thefts and Other Questionable Activity That**  
**Occurred in Fiscal Offices and Offices of Trustee, County Clerk,**  
**Clerks of Courts, Register of Deeds, and Sheriff**  
**For the Year Ended June 30, 2008**

1. **Carter County**

**County Executive's Office**

During our audit of Carter County, we were informed of an alleged theft of fuel and other items at the Solid Waste Department that purportedly occurred between the months of May 2008 and November 2008. In the fall of 2008, county officials became aware of several missing items: fuel; a money bag with \$800 for employees' food, soda, and flower funds; antifreeze; oil; hydraulic oil; and four retread tires; however, officials did not file an offense report with the Sheriff's Department or a fraud reporting form with the Comptroller of the Treasury until March 10, 2009. The Carter County Sheriff's Department is currently conducting an investigation.

2. **Lawrence County**

**Sheriff's Department**

Cash totaling \$1,157 and a handgun were seized during an arrest. Both items were placed in a raid kit at the scene of the arrest; however, the raid kit was subsequently lost along with the seized property. The seized property is believed to have been accidentally left at the arrest site. The district attorney general is aware of this loss of seized property.

3. **Marshall County**

**Ambulance Service Department**

Our examination disclosed numerous deficiencies and questionable arrangements involving the Marshall County ambulance service director and Muster Emergency Vehicles, Inc. The ambulance service director is no longer employed by the county, and we were unable to contact him for questioning about these deficiencies and questionable arrangements.

- A. The Ambulance Service Department solicited bids for the purchase of a new or demo 2006, 2007, or 2008 untitled Ford F 350 XLT ambulance to be delivered within 30 days. Muster Emergency Vehicles, Inc., bid a 2006 demo for \$80,090 plus installing an air-ride option to an existing ambulance for \$5,100 plus \$8,100 per unit for five heart monitors for a total cost of \$125,690. Taylor Made Ambulances bid a new ambulance for \$152,812, which included a \$40,000

- allowance for heart monitors; however, they needed 60 to 90 days for delivery. Using bid specifications that apply only to a particular brand (Ford) violates the intent of the bidding process by reducing competition. Also, it appears that the bid specifications were written specifically for the demo ambulance since delivery was required within 30 days versus having to construct a new ambulance to meet the bid specifications that typically would take 60 to 90 days.
- B. Bid specifications for the above-noted ambulance included three cardiac monitors of a specific type. However, the invoice from Muster Emergency Vehicles, Inc., reflected five cardiac monitors at \$8,100 each for a total of \$40,500. The county only received three cardiac monitors. Mike Muster, owner of Muster Emergency Vehicles, Inc., advised auditors that the ambulance service director verbally changed the order to three higher priced monitors after the bid had been awarded. Mr. Muster stated that his company furnished the county the three higher priced monitors and invoiced the county for five of the lower priced monitors to cover the additional cost. Mr. Muster also stated that Marshall County was supposed to trade in three older cardiac monitors, but his company never received the trade-ins.
  - C. Bid specifications for the purchase of the above-noted ambulance included a Stryker MX-PRO stretcher to be included and shipped installed in the ambulance with all cot accessories. The county did not receive the stretcher, which has an estimated value of \$2,500 to \$4,700. Mike Muster advised auditors that he did not provide the stretcher to the county because he did not receive the three trade-in cardiac monitors, and he had paid certain invoices to the Marshall County Ambulance Service.
  - D. We obtained a copy of an invoice from Trigreen Equipment Company issued to the Marshall County Budget Office for a used John Deere Gator (\$7,500) for the ambulance service. However, the county did not pay for this equipment. Instead the gator was purchased for the county by Muster Emergency Vehicles, Inc. We found no evidence in county records concerning this purchase. Mike Muster advised auditors that the ambulance service director asked him to purchase the gator for the ambulance service. The purchase of this equipment by the vendor who furnished the county an ambulance is questionable.
  - E. On April 3, 2000, Marshall County contracted with NHC Lewisburg Health Care to station an ambulance and crew at the NHC facility. NHC would provide housing (a mobile home) and pay all utilities, phone bills, insurance, and upkeep on the building. An NHC representative advised auditors that the ambulance service director wanted to upgrade the mobile home, but NHC did not have a buyer for its mobile home. The ambulance service director found a buyer for NHC, sold the mobile home for \$3,500, but only gave NHC \$2,000. The NHC representative stated he verified the sale price paid to the buyer, but did not pursue collection of the missing \$1,500. The ambulance service director then negotiated for a used mobile home to be provided by Air Evac; however, after the mobile home was set-up, mold was discovered, and Air Evac sold the mobile home. After the sale, this ambulance station was closed. The ambulance service

director's involvement in selling the mobile home for NHC, the missing \$1,500, and obtaining a second mobile home to be placed on private property is questionable.

- F. We were presented with a cancelled check issued by Muster Emergency Vehicles, Inc., payable to Cooper's Mobile Home Services for \$3,161.38 reportedly for moving the two above-noted mobile homes. The payment of these expenses by the vendor who furnished the county an ambulance is questionable.
- G. We obtained a copy of an invoice from Lewisburg Plumbing & Heating, LLC, issued to the Marshall County Ambulance Service for \$2,318.82 to hook-up connections to the above-noted mobile home obtained from Air Evac. This invoice was paid by Muster Emergency Vehicles, Inc. The payment of these expenses by the vendor who furnished the county an ambulance is questionable.
- H. We obtained a copy of an invoice for \$489.98 from Marshall County Internet Service for a refurbished desk-top computer for the ambulance service. The salesman delivered the computer to the ambulance service; however, the invoice was paid by Muster Emergency Vehicles, Inc. The payment for this computer by the vendor who furnished the county an ambulance is questionable.
- I. The county paid for supplies they did not use. During 2004-05, the county paid numerous invoices approved by the ambulance service director for a nitrous oxide tank (\$2,190) and 21 refills (\$829). The current ambulance service director and finance director advised that the ambulance service had no business need for these supplies.

The circumstances surrounding the purchase of the ambulance, the county paying for five heart cardiac monitors and only receiving three, the purchase of the used John Deere Gator, the sale of the mobile home, expenses for moving two mobile homes, plumbing expenses, the refurbished computer, and the nitrous oxide all appear to be questionable. The fact that a vendor would pay invoices totaling \$13,470.18 for county equipment and services brings the legitimacy of the bidding process into question. We have discussed these matters with the district attorney general.

4. **Moore County**

**Highway Department**

As of December 31, 2008, an employee of the Highway Department had been improperly paid \$1,992.34 for sick leave that he had not earned. As of July 1, 2007, the employee had an accumulated balance of 45 hours of sick leave. This employee earns eight hours of sick leave for each month worked. Therefore, the employee earned 144 hours of sick leave for the 18-month period July 1, 2007, through December 31, 2008, and should have had an available balance of 189 hours (45 plus 144) of sick leave to use during the period. However, during the period July 1, 2007, through June 30, 2008, the Highway Department improperly credited this employee with 212.25 hours more of sick leave than he actually earned. During the period July 1, 2007, through December

**Exhibit F**

31, 2008, this employee took 322 sick leave hours, which is 133 hours more than he actually earned (322 minus 189 equals 133). For the period under examination, this employee was compensated at the rate of \$14.98 an hour, which means he was overpaid \$1,992.34 (\$14.98 times 133). On January 2, 2009, the current highway superintendent and the employee agreed to an adjustment (reduction) of the employee's sick leave balance of 60 hours. However, since the employees leave balance was overstated by 212.25 hours to begin with, this adjustment still leaves the employees leave balance overstated by 152.25 hours (212.25 – 60). Also, the employees adjusted accumulated sick leave balance does not correct the fact that the employee has been overpaid 133 hours of sick leave. The following table presents the employee's sick leave hours earned and used for the period July 1, 2007, through December 31, 2008.

Sick leave hours	<u>Per Audit</u>	<u>Per Client</u>
Balance, 7-1-07	45.00	45.00
Should earn during the year	96.00	96.00
Unearned hours credited	0.00	212.25
Hours used	<u>(215.25)</u>	<u>(215.25)</u>
Balance, 6-30-08	(74.25)	138.00
Hour earned July-December 2008	48.00	48.00
Hours used July-December 2008	<u>(106.75)</u>	<u>(106.75)</u>
Balance, 12-31-08	(133.00)	79.25
Adjustment	<u>0.00</u>	<u>(60.00)</u>
Balance, 1-2-09	<u><u>(133.00)</u></u>	<u><u>19.25</u></u>

We have discussed this improper payment with the county executive and the district attorney general.

5. **Wayne County**

**Highway Department**

The Highway Department dispenses gasoline from pumps located at both its Waynesboro and Collinwood locations. As an internal control procedure, management periodically reconciles its gasoline usage with purchases and inventory on hand at both locations. However, on February 8, 2008, the reconciliation of gasoline at the Waynesboro site revealed that 1,160 gallons of gasoline was missing; therefore, a police report was filed. The fuel tanks at both locations are not in secured areas to limit access to authorized personnel. Management believes that the gasoline was stolen through a vent pipe located on top of the tank. The failure to adequately secure access to consumable assets results in a loss of control over the assets and increases the risk of inventory loss.

**Footnotes:**

- (1) Source: 2007-2008 Annual Financial Reports for the 89 counties audited by the Division of County Audit.
- (2) Updated August 26, 2009.
- (3) These findings are the result of theft, misappropriation, or other questionable use of county assets. These findings were not listed as cash shortages at June 30, 2008.