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July 22, 2010

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 Thefts in County Offices/Departments
as Reported in Annual Financial Reports for the Year Ended June 30, 2009,
and Certain Special Reports

This division has prepared the enclosed schedules of cash shortages and other thefts reported in annual financial reports for the year ended June 30, 2009, and certain special reports for Tennessee's 89 county governments audited by our division and for six counties audited by CPA firms.

If you have any questions please let me know.

Enclosures

This report is available at www.tn.gov/comptroller

**REPORT OF CASH SHORTAGES AND OTHER THEFTS IN COUNTY
OFFICES/DEPARTMENTS AS REPORTED IN ANNUAL FINANCIAL REPORTS
FOR THE YEAR ENDED JUNE 30, 2009, AND CERTAIN SPECIAL REPORTS**

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Division of County Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Report for the Year Ended June 30, 2009,
and Certain Special Reports (1)

Office/Department	Fiscal Year Reported	Original Amount of Shortage	Beginning Report Cash Shortage	New Shortage	Reduction of Shortage	Ending Report Cash Shortage
<u>Anderson</u>						
1. Office of Trustee	07-08	\$4,584.89	\$4,584.89	\$0.00	(\$4,584.89)	\$0.00
2. Office of County Clerk	08-09	4,104.26	0.00	4,104.26	0.00	4,104.26
<u>Bedford</u>						
3. Emergency Management Agency	07-08	117,603.09	117,603.09	0.00	(117,603.09)	0.00
<u>Benton</u>						
4. Office of General Sessions Court Clerk	07-08	693.00	693.00	0.00	(693.00)	0.00
5. Animal Control Office	07-08	370.00	0.00	370.00	(370.00)	0.00
6. Drug Court	07-08	90.00	0.00	90.00	(90.00)	0.00 (2)
<u>Bledsoe</u>						
7. Office of Sheriff	08-09	2,238.38	0.00	2,238.38	(2,238.38)	0.00
<u>Cheatham</u>						
8. Highway Department	07-08	68,281.11	68,281.11	0.00	(30,567.36)	37,713.75
9. Landfill	07-08	13,747.25	8,000.00	0.00	(8,000.00)	0.00
10. Animal Control Department	08-09	100.00	0.00	100.00	(100.00)	0.00
<u>Claiborne</u>						
11. Office of Circuit, General Sessions, and Juvenile Courts Clerk	07-08	28,232.76	0.00	28,232.76	(28,232.76)	0.00
<u>Cocke</u>						
12. Office of Clerk and Master	96-97	101,882.00	42,440.00	0.00	(1,125.00)	41,315.00
<u>Cumberland</u>						
13. School Maintenance Department	08-09	8,893.20	0.00	8,893.20	0.00	8,893.20
<u>DeKalb</u>						
14. Office of General Sessions Court Clerk	07-08	8,501.00	8,501.00	0.00	0.00	8,501.00
<u>Dickson</u>						
15. Office of Circuit Court Clerk	05-06	1,350.00	300.00	0.00	0.00	300.00
16. Office of County Clerk	08-09	13,193.83	0.00	13,193.83	0.00	13,193.83
<u>Fayette</u>						
17. School Food Service Department	08-09	177,629.93	0.00	177,629.93	0.00	177,629.93
<u>Fentress</u>						
18. Sharp/Alticrest Volunteer Fire Department	07-08	2,032.00	2,032.00	0.00	0.00	2,032.00
19. Highway Department	08-09	8,741.70	0.00	8,741.70	0.00	8,741.70

Division of County Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Report for the Year Ended June 30, 2009,
and Certain Special Reports (Cont.) (1)

Office/Department	Fiscal Year Reported	Original Amount of Shortage	Beginning Report Cash Shortage	New Shortage	Reduction of Shortage	Ending Report Cash Shortage
<u>Gibson</u>						
20. Office on Aging	07-08	\$916.59	\$916.59	\$0.00	(\$916.59)	\$0.00
21. Office of Juvenile Court Clerk	07-08	110.73	110.73	0.00	(110.73)	0.00
<u>Hamblen</u>						
22. Drug Court	08-09	1,205.00	0.00	1,205.00	0.00	1,205.00
<u>Hardeman</u>						
23. Solid Waste Department	07-08	3,032.47	3,032.47	0.00	0.00	3,032.47
24. Office of Sheriff	08-09	296.32	0.00	296.32	0.00	296.32
<u>Hawkins</u>						
25. Laurel Run Park	07-08	710.00	710.00	0.00	(710.00)	0.00
26. Office of Clerk and Master	08-09	14,868.91	0.00	14,868.91	(14,868.91)	0.00
<u>Henry</u>						
27. Office of Sheriff	05-06	162,656.91	160,405.00	0.00	(66,712.00)	93,693.00
<u>Hickman</u>						
28. Emergency Communications District	05-06	8,783.00	8,783.00	0.00	0.00	8,783.00
29. Office of County Mayor	08-09	6,357.25	0.00	6,357.25	(250.00)	6,107.25 (3)
<u>Jackson</u>						
30. Office of Sheriff	06-07	1,866.00	1,866.00	0.00	(1,866.00)	0.00 (2)
<u>Jefferson</u>						
31. Emergency Management Services	08-09	22,790.23	0.00	22,790.23	(22,790.23)	0.00
<u>Lawrence</u>						
32. Office of Sheriff	07-08	120.00	0.00	120.00	(120.00)	0.00
<u>Lewis</u>						
33. Office of General Sessions Court Clerk	08-09	100.00	0.00	100.00	(100.00)	0.00
<u>Marshall</u>						
34. Ambulance Service Department	07-08	49,950.00	49,950.00	0.00	0.00	49,950.00
<u>Maury</u>						
35. School Department	06-07	501.00	501.00	0.00	(501.00)	0.00
36. Maury Regional Hospital	08-09	25,140.00	0.00	25,140.00	0.00	25,140.00
37. Office of Sheriff	08-09	540.00	0.00	540.00	(540.00)	0.00
<u>McMinn</u>						
38. Office of Circuit, General Sessions, and Probate Courts Clerk	08-09	15,484.00	0.00	15,484.00	0.00	15,484.00
<u>McNairy</u>						
39. Office of Circuit Court Clerk	07-08	13,528.19	4,405.00	0.00	0.00	4,405.00 (4)

Division of County Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Report for the Year Ended June 30, 2009,
and Certain Special Reports (Cont.) (1)

Office/Department	Fiscal Year Reported	Original Amount of Shortage	Beginning Report Cash Shortage	New Shortage	Reduction of Shortage	Ending Report Cash Shortage
<u>Monroe</u>						
40. Office of Sheriff	08-09	\$30,646.08	\$0.00	\$30,646.08	(\$20,646.08)	\$10,000.00
<u>Morgan</u>						
41. Office of County Clerk	07-08	721.00	721.00	0.00	(721.00)	0.00
<u>Polk</u>						
43. School Department	07-08	12,499.19	12,499.19	0.00	0.00	12,499.19
33. School Department	07-08	1,047.45	1,047.45	0.00	0.00	1,047.45
<u>Rutherford</u>						
44. Landfill Office	07-08	26,209.82	26,209.82	0.00	(26,209.82)	0.00 (5)
45. Landfill Office	07-08	5,118.50	0.00	5,118.50	(5,118.50)	0.00 (2)
<u>Sequatchie</u>						
46. Office of Sheriff	06-07	8,669.00	8,551.26	0.00	0.00	8,551.26
47. Office of Sheriff	07-08	2,011.81	2,011.81	0.00	(1,197.00)	814.81
48. Office of County Clerk	07-08	4,248.51	4,248.51	0.00	(3,248.51)	1,000.00
49. School Department	08-09	31,710.00	0.00	31,710.00	0.00	31,710.00
<u>Sevier</u>						
50. Office of General Sessions Court Clerk	03-04	16,643.47	15,372.22	0.00	(456.00)	14,916.22
<u>Smith</u>						
51. Office of County Executive	04-05	13,000.00	12,247.00	0.00	(12,247.00)	0.00
52. Office of County Clerk	07-08	819.04	819.04	0.00	(819.04)	0.00
53. Highway Department	08-09	4,084.54	0.00	4,084.54	(3,584.54)	500.00
<u>Sumner</u>						
54. School Department	06-07	2,022.70	2,022.70	0.00	0.00	2,022.70
55. Ambulance Service	08-09	180.00	0.00	180.00	0.00	180.00
56. Office of Sheriff	08-09	40.00	0.00	40.00	0.00	40.00
<u>Tipton</u>						
57. Office of County Executive	07-08	4,324.95	4,324.95	0.00	(81.00)	4,243.95
<u>Unicoi</u>						
58. Office of General Sessions Court Clerk	05-06	22,222.00	22,222.00	0.00	(9,330.50)	12,891.50

Division of County Audit
Schedule of Cash Shortages in County Offices/Departments
As Reported in the Annual Financial Report for the Year Ended June 30, 2009,
and Certain Special Reports (Cont.) (1)

Office/Department	Fiscal Year Reported	Original Amount of Shortage	Beginning Report Cash Shortage	New Shortage	Reduction of Shortage	Ending Report Cash Shortage
<u>Williamson</u>						
59. Recreation Department	05-06	\$45,037.43	\$45,037.43	\$0.00	(\$1,581.50)	\$43,455.93
60. Landfill Office	07-08	7,351.70	0.00	7,351.70	(7,351.70)	0.00 (2)
61. Office of County Clerk	08-09	3,386.18	0.00	3,386.18	0.00	3,386.18
Total			\$640,449.26	\$413,012.77	(\$395,682.13)	\$657,779.90

Footnote:

- (1) The ending balance cash shortage amount is as of the date field work was completed.
- (2) The cash shortage was written-off as uncollectible.
- (3) Court ordered restitution was \$250 less than shortage amount.
- (4) Court ordered restitution to the county for audit expenses.
- (5) County is self-insured; therefore, \$10,000 of the \$26,209.82 was written-off.

Division of County Audit
Summary of Other Thefts
As Reported in Annual Financial Reports for the Year Ended June 30, 2009

<u>Office/Department</u>	<u>Description</u>
<u>Carter</u>	
1. Office of County Executive	Theft of two generators, a water pump, pipe wrench, impact wrench, hydraulic fluid, oil, and antifreeze at the county's Solid Waste Department.

Division of County Audit
Explanations of Cash Shortages in County Offices/Departments
As Reported in Annual Financial Reports for the Year Ended June 30, 2009, and
Certain Special Reports

1. **Anderson County**

Office of Trustee

The audit of Anderson County for the 2007-08 year revealed a cash shortage of at least \$4,584.89 in the Office of Trustee. This shortage resulted from the theft of property tax collections. 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. Ms. Pratt made restitution of \$4,584.89 to the trustee's office in April 2009 to liquidate this cash shortage.

2. **Anderson County**

Office of County Clerk

On October 26, 2009, the county's law director notified our office of missing cash collections discovered by the county clerk. We met with the county clerk on October 27, 2009, and he presented us with copies of documents he discovered in the desk of a former employee. The county clerk verified that these documents had never been entered into the accounting records of the office by contacting the customers who provided him with receipts and/or cancelled checks verifying the transactions. A review of the deposit slips for those days revealed that nine checks related to the unrecorded documents had been included in the items deposited, and cash from other unrelated transactions totaling \$4,104.26 had been removed from the deposits to reconcile with the amount of work reflected on each date. An internal control weakness contributed to the concealment of the cash shortage. The receipting software utilized by the county clerk provided for the type of payment (cash or check) to be indicated in the system and on the face of the receipt; however, many employees of the office failed to utilize this feature when issuing receipts. This feature is an important control because it allows the person reviewing the deposit to reconcile the breakdown of cash and checks collected with the respective amounts deposited. If this feature had been utilized and verified, the cash shortage discussed above could have been discovered promptly. The following table details the receipts that were not accounted for in the records of the office.

Date	Description	Amount
4-30-09	Flea Market Vendor Tax	\$ 208.00
6-18-09	Flea Market Vendor Tax	402.00
6-23-09	H-5 Tag Renewal	635.75
7-21-09	H-4 Tag Renewal	477.75
7-29-09	H-10 Tag Renewal	1,213.25
7-29-09	Shortage on H-9 Tag Renewal	239.00
8-20-09	H-4 Tag Renewal	477.75
8-31-09	Business Tax/Renewal	388.76
9-17-09	Renewal	<u>62.00</u>
Total		<u>\$ 4,104.26</u>

Based on the above transactions, we expanded our audit procedures to determine if there were indications of additional items that had not been accounted for properly; however, no other unaccounted items were found.

The county clerk notified the district attorney general of the above cash shortage; however, the former employee has since died. The county law director has indicated he will pursue collection of the cash shortage from the county’s insurance provider.

3. Bedford County

Emergency Management Agency

The audit of Bedford County for the 2007-08 year revealed a cash shortage of at least \$117,603.09 in the Bedford County Emergency Management Agency. We noted 22 checks totaling \$107,409.25 written on three different bank accounts that were used to repay MidState Finance Company 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.

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. On December 2, 2009, the county’s insurance provider for employee dishonesty negotiated a settlement and paid \$135,397.63 to the county to liquidate the shortage of \$117,603.09 plus \$15,656.58 for other undocumented disbursements.

4. **Benton**

Office of General Sessions Court Clerk

The audit of Benton County for the 2007-08 year revealed a cash shortage of \$693 in the Office of General Sessions Court Clerk. 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.

5. **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. The former volunteer paid the county \$370 in December 2009 to liquidate the shortage.

6. 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. County officials wrote this shortage off during the year.

7. Bledsoe

Office of Sheriff

During the audit for the 2006-07 year, auditors noted that the Sheriff's Department was maintaining an official bank account for a Christmas charity program. In August 2007, auditors recommended that the Sheriff's Department maintain only official bank accounts that are required for the operation of the department and that charity related collections be managed by local charitable nonprofit organizations rather than by county offices. In December 2007, this bank account for charity funds was closed, and \$2,238.38 in cash was placed in an envelope in a file drawer in the bookkeeper's office at the Sheriff's Department. During the period October through December 2007, the Sheriff's Department continued to solicit and receive donations from individuals, churches, and organizations. The department received an additional \$1,382 in checks that were cashed and expended by the bookkeeper. Copies of the checks and receipts were on file in the bookkeeper's office.

In November 2008, auditors again recommended that the Sheriff's Department let charitable nonprofit organizations manage the charitable donations that his department collected. In December 2008, the Sheriff's Department continued to solicit and receive donations from individuals, churches, and organizations, and the department received an additional \$1,740 of which \$1,440 was deposited to the department's official bank operating account and was posted to the official cash

journal. The bookkeeper disbursed \$1,740 at local stores for various food items and toys. Invoices and receipts were on file for those expenditures.

When auditors asked about the \$2,238.38 that was withdrawn from the bank in December 2007 and placed in an envelope in a file drawer, the money could not be located or accounted for otherwise. Therefore, the \$2,238.38 in charitable donations that the department had collected were missing at June 30, 2009. These missing donations were reviewed with the county mayor and district attorney general. The sheriff replaced the missing funds on September 10, 2009, by depositing personal funds of \$2,238.38 to the department's official bank account.

8. **Cheatham**

Highway Department

The audit of Cheatham County for the 2007-08 year revealed a cash shortage of \$68,281.11 in the 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 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 also ordered to pay restitution totaling \$68,211.11 to the Highway Department. As of June 30, 2009, the former bookkeeper had paid restitution of \$30,497.36, and a \$70 reduction was made for the difference between the shortage amount and the court order leaving an unpaid shortage of \$37,713.75 at June 30, 2009.

9. **Cheatham**

Landfill

The audit of Cheatham County for the 2007-08 year disclosed a cash shortage at the 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. The balance of \$5,747.25 was written-off by the county.

10. Cheatham

Animal Control Department

While performing audit testwork at the Animal Control Department, we discovered that a receipt from December 2008 for \$100 was not deposited with the county trustee. The director at the Animal Control Department insisted that the funds had been deposited with the county trustee; however, he could not provide evidence to substantiate this claim. On July 31, 2009, the director deposited \$100 of his personal funds with the county trustee to liquidate the cash shortage. This shortage was not discovered by management due to the failure of management to reconcile receipts with deposits.

11. Claiborne County

Office of Circuit, General Sessions, and Juvenile Courts Clerk

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, 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.

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. This individual's employment was terminated on November 26, 2008. On April 13, 2009, this former employee pled guilty to theft in excess of \$10,000 and was sentenced to three years of supervised probation. Also, this individual paid restitution to the county of \$23,952.94 to liquidate the shortage.

12. Cocke County

Office of 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. On May 12, 1999, Charles Chesteen, the former clerk and master, 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, 2009, Mr. Chesteen had made payments of \$10,507 toward restitution. The remaining balance of \$41,315 is reflected as a cash shortage at June 30, 2009.

13. **Cumberland County**

School Maintenance Department

Allegations of misappropriation of supplies made through the Comptroller’s hotline for reporting fraud, waste, and abuse of funds and property led to an investigation involving the sale of scrap metal from the School Maintenance Department. During the period October 1, 2006, through November 4, 2009, we determined from records at a recycling company that truck drivers for the Maintenance Department were paid \$11,175.69 in cash by the recycling company for the sale of scrap metal. The School Department’s maintenance supervisor advised us that the truck drivers would bring him the cash and a sales ticket, and he would throw the sales ticket away and place the cash in his desk. He further advised that the cash was used to purchase water, coffee, soft drinks, cups, lunch for prisoners who worked at the department, toboggans, gloves, and small parts for vehicles because it was often hard to obtain these items through the department’s purchasing process. We obtained documentation of disbursements from various sources totaling \$2,282.49 from these scrap sale proceeds. The maintenance supervisor was unable to document the use of \$8,893.20 from the sale of the scrap metal. The maintenance supervisor stated that he takes responsibility for not properly accounting for the cash but adamantly declares that the cash was used for the Maintenance Department. The following table summarizes the unaccounted cash:

Cash payments from the recycler	\$ 11,175.69
Cash disbursed for auto parts	(100.00)
Cash on hand	(237.00)
Cash paid to the Food Service Department for food items provided to the Maintenance Department	(581.19)
Cash to the Food Service Department for food service equipment sold	<u>(1,364.30)</u>
Unaccounted Cash, November 4, 2009	<u><u>\$ 8,893.20</u></u>

The following internal control deficiencies were noted regarding the sale of scrap metal. These deficiencies resulted from a lack of management oversight.

- A. Lists detailing the items sold as scrap were not maintained by the Maintenance Department nor reconciled with sales tickets.
- B. The cash and sales tickets received from the recycler were not deposited with the county trustee.
- C. The maintenance supervisor circumvented the department's budgetary and purchasing processes by purportedly purchasing items with the cash.

This shortage has been reviewed with the district attorney general.

14. DeKalb County

Office of General Sessions Court Clerk

The audit of Dekalb County for the 2007-08 year revealed a cash shortage of \$8,501 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. 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.

15. Dickson County

Office of Circuit Court Clerk

The office had a cash shortage of \$300 on June 30, 2009. The audit of Dickson County for the 2005-06 year revealed a cash shortage of \$1,350 in Circuit Court. 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.

16. Dickson County

Office of County Clerk

In September 2009, County Clerk Phil Simons discovered that several motor vehicle title application transactions and business tax license payments had been manipulated and/or altered by an employee of the office. The county clerk contacted the Office of District Attorney General who then contacted us and the Tennessee Bureau of Investigation. We conducted a special investigation for the period January 1, 2009, through September 30, 2009. This investigation included a review of audit logs (computer records that show changes made to posted transactions), records of individual transactions, bank statements, and daily deposit records. Our investigation discovered numerous individual transactions had been manipulated and/or altered. Of the numerous transactions that had been manipulated and/or altered, 231 of these transactions totaling \$13,193.83 had not been accounted for as of September 30, 2009. These funds had been diverted from the office for the personal use of an employee. The employee's employment with the County Clerk's Office was terminated on September 29, 2009.

The employee used two schemes to manipulate and/or alter transactions to remove monies from the office. The first scheme involved substitution (see Items A.,B., and C. below). Substitution occurs when a transaction is recorded and paid for with cash, and another transaction is paid with a check and/or credit card but is not recorded in the records. The employee removes the cash and substitutes the check and/or credit card payment for the payment that was made in cash. The second scheme involved lapping (see Items D.,E.,F., and G. below). Lapping occurs when cash is received from a customer for a transaction but the transaction is not recorded; instead that cash is then used to cover (record) a previous transaction from another customer whose cash was stolen.

Scheme 1 - Substitution:

- A. Several business tax licenses were paid by check; however, the transactions were not recorded in the accounting system. The checks received for these business licenses were then substituted for cash that had been received from motor vehicle transactions that had been recorded, subsequently voided, or had the amount of the transaction reduced.
- B. Several business tax licenses were paid by check and recorded in the accounting system; however, the transactions were subsequently voided in the accounting system. The checks received for these business tax licenses were then substituted for cash that had been received from motor vehicle transactions that had been recorded, subsequently voided, or had the amount of the transaction reduced.

- C. Several miscellaneous transaction payments were never entered into the accounting system. The money orders and checks received from these miscellaneous transactions were substituted for cash collections received for motor vehicle transactions that were receipted and subsequently voided.

Scheme 2 - Lapping:

- D. Several business tax transactions that were originally diverted to substitute for cash stolen from other types of transactions were subsequently credited as being paid by funds that were diverted from their specific transaction.
- E. Several cash transactions were voided and the cash stolen. The cash was subsequently replaced by using one of two credit cards. One of the credit cards is owned by the suspected employee's father-in-law; however, the owner of the other credit card has not been determined.
- F. Several interest and penalty payment portions of business tax transactions were diverted to pay other unrelated transactions.
- G. Cash totaling \$203 was received to replace several checks that had been returned for insufficient funds; however, this cash was diverted and the returned checks were still outstanding.

The table below summarizes a description of the transactions manipulated and/or altered, which comprise the \$13,193.83 cash shortage as of September 30, 2009:

<u>Description</u>	<u>Number of Transactions</u>
Motor vehicle transactions that were manipulated/altered	155
Miscellaneous transactions that were not entered into the system	7
Motor vehicle transactions that were deleted	8
Business tax transactions that were manipulated/altered	43
Business tax checks that were deposited, but transactions were never entered into the system	14
Paperwork on transactions found but funds missing	2
Missing money received to replace insufficient funds checks	<u>2</u>
Total	<u><u>231</u></u>

On February 18, 2010, the Dickson County Grand Jury indicted Desiree Creech, a former employee of the County Clerk's Office, on one count of theft between \$10,000 and \$60,000. Judicial action on the case is pending.

17. Fayette County**School Department – Food Service**

This office received allegations concerning unauthorized payments to a pest control vendor and kickbacks paid to the Food Service Supervisor of the Fayette County School Food Service Department (Food Service Department). Our office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation (TBI) of the Food Service Department for the period July 1, 2007 through December 15, 2009. This investigation included a review of pest control bids, contracts, invoices, certain personal bank statements, time sheets, and interviews. We also reviewed the policies and procedures of the School Department and its Food Service Department. This investigation concluded that a cash shortage of \$177,629.93 existed in the Food Service Department at December 15, 2009.

Part 1:

The Fayette County Food Service Department annually awards bids for pest control services; which include monthly inspections of the school system's ten cafeterias. For the fiscal year July 1, 2007 through June 30, 2008, Alliance Pest Control Company was awarded the bid for the Food Service Department at a cost of \$600 per month. However, according to the Tennessee Department of Agriculture, Alliance Pest Control did not have the proper license to perform pest control services.

For the fiscal years ended June 30, 2009, and June 30, 2010, Cook's Pest Control Company was awarded the bid for pest control services for the Fayette County Food Service Department. During the period under examination, Cook's Pest Control Company was paid \$450 per month. However, the Food Service Supervisor continued to make disbursements to Alliance Pest Control and/or Environmental Technologies.

For the period July 1, 2007 to December 4, 2009, the Food Service Supervisor, Ms. Joyce Owen, made 70 disbursements totaling \$149,633 to Mr. Arnett Montague, Sr., owner of both Alliance Pest Control Company and Environmental Technologies. As previously noted, Alliance Pest Control was awarded a bid to provide pest control services for the 2007-08 year for \$7,200; therefore, we question the additional payments to Mr. Montague totaling \$142,433 (\$149,633 less \$7,200). These payments were disbursed from the Central Cafeteria Fund which includes federal grant monies targeted for school breakfast and national school lunch programs. Based upon our examination of invoices, many of these disbursements appeared to be double-billed, either for services previously invoiced or double-billed between Mr. Montague's two companies. Several invoices included descriptions of pest control services unrelated to school cafeteria operations such as football and baseball fields at various school locations as well as other non-cafeteria school locations. Some of the invoices also included charges for training and education. We could not determine if work was performed for any of the services invoiced. As previously noted, according to the Tennessee Department of Agriculture, Alliance Pest

Control Company did not have the proper license to perform pest control services, and Environmental Technologies did not obtain a license to perform pest control services commercially until November 19, 2009. The questioned disbursements for the period under examination are as follows:

Payee	2007-08	2008-09	2009-10	Total
Alliance Pest Control	\$ 17,800	\$ 37,715	\$ 28,758	\$ 84,273
Environmental Technologies	0	6,200	43,460	49,660
Mr. Arnett Montague, Sr.	0	0	8,500	8,500
Total	\$ 17,800	\$ 43,915	\$ 80,718	\$ 142,433

None of the questioned disbursements were channeled through the normal disbursement approval process. Purchase orders were not issued, and the approval of the director of schools was not obtained. Ms. Owen would direct her bookkeeper to prepare a warrant for Mr. Montague or one of his companies from an invoice faxed by him to her office. The warrants would be prepared for payment on the same day the invoices were faxed. We were advised by food service personnel that the processed warrants were usually given to Mr. Montague by Ms. Owen at the food service office or Ms. Owen would personally deliver the warrants to Mr. Montague. It should be noted that the processing of vendor warrants at the Food Service Department routinely takes place once a month. However, the payments to Mr. Montague were the only vendor payments made the same day invoices were received.

To investigate the alleged kickback scheme, an examination of Mr. Montague’s and Ms. Owen’s personal bank accounts was performed. Table 1 reflects several instances from February 2008 through September 2009, where Mr. Montague received warrants payable to himself, Alliance Pest Control, or Environmental Technologies. These warrants were cashed at Somerville Bank & Trust where he did not have an account. On the same day these warrants were cashed, Ms. Owen’s personal bank account would reflect a deposit of cash into her account. Officials at the Somerville Bank & Trust advised that they became suspicious about cashing these types of warrants and subsequently refused to cash any more of them. Table 2 reflects that Mr. Montague deposited several warrants into his bank account at First South Credit Union and received cash back from the deposits. On the same day of these transactions, Ms. Owen’s personal bank account would also reflect a deposit of cash.

Exhibit C

Table 1

Payee	Warrant Amount	Date Mr. Montague Cashed the Warrant	Cash Deposited into Ms. Owen's Account	Date of Ms. Owen's Cash Deposit
Alliance Pest Control	\$ 900	2-28-08	\$ 350	2-28-08
"	1,250	2-6-09	400	2-6-09
"	300	2-10-09	100	2-10-09
"	4,600	4-1-09	100	4-1-09
"	1,175	5-5-09	150	5-5-09
Environmental Technologies	3,000	6-16-09	300	6-16-09
"	1,850	9-8-09	300	9-8-09
"	3,100	9-15-09	610	9-15-09
"	2,150	9-21-09	2,300	9-21-09 (1)
Mr. Montague	1,000	9-21-09	(1)	(1)
Environmental Technologies	<u>7,000</u>	9-28-09	<u>1,850</u>	9-28-09
Total	<u>\$ 26,325</u>		<u>\$ 6,460</u>	

(1) two warrants totaling \$3,150 were issued on 9-21-09 for pest control services, and one deposit totaling \$2,300 was noted in Ms. Owen's account on 9-21-09.

Table 2

Payee	Warrant Amount	Date Mr. Montague Deposited the Warrant	Amount of Cash Mr. Montague Received From Deposit	Cash Deposited into Ms. Owen's Account	Date of Ms. Owen's Cash Deposit
Alliance Pest Control	\$ 750	3-23-09	\$ 400	\$ 300	3-23-09
"	5,990	9-1-09	2,811	2,000	9-1-09
"	1,000	9-22-09	400	400	9-22-09
Environmental Tech.	3,500	10-26-09	3,500	3,900	10-26-09 (1)
Mr. Montague	6,000	10-26-09	0	(1)	(1)
Environmental Tech.	660	11-12-09	460	330	11-12-09
"	<u>4,700</u>	12-1-09	<u>4,000</u>	<u>3,640</u>	12-1-09
Total	<u>\$ 22,600</u>		<u>\$ 11,571</u>	<u>\$ 10,570</u>	

(1) two warrants totaling \$9,500 were issued on 10-26-09 for pest control services, and one deposit totaling \$3,900 was deposited into Ms. Owen's account on 10-26-09.

One of our objectives was to determine whether any relationships existed between the dates that deposits were made in cash as reflected in Ms. Owen's bank accounts

to the dates warrants were cashed or deposited by Mr. Montague. Our conclusion is that there is a relationship between the 18 warrants cashed and/or deposited between the two individuals as noted in Tables 1 and 2 above. However, we cannot determine whether any relationships existed with the other warrants issued to Mr. Montague by the Food Service Department.

Part 2:

Ms. Joyce Owen is the Fayette County Food Service Supervisor. During an examination of her bank account, we noticed that funds had been received by Ms. Owen from Ms. Jerlene Jones, a retired Fayette County school cafeteria manager. From July 1, 2007 through December 15, 2009, Ms. Jones received \$35,196.93 for part-time cafeteria work at two schools in the county. The cafeteria managers at these two schools maintained time and attendance sheets listing all cafeteria workers. These time and attendance sheets are signed by the employee and approved by the principal before being submitted by the cafeteria managers to Ms. Owen for approval. We examined all 62 time sheets containing hours for Ms. Jones on file at the accounting office for the period July 1, 2007 through December 15, 2009, and compared them with copies retained by the cafeteria managers (cafeteria managers were unable to locate 13 of the 62 timesheets). All of the 49 corresponding time sheets examined contained changes made by Ms. Owen increasing the number of hours worked by Ms. Jones. In most instances, time sheets retained by the cafeteria managers did not contain any time worked for Ms. Jones. Ms. Owen admitted to us that she “made-up” time for Ms. Jones and added Ms. Jones to the time sheets submitted by the cafeteria managers. Also, Ms. Jones admitted she had not signed any of the time sheets submitted by the cafeteria managers. Ms. Owen signed Ms. Jones’ name to the time sheets and placed her initials (JO) as an acknowledgement of the signature. As a result of actions related to Ms. Jones’ payroll, we examined Ms. Jones’ bank records. Our examination of Ms. Jones’ bank account revealed 26 checks totaling \$4,128 were written to Ms. Owen from Ms. Jones’ bank account. Due to Ms. Owen’s admission that she falsely reported time for Ms. Jones and due to the payments made by Ms. Jones to Ms. Owen, we question the entire payroll amount of \$35,196.93 paid to Ms. Jones.

On March 22, 2010, Ms. Joyce Owen, Mr. Arnett Montague, Sr., and Ms. Jerlene Jones were indicted by the Fayette County Grand Jury on the following charges:

Arnett Montague, Sr. (Count 1,5,6,7)
Anita Joyce Owen (Count 1,2,4,8)
Jerlene Jones (Count 3,4)

Indictment for:

1. Theft (\$60,000 or more)
2. Theft (\$10,000 - \$60,000)
3. Theft (\$10,000 - \$60,000)
4. Theft (\$10,000 - \$60,000)
5. Impersonation of a licensed professional
6. Pest control activities without license
7. Violation of business charter requirement
8. Official misconduct

On March 24, 2010, Ms. Joyce Owen resigned from the Fayette County School Department.

18. **Fentress County**

Sharp/Alticrest Volunteer Fire Department

The audit of Fentress County for the 2007-08 year revealed a cash shortage of \$2,032 at the Sharp/Alticrest Volunteer Fire Department. This shortage resulted from the misappropriation of county funds by a captain in the 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. The former captain only made one payment during the year ended June 30, 2009, and in July 2009, the court issued a petition to revoke probation.

19. **Fentress County**

Highway Department

Our office received allegations concerning the misappropriation of funds at the Fentress County Highway Department, and those allegations led to an investigation by our office and the Tennessee Bureau of Investigation concerning the sale of scrap metal by the Highway Department to a recycling company. During the period December 4, 2007 through October 21, 2009, truck drivers from the Highway Department were paid both in

cash and checks by a recycling company for the sale of scrap metals. We obtained documentation of all payments (\$26,975.10) made by the recycling company charged to accounts in the name of Fentress County Government (\$7,417.60), Fentress County Highway Department (\$10,815.80), and George Fowler (a Highway Department employee, \$8,741.70). Photographs provided by the recycling company indicated that the scrap metal posted to George Fowler’s account was scrap metal from the Highway Department. We traced all payments recorded to Fentress County Government and the Fentress County Highway Department to deposits with the county trustee. We were unable to trace any of the payments (\$6,039.30 cash and a check for \$2,702.40) recorded to the account of George Fowler. Mr. Fowler advised that he gave the proceeds of the sale of the scrap to the road supervisor. Therefore, a cash shortage of \$8,741.70 existed at the Fentress County Highway Department. The following table summarizes the cash shortage:

Sale Date	Amount	Payment Type
12-4-07	\$ 566.40	Cash
12-4-07	1,255.20	Cash
1-31-08	805.00	Cash
1-31-08	984.20	Cash
2-6-08	490.00	Cash
2-6-08	421.40	Cash
2-7-08	1,010.80	Cash
2-28-08	506.30	Cash
5-22-08	<u>2,702.40</u>	Check
Total	<u>\$ 8,741.70</u>	

The following deficiencies were noted about these transactions:

1. Lists detailing the items sold as scrap were not maintained by the Highway Department and reconciled with sales tickets.
2. Receipts were not issued for collections as required by Section 9-2-103, Tennessee Code Annotated (TCA).
3. All collections were not deposited with the county trustee within three days of receipt as required by Section 5-8-207, TCA.

This cash shortage has been reviewed with the district attorney general and presented to the grand jury. On December 17, 2009, the grand jury indicted the road supervisor on the following charges: four counts of theft over \$1,000; two counts of theft over \$500; and one count of official misconduct.

20. Gibson County

Office on Aging

The audit of Gibson County for the 2007-08 year revealed a cash shortage of \$916.59. 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. Due to the return and/or repayment for county equipment and materials the total cash shortage of \$916.59 is considered repaid as of August 14, 2008. On September 2, 2008, Ms. Smith's employment was terminated with the Gibson County Office on Aging. We have reviewed this shortage with the district attorney general.

21. Gibson County

Office of Juvenile Court Clerk

The audit of Gibson County for the 2007-08 year 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.

22. Hamblen County

Drug Court

On February 10, 2010, the director of the Drug Court notified us of a theft of funds from the court. We extended certain audit procedures in the Drug Court through February 24, 2010. Based on our extended procedures, a cash shortage of \$1,205 was determined to exist. The majority of this shortage, \$1,180, consisted of monies that had been receipted but not deposited or otherwise accounted for during the period November 4, 2009, through January 22, 2010. The remaining \$25 of the cash shortage was from monies received on September 2, 2008, that were never deposited or otherwise accounted for properly.

Our examination identified the following internal control deficiencies, which contributed to the opportunity for the shortage to occur and not be detected in a timely manner:

- A. Collections were not deposited within three days of receipt as required by Section 5-8-207, Tennessee Code Annotated. Only 13 deposits were made for the period July 1, 2008, through February 19, 2010. We noted instances where collections were held from four to 104 days after receipt before being deposited.
- B. Collections were received and receipted by individuals who were not responsible for the activities of the Drug Court.
- C. The director failed to secure the spare keys, which provided access to the cash lockbox.
- D. Receipts were not properly voided. The director did not include the original receipt or other documentation for receipts that had been voided.

The cash shortage and other deficiencies have been reviewed with the director of the Drug Court, the judge of the Drug Court, the district attorney general, and the county mayor. The Hamblen County Sheriff's Department had an on-going investigation as of February 24, 2010.

23. Hardeman County

Solid Waste Department

The audit of Hardeman County for the 2007-08 year revealed a cash shortage totaling \$3,032.47 in the Solid Waste Disposal Fund. 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.

Contrina Robertson, who resigned on October 29, 2008, accepted responsibility for the cash shortage and agreed to pay the county back in full. However, as of June 30, 2009, Ms. Robertson had not made any payment to the county. This shortage has been reviewed with the district attorney general's office.

24. **Hardeman County**

Office of Sheriff

During the period September 2008 through March 2009, the chief deputy was on leave of absence due to personal illness. Records in the Office of County Mayor disclosed that during this time period, the deputy improperly used a Sheriff's Department vehicle and a county fuel card to purchase gasoline (\$296.32) for personal use. This finding has been reviewed with staff from the Office of District Attorney General

25. **Hawkins County**

Laurel Run Park

The audit of Hawkins County for the 2007-08 year revealed a cash shortage of at least \$710 at Laurel Run Park. This shortage resulted from a lack of internal controls over cash receipting. On October 3, 2008, Scott Price pled guilty to theft of \$500 - \$1,000 and was ordered to pay restitution to the county of \$710. Mr. Price liquidated this shortage by paying restitution of \$710 on December 5, 2008.

26. **Hawkins County**

Office of Clerk and Master

The clerk and master notified us on September 23, 2009, that she had discovered discrepancies involving a delinquent property tax transaction. After we reviewed the transaction in question and performed extended audit procedures for the period July 1, 2008, through September 24, 2009, we determined that a cash shortage of \$14,868.91 existed in the office as of September 24, 2009. This shortage resulted from the misappropriation of cash collections and improper entries made to official records to conceal the theft.

Employees of the office properly issued computer generated receipts for delinquent property tax collections. However, the chief deputy, Mr. Kevin Graham, subsequently posted entries to the computer system improperly voiding 19 receipts that had been paid in cash. Mr. Graham subsequently made entries to the tax rolls to reflect that the taxes on the properties had been paid by the taxpayers. He also forwarded reports to the Office of Trustee reflecting that the taxes had been paid on these properties to prevent future delinquency notices from being sent to taxpayers by the trustee.

The following table summarizes the cash shortage identified by our audit:

Exhibit C

Property Owner	Receipt Number Voided	Tax Year	Amount
Ralph and Helen Stapleton	2648	2006	\$ 941.66
Brandy Voiles	2677	2002	1,144.40
Keith A. and Melinda C. Holcomb	2690	2006	1,538.86
Jeffery Scott and Karen Renee Simpson	2839	2006	593.71
Michael and Sharon Kate Frazier	2914	2004	472.55
Herman Lee and Patsy L. Dobbs	2962	1997	335.63
Danny H. Buchanan	3027	2004	715.27
Brenda and Samuel Gray	3058	2006	811.39
Ricky and Freda Youndblood	3184	2007	1,104.32
Ruthie A. Kirk	3198	2005	697.20
Samuel F. and Yong Cha Woodall	3207	2004	1,060.96
Samuel F. and Yong Cha Woodall	3209	2005	<u>1,067.80</u>
Total Cash Shortage, 6-30-09			\$ 10,483.75
Danny H. Buchanan	3241	2005	752.13
Mike A. Yankee	3244	2005	316.67
Mike A. Yankee	3245	2006	305.37
Patrick French	3257	2000	401.79
Ingeborg Franzis Johnson	3265	2003	735.08
Ingeborg Franzis Johnson	3285	2004	718.48
Otto and Judy E. Reeves	3291	2000	<u>1,155.64</u>
Total Cash Shortage, 9-24-09			<u>\$ 14,868.91</u>

The clerk and master suspended Mr. Graham from the office on October 15, 2009. Mr. Graham declined our request to discuss the above-noted transactions.

The clerk and master liquidated the cash shortage (\$14,868.91) with personal funds on October 15, 2009.

This shortage has been discussed with the chancellor, county mayor, and representatives from the district attorney general.

27. **Henry County**

Office of Sheriff

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 David Bumpus. The actual auction proceeds received during the 2008-09 year totaled \$12,205. During the 2008-09 year, David Bumpus paid \$581, Faye Scott paid \$9,073, and Jason Ferren paid \$19,854, toward liquidating the cash shortage. Also, a payment of \$25,000 was received from David Bumpus' official bond. As of June 30, 2009, the outstanding cash shortage totaled \$93,693.

28. **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 most recent audit report submitted to this office, the district reflected an outstanding shortage of \$8,783.

29. **Hickman County**

Office of County Mayor

On June 11, 2009, the county mayor's secretary advised the county mayor that she had cashed several checks made payable to Hickman County for her personal use. At the request of the county mayor, the vendors in question presented copies of their canceled checks for various payments to the county. The county mayor then advised our office of the secretary's confession, and auditors examined various records related to vendor checks. The endorsement on the checks in question

reflected an address stamp “Hickman County, Tennessee, Office of County Mayor, #5 Courthouse, Centerville, TN 37033”, as well as the secretary’s signature. The amount of checks in question that were diverted to personal use totaled \$6,357.25.

The county terminated the employment of this employee on June 11, 2009. On August 3, 2009, the former employee was indicted on one count of theft of property over \$1,000 and four counts of forgery. After the indictment, auditors discovered an additional check from Teletouch dated June 1, 2009, for \$250 that had been diverted for personal use, which was not included as part of the cash shortage by the court. On September 22, 2009, the former employee pled guilty to one count of theft of property between \$1,000 and \$10,000. The former employee was sentenced to three years probation and ordered to pay restitution to Hickman County totaling \$6,107.25. The restitution payments were scheduled to begin in October 2009; however, as of December 16, 2009, no restitution payments had been made.

30. Jackson County

Office of Sheriff

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. The county mayor and district attorney general have each stated that they have no intention of pursuing this matter. Therefore, this cash shortage has been written off.

31. Jefferson County

Emergency Management Services

The General Fund had a cash shortage of \$22,790.23 at June 30, 2009. This theft resulted from the improper use of an Emergency Management Services (EMS) fuel card by an employee and his wife during the period September 2007 through March 2009. This theft was reported by the EMS director to the Jefferson County Sheriff’s Department on March 9, 2009, and the Knoxville Police Department on March 10, 2009. A fraud reporting form was filed with the Comptroller of the Treasury on April 7, 2009. An investigation was conducted by law enforcement, and the employee and his wife were charged with using a county fuel card to make fraudulent purchases.

On July 20, 2009, the employee pled guilty in the Criminal Court of Jefferson County to theft over \$1,000 and was sentenced to four years probation and ordered to pay restitution of \$22,790.23. Restitution was paid on August 12, 2009. The employee’s wife was found guilty of theft under \$500 in the General Sessions Court of Jefferson County on August 7, 2009.

32. Lawrence County

Office of Sheriff

The audit of Lawrence County for the 2007-08 year disclosed a cash shortage of \$120 in the Sheriff's Department. 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 matter 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 and no further action will be taken in this matter.

33. Lewis County

Office of General Sessions Court Clerk

On July 7, 2009, the clerk determined that receipts for General Sessions Court exceeded the daily deposit by \$100. The clerk could not determine who was responsible for the shortage since all employees use the same cash drawer. The missing funds were replaced from the clerk's fee account. This shortage was the result of a lack of management oversight over risks related to safeguarding assets. This shortage has been discussed with the district attorney general.

34. 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 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 and plan to write off the shortage at some point in the future.

35. 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.

36. Maury County

Maury Regional Hospital

On April 30, 2008, representatives from the Maury Regional Hospital informed their internal auditors that they suspected a theft involving cafeteria cash and manipulation of cafeteria records. The internal audit department of the hospital performed an examination of the cafeteria cash and check receipts for the period July 1, 2007, through February 25, 2009. This examination disclosed a cash shortage of \$25,140. As a result of the investigation, an employee was terminated on February 28, 2009, and another employee was terminated on March 1, 2009. Both former employees were indicted by the Maury County Grand Jury on May 22, 2009, for one count of theft of property between \$10,000 and \$60,000. The case is pending.

37. Maury County

Office of Sheriff

On January 26, 2010, while an inmate was being released, it was discovered that the inmates' property envelope containing \$487 could not be located. Therefore, the county's Office of Accounts and Budgets reimbursed the inmate from the county's General Fund while the Sheriff's Department conducted an internal investigation into the missing funds. During the investigation, sheriff's office personnel discovered an additional \$53 missing from another inmate's property envelope. A check was written from the sheriff's fee account to replace the funds in this inmate's property envelope. The internal investigation led the Sheriff's Department to question a former employee regarding the missing funds, and the former employee agreed to reimburse the Sheriff's Department. On January 29, 2010, the former

employee reimbursed the Sheriff's Department \$540, and auditors were notified of the theft. This theft has been discussed with the district attorney general.

38. **McMinn County**

Office of Circuit, General Sessions, and Probate Courts Clerk

On August 14, 2009, the clerk of the office of the Circuit, General Sessions and Probate Courts notified the office of the Comptroller of the Treasury, State of Tennessee that she had discovered discrepancies in the receipts and deposits involving the General Sessions Court. The contract auditors were asked to extend their audit procedures to investigate the discrepancies. They determined that a cash shortage of \$15,484 existed in the office for the period from November 6, 2006 to July 10, 2009. This shortage resulted from the misappropriation of cash collections and improper entries made to official records to conceal the theft. It was found that payments of filing and other court fees were not recorded for all cases. In addition, it was found that checks were misapplied to cover filing and other court fees for which a cash payment had been made. Tina Snyder, the employee responsible for collecting and recording the filing and other court fees in the General Sessions Court, was terminated on July 22, 2009 and was indicted by the Grand Jury on November 17, 2009.

39. **McNairy County**

Office of Circuit Court Clerk

The county's 2007-08 audit report reflected a cash shortage of \$13,528.19 from eight bank deposits. A former office employee, Dana Siegler, admitted taking the funds and has restored the \$13,528.19 in missing funds to the office. On June 20, 2008, Ms. Siegler 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 June 30, 2009, Ms. Siegler had not made any payments on the restitution.

40. **Monroe County**

Office of Sheriff

A cash shortage of \$30,646.08 existed in the Sheriff's Office as of October 22, 2008. This cash shortage resulted from the failure to account properly for all collections resulting from operations of the commissary.

On October 22, 2008, the Sheriff's Department suspended the commissary bookkeeper from her position for violating office policy. As a result of this suspension, Sheriff's Department personnel examined the bookkeeper's desk and

safe and found \$35,429.31 in unidentified cash. After the discovery of the unidentified cash, the county's finance director contacted our office. We reviewed the records of the commissary from April 23, 2006, the date the Sheriff's Department took over the operations of the commissary, through October 22, 2008, to determine if all collections had been accounted for properly. We identified collections totaling \$66,075.39, which had not been deposited to the commissary bank account. Therefore, \$30,646.08 remained unaccounted for as of October 22, 2008, (\$66,075.39 less unidentified cash of \$35,429.31 in the bookkeeper's desk and safe).

The following deficiencies noted in the operation of the commissary contributed to the cash shortage:

- A. Collections were not always deposited within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. During the period examined, some cash collections of the commissary were routinely held for extended periods of time before being deposited by the commissary bookkeeper, and some collections were never deposited. From our examination of records, we determined that as many as 95 days elapsed between the time some receipts were issued and the time deposits were made to match the receipts. Deposits made in October 2008 were for receipts issued in June and July 2008. As of October 22, 2008, when the bookkeeper was suspended, no deposits had been made to account for any receipts issued after July 15, 2008.
- B. Commissary operations were not reflected on the cash journal of the Sheriff's Office. The cash journal is an essential cash control record and should reflect all transactions of the office.
- C. The accounting system allowed transactions to be deleted without any audit trail being maintained of the deletion.
- D. Receipt numbering was not controlled by the computer system nor were official prenumbered receipts issued. Instead, generic receipt books were used, which could be purchased at various office or discount stores. The use of generic receipt books combined with the lack of computer controls, limited the effectiveness of the audit trail over collections.
- E. Duties were not segregated adequately. The bookkeeper was responsible for depositing collections, writing checks, reconciling the bank account, and maintaining the accounting system for the commissary.

Due to these internal control weaknesses, we were unable to determine if all collections were reflected on the system's accounting reports. Consequently, the actual cash shortage could be larger than the amount reported.

This shortage was reviewed with the county mayor, sheriff, director of finance, and district attorney general in January 2009. County officials took action after the

review and began correcting the deficiencies noted above. Items A, B., and D have now been corrected. The county's insurance company paid the county \$20,646.08 in May 2009 (the cash shortage less a \$10,000 deductible). On January 15, 2010, the former commissary bookkeeper was indicted by the county's grand jury for theft over \$10,000. The case is still pending.

41. **Morgan County**

Office of County Clerk

The county's 2007-08 audit report reflected a cash shortage of \$721 in the Office of County Clerk. 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. This cash shortage was liquidated on November 2, 2009.

42. **Polk County**

School Department

The county's 2007-08 audit report reflected a cash shortage of \$12,499.19 in the School Department. 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.

On July 2, 2008, 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. On September 3, 2009, Ms. Laycock was found not guilty. Management has taken no further action to liquidate this cash shortage.

43. **Polk County**

School Department

The county's 2007-08 audit report reflected a cash shortage of \$1,047.45 because a School Department maintenance employee used a department owned welding machine and materials associated with welding for his personal benefit. The employee entered into a plea agreement 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. However, as of June 30, 2009, no payments have been received.

44. **Rutherford County**

Landfill Office

The county's 2007-08 audit report reflected a cash shortage of \$26,209.82 at the county's landfill office due to a theft. This shortage was investigated by the Tennessee Bureau of Investigation but no suspects were identified. 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 was written off.

45. **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. 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 were missing. The Rutherford County Sheriff's Department investigated the theft, but identified no suspects. The county is self-insured; therefore, the amount of the theft was written off.

46. **Sequatchie County**

Office of Sheriff

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.

47. Sequatchie County

Office of Sheriff

The county's 2007-08 audit report reflected a cash shortage in the Sheriff's Department of \$2,011.81 in its inmate funds operations (personal funds taken from a person at the time of his arrest). This cash shortage resulted from receipts 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. Subsequent to June 30, 2009, employees of the Sheriff's Department made contributions of \$1,197 to apply toward the cash shortage.

49. Sequatchie County

School Department

On January 25, 2010, School Department officials notified auditors that a payroll discrepancy had been discovered. During the period July 1, 2006, through January 21, 2010, the payroll bookkeeper had issued checks totaling \$31,710 to herself in excess of her allowable compensation. The payroll bookkeeper and two other School Department bookkeepers receive compensation, in addition to their regular salaries, for bookkeeping responsibilities related to special programs operated by the School Department. According to school officials, the bookkeepers are required to work extra hours to receive this additional compensation; however, there are no written policies and procedures on file at the School Department addressing work hours, overtime, or additional compensation. The payroll bookkeeper's additional compensation from the adult education program was budgeted at \$5,000 annually. As part of her duties, she calculated her overtime rate and additional overtime hours required to receive the additional compensation, prepared the budget and reports for the adult education program, issued payroll checks, and made direct deposits for payroll. The shortage was determined as the difference in the overtime reported on the payroll bookkeeper's time reports and the amount she was paid from the adult education program, as follows:

Fiscal Year Ended	Compensation from Adult Education	Compensation Based on Reported Overtime	Calculated Shortage
6-30-07	\$ 7,800	\$ (2,910)	\$ 4,890
6-30-08	8,200	(3,148)	5,052
6-30-09	15,000	(4,262)	10,738
6-30-10*	13,500	(2,470)	11,030
Total	\$ 44,500	\$ (12,790)	\$ 31,710

* These amounts are through January 21, 2010.

The payroll bookkeeper resigned her position on January 21, 2010. This finding has been reviewed with the district attorney general.

48. Sequatchie County

Office of County Clerk

The county's 2007-08 audit report reflected a cash shortage of \$4,248.51 in the County Clerk's Office. This shortage resulted from several motor vehicle title application transactions had been altered by an employee of the office. The county's insurance carrier has paid \$3,248.51 toward the shortage reducing the outstanding shortage amount to \$1,000 on June 30, 2009. On January 26, 2009, the Sequatchie County Grand Jury indicted Michelle Farley, a former office employee, for theft of property of \$4,248.51.

50. Sevier County

Office of General Sessions Court Clerk

The county's 2004-05 audit report reflected a cash shortage of \$16,643.47 in the Office of General Sessions Court Clerk. 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. A former employee was indicted for theft involving this cash shortage and 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. As of June 30, 2009, this person had made payments of \$456, leaving an outstanding shortage amount of \$14,916.22.

51. Smith County

Office of County Executive

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, which liquidated the shortage.

52. Smith County

Office of County Clerk

During the 2007-08 year a break-in occurred in the county clerk's office, and \$819.04 had been stolen from the office vault. An investigation of the theft was performed by the City of Carthage Police Department. On September 16, 2008, the county received payment of \$819.04 from the county's insurance carrier which liquidated the shortage.

53. Smith County

Highway Department

On Thursday, October 8, 2009, Highway Department employees discovered that tools and miscellaneous items totaling \$4,084.54 were stolen from several highway trucks parked near the shop building. The keys to highway vehicles were in the ignition with the doors unlocked; however, no vehicles were stolen. The Highway Department does not have standard operating procedures directing employees how to secure the vehicles left overnight. Accounting standards provide that internal controls be designed to safeguard assets. The City of Gordonsville Police Department is investigating the theft. The department's insurance carrier paid the department \$3,584.54, which is less a \$500 deductible, on November 23, 2009.

54. 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, and a police investigation has been conducted that did not turn up any suspects. Therefore, the School Department does not expect to recover these funds.

55. Sumner County

Ambulance Service

On May 6, 2009, an employee noticed a cash receipt (\$180) dated April 8, 2009, that had not been properly accounted for and an internal investigation by the Ambulance Service showed that the funds had not been deposited. On November 4, 2009, the ambulance service director notified auditors of the cash shortage. Officials did not inform auditors of the cash shortage within a reasonable amount of time (five working days) as required by Section 8-4-503(a), TCA.

56. Sumner County

Office of Sheriff

The Sheriff's Department had a cash shortage of \$40 on June 30, 2009. On April 27, 2009, Sheriff Department employees discovered that collections totaling \$40 for animal control were missing, and the next day the sheriff notified auditors about the shortage. The Sheriff's Department performed an internal investigation, but could not determine who was responsible for the shortage. This shortage occurred because collections for animal control were not adequately safeguarded. Collections were placed into a bank bag and kept in a desk drawer where numerous employees, visitors, and inmates had access to the desk and/or bank bag.

57. Tipton County

Office of County Executive

During the 2007-08 year, a cash shortage of \$4,324.95 was reported in the General Fund. An investigation by the Tennessee Bureau of Investigation and the Tipton County Sheriff's Department revealed that Jonathan Hartsfield, a litter control officer, used a county fuel card to purchase gasoline for his personal vehicles. 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. On May 4, 2009, Mr. Hartsfield pled guilty to theft charges and received judicial diversion and was ordered to pay restitution of \$4,324.95 within 20 months. As of June 30, 2009, Mr. Hartsfield had paid restitution of \$81, leaving an outstanding cash shortage of \$4,243.95 at June 30, 2009.

58. **Unicoi County**

Office of General Sessions Court Clerk

During the 2005-06 year, we reported a cash shortage of \$22,222 in the Office of General Sessions Court Clerk. 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. Subsequent to June 30, 2008, the county received \$9,330.50 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 was filed with that company for the remaining balance of the shortage (\$12,891.50); however, they denied the claim. On March 23, 2009, the County Commission voted to discontinue any litigation against the bonding company but did not take action to formally write off the remaining cash shortage. Therefore, the outstanding cash shortage of \$12,891.50 is still reflected at June 30, 2009.

59. **Williamson County**

Recreation 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. During the 2008-09 year, this individual had paid restitution totaling \$1,581.50 leaving an outstanding cash shortage of \$43,455.93 at June 30, 2009.

60. Williamson County

Landfill Office

During the 2007-08 year, we reported that 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 investigated the theft and did not find any suspects. Since the count does not expect to recover any of these funds, the amount was written off.

61. Williamson County

Office of County Clerk

In December 2008, the county clerk discovered that collections from a title application transaction totaling \$1,877.68 had been diverted for an employee's personal use. On August 21, 2008, the employee collected cash from a customer and processed the transaction. The next day the employee advised the office bookkeeper that she had failed to collect the funds from the customer, so the bookkeeper deleted the transaction from the computer system and advised the employee to contact the customer; however, the employee failed to contact the customer. On December 20, 2008, the customer returned to the office to see why he had not received the title to his vehicle. The employee stated that she was waiting on some information from a lien-holder before it could be processed, but had recently received that information and would process the paperwork. However, upon an examination by the county clerk, it was discovered that the necessary lien-holder information was dated August 21, 2008. The employee immediately processed the transaction, but substituted a check from another customer to cover the transaction. Subsequently, the bookkeeper questioned this second transaction and spoke with the customer to verify that a substitution of funds had occurred. The initial diversion of funds was caused in part by the bookkeeper's failure to adequately verify the employee's request to delete the transaction. On December 29, 2008, the employee admitted to fraudulently substituting funds to cover the diversion of funds in the original transaction, and the county clerk terminated the employee for the mishandling of funds. Subsequently, the county clerk's bookkeeper and auditors reviewed the audit logs for the period July 1, 2007, through the employee's termination in December 2008, and discovered two additional title applications totaling \$1,508.50 had been stolen. Therefore, the amount of funds diverted from the office totaled \$3,386.18 (\$1,877.68 plus \$1,508.50). The theft of the two additional transactions was caused in part from the failure to regularly review the computer audit logs.

The county clerk contacted the district attorney general, who requested the Tennessee Bureau of Investigation conduct an investigation. On April 13, 2009, the

Exhibit C

Williamson County Grand Jury indicted the former employee on two counts of theft over \$1,000, one count of theft over \$500, and one count of forgery. This case is currently pending.

Division of County Audit
Explanations of Other Thefts in County Offices/Departments (1)
As Reported in Annual Financial Reports for the Year Ended June 30, 2009, and
Certain Special Reports

1. **Carter County**

Office of County Executive

In the 2007-08 year audit, we reported several internal control weaknesses in the operations of the Solid Waste Department, which contributed to a theft of fuel and other items. As a result, changes were made in the operations at the Solid Waste Department to address the weaknesses noted.

A second theft was reported by the landfill manager on June 23, 2009. Officials promptly filed an offense report with the Carter County Sheriff's Department and a fraud reporting form with the Comptroller of the Treasury. Items reported as missing as a result of this theft include two generators, a water pump, pipe wrench, impact wrench, hydraulic fluid, engine oil, and antifreeze. The Sheriff's Department's investigation into both thefts resulted in the arrest of a landfill employee on September 3, 2009. This employee has been charged with theft over \$10,000, and as of the date of this report, is awaiting trial.

Footnotes:

- (1) These findings are the result of other thefts or misappropriations of county assets. These findings were not listed on the Schedule of Cash Shortages, Exhibit A.