

# **INVESTIGATIVE AUDIT REPORT**

## **Town of Pikeville**

**July 1, 2010, through December 31, 2011**



## **State of Tennessee**

**Comptroller of the Treasury  
Department of Audit  
Division of Investigations**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DIVISION OF INVESTIGATIONS**

**Justin P. Wilson**  
Comptroller of the Treasury

**BANK OF AMERICA PLAZA  
414 UNION STREET, SUITE 1100  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 532-4460  
FAX (615) 532-4499**

August 9, 2012

Honorable Mayor and Members of the  
Board of Aldermen  
Town of Pikeville  
P. O. Box 25  
Pikeville, TN 37367

Ladies and Gentlemen:

Pursuant to a request from District Attorney General Michael Taylor, the Division of Investigations conducted an investigative audit of selected records of the Town of Pikeville. The investigation focused on the period July 1, 2010, through December 31, 2011. However, when warranted, this scope was expanded. Presented in this report are the findings resulting from this investigative audit.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at [www.comptroller1.state.tn.us](http://www.comptroller1.state.tn.us).

Sincerely,

A handwritten signature in cursive script that reads "L. Rene Brison".

L. Rene Brison, CPA, CFE, Assistant Director  
Division of Investigations

LRB/RAD

**INVESTIGATIVE AUDIT OF SELECTED RECORDS OF THE  
TOWN OF PIKEVILLE  
FOR THE PERIOD JULY 1, 2010, THROUGH DECEMBER 31, 2011**

**CASE SUMMARY**

The Comptroller's Division of Investigations performed an investigative audit of selected records of the Town of Pikeville. The investigation focused primarily on the period July 1, 2010, through December 31, 2011; however, when warranted, the scope was expanded. The investigation revealed the following:

- Mayor Greg Johnson used town money totaling \$15,900 to purchase a 2008 Honda Element for personal use.
- On several occasions, Mayor Johnson used a town credit card for personal expenses.
- The mayor purchased 10 used vehicles at a cost to the town of \$109,900 without obtaining board approval. As of July 31, 2012, these vehicles had not been titled to the town.
- The mayor received unauthorized town payments totaling \$35,599 purportedly for family health insurance "reimbursement," even though the mayor and his family were covered under an insurance plan carried by his spouse.
- The mayor received unauthorized town payments totaling \$16,200 purportedly for a vehicle allowance; however, the mayor also used town fuel cards and a town vehicle.

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## INVESTIGATIVE FINDINGS

Presented below are the findings resulting from this investigative audit, including a schedule summarizing the unauthorized payments received by the mayor for his personal benefit. We reviewed these findings with the district attorney general. On July 23, 2012, the Bledsoe County Grand Jury indicted Greg Johnson on four counts of Official Misconduct and one count of Theft Over \$60,000.

### Summary of Unauthorized Personal Benefits Received by the Mayor July 1, 2010, through February 28, 2012

Method	Amount
Vehicle purchased for personal use	\$15,900
Unauthorized insurance "reimbursements"	35,599
Unauthorized vehicle allowance benefits	<u>16,200</u>
Total	<u>\$67,699</u>

1. **FINDING: Mayor used \$15,900 in town money to purchase car for nonmunicipal purpose**

In November 2010, Mayor Greg Johnson used \$15,900 in town funds to purchase a 2008 Honda Element for personal use. The board was not made aware of this transaction and did not approve it. Mayor Johnson told Comptroller investigators that he did not have the vehicle titled to the town<sup>1</sup>, but instead turned it over to a family member for personal use. The mayor was unable to document any benefit the town had received for the 13,500 miles driven since the vehicle had been purchased by the town.

2. **FINDING: Mayor used town credit card for personal expenses**

On several occasions, Mayor Johnson used a town credit card for personal expenses. Mayor Johnson admitted he made numerous charges to the town credit card on a trip to south Florida during the 2011 New Year's holiday. He admitted that the trip was extended for his personal benefit, although he claimed there was a town purpose for part of this trip. Apparently, when town officials insisted that he provide documentation for the charges he had made during the Florida trip, Mayor Johnson agreed to personally pay \$1,942 of those charges. Mayor Johnson also charged to the town credit card more than \$522 at restaurants and for lodging in Gatlinburg over several weekends during 2011. Although he told investigators that the charges may have been associated with a town-related conference, he provided no evidence supporting that claim.

<sup>1</sup> According to motor vehicle records, the Honda Element had not been retitled since the Nashville dealer acquired it.

3. **FINDING: Mayor used \$109,900 in town funds to purchase vehicles without board approval**

Between September 2010 and November 2010, Mayor Johnson purchased 10 used vehicles at a cost to the town of \$109,900<sup>2</sup> without obtaining board approval. [Refer to Exhibit 1 for a list of vehicles.] The vehicles were purchased from out-of-state vendors, and based on investigators’ observations, most appeared to have been in accidents or otherwise received some sort of damage. The type and condition of the vehicles did not appear to serve a town purpose.

**Exhibit 1**

Model Year	Make	Model	Cost
2008	GMC	Sierra	\$ 21,000
2004	Lexus	LS 430	17,450
2010	Dodge	Charger	16,500
2009	Dodge	Ram 1500 Quad	15,000
2005	Land Rover	LR3	13,500
2007	Ford	F350	9,000
2007	GMC	Canyon	6,900
2004	Honda	Element	4,500
2007	Saturn	Ion	3,050
2006	Chevrolet	Colorado	<u>3,000</u>
<b>Subtotal</b>			\$109,900
2008	Honda	Element	<u>15,900</u>
<b>Total</b>			<u>\$125,800</u>

Written and signed minutes of the November 8, 2010, meeting of the mayor and board of aldermen indicated the board “ratified” the purchase of “5 pickup trucks and 1 one ton tandem truck with a tommy lift purchased in Sept., Oct., and November.” However, the audio tape of that meeting included no reference to ratification of vehicles purchased for town use. The audio recording of the March 14, 2011, meeting included discussion of the board “ratifying” the purchase of some vehicles; however, the mayor’s explanation to the board did not accurately describe the types. None of the 10 vehicles had been put into service by the town. The mayor admitted that he had driven one of the vehicles to Florida for the trip detailed in Finding 2<sup>3</sup>. As of July 31, 2012, none of the vehicles had been titled to the town.

<sup>2</sup> This does not include the Honda Element addressed in Finding 1.

<sup>3</sup> The mayor told investigators that he had placed a vehicle tag from another town vehicle on the car he drove to Florida.

4. **FINDING: Mayor was paid for unauthorized health insurance benefits totaling at least \$35,599**

During the period July 2010 through February 2012, the mayor received unauthorized payments totaling \$35,599, purportedly to reimburse his expenses for family health insurance. Section 2 of the Charter for the Town of Pikeville states, “The salary of the Mayor of the Town of Pikeville shall be set by the mayor and board of aldermen.” The board of aldermen neither specifically approved these payments nor included them in the mayor’s budgeted compensation. Investigators also determined that the mayor was being reimbursed for an expense he did not incur. The mayor and his family received health insurance coverage through his wife’s employer. Section 20 states, “... the Board of Mayor and Aldermen may have the right to compensate any of the officers herein mentioned a reasonable pay for actual work done ...” Since January 2005, the mayor received payments totaling \$130,711 for insurance reimbursements to which he was not entitled.

5. **FINDING: Mayor was paid for unauthorized vehicle allowance benefits totaling at least \$16,200**

During the period July 2010 through February 2012, the mayor received unauthorized payments totaling \$16,200 for a vehicle allowance. Section 2 of the Charter for the Town of Pikeville states, “The salary of the Mayor of the Town of Pikeville shall be set by the mayor and board of aldermen.” The board of aldermen neither specifically approved these payments nor included them in the mayor’s budgeted compensation. In addition, investigators noted that the mayor was issued and used town fuel cards, charging at least \$6,237 for gasoline for the 11 months ended January 2012. The mayor told investigators that he used town vehicles and never put town-purchased fuel in his personal vehicle. Since March 2007, the mayor received payments totaling \$37,200 for vehicle allowance benefits to which he was not entitled.