



**SOUTH PITTSBURG HOUSING AUTHORITY
AND
SOUTH PITTSBURG ELDERLY
HOUSING AUTHORITY**

Special Investigation
July 14, 2015

Justin P. Wilson, Comptroller





**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

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NASHVILLE, TENNESSEE 37243-1402

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

July 14, 2015

Members of the Board of Commissioners
South Pittsburg Housing Authority
and South Pittsburg Elderly Housing Authority
P. O. Box 231
South Pittsburg, TN 37380

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the South Pittsburg Housing Authority and South Pittsburg Elderly Housing Authority, and the results are presented herein.

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 <http://www.comptroller.tn.gov/ia/>.

Sincerely,

Comptroller of the Treasury

JPW/RAD

SPECIAL INVESTIGATION

South Pittsburg Housing Authority and South Pittsburg Elderly Housing Authority

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the South Pittsburg Housing Authority and the South Pittsburg Elderly Housing Authority. The results of the investigation are set forth below. Although they are separate legal entities, each with its own board of commissioners, the two housing authorities share office space and staff. The Comptroller's Office continues to investigate certain other matters relative to the housing authorities. These matters will be addressed in a subsequent report.

INVESTIGATIVE RESULTS

During the period December 21, 2009, through January 21, 2014, various employees misappropriated at least \$228,980 from the South Pittsburg Housing Authority and the South Pittsburg Elderly Housing Authority.

- **Former accounting director Jan Brooks misappropriated at least \$127,980 from South Pittsburg housing authorities**

During the period December 21, 2009, through January 15, 2014, former accounting director Jan Brooks misappropriated at least \$127,980 from the South Pittsburg Housing and Elderly Housing Authorities. As noted below, Ms. Brooks employed at least three schemes to perpetrate the misappropriation.

1. Ms. Brooks made personal purchases totaling at least \$100,368 on a housing authority credit card. Ms. Brooks' personal purchases made on the card are categorized in the following table:

Category	Amount
Gasoline	\$ 18,432.33
Non-business related lodging at hotels (including trips to Las Vegas and New Orleans)	13,720.83
Airline tickets (primarily to Texas)	13,619.85
Cell phone	12,393.69
Clothing	5,295.19
Electronics (including an iPad)	4,226.85
Groceries	3,553.66
Restaurants	2,298.75
Satellite TV	2,268.08
Other	<u>24,559.01</u>
Total	<u>\$100,368.24</u>

Examples of personal purchases made by Ms. Brooks using the housing authority's credit card are set forth in Exhibits 1 and 2.

Exhibit 1

GOLD STRIKE
AN MGM RESORT

Janice Brooks
PO Box 550
South Pittsburg, TN 37380

ROOM # : 2738
CONF # : 575656214
ARRIVAL : 08/02/13
DEPARTURE : 08/04/13

Page 1 of 1

DATE	DESCRIPTION	CHARGES	CREDITS
08/02/13	Deposit Applied		259.39
08/02/13	GS Room Service Food	33.00	
08/02/13	GS Room Service Tax	2.31	
08/02/13	GS Room Service Tax	0.87	
08/02/13	GS Room Service Gratuity	5.94	
08/02/13	GS Room Service Tip	5.00	
08/02/13	Prevailing Rate	229.00	
08/02/13	GS Room Tax - 10%	22.90	
08/02/13	GS Resort Fee	7.00	
08/02/13	GS Resort Fee Tax	0.49	
08/03/13	GS Room Service Food	46.00	
08/03/13	GS Room Service Tax	3.22	
08/03/13	GS Room Service Tax	1.26	
08/03/13	GS Room Service Gratuity	8.28	
08/03/13	GS Room Service Tip	5.00	
08/03/13	Prevailing Rate	229.00	
08/03/13	GS Room Tax - 10%	22.90	
08/03/13	GS Resort Fee	7.00	
08/03/13	GS Resort Fee Tax	0.49	
08/04/13	Visa XXXXXXXXXXXXXXXX1534 XXXX		370.27
Total		629.66	629.66
Balance		0.00	

In early August 2013, Ms. Brooks lodged for two nights at the Gold Strike Casino Resort in Robinsonville, Mississippi. She paid for the hotel bill, including room service charges, with the housing authority's credit card. (Refer to Exhibit 1.)

Ms. Brooks charged clothing costing \$418.97 at Dillard's one day after Christmas in 2011. A Dillard's representative identified the items purchased as a size 3X Charcoal Heather Daniel Cremieux Wool Coat, a size 3X Light Gray Murano Big & Tall Sport Shirt and a size 3X Dark Gray Murano Johnny Collar Shirt. (Refer to Exhibit 2.)

Refer to Exhibits 5 through 7 at the end of this report for more examples of personal purchases by Ms. Brooks.

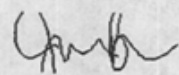
209597692	SALE	0040-1	0430051
000409140077628	594	1	287.50
FALL SEASONAL			
HU	POP 208553797076		9.250
591-313-9626179	MDS	1	51.00
BIG&TALL SPORTSWEAR			
HU	POP 208553797050		9.250
591-963-9776875	MDS	1	45.00
BIG&TALL SPORTSWEAR			
HU	POP 208553797068		9.250
SUBTOTAL			383.50
SALESTAX			35.47
TOTAL			418.97
08661G VISA			
HU	BANKCARD CHARGE		418.97
M	0004046*****2979	- **/**	
CHANGE DUE			0.00
			
RECEIPT# 0430051004012261757			
DILLARD'S			
CHATTANOOGA, TN			
PHONE: 423-892-1110			
12/26/11 18:00			

Exhibit 2

2. Ms. Brooks issued fraudulent checks to herself totaling at least \$25,122 (\$14,578 from South Pittsburg Housing Authority bank accounts and \$10,544 from a South Pittsburg Elderly Housing Authority bank account). These unauthorized and unearned checks were marked falsely to indicate they were for administering a summer food program or for travel reimbursements. Our investigation revealed that these checks were not personally signed by the former executive director, but instead, either included his stamped signature or were signed solely by Ms. Brooks. (Refer to Exhibit 3.)

Exhibit 3

S.F.S.P S.P.H.A SPONSOR P O BOX 231 SOUTH PITTSBURG, TN 37380	1283 87-168/041
Pay to the Order of <u>Jan Brooks</u>	Date <u>9-3-13</u>
<u>One thousand + 00/100</u>	\$ <u>1,000.00</u>
CSB CITIZENS STATE BANK	Dollars <input type="checkbox"/> Security details on back
For <u>SFSP</u>	<u>[Signature]</u>
⑆064 10 1660⑆	1283

The former executive director stated that Ms. Brooks did not have permission or authority to use his signature stamp for this purpose.

3. Ms. Brooks issued at least three fraudulent payroll checks to herself for a gross total of \$2,490. During the investigation, Ms. Brooks denied receiving any unauthorized and unearned payroll checks.

- **Former public housing manager Leslie Jackson misappropriated \$5,405 from the South Pittsburg Housing Authority**

During the period October 4, 2012, through July 25, 2013, former public housing manager Leslie Jackson misappropriated at least \$5,405 from the South Pittsburg Housing Authority.

1. Ms. Jackson requested and received fraudulent travel advances, reimbursements, and airfare totaling \$2,755, ostensibly to attend a November 2012 conference in Chicago. Although Ms. Jackson traveled to Chicago, she did not attend the conference, essentially receiving an all-expense paid vacation at the housing authority's expense.

Investigators discovered that in addition to receiving a travel advance of \$532, Ms. Jackson purchased airline tickets for herself and her mother using the housing authority's credit card. She later charged \$800 to the housing authority's card for lodging at the Westin Hotel, at which room charges with tax were \$431.85 per night. (Refer to Exhibit 4.) Ms. Jackson also requested and received an additional \$927 for hotel charges during her four-night stay. Our investigation revealed that Ms. Jackson failed to attend the conference, for which she was never even registered, and that she returned home on the morning the conference started.

Exhibit 4

the westin michigan avenue
 309 north michigan avenue chicago, illinois 60611
 phone 312.943.7200 fax 312.397.5580
 westin.com/michiganave

guest Leslie Jackson room 1409 rate 371.00 no. pers. 2 folio 1172686 A page 1 arrive 10-NOV-12 12:52 depart 14-NOV-12 08:28 payment DE

travel agent/charge to

10-NOV-12	RT1409	Room Chrg Restricted SW	371.00
10-NOV-12	RT1409	State Tax	44.15
10-NOV-12	RT1409	City/Local Tax	16.70
11-NOV-12	RT1409	Room Chrg Restricted SW	371.00
11-NOV-12	RT1409	State Tax	44.15
11-NOV-12	RT1409	City/Local Tax	16.70
12-NOV-12	RT1409	Room Chrg Restricted SW	371.00
12-NOV-12	RT1409	State Tax	44.15
12-NOV-12	RT1409	City/Local Tax	16.70
13-NOV-12	RT1409	Room Chrg Restricted SW	371.00
13-NOV-12	RT1409	State Tax	44.15
13-NOV-12	RT1409	City/Local Tax	16.70

For Authorization Purposes Only
 xxxxxx1526
 Auth Date Code Authorized
 13-NOV-12 08677G 800.00

13-NOV-12 DI Discover 495.55-

For Authorization Purposes Only
 xxxxxx1525
 Auth Date Code Authorized
 10-NOV-12 01055R 2151.80

14-NOV-12 DI Discover 431.85-

For Authorization Purposes Only
 xxxxxx1525
 Auth Date Code Authorized
 13-NOV-12 01372R 431.85
 13-NOV-12 01445R 100.00
 ** continued on the next page **

I agree to remain personally liable for the payment of this account if the corporation or other third party fails to pay part or all of these charges.

signature _____

Leslie Jackson ROOM 1409 DEPART 14-NOV-12 AGENT YWEBSTER
 FOLIO 1172686

WESTIN
HOTELS & RESORTS

Ms. Jackson admitted to comptroller investigators that she was never registered to attend the conference and that she departed for home the morning the conference began.

2. Ms. Jackson made personal charges totaling at least \$2,649 to the housing authority's Lowe's account for the purchase of lumber and other supplies for construction of a pavilion next to the swimming pool at her home, as well as for chemicals, filters, and a vacuum for the pool. Ms. Jackson admitted to comptroller investigators that she

knowingly used the housing authority's Lowe's account to purchase the items in question and that they were personal purchases.

- **Cash collections totaling \$95,595 were misappropriated from the South Pittsburg Housing Authority and the South Pittsburg Elderly Housing Authority**

During the period July 1, 2012, through January 21, 2014, cash collections totaling at least \$95,595 were misappropriated from the two housing authorities. This amount included \$48,205 from the South Pittsburg Housing Authority and \$43,990 from the South Pittsburg Elderly Housing Authority. \$3,400 was misappropriated from security deposits collected on behalf of both housing authorities.

Generally, Ms. Brooks was responsible for elderly housing collections and Ms. Jackson was responsible for public housing collections. In some instances, however, they made collections on behalf of both housing authorities. In addition, another employee occasionally made collections. All three employees shared the same collection drawers. Housing authority records did not provide adequate accountability for these collections.

Ms. Jackson and Ms. Brooks prepared housing authority bank deposits. Our investigation revealed that bank deposits from both authorities were frequently manipulated so that the cash included in deposits was less than the amount of cash collected. Both Ms. Jackson and Ms. Brooks made statements to either comptroller investigators or to housing authority officials that they were aware of the bank deposit manipulations. They both attributed the manipulations to instances in which they provided petty cash for small expenditures. There was no documentation for these purported petty cash expenditures.

Total Misappropriation

The total combined amount misappropriated from the South Pittsburg Housing Authority and South Pittsburg Elderly Housing Authority was at least \$228,980, as demonstrated in the following table.

Scheme	South Pittsburg Housing Authority	South Pittsburg Elderly Housing Authority	Unknown	Total
Personal purchases on credit card by Jan Brooks	\$100,368.24	\$ 0.00	\$ 0.00	\$100,368.24
Unauthorized pmts. to Jan Brooks	14,578.00	10,544.00	0.00	25,122.00
Extra payroll checks to Jan Brooks	2,490.00	0.00	0.00	2,490.00
Chicago trip by Leslie Jackson	2,755.60	0.00	0.00	2,755.60
Personal purchases on Lowe's account by Leslie Jackson	2,649.72	0.00	0.00	2,649.72
Misappropriated collections	<u>48,205.32</u>	<u>43,990.00</u>	<u>3,400.00</u>	<u>95,595.32</u>
Total	<u>\$171,046.88</u>	<u>\$54,534.00</u>	<u>\$3,400.00</u>	<u>\$228,980.88</u>

The matters relative to Ms. Brooks and Ms. Jackson were referred to the local district attorney general. On June 1, 2015, the Marion County Grand Jury indicted the former accounting director, Jan Brooks, on one count of Theft over \$60,000 and one count of Theft over \$10,000 and indicted the former public housing manager, Leslie Jackson, of one count of Theft over \$1,000.

As noted previously, the Comptroller's Office continues to investigate certain other matters relative to the South Pittsburg and South Pittsburg Elderly Housing Authorities. These matters will be addressed in a subsequent report.

ADDITIONAL ISSUES

Presented below are other issues noted during the special investigation which contributed to employees' ability to perpetrate the various misappropriations without prompt detection. Housing authority officials have indicated they have corrected or intend to correct each of these issues:

1. Housing authority officials failed to separate adequately financial duties or to provide increased oversight when appropriate. The former accounting director received and recorded collections, prepared deposits for elderly housing collections, stored the housing authority's bank statements, issued disbursements, prepared payroll, and was one of the signatures on checks for both housing authorities.
2. In addition to issuing and signing checks and preparing payroll, the former accounting director had access to the former executive director's unsecured signature stamp, allowing her to issue unauthorized checks to herself without detection for more than a year.
3. Housing authority cash collections were used to cash personal checks and housing authority checks, including checks to replenish petty cash. Also, housing authority employees claimed that they used some cash collections to make petty cash expenditures.
4. Collections were routinely held for more than three business days, sometimes for weeks, before being deposited. As noted, some collections were never deposited.
5. No record of accounts receivable was maintained for the South Pittsburg Elderly Housing Authority. The investigation revealed that at least \$19,196 in rent payments was either never received or never recorded and deposited to any housing authority account. (This amount is in addition to the previously noted misappropriation of collections.) Due to the absence of any accounts receivable records or related records of collections, documentation was insufficient to distinguish amounts uncollected and amounts misappropriated. At least one elderly tenant was allowed to reside rent-free for an extended period.

6. Checks totaling at least \$25,888 were deposited in South Pittsburg Elderly Housing Authority bank accounts but were never recorded by housing authority employees as having been collected.
7. On some occasions, collections from the housing authorities were commingled, allowing the manipulation of bank deposits that concealed missing cash collections.
8. During the period January 1, 2010, through April 30, 2014, the housing authorities incurred overdraft fees totaling at least \$9,600 due to inadequate bank account balances. In a letter dated September 23, 2009, South Pittsburg Housing Authority's primary bank cautioned housing authority officials that, in the preceding year, the housing authority had been overdrawn 174 times in amounts frequently exceeding \$5,000 (at times exceeding \$25,000), for up to two weeks at a time.
9. Housing authority officials failed to require and ensure credit card balances were paid in full each month. As a result, during the period January 1, 2010, through December 31, 2013, the South Pittsburg Housing Authority incurred credit card fees and interest charges totaling at least \$2,824.
10. Travel per diems authorized by the housing authority's travel policy exceeded federally authorized rates. Federal tax laws provide that amounts over federally authorized rates may be considered taxable income.
11. Incorrect rent amounts were routinely reported by housing authority officials to the U.S. Department of Housing and Urban Development, the chief grantor agency for the housing authorities.

Personal purchase made by Jan Brooks
using housing authority credit card

M&Js AutoTech 110 E 5TH STREET SOUTH PITTSBURG, TENNESSEE. 37380 Phone - 423-837-8777 Fax - 423-837-8774				INVOICE <div style="border: 1px solid black; padding: 2px; display: inline-block;">22901</div>	
INVOICE FROM HISTORY			Work Completed Date : 05/10/2012		Invoice Date : 05/10/2012
					Print Date : 05/23/2014
BROOKS, JAN P.O. BOX 550 South Pittsburg, TN 37380 Office 423-280-1280 Cust ID : 99		1995 Chevrolet - Tahoe 5.7L, V8, VIN (K) Lic # : 486-ZHS Unit # : Vin # : 3GNEK18K0SG105977 Hat # : ROBERT		Odometer In : 172489	
Ref # :					
Part Description / Number	Qty	Sale	Extended	Labor Description	Extended
FLUID				TRANSMISSION ASSEMBLY - Remove & Replace	357.50
242354	12.00	6.23	74.76	- RWD	
Shop Supplies		5.00	5.00	Hazardous Materials	2.50
[Technicians : TEETERS, STACY]					
Org. Estimate \$481.91		Revisions \$0.00		Current Estimate \$ 481.91	
				Additional Cost Revised Estimate	
				Labor:	360.00
				Parts:	79.76
				Sublet:	0.00

				Sub:	439.76
				Tax:	42.16
				Total:	481.91
				Bal Due:	\$0.00
[Payments - Visa - \$481.91]					
I hereby authorize the above repair work to be done along with the necessary material and hereby grant you and/or your employees permission to operate the car or truck herein described on street, highways or elsewhere for the purpose of testing and/or inspection. OUR LABOR WILL NOT BE WARRANTEED AGAINST USED OR CUSTOMER SUPPILED PARTS. Warranty on parts and labor is 6 MOS or 6,000 miles whichever comes first. Warranty work has to be performed in our shop & cannot exceed the original cost of repair.					
SIGNATURE.....		Date.....		Time.....	

Investigators matched the VIN on the vehicle listed on the invoice to a 1995 Chevrolet Tahoe owned by Jan Brooks.

Personal purchase made by Jan Brooks
using housing authority credit card

SALES DRAFT

CHURCH TIRE AND SVC
SOUTH PITTSBURG, TN 37380

06887812081 12:27:41P

ACCOUNT NUMBER TOTAL
XXXXXXXXXXXX2979 \$1075.00

Jan Brooks

SEOH 000246 TRAN TYPE PAL AUTH# 826886

* INVOICE * #229697-REPRINT

CHURCH'S TIRE PROS
511 CEDAR AVE. /P.O. BOX 511
SOUTH PITTSBURGH, TN 37380
PH. (423) 837-6701

-Sold To:		ACCOUNT#: 102701
B J ROGERS 219 BROOKS PARKER RD SOUTH PITTSBURG, TN 37380		DATE : 04/24/12
Ph:		INVOICE REP: 229697

2003 CHEV 1500	Billed By: SYSTEM ADMINSTRATOR.** REPRINT *
371XQT Mileage:195941.0	Salesman : DAVID S#:3 RT:
VIN#:	Tx:Y EX#:
KID#:	Ct:R COD: IWS:
	Parking Space#:

Quantity	Product #	Size/Description/Mfr#	TC	MC	DP	BIN#	Unit Price	F.E.T.	Extended Amount
4.0	BP2857015	L2285/65R-18 NITTO TERRA GRAPP2857516	1	3	1		242.20	1.32	974.10
4.0	25	TENN STATE PREDISPOSAL FEE	1		H		1.35		5.40

Merchandise	Services & Other	F.E.T.	Subtotal	Sales Tax	Total
974.22	0.00	5.28	979.50	95.50	1075.00

Comments: Terms: PO# DUE DATE AMT. DUE Misc. Adj. \$ 0.00

Cash or Check #: CASH \$ 1075.00

Credit Card \$ 0.00

Balance C . . . \$ 0.00
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Received By: << Page 1 of 1 >>

This invoice reflects tires purchased for 1500 Silverado under the name of Jan Brooks' son, B. J. Rogers. As noted, the charge receipt was apparently signed by Ms. Brooks.