



McMINN COUNTY VETERANS SERVICES OFFICE

Investigative Report
August 11, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

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COMPTROLLER OF THE TREASURY

Comptroller

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August 11, 2016

Honorable John M. Gentry, County Mayor
McMinn County Tennessee
6 East Madison Avenue
Athens, Tennessee 37303

Mayor Gentry:

We performed an investigation of selected records of the McMinn County Veterans Services Office (VSO) for the period January 29, 2015, through April 22, 2016. The finding and recommendation, as a result of our investigation, is presented in this report. This finding and recommendation has been reviewed with management to provide an opportunity for their response. The written responses from management are paraphrased in this report. Also, the finding, recommendation, and managements' responses have been reviewed with the district attorney general for the Tenth Judicial District.

INVESTIGATIVE FINDING AND RECOMMENDATION

FINDING

THE VETERANS SERVICES OFFICE MAINTAINED AN UNAUTHORIZED BANK ACCOUNT

The VSO is an organization that assists veterans and needy veteran families to obtain government benefits and is funded by and operates as a department of McMinn County, Tennessee. McMinn County operates under the provision of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments.

On January 29, 2015, the VSO director opened an unauthorized bank account under her exclusive signature entitled the McMinn County Veterans Fund, and bank statements were mailed to the director's home. According to the director, the bank account was opened for the purpose of collecting donations to be used for veterans' ceremonies and benefits. As of July 14, 2016, the bank account had a balance of \$227.07. Our examination revealed the following deficiencies related to the bank account. These deficiencies weakened internal controls over collections and disbursements, increased risks of fraud and misappropriation, and can be attributed to a lack of management oversight.

- A. On January 29, 2015, the VSO director opened an unauthorized VSO bank account under her exclusive signature to receive donations for veterans' ceremonies and benefits. Subsequently, on July 31, 2015, the VSO director resigned; however, the director did not inform McMinn County officials of the existence of the bank account, nor did she remove her name from the account at the time of her resignation. County officials discovered the bank account approximately four months later. Section 5-8-207, *Tennessee Code Annotated*, and the County Financial Management System of 1981 requires all department collections to be deposited with the county trustee and accounted for through a fund of the county managed by the county's finance director.
- B. The receipts and disbursements channeled through the bank account were not accounted for through the budgetary process of McMinn County. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county government shall be appropriated to such use by the county legislative bodies."
- C. The director resigned her position on July 31, 2015; however, on September 17, 2015, the director made a \$200 debit card payment from the bank account for a personal expense. The director advised us that she mistakenly paid the personal expense from the VSO bank account. On April 22, 2016, after the start of the investigation, the director deposited personal funds totaling \$200 into the VSO bank account.
- D. We found no supporting documentation for disbursements totaling \$669.11 from the bank account. Sound business practices dictate that documentation should be on file to support all disbursements. The absence of supporting documentation increases the risks of fraud and unauthorized purchases. In addition, we were unable to determine if all of these disbursements were for the benefit of McMinn County veterans, or for the personal use of the director.
- E. Official prenumbered receipts were not issued for collections. Section 9-2-103, *Tennessee Code Annotated*, requires that prenumbered receipts should be issued for all collections. As a result, we could not determine if all funds donated by individuals or other groups were deposited to the bank account of the VSO.
- F. Duties of the office were not segregated adequately. The director was responsible for maintaining records and was also involved in receipting, depositing, and disbursing funds. Allowing one person complete control over all financial transactions increases the risk of fraud and abuse.

RECOMMENDATION

As a department of McMinn County, all collections should be deposited with the county trustee and accounted for through a fund of the county managed by the county's finance director. Unauthorized bank accounts should not be utilized by county departments, and

the VSO account should be closed. All disbursements should be appropriated by the McMinn County legislative body and accounted for through the budgetary process. County funds should not be used for personal expenses. Supporting documentation should be on file for all disbursements. Official prenumbered receipts should be issued for all collections. Officials should segregate duties to the extent possible using available resources.

MANAGEMENT’S RESPONSE – FORMER VSO DIRECTOR

On January 29, 2015, I did, in fact, open a bank account for the express purpose of receiving donations for veteran’s ceremonies. I did this in order to have a paper trail for the donors. I was never at any time during my tenure at McMinn County VSO told that I was not allowed to open a bank account. Neither was I ever told that any money had to be turned over to the McMinn County government. On January 29, 2015, I opened a bank account entitled McMinn County Veterans Fund with myself being the only one listed on the account. I had the bank statements mailed to my home address because it was easier to keep up with. The bank account was never closed and has a \$227.07 balance. On September 17, 2015, a \$200 debit card purchase was made out of this account by mistake. The debit card in question that was used for this purchase is identical to my personal debit card. Once the mistake was discovered, I immediately corrected the error by depositing the money into the correct account. Since I was never told that I could not open an account, and I was not aware that I had to give receipts or invoices. The foremost question that I pose is: How can anyone be expected to adhere to said procedures, if they were never informed of them? In summation, I honestly thought that I was being proactive and doing the right thing by opening an account so there could be some kind of fiscal accounting or paper trail. However, if I had known or been told before January 29, 2015, that I could not open an account, then this subject would have been a non-issue. The account is still open, and all of the money is still there. I will be happy to transfer the funds, liquidate/close the account, and turn it over to the McMinn County government upon request.

MANAGEMENT’S RESPONSE – MCMINN COUNTY MAYOR JOHN M. GENTRY

I appreciate the thorough and professional investigation conducted by your investigators and will make sure their recommendations are effectively communicated. Regarding the issue we had with the former veteran’s service officer, I will send out a memo to all county department heads to inform them that no department has the authority to open an independent account. McMinn County has strict financial policies and procedures and we will reiterate to our departments that all funds expended or accepted must be accounted for by the McMinn County Finance Office. Again, we appreciate your help with these matters, and they will be addressed immediately.

If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh