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# STATE OF TENNESSEE

## SPECIAL REPORT ON THE BEDFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT

FOR THE PERIOD JULY 1, 2005  
THROUGH MARCH 31, 2012



## Division of Local Government Audit



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**SPECIAL REPORT ON THE  
BEDFORD COUNTY EMERGENCY COMMUNICATIONS  
DISTRICT  
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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
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JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

March 25, 2013

To the Bedford County Emergency Communications  
District Board of Directors,  
Bedford County Mayor, and the Bedford County  
Board of County Commissioners  
Bedford County, Tennessee

We received multiple allegations regarding the misuse of district funds and the destruction of computer records at the Bedford County Emergency Communications District. Also, based on information received during the investigation, we expanded our procedures to include a review of credit card purchases, cellular phone charges, and travel expenses.

We reviewed the findings resulting from this special investigation with the Bedford County Emergency Communications District Board of Directors, the Bedford County Finance Director, and the district attorney general. These findings, with our recommendations and management's responses, are presented in this report.

Sincerely,

A handwritten signature in black ink, reading "Jim Arnette", is enclosed in a rectangular box.

Jim Arnette, Director  
Division of Local Government Audit

cc: Honorable Mickey Layne, District Attorney General, 14<sup>th</sup> Judicial District

**SPECIAL REPORT ON THE  
BEDFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
For the Period July 1, 2005 through March 31, 2012

**BACKGROUND**

Based on allegations we received related to the misuse of district funds and the destruction of computer records, we conducted an investigation of the Bedford County Emergency Communications District in coordination with the Tennessee Bureau of Investigation for the period July 1, 2009 through March 31, 2012. We expanded our investigation to include the examination of the district's credit card purchases, cellular phone charges, and travel expenses for the period July 1, 2005 through July 1, 2009. We also examined two laptop computers and one desktop computer from the district to determine the completeness and propriety of the district's computer records.

**BEDFORD COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

The Bedford County Emergency Communications District (the district) provides enhanced 911 emergency telephone service for the area and operates through the directives of a nine-member board. The district has a director who oversees the district's daily operations. The district's governing board is appointed by the Bedford County Mayor and confirmed by the Bedford County Commission. The district does not have the authority to levy or collect taxes but is supported instead by fees collected from telephone subscribers. Telephone companies collect the 911 fees from the subscribers and generally remit the fees to the district on a bi-monthly basis. The district reports its financial information separately from Bedford County. The district's financial information is discretely presented as a component unit in Bedford County's annual external financial report.

The district is required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* (E-911 Manual) prescribed by the Tennessee Comptroller of the Treasury. The E-911 Manual defines what are allowable and prohibited uses of the district's revenue. Bedford County pays certain expenses for the district and then bills the district for those expenses.

Findings and recommendations, as a result of our investigation are presented below. These findings and recommendations have been reviewed with management to provide an opportunity for their response. The former district director resigned effective March 29, 2012. These findings and recommendations have been reviewed with the district attorney general.

**FINDING 12.01      QUESTIONABLE PURCHASES TOTALING \$46,806.60 WERE MADE FROM EMERGENCY COMMUNICATIONS DISTRICT FUNDS**

Questionable purchases totaling \$46,806.60 were made from Emergency Communications District funds during the period July 1, 2005 through March 31, 2012. These purchases involved questionable credit card charges, and numerous credit card charges made with

little or no documentation on file to support the purchase. We question whether many of these disbursements and charges were for a business-related purpose.

The questioned purchases are summarized in the following table:

Finding	Description	Amount
12.01(A.)	Clothing purchases	\$ 25,297.09
12.01(B.)	Meal purchases	2,767.64
12.01(C.)	Meal purchases paid twice	828.96
12.01(D.)	Non-business related purchases	11,935.38
12.01(D.)	Other unsupported purchases	<u>5,977.53</u>
Total Questionable Purchases		<u>\$ 46,806.60</u>

- A. During the period examined, the former director made credit card purchases for clothing totaling \$34,297.09. In many instances, these purchases were paid without adequate supporting documentation. The former director classified these clothing purchases as uniforms; however, we administered a survey to the district's employees related to the uniforms they were provided, and these employees advised us that they received a minimal amount of uniforms each year. The interim director of the district estimates that \$1,500 per year is a reasonable amount for employee uniform purchases. Furthermore, a review of available documentation revealed that the size of clothing purchased was consistently the same, which indicates that the clothing purchases were likely for the same individual. The following table provides details of these purchases:

Vendor	Amount
Eddie Bauer	\$ 25,453.09
Lucky Brand	6,554.55 (1)
JiffyShirts	454.28
Gap	87.40 (1)
American Eagle	141.03 (1)
Hanes	421.17
Cabelas	448.30
Dillards	488.35 (1)
Bedford Moore Farmers Coop	71.97 (1)
Fashion Conscious People	15.89 (1)
Substance for Fashion	74.91 (1)
The Funky Banana	86.15
Subtotal	<u>\$ 34,297.09</u>
Less: Estimate of employees average uniform costs for six years	<u>9,000.00 (2)</u>
Total Questioned Clothing Purchases	<u><u>\$ 25,297.09</u></u>

- (1) Employee clothing surveys did not include these brands.  
Of the Lucky Brand purchases, the former director only turned in three pair of pants and two shirts to the district upon her resignation.
- (2) Based on estimates by the interim director for purchases of uniforms for employees totaling \$1,500 per year for six years.

Lucky Brand clothing returned by former district director





CATHY MATIHS  
843 UNION ST

Account Number: [REDACTED]

RECEIVED  
DATE 9/14/2010

Page 1 of 2

CARDHOLDER ACTIVITY					
Posting Date	Sale Date	Category	Reference Number	Transactions	Amount
08-12	08-10		55541860223004039471115	LUCKY BRAND #699 866-975-5825 TX ✓	788.98
08-12	08-10		55541860223004039470448	LUCKY BRAND #699 866-975-5825 TX ✓	304.50
08-13	08-11		55541860224004039467195	LUCKY BRAND #699 866-975-5825 TX ✓	167.06 CR
08-16	08-13		55432860223000706000922	APL*MOBILEME WWW.ME.COM CA	99.00
08-16	08-12		55480770225002123257475	AT&T DATA 08003310500 GA	25.00
08-16	08-13		55480770225002125547964	AT&T DATA 08003310500 GA	25.00 ✓
08-16	08-14		05410190227861000156269	BOOKS A MILLIO00006QPS MURFREESBORO TN	20.00
08-16	08-15		55432860227000909062040	INTUIT *QB SOFTW/SUPP 888-246-8848 CA	39.00
08-16	08-15		55480770227002128975103	AT&T DATA 08003310500 GA	29.99
08-18	08-16		55541860229004057095519	E BAKR 24936208 800-426-6253 WA ✓	64.71
08-18	08-16		55541860229004040502522	LUCKY BRAND #699 866-975-5825 TX ✓	304.50 CR
08-19	08-17		55541860230004041464075	LUCKY BRAND #699 866-975-5825 TX ✓	640.36
08-20	08-17		25263590231231097754908	ALFONSOS MEXICAN REQPS SHELBYVILLE TN	29.83
08-20	08-19		05410190232041022062315	A EAGLE OUTFTR00022061 MURFREESBORO TN ✓	141.03
08-23	08-23		23574405350000500796003	PAYMENT RECEIVED - THANK YOU	3,639.50 CR
08-25	08-19		05436840236404851562993	MIMIS CAFE 138 QPS MURFREESBORO TN	45.26 ✓
08-26	08-24		55541860237004038520148	LUCKY BRAND #699 866-975-5825 TX ✓	130.01 CR
Posting Date	Sale Date	Category	Reference Number	Transactions	Amount
08-26	08-24		55541860237004038520072	LUCKY BRAND #699 866-975-5825 TX ✓	31.66 CR
08-30	08-27		55541860240004051251725	LUCKY BRAND #2562 DESTIN FL ✓	461.10

No documentation was included to support purchases for "uniforms" as detailed by the former director

→ (4386 uniforms) \$1,767.<sup>45</sup>  
 (4212 fees pd./serv.) \$217.<sup>99</sup>  
 (4399 supplies/mat.) \$20.<sup>00</sup>  
 (4419 travel exps) \$75.<sup>09</sup>



- B. We identified several meals purchased by the former director with district credit cards totaling \$2,767.64 (Exhibit 1). However, no documentation was on file to support that the former director was on overnight travel status when these purchases were made. In many instances, there were no detailed receipts; therefore, we could not determine what was purchased. Many of the meals purchased with the credit cards were at local establishments. The district's travel policy provides for the reimbursement of meals only when the employee is on overnight travel status. The majority of these meal purchases were in Shelbyville and Murfreesboro.

Examples of meal receipts not itemized

**J. ALEXANDER'S RESTAURANT**  
 1721 Galleria Blvd.  
 Franklin, TN, 37064  
 (615) 771-7779

Date: Mar22'11 01:26PM  
 Card Type: Mastercard  
 Acct #: XXXXXXXXXXXX454  
 Card Entry: SHIPED  
 Trans Type: PURCHASE  
 Trans Key: EIE004083711035  
 Auth Code: 08132Z  
 Check: 6374 -  
 Table: 54/1  
 Check ID: 634  
 Server: 1029 DAVID M

Subtotal: 74.84  
 Tip: 10.00  
 Total: 84.84

Signature \_\_\_\_\_  
 I agree to pay the amount shown above.  
 acc: \_\_\_\_\_  
 agt: \_\_\_\_\_  
 GI: \_\_\_\_\_

*Paid in Advance*  
 2992 South Church St.  
 Murfreesboro, TN. ← Toot's Murfreesboro  
 615-410-3335  
 Cashier No. 35

Date: Jun04 12:35PM  
 Card Type: Master Card  
 Acct #: XXXXXXXXXXXX  
 Card Entry: SHIPED  
 Trans Type: PURCHASE  
 Trans Key: C10002709385732  
 Auth Code: 097252  
 Check: 44  
 Server: 35 Brittany

Subtotal: 40.03  
 Tip: 4.00  
 Total: 44.03

Signature \_\_\_\_\_  
 I Agree To Pay Above Total  
 According To My Card issuer  
 Agreement.

0000000000444  
 0000000000444

\*\* Customer Copy \*\*

- C. We noted other meals purchased by the former director with the district's credit cards totaling \$828.96, which appear to have been made while the former director was on overnight travel status; however, the former director had already received a travel advance, which included meals and incidentals or the district paid for conference meal packages in advance. Therefore, the district paid for these expenses twice. These amounts are included in the following table.

Date	Store	Amount	Location
8-6-06	Aunt Catfish's on the Port	\$ 82.74	Orlando, FL
8-7-06	Café Gauguin	35.86	Orlando, FL
8-7-06	The Crab House	93.01	Orlando, FL
8-10-06	CheeseCake Factory	25.29	Orlando, FL
8-10-06	CheeseCake Factory	67.14	Orlando, FL
10-7-06	Cracker Barrel	23.91	Pigeon Forge, TN
10-7-06	Krispy Kreme	15.01	Pigeon Forge, TN
10-7-06	Zaxby's	8.72	Lenoir City, TN
10-8-06	Bennett's Bar-B-que	20.51	Gatlinburg, TN
10-8-06	McDonald's	10.08	Sevierville, TN
10-9-06	Park Vista/Eleanor's Café	16.04	Gatlinburg, TN
10-9-06	Red Lobster	51.56	Sevierville, TN
10-10-06	Ruby Tuesday	34.18	Pigeon Forge, TN
10-10-06	Wendy's	12.43	Pigeon Forge, TN
10-11-06	Cracker Barrel	9.37	Pigeon Forge, TN
10-11-06	Cracker Barrel	15.27	Chattanooga, TN
1-23-07	Cracker Barrel	9.27	Sevierville, TN
1-24-07	Ruby Tuesday	26.20	Pigeon Forge, TN
9-8-07	Bennett's Bar-B-Que	22.16	Gatlinburg, TN
9-9-07	Texas Roadhouse	40.75	Sevierville, TN
9-10-07	Park Vista Hotel	40.35	Gatlinburg, TN
9-11-07	Park Vista Hotel	29.81	Gatlinburg, TN
9-12-07	Park Vista Hotel	40.31	Gatlinburg, TN
1-27-11	Red Lobster	<u>98.99</u>	Sevierville, TN
Total		<u>\$ 828.96</u>	

Travel advance former director received on 1/24/11 which included meal calculation; hotel receipt was for travel 1/25/11 thru 1/27/11.

Travel Expenses for Bedford County E911 Communications Center

Bedford County E-911 District

4599

Original Amt. 457.00 Balance Due 457.00 1/24/2011 Discount Check Amount Payment 457.00

Date 1/24/2011 Type Bill Reference

Name [REDACTED] Employee ID Director

E-mail [REDACTED] Department E-911 Comm. Center

Purpose Winter Workshop Jan. 2011 Approved by Cathay Mathis/James Wilkerson

Dates	Hours	Miles

Regions Bank Check Winter Workshop January 2011

457.00

Expenses Date (Jan 25-28) Details Amount

Own car	Mileage 550 @ \$0.46 cents per mile	\$253.00
Lodging	Location	\$
	Location	\$
	Location	\$
	Location	\$
Meals	(Not to exceed \$51/day)	\$204.00
	(Not to exceed \$51/day)	\$
	(Not to exceed \$51/day)	\$
	(Not to exceed \$51/day)	\$
Conference fees	Purpose	\$
Other	Purpose	\$
	Subtotal	\$457.00

Signature \_\_\_\_\_ Date \_\_\_\_\_

Please attach receipts for all listed expenses, sign the form and send to the Accounting Department.

 **CLARION INN & SUITES (TN459)**  
1100 PARKWAY  
GATLINBURG, TN 37738 USA  
Phone: (865) 436-5656  
Fax: (865) 436-0695  
gm.TN459@choicehotels.com

Account: TN459 - 343969  
Date: 01/28/11  
Page: 1 of 1  
Room: 626 GROUP\*  
Arrival Date: 01/25/11 18:38  
Departure Date:  
Frequent Traveler ID: GP-CXM050639  
You were checked out by:  
You were checked in by: SB

843 UNION ST  
SHELBYVILLE, TN 37160 US  
directormathis@bellsouth.net

Post Date	Description	Comment	Amount
01/25/11	ROOM CHARGE		145.00
01/25/11	RESORT FEE	RESORT FEE	9.00
01/25/11	STATE TAX	STATE TAX	15.02
01/25/11	OCCUPANCY TAX	OCCUPANCY TAX	4.35
01/26/11	ROOM CHARGE	#626 MATHIS, CATHEY	145.00
01/26/11	RESORT FEE	RESORT FEE	9.00
01/26/11	STATE TAX	STATE TAX	15.02
01/26/11	OCCUPANCY TAX	OCCUPANCY TAX	4.35
01/27/11	ROOM CHARGE		145.00
01/27/11	RESORT FEE	RESORT FEE	9.00
01/27/11	STATE TAX	STATE TAX	15.02
01/27/11	OCCUPANCY TAX	OCCUPANCY TAX	4.35

Balance Due: 520.11

One or all of the rate plans selected during the stay are not eligible for Choice Privilege points.  
If payment by credit card, I agree to pay the above total charge amount according to the card issuer agreement. I authorize you to charge my account for the total amount due. The undersigned guest acknowledges all charges are personal indebtedness. EXPRESS CHECKOUT DIAL 0

X \_\_\_\_\_

RED LOBSTER 6275  
1600 Parkway  
Savannah, TN 37862-2840  
Check # 21861  
Table 1  
Luana W  
19:00 01/27/2011 Cst 3  
Transaction #: 76266921

ID # 7399 56285 1065

\*\*\*\*\*  
\* We value your opinion. Please \*  
\* Tell us about your dining \*  
\* experience by completing an \*  
\* online survey within 7 days of \*  
\* your visit. You could win a \*  
\* \$1,000 Grand Prize or 1 of 100 \*  
\* \$50 prizes. Winners are drawn \*  
\* weekly!!! \*  
\* \*  
\* To complete the survey and enter \*  
\* the contest, go to \*  
\* WWW.RedLobsterSurvey.com and \*  
\* enter the ID on this receipt. \*  
\* NO PURCHASE NECESSARY. Void where \*  
\* prohibited. See Official Rules at \*  
\* www.RedLobsterSurvey.com. \*  
\* \*  
\* Valoramos su opinión. Complete la \*  
\* encuesta sobre su experiencia \*  
\* gastronómica en \*  
\* www.RedLobsterSurvey.com. \*  
\*\*\*\*\*  
(OFFER EXPIRES Feb 3, 2011)

Card Number Auth Code  
XXXXXXXXXXXX 9454 01765Z  
mehis/cathy Master Card  
Check Amount 83.99

Tip . . . 15.00  
Total . . . 98.99

I,  
Cardmember agrees to pay total in  
accordance with agreement governing  
use of such card.

Guest Copy

Meal charged to district credit card on 1/27/11 while former director was on travel status and had received a travel advance.

- D. The former director made purchases totaling \$17,912.91. Of these purchases, 11,935.38 (Exhibit 2), had no supporting documentation other than the monthly credit card statement, and purchases of \$5,977.53 (Exhibit 3), had very little supporting documentation. We were unable to ascertain whether these purchases were business-related or personal in nature. In one instance, a credit card charge of \$412.16 was made at the COACH store in Pigeon Forge, TN, which had no supporting documentation. However, the former director advised us that this was a laptop computer bag purchased for herself. The former director has not returned this bag to the district since she resigned her position.

Returns	
Uniforms	759.40
Office Supplies	95.31
Purchases	
Uniforms	1219.79 - 759.40 = 460.39
Postage	46.28
Office Supplies	29.99
Office	412.16

Credit card documentation of purchase at the COACH store along with the former director's notes for classification; No documentation was found to support the purchase.

Purchases					
Trans	Post	Description			Amount
05/01	05/03	EDDIE BAUER 0388	FRANKLIN	TN	\$17.55
05/03	05/03	E BAUER*63085603	9999999999	WA	\$164.41
05/07	05/07	E BAUER*63113385	0999999999	WA	\$252.27
05/09	05/09	E BAUER*63148628	8999999999	WA	\$183.55
05/14	05/14	USPS 4781680180	SMELGYVILLE	TN	\$12.62
05/15	05/15	CRUIPLANPLUSONLINE.COM	SALT LAKE CIT	UT	\$28.93
05/23	05/23	PITNEY BOWES INVOICE	850.224.1071	CY	\$32.76
05/23	05/23	COACH	00058331	SEVIERVILLE TN	\$412.16
05/23	05/23	EDDIE BAUER 0348	SEVIERVILLE	TN	\$509.84
05/24	05/24	EDDIE BAUER 0348	SEVIERVILLE	TN	\$82.07
05/31	05/31	SONIC DRIVE IN #477063	FRANKLIN	TN	\$6.87
06/03	06/03	NEMA	ARLINGTON	VA	\$543.00
06/03	06/03	NEMA	ARLINGTON	VA	\$666.00
Total Standard Purch					\$2,535.18

Example of questionable purchase; purchase appears to have been for political items

**SALES DRAFT  
MAIL/PHONE**

PUBLIC SAFETY TRAINING  
230 TWIN DOLPHIN DR  
REDWOOD CITY, CA 94065

MERCHANT # : 322135008106  
TERMINAL ID : 00000002

ACCOUNT # : \*\*\*\*\*9454 \* MC  
BATCH : 68  
DATE : 01/21/09 TIME : 13:47  
AUTH CODE : 095426 INV # : 17237

AUS CODE : Z - ZIP CODE MATCH

CUST CODE : 911

REF # : 109

AMOUNT : \$158.00

Thanks for your 911 CARES order.

Order Number : 17237  
Placed : 01/19/2009 11:47:52 EDT

Ship To:  
[REDACTED]  
directormathis@bellsouth.net  
931-684-3411  
931-680-7477  
Bedford County 911  
843 Union St  
Shelbyville TN 37160  
US

Bill To:  
[REDACTED]  
directormathis@bellsouth.net  
931-684-3411  
931-680-7477  
Bedford County 911  
843 Union St  
Shelbyville TN 37160  
US

Code	Name	Quantity	Price/Ea.	Total
OBAMA09 PIN	2009 Presidential Inauguration PIN	24	\$6.00	\$144.00
			Shipping: .:	\$14.00
			Sales Tax:	\$0.00
			Total:	\$158.00

THANK YOU.  
PLEASE COME AGAIN.

\*\*\* CUSTOMER COPY \*\*\*

## RECOMMENDATION

The district should take steps to determine whether these questionable purchases were for the personal benefit of the former director or any employee. The district should be reimbursed for any such expenditures. Purchases of uniforms should be adequately documented. Reimbursements for meals should only be made when employees are on overnight travel status and should be supported by receipts or a per diem allowance. Management should review travel reimbursements to ensure duplicate payments are not made. Credit card billing statements should be supported by detailed documentation. All purchases should be business related.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding, and the finding will be reported to the proper legal authorities.

**FINDING 12.02**

**DEFICIENCIES WERE NOTED IN PAYMENTS MADE FOR  
EMPLOYEE TRAVEL**

Our investigation identified the following deficiencies related to payments made for employee travel. These deficiencies can be attributed to the failure of management to adequately monitor and review travel claims.

- A. The district had not adopted formal policies and procedures governing employee travel reimbursements; therefore, the district is governed by Bedford County's travel policy. However, during the period examined, the district did not follow Bedford County's policy, but instead used several different methods to reimburse employees for travel expenses.
- B. Travel advances were routinely paid to the former district director, employees, and board members with no subsequent travel expense claims filed to account for expenses actually incurred as required by Bedford County's travel policy. Travel advances were calculated by the former director and included an estimate of total mileage and daily per diem.
- C. Bedford County travel policy provides for a per diem of 75 percent of the allowable daily per diem on the day of departure and the day of return. However, the district calculated per diem at 100 percent of the allowable rate for the day of departure and the day of return. Furthermore, in several instances, per diem rates exceeded allowable rates.
- D. The district paid a mileage allowance to employees when district vehicles were used. Furthermore, the district paid a mileage allowance to employees even if they carpooled with other employees.
- E. The district reimbursed employees for meals when the employees were not on overnight travel status. The Bedford County travel policy only provides for reimbursement of meals for overnight travel.
- F. In several instances, travel reimbursements were made to employees for lodging, meals, and mileage that exceeded the maximum allowable amounts provided by Bedford County's travel policy. In many instances, hotel charges often included additional charges such as pet fees, Jacuzzi or deluxe room fees, wireless internet fees, and refrigerator fees.
- G. In some instances, the mileage reimbursement claim filed to support a travel advance exceeded the actual mileage.
- H. Several hotels were paid in advance for lodging with district credit cards; however, documentation was not subsequently filed to support the expense or to support the reason for the travel as required by the county's travel policy.

## RECOMMENDATION

The district should adopt formal policies and procedures governing travel or comply with Bedford County's travel policy. Travel advances should be subsequently reconciled with actual expenditures. Daily per diem should be accurately calculated. Reimbursements for mileage should only be made for actual miles driven in a personal vehicle. Reimbursements for meals should only be for employees on overnight travel status. Travel reimbursements should be within limits established in the travel policy. Supporting documentation should be on file to account for all travel related expenditures.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding. All travel claims are now monitored by the Bedford County Finance Department.

### FINDING 12.03

### **GIFT CARDS GIVEN TO EMPLOYEES AS BONUS/LONGEVITY PAYMENTS WERE NOT REPORTED AS EMPLOYEE COMPENSATION**

The district gave gift cards to the former director and employees as bonus/longevity rewards. The district did not report to the Internal Revenue Service (IRS) the value of the gift cards, which totaled \$7,204.60 (November 2010, totaling \$4,048.30; December 2009, totaling \$3,156.30). IRS regulations require an employer to report benefits provided to an employee as income on the employee's Form W-2. The district had no written policy in place regarding the payment of bonuses. The district had no documentation to support which employees received these cards or the amount of each card. Sound business practices dictate that documentation should be on file to support all payments. This deficiency is the result of a lack of management oversight.

The image shows two identical Regions Checking Debit forms. Each form is dated 11-23-10. The 'For' field is filled with 'Purchase gift cards'. The 'Branch Number' is 4154, and the 'Teller Number' is 120412. The 'CUSTOMER' field is filled with 'E. G. III'. The 'Approval Signature' field is blank. A red box highlights the MICR line: 'P011-23-2010 02:20P #00156 IN04754 \$000.00'. The 'Account #' is 0004596901. The 'Tran Code' is blank, and the 'Amount' is \$674.80. The bottom of the form indicates 'Original - Proof Work' and 'Pink - Customer'.

The image shows two identical Regions Counter Check forms. Each form is dated 12/17/09. The 'City' is 'SHELBYVILLE-ELM ST' and the 'State' is 'IN'. The 'Pay to Myself Only' field is filled with '838.80'. The 'Pay to Myself Only' field is also filled with 'Eight hundred thirty eight and 80/100 DOLLARS'. The 'ACCOUNT NUMBER' field is blank. The 'MICR' line is '15000=00051'. The bottom of the form indicates 'Original - Proof Work' and 'Pink - Customer'.

Documentation related to gift card purchases for 2009 and 2010



## RECOMMENDATION

The district should have a written policy regarding the payment of bonuses. Only bonuses approved by the district's board should be paid to employees. The board should review and monitor all compensation to employees including bonuses. Employer provided benefits should be reported as income on the employee's Form W-2. Documentation should be on file indicating which employees received the gift cards and the amounts received.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to properly report to the Internal Revenue Service.

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## FINDING 12.04      **THE DISTRICT HAD DEFICIENCIES IN PURCHASING PROCEDURES**

Our examination of purchasing procedures revealed the following deficiencies:

- A. On September 17, 2009, the district purchased a new vehicle for \$28,735 without soliciting competitive bids. Section 5-14-204, *Tennessee Code Annotated*, requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000. As a result, the best and lowest price may not have been obtained for the vehicle purchase.



- B. The district advertised for bids for electrical and HVAC upgrades at the communications center and accepted a bid totaling \$137,002. There was an approved contract change of \$12,925 bringing the total approved cost to \$149,927. However, the project was completed at a total cost of \$163,470. This resulted in additional cost of \$13,543 without documentation to support the approval of the additional cost.
- C. In three instances, the former director paid a total of \$6,016.26 on credit card accounts by using electronic checks. In one instance, a payment in May 2010 totaling \$3,023.68 was made with an electronic check that appears to have been issued without the knowledge of either the treasurer or the vice-chairman who counter sign all checks for the district.
- D. The district did not maintain records of equipment and furnishings purchased for the communications center. Records and inventories of

equipment purchased should be maintained, and an appropriate control system should be used to safeguard equipment. The failure to maintain records could potentially result in the loss or misuse of assets.

- E. Our investigation revealed that the following equipment was missing from the district: an iPod Touch (\$283.47), a Bosch Pro Drill (\$35.05), and a Nook (\$259). Furthermore, we could not determine if the listed purchases were business related. The former director advised that the iPod Touch was at her residence. This iPod Touch has not been returned to the district.



The District purchased two iPods  
– Only one has been returned



The District purchased two  
Nooks – Only one has been  
returned

- F. Sales tax was routinely paid on credit card purchases. District purchases are exempt from state sales tax.
- G. The former director of the district made one credit card payment of \$1,939.88 with no credit card statement or other supporting documentation. Therefore, we were unable to determine if the purchases were related to district business.
- H. The former director used district credit cards to purchase fuel totaling \$982.25. We were unable to determine whether the purchases were for a district vehicle or for official travel in a personal vehicle. The district has a Tri-Star fuel card for fuel purchases for the district; however, these purchases were not made on the Tri-Star fuel card.

## RECOMMENDATION

Competitive bids should be solicited through newspaper advertisement for all purchases in excess of \$10,000 as required by state statute. All changes to contracts and disbursements should be properly documented and approved by the district board. Inventory records should be adequately maintained, and inventory should be periodically examined. Missing inventory items should be investigated. Sales tax should not be paid on purchases. All purchases should be for business related expenses and should be adequately documented. Fuel purchases should be documented by identifying a particular vehicle.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding. All purchasing is now monitored by the Bedford County Finance Department.

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### FINDING 12.05      **THE DISTRICT DID NOT COMPLY WITH PERSONNEL POLICIES FOR CELLULAR TELEPHONES**

The district had cellular telephones available for employees. The district's personnel policy permits cellular telephones be provided to employees for official business only and shall not be used for personal purposes except in cases of emergencies. Additionally, if an employee's monthly cellular phone bill reflects charges greater than the standard monthly charge, the excess portion of that bill shall become the responsibility of the employee to whom the cellular telephone has been issued.

Our examination of cellular telephone expenses from July 2005 through March 2012 revealed the following deficiencies:

- A. The former director was personally allocated cellular telephones for the period examined. We were not able to determine if the phone usage was business related. The following table presents the cost of these phones to the district totaled \$20,038.16:

<u>Year</u>	<u>Former Director Cellular Phone Charges</u>
2005-2006	\$ 2,255.88
2006-2007	2,878.27
2007-2008	2,438.62
2008-2009	2,768.90
2009-2010	4,292.80
2010-2011	4,226.08
2011 - March 2012	<u>1,177.61</u>
Total	<u><u>\$ 20,038.16</u></u>

- B. During our investigation, we noted monthly invoices routinely reflected additional usage charges (i.e. roaming, downloads, pix/flix messaging, and hot-spot service) totaling \$3,577.71.

During the period examined, the district had as many as eleven cellular phones on the monthly bill. Several of these cellular phones included a data plan. The following table presents the total E911 cellular charges from July 2005 through March 2012:

Year	Standard Monthly Charges	Additional Usage Charges	Total
2005-2006	\$ 3,143.61	\$ 33.37	\$ 3,176.98
2006-2007	3,358.28	886.98	4,245.26
2007-2008	4,657.11	135.21	4,792.32
2008-2009	3,973.20	182.96	4,156.16
2009-2010	9,217.30	978.81	10,196.11
2010-2011	10,708.93	1,049.13	11,758.06
2011 - March 2012	4,059.95	311.25	4,371.20
Total	<u>\$ 39,118.38</u>	<u>\$ 3,577.71</u>	<u>\$ 42,696.09</u>

Cellular phones and accessories returned to the district by the former director



## RECOMMENDATION

The district should follow policies approved for the use of cellular phones. The board should review additional usage charges and seek reimbursement for those charges incurred in excess of the standard monthly charge not in accordance with board policy.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding.

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## FINDING 12.06      **FEES WERE INCURRED FOR THE USE OF THE CREDIT CARDS**

The district incurred finance charges (\$550.34), late payment fees (\$906), pay-by-phone fees (\$20), and fees for annual card membership (\$525) totaling \$2,001.34. The district's bank account had sufficient funds to pay the credit card bills each month; therefore, there was no reason to incur finance charges, late payment fees, phone fees, or utilize credit cards that charge a membership fee.

## RECOMMENDATION

Credit cards should be paid on a current basis to avoid fees.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding. All credit cards have been cancelled.

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## FINDING 12.07      **ACCRUED VACATION LEAVE BALANCES EXCEEDED THE MAXIMUM LEAVE PROVIDED BY THE DISTRICT'S PERSONNEL POLICY**

During our review of employees' accrued leave balances, we noted that the former director and an employee had accrued vacation leave balances exceeding the maximum balance established by the district's personnel policy. The district's personnel policy allows 30 days/240 hours maximum carryover for hourly employees and 60 days/480 hours maximum carryover for administrative personnel for vacation leave. During the period examined, the former director maintained and calculated accrued leave balances for her and all employees. Allowing employees to accrue leave balances exceeding the maximum violates the district's leave policy resulting in excess employee compensation.

## RECOMMENDATION

Management should monitor employees' leave balances to ensure compliance with the district's personnel policy.

#### MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding.

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#### FINDING 12.08      **THE DISTRICT DID NOT ISSUE RECEIPTS FOR ALL COLLECTIONS**

The district did not issue receipts for collections. Section 9-2-103, *Tennessee Code Annotated*, requires official prenumbered receipts for all collections. This deficiency increases the risks of fraud and abuse.

#### RECOMMENDATION

Prenumbered receipts should be issued for all collections as required by state statute.

#### MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding.

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#### FINDING 12.09      **A LAPTOP COMPUTER HAD BEEN REFORMATTED**

As part of the allegations we received related to possible destruction of the district's computer records, we examined two laptop computers and a desktop computer of the district. Using forensic software, we determined that a laptop had been reformatted and restored to its original contents. The former director had no explanation as to why the computer was restored to its original contents.

#### MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to prevent this from occurring in the future.

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#### FINDING 12.10      **THE BOARD OF DIRECTORS DID NOT PROVIDE ADEQUATE OVERSIGHT OF THE DISTRICT'S OPERATIONS**

The lack of oversight and supervisory review by the board of directors directly contributed to the failure to properly account for district funds, poor internal controls, misappropriation of funds, and questionable expenditures. The following deficiencies were noted in the board's oversight of the Bedford County Emergency Communications District's operations:

- A. The former director collected funds, deposited funds, made purchases, and disbursed and/or wrote checks. The district's Vice-Chairman advised that in some instances he had signed checks without reviewing supporting

documentation. District checks require two signatures; the signature of the treasurer or the vice-chairman and the director. Internal controls should be in place to provide reasonable assurance that disbursements have the proper management approval.

- B. The district is required by the Tennessee Emergency Communications Board to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*. This manual requires the board of directors of each district to adopt comprehensive travel policies, or at a minimum, follow the county's travel policy. The board of directors had not adopted formal policies and procedures governing travel reimbursements nor did they follow Bedford County's travel policies. During the period under examination, the district used several different methods to reimburse travel expenses. Without a formal travel policy, employees have no limitations placed on their mileage, lodging, and meal expenses.
- C. The district had several credit cards available for the former director to use for purchases; however, the district had not adopted written guidelines governing the use of these cards. Sound business practice dictates that management should provide guidance on the appropriate use of credit cards. This deficiency is the result of a lack of management oversight. Without a formal credit card policy, employees have no limitations on their credit card purchases. Two of the district's credit cards had the former director's name imprinted on the card.



Some of the credit cards returned to the district by the former director

## RECOMMENDATION

The board of directors should provide proper oversight to ensure the district complies with applicable laws, rules, and regulations. This oversight should include the establishment of internal controls to ensure the accountability and proper expenditure of district funds. The board of directors should comply with the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts*. Comprehensive travel regulations should be adopted to establish limits for the reimbursement of mileage, lodging, and meal expenses. The district's board of directors should adopt written guidelines governing the use of credit cards. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used.

## MANAGEMENT'S RESPONSE – CURRENT E-911 BOARD

Steps are being taken to correct this finding.



## Exhibit 1

Bedford County, Tennessee  
Emergency Communications District  
Questionable Meal Purchases  
July 1, 2005 through March 31, 2012

Date	Vendor	Amount	Date	Vendor	Amount
9-8-05	Cracker Barrel	\$ 28.32	11-12-09	Legends Steakhouse	\$ 22.82
9-9-05	Cracker Barrel	40.97	11-24-09	Five Guys	22.12
9-9-05	McDonald's	5.16	11-24-09	Five Guys	36.89
9-9-05	Sonic	7.87	2-23-10	Sonic	13.15
10-4-05	Cracker Barrel	21.75	3-12-10	Jim N Nicks	27.38
12-9-05	Cracker Barrel	30.11	3-26-10	Chuy's	36.33
1-27-06	Cracker Barrel	24.53	4-5-10	Sonic	16.41
3-16-06	Cracker Barrel	20.65	5-3-10	Steak-n-shake	48.00
3-16-06	McDonald's	2.41	5-25-10	Toot's South	52.58
4-11-06	Cracker Barrel	23.45	5-28-10	Cracker Barrel	32.25
4-11-06	Renaissance Hotel Grille	55.00	6-4-10	Toot's South	40.03
4-11-06	Sonic	3.05	6-14-10	Chuy's	37.16
4-20-06	Chili's	46.66	6-16-10	Cracker Barrel	34.40
4-20-06	Cracker Barrel	22.78	6-17-10	Ruby Tuesday	64.28
5-16-06	CheeseCake Factory	45.20	6-24-10	Bocelli	46.04
6-22-06	Cracker Barrel	20.40	6-30-10	Logan's	42.19
7-25-06	Chili's	31.87	7-27-10	Legends Steakhouse	50.59
8-3-06	Sonic	8.82	8-17-10	Alfonso's Mexican	29.83
8-23-06	Cracker Barrel	23.17	9-21-10	Toot's South	31.30
11-6-06	Red Lobster	33.28	11-12-10	Toot's South	44.13
11-22-06	Whitt's Barbecue	27.38	11-14-10	Cracker Barrel	33.23
1-19-07	Huddle House	19.76	12-2-10	Toot's	96.26
1-19-07	Ruby Tuesday	63.18	12-8-10	Sonic	19.16
3-26-07	Cracker Barrel	20.04	12-16-10	Zaxby's	11.61
4-23-07	Cracker Barrel	21.02	12-22-10	Old Chicago Pasta	36.53
4-25-07	Ruby Tuesday	74.91	1-10-11	Hardee's	18.67
5-31-07	Sonic	6.97	2-11-11	Papa John's	56.12
8-21-07	Sonic	5.60	3-22-11	J Alexander	84.84
9-5-07	Papa John's	50.97	4-15-11	Sonic	8.87
9-28-07	McDonald's	7.84	4-29-11	Legends Steakhouse	58.08
9-28-07	McDonald's	3.29	5-5-11	Cracker Barrel	25.13
10-18-07	Hardee's	15.61	6-16-11	Joe's Crab Shack	65.26
4-18-08	Dairy Queen	20.26	8-1-11	Cracker Barrel	36.96
4-25-08	Sonic	6.74	8-23-11	Casa Mexicana	22.28
11-25-08	Cracker Barrel	33.75	10-11-11	Pizza Hut	45.63
12-3-08	Papa John's	73.51	10-17-11	Dairy Queen	6.23
4-16-09	Papa John's	140.52	10-18-11	Papa John's	41.69
6-10-09	La Hacienda Mexican	53.75	10-27-11	Wendy's	6.03
6-22-09	Subway	32.91	11-2-11	McDonald's	6.03
7-14-09	Pancake Pantry	25.52	11-3-11	Hardee's	8.20
8-19-09	La Hacienda Mexican	36.41	11-8-11	Bocelli	8.73
9-15-09	La Hacienda Mexican	29.94	11-9-11	Wendy's	6.68
10-8-09	Cracker Barrel	35.02	11-10-11	Sonic	5.48
10-22-09	Jason's Deli	19.82	2-2-12	Culver's	11.89
Total Questionable Meal Purchases					<u>\$ 2,767.64</u>

Exhibit 2

Bedford County, Tennessee  
Emergency Communications District  
Questionable Non-business Related Purchases  
July 1, 2005 through March 31, 2012

Date	Vendor	Amount
1-26-06	Franklin Covey Products	\$ 183.46
4-19-06	The Winners Circle	4.93
3-20-07	Franklin Covey	166.09
5-23-07	COACH (Pigeon Forge Store)	412.16
7-26-07	Who's Who Directories	717.95
7-27-07	Bedford Moore Farmers Coop	238.89
8-29-07	Who's Who Directories	199.00
10-9-07	Who's Who Directories	218.95
12-11-07	McGees Prescription Shop - Shelbyville	43.90
2-6-08	Franklin Covey Products	176.00
2-12-08	BlackBerry Den	26.90
6-17-08	Paypal	31.98
6-17-08	Paypal	46.98
1-21-09	Public Safety Training	158.00
4-10-09	HandMark	29.99
4-16-09	PayPal GlobalRealty	87.96
4-21-09	HP HomeStore	282.92
8-7-09	Sams Club - Murfreesboro	283.47
8-19-09	Apple Online	109.70
8-31-09	Mbpurchase.com	46.92
9-3-09	Apple iTunes	10.92
9-10-09	Cleverbridge	39.95
9-19-09	CSN stores	425.97
9-29-09	Apple Online	3.28
10-9-09	Amazon	37.90
10-14-09	Apple iTunes	5.46
10-23-09	Apple iTunes	5.48
10-29-09	Sams Club-Murfreesboro	315.68
11-22-09	Apple iTunes	3.27
11-24-09	Apple iTunes	40.57
11-24-09	Sams Club - Murfreesboro	550.57
12-14-09	McGees Prescription Shop - Shelbyville	19.76
1-8-10	Seidio	170.63
1-18-10	Barnes & Noble - Murfreesboro	53.74
2-23-10	Best Buy - Murfreesboro	1,989.95
2-17-10	Barnes & Noble - Murfreesboro	328.95
2-28-10	Barnes & Noble.com	8.77
3-3-10	Barnes & Noble.com	25.00
3-4-10	Barnes & Noble.com	43.77
3-5-10	Barnes & Noble.com	10.73
3-16-10	DRI Pocketmac	159.89
3-21-10	Mark/Space, Inc	89.95
3-22-10	Discount Art & Frame- Shelbyville	87.80
4-1-10	Apple Online	58.17
5-7-10	Radio Shack - Shelbyville	43.88
6-16-10	Pilot - Hurricane Mstn	2.28

Date	Vendor	Amount
6-16-10	Pilot - Hurricane Mstn	\$ 6.30
7-4-10	Barnes & Noble	44.74
7-12-10	Apple Online Stores	31.68
7-12-10	Apple Online Stores	32.66
7-12-10	Apple Online Stores	217.31
7-12-10	Apple Online Stores	226.15
7-13-10	Apple iTunes	5.48
7-14-10	Apple Online Stores	85.61
8-9-10	Apple iTunes	10.96
9-13-10	Apple iTunes	40.59
10-11-10	Myron	22.58
11-13-10	Borders Books	68.79
11-14-10	Apple iTunes	2.18
12-12-10	Apple iTunes	19.72
1-3-11	Apple iTunes	1.09
1-6-11	Apple Store, Nashville	217.30
1-8-11	Cabelas.com	169.66
1-10-11	Cabelas.com	38.17
1-18-11	Barnes & Noble- Lincolnshire, IL	17.99
2-2-11	Netwebsale.com	68.74
2-2-11	Franklin Covey Products	191.57
2-8-11	Southern Connections	340.00
2-10-11	MAC Authority - Nashville	43.68
3-4-14	Google TotalMedia Inc.	153.25
5-27-11	EGI HR Direct	49.50
6-22-11	Tiger Direct Inc.	54.97
7-21-11	Wal-Mart - Shelbyville	20.56
9-8-11	Expedia	137.75
10-5-11	Promotions Now in NJ	87.30
11-10-11	Apple iTunes	1.09
11-14-11	Apple iTunes	1.41
11-17-11	Amazon MktPlace	28.14
11-17-11	Amazon MktPlace	31.92
11-23-11	Amazon MktPlace	47.67
11-30-11	Amazon MktPlace	31.67
12-1-11	Amazon MktPlace	6.58
12-7-11	Apple iTunes	10.34
12-9-11	Apple iTunes	2.17
12-12-11	Kroger - Shelbyville	31.85
1-12-12	SCC, Inc.	410.70
1-20-12	Office Max - Tullahoma	741.93
1-20-12	Wal-Mart - Shelbyville	76.56
1-20-12	Apple iTunes	7.67
1-23-12	Staples - Murfreesboro	100.93
Total Questionable Non-business Related Purchases		<u>\$ 11,935.38</u>

Exhibit 3

Bedford County, Tennessee  
Emergency Communications District  
Other Unsupported Purchases  
July 1, 2005 through March 31, 2012

Date	Vendor	Amount	Description
11-9-06	Barr's Inc.	\$ 850.00	Klaussner Loveseat
11-16-06	Barr's Inc.	499.00	Ashley Dinette
12-19-06	Barr's Inc.	750.00	Broyhill Table and 4 Chairs
6-18-08	Logmein	19.95	No Receipt/Unsupported
6-18-08	Logmein	59.95	No Receipt/Unsupported
7-14-09	Oreck - Franklin	41.50	No Receipt/Unsupported
7-19-09	Amazon.com	61.43	Book -"Breaking the Brass Ceiling"
8-4-09	Amazon.com	86.44	Book -"Women in Charge:Policing, & Gender"
8-7-09	Oreck - Franklin	538.98	No Receipt/Unsupported
10-5-09	Sez Sew - Dyersburg	162.00	No Receipt/Unsupported
10-15-09	Professional Training	119.85	No Receipt/Unsupported
1-11-10	Skillpath seminars in KS	162.04	No Receipt/Unsupported
2-27-10	L2G	87.00	No Receipt/Unsupported
4-2-10	Barnes & Noble.com	39.45	Nook leather Case
4-26-10	URISA - Illinois	120.00	No Receipt/Unsupported
7-27-10	Food Lion - Shelbyville	9.82	No Receipt/Unsupported
8-13-10	AppleMobileMe	99.00	No Receipt/Unsupported
8-18-10	McAfee	43.89	No Receipt/Unsupported
10-1-10	Sez Sew - Dyersburg	105.00	No Receipt/Unsupported
11-7-10	www.logmein.com	54.95	No Receipt/Unsupported
12-7-10	Roberts Lawn Services	441.00	No Receipt/Unsupported
12-18-10	Barnes & Noble	425.62	Nook color (\$249), Warranty fee (\$54.95), Antiglare (\$16.95), Post cover in Noir (\$34.95), Flood 2010: chronicled (\$31.96) Sales tax (\$37.81)
12-20-10	Amazon	25.32	CopShock (Publication on Post-Traumatic Stress)
1-3-11	Verizon Wireless - Murfreesboro	71.21	No Receipt/Unsupported
1-4-11	Verizon Wireless - Shelbyville, NC	108.70	No Receipt/Unsupported
2-16-11	Network Solution, LLC	154.49	No Receipt/Unsupported
2-24-11	Wxwork Online Acct - AL	25.21	No Receipt/Unsupported
3-22-11	RPS Nash Music City - Nashville	10.00	No Receipt/Unsupported
3-25-11	DRI Office Mac (orderfind.comm)	14.26	No Receipt/Unsupported
3-25-11	DRI Office Mac (orderfind.comm)	307.29	No Receipt/Unsupported
4-27-11	Furnlite Inc. - NC	25.71	No Receipt/Unsupported
4-29-11	Food Lion - Shelbyville	10.26	No Receipt/Unsupported
6-16-11	Tillman Lot in Nashville	6.00	Broadway Parking Lot Receipt
6-19-11	Logmein	79.90	No Receipt/Unsupported
8-18-11	Verizon Wireless - Shelbyville	22.48	No Receipt/Unsupported
8-24-11	The Express - Shelbyville	17.38	No Receipt/Unsupported
9-9-11	AutoZone - Shelbyville	9.09	No Receipt/Unsupported
12-13-11	Atlas Business Solutions	25.00	No Receipt/Unsupported
12-20-11	580 Graphics - Shelbyville	173.40	6-ink change during run (\$60), 34-print front/back on customer supplied hoodie (\$88.40), screen charge (\$25)
12-23-11	Verizon - Murfreesboro	74.97	No Receipt/Unsupported
1-18-12	Ecprecertification	39.99	No Receipt/Unsupported
Total Other Unsupported Purchases		<u>\$ 5,977.53</u>	