Department of Audit, Annual Report 2022


Follow this and additional works at: https://digitalcommons.memphis.edu/govpubs-tn-comptroller-annual-reports
Comptroller of the Treasury

Jason E. Mumpower
Comptroller of the Treasury

State Audit

Katherine J. Stickel, CPA, CGFM
Director

Local Government Audit

Jim Arnette, CISA, CGFM
Director

Investigations

Jeff Puckett
Director
January 9, 2023

The Honorable Bill Lee, Governor  
State Capitol  
Nashville, Tennessee  37243

The Honorable Randy McNally, Lt. Governor  
The Honorable Cameron Sexton, Speaker of the House  
Members of the 113th General Assembly  
Cordell Hull Building  
Nashville, TN 37243

Ladies and Gentlemen:

The Department of Audit 2022 Annual Report is submitted herewith in accordance with Section 4-3-304, Tennessee Code Annotated.

The Department of Audit conducts audits, or ensures that audits are conducted, of state, county, and municipal governments; utility districts; internal school funds; and other local government authorities and agencies. Audits are also performed of state grants to nongovernmental organizations and of numerous federal programs for state and local governments.

The work we do results in a better government, which in turn will improve the lives of all Tennesseans.

Sincerely

Jason E. Mumpower  
Comptroller of the Treasury

JEM/ab
## Contents

**Department of Audit** ................................................................. 1  
Auditing Standards ........................................................................ 1  
Peer Review .................................................................................. 1  

**Division of State Audit** .............................................................. 3  
State Audit Sections ........................................................................ 3  
  
  State Agency Audits ....................................................................... 3  
  Medicaid/TennCare ........................................................................ 4  
  Information Systems ........................................................................ 4  
Audit Reports Released .................................................................... 5  
  
  State Agency Audits ....................................................................... 5  
  Medicaid/TennCare Reports ........................................................ 6  

**Division of Local Government Audit** ........................................... 7  
Financial and Compliance Audits ................................................... 7  
  
  The Audit Process ......................................................................... 7  
  Results of Audits ......................................................................... 8  
Information System Reviews ............................................................ 8  
Contract Audits .............................................................................. 8  
Other Services .............................................................................. 9  
  
  Technical Assistance ..................................................................... 9  
  Statutory Referral of Utility Systems ............................................. 10  
  Certified Finance Officer Programs ............................................. 10  
  Reviews of Funds Administered by District Attorneys General .... 10  

**Division of Investigations** .......................................................... 11  
The Investigation Process ............................................................... 11  
Investigations Released ................................................................. 12  
Fraud, Waste & Abuse Hotline ....................................................... 13  
Results of Hotline Notifications .................................................... 13  
Analysis of Substantive Hotline Notifications, Fiscal Year Ended June 30, 2022 18  

**About the Department of Audit** .................................................. 19  
Professional Staff ........................................................................... 19  
  
  Employees by Division .................................................................. 19  
  Advanced Degrees by Division as of June 30, 2022 ...................... 20  
  Staff Certifications as of June 30, 2022 ....................................... 20  
Department of Audit Expenditures, Fiscal Year Ended June 30, 2022 21
The General Assembly created the Department of Audit in 1937 to audit state, county, municipal and other local governmental entities, and recipients of grant funds. The department’s three divisions—State Audit, Local Government Audit, and Investigations—are accountable to the General Assembly and provide information to assist the legislature in overseeing the use of public funds and the efficient operation of government.

**Auditing Standards**

In accordance with the highest auditing standards, the Divisions of State Audit and Local Government Audit perform audits using auditing standards generally accepted (GAAS) in the United States of America and generally accepted government auditing standards promulgated by the American Institute of Certified Public Accountants (AICPA) and issued by the Comptroller General of the United States, respectively. Government Auditing Standards (GAS or Yellow Book) applies to financial and performance audits and attestation engagements. For financial audits and attestation engagements, the Yellow Book incorporates by reference the AICPA Statements on Auditing Standards and the Statements on Standards for Attestation Engagements.

The department’s yearly Single Audit is in accordance with the Single Audit Act as amended by the 1996 Single Audit Act amendments; and Office of Management and Budget 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

As a post-audit agency, the department audits entities’ financial statements; compliance with applicable statutes, grant agreements, rules, and regulations; and/or its past record of efficiency and effectiveness at the end of a fiscal period. Post-audits are independent of the audited entity. In this respect, the Department of Audit is comparable to an independent certified public accounting firm in the private sector. Because independence is so important in a post-audit agency, the Department of Audit is in the legislative branch of state government.

**Peer Review**

To comply with Section 8-4-102, *Tennessee Code Annotated*, the Speakers direct the Divisions of State Audit and Local Government Audit to undergo a quality assessment review under the auspices of the National State Auditors Association to ensure the department is following auditing standards generally accepted in the United States of America and Yellow Book standards.

In the peer review for the year ended June 30, 2022, performed in August 2022 by certified public accountants and other government professionals, the department earned the highest rating, “pass,” on its system of quality control, which the quality assessment team stated “has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.” The next peer review is scheduled for July/August 2024.
For additional information, go to www.comptroller.tn.gov.
The Division of State Audit provides the General Assembly, the Governor, and the citizens of Tennessee with objective information about the state’s financial condition and the performance of agencies and programs. Through financial and compliance audits, performance audits, information systems audits, and attestation engagements, the division aids the legislature in ensuring that state government is accountable to the citizens of Tennessee.

In addition to auditing, the division reviews and comments on due process documents from professional standards-setting organizations and conducts technical research and training. The division also assists the Comptroller in the formulation of state policy and regulations, either directly with representatives of state agencies or indirectly by submitting comments about proposed policies and procedures.

**STATE AUDIT SECTIONS**

**State Agency Audits**

The State Agency Audits section conducts performance audits and financial and compliance audits of state departments, agencies, and institutions.

*Performance Audits*

A performance audit is an independent examination of state government entities and their achievement of public missions and strategic goals.

Performance audits promote public accountability by assessing operations, internal control, and compliance with laws, regulations, and contract agreements.

The audit report facilitates informed decision by providing the General Assembly and entity management with objective analyses, findings, observations, conclusions, and recommendations to increase the effectiveness and efficiency of state and federal programs.

Most of the performance audits are done to comply with the Tennessee Governmental Entity Review Law, commonly known as the Sunset Law (Section 4-29-101 et seq., *Tennessee Code Annotated*), which requires the Joint Government Operations Committee to review each entity at least once every eight years to determine whether the entity should be continued, restructured, or terminated.

Our audit reports are intended to aid the committee in its deliberations, as are our staff’s presentations of the findings at public hearings, when requested by the committee. The Government Operations Committee held 12 public hearings during the year ended June 30, 2022.
A limited number of other performance audits are conducted based on the identification of risks in statewide processes and programs or agency-specific operations and activities.

Financial and Compliance Audits

The objectives of financial and compliance audits are

- to consider the entity’s internal control over financial reporting as a basis for designing auditing procedures to express an opinion on the financial statements;
- to determine the fairness of the presentation of the financial statements; and
- to recommend appropriate actions to correct deficiencies.

Medicaid/TennCare

Under an agreement with the Department of Finance and Administration, the Medicaid/TennCare section staff perform the following attestation and rate-setting functions for the state’s TennCare program:

- Reimbursable cost computation and examinations for nursing home facilities participating in the Medicaid Program.
- Reimbursable rate computation and examinations for intellectual and developmental disabilities facilities participating in the Medicaid Program.
- Computations of reimbursement settlements and prospective rates, periodic detailed claims analysis, and examinations for federally qualified health centers, federally qualified health center look-alikes, and rural health clinics as required by the Benefits Improvement and Protection Act of 2000.
- Cost settlements for state-operated developmental centers serving individuals with intellectual disabilities.
- Technical, financial, and budgeting support to TennCare from paid claims extracts.
- Examinations of TennCare managed care contractors, who contract with the state to provide medical services performed jointly with the Department of Commerce and Insurance.

Information Systems

In the Information Systems (IS) section, the data retrieval staff obtain data from the information systems used by entities under audit and provide that information to the respective audit teams. In addition, retrieval staff consult with audit teams to develop data analysis techniques to facilitate the teams’ audit field work.

The IS audit staff are responsible for obtaining and documenting an understanding of the internal control structure in the computerized accounting and management information systems of entities undergoing an audit. These entities include state agencies, colleges, and universities. The IS audit staff review the general and application controls within data processing systems when those systems could significantly impact the accuracy of financial reporting, effectiveness of operations, or the reliability of data used by other audit teams. The results of this work are included in the state agency audit reports.

In the area of computer forensic analysis, the IS section works in support of the Comptroller’s Division of Investigations, Office of General Counsel, and individual state agencies to identify and recover evidence of fraud, waste, or abuse using specialized software and hardware.
AUDIT REPORTS RELEASED

State Audit released 56 reports during the year ended June 30, 2022; another 52 audits were in progress at year-end. (You can read the full audit reports at comptroller.tn.gov/office-functions/state-audit.html.)

State Agency Audits

The division released 47 state agency audit reports during the year ended June 30, 2022. Of the 47 reports, 35 were financial and compliance reports, 8 were performance reports, and 4 were special reports. The division also facilitated Q&As of 52 entities with hearings under the Sunset Law.

Single Audit

During the year ended June 30, 2022, a major endeavor of the division was the Single Audit of the State of Tennessee for the year ended June 30, 2021, conducted in accordance with the Uniform Guidance. The Single Audit Report reflected federal awards of approximately $24.2 billion.

We noted instances of noncompliance that resulted in a qualified opinion on compliance for one of the state’s 29 major federal programs. In addition, we noted other instances of noncompliance that met the reporting criteria contained in the Uniform Guidance. We also noted material weaknesses and significant deficiencies in internal control over compliance with compliance requirements related to federal programs.

As a result of testing the state’s compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each major federal program, costs of over $6.7 million were questioned.

The Single Audit included an audit of the state’s basic financial statements. This audit resulted in an unmodified opinion on the basic financial statements of the State of Tennessee for the year ended June 30, 2021. The audit also determined that the Schedule of Expenditures of Federal Awards was fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In addition to the Single Audit Report, separate audit reports were issued on many agencies and institutions of state government.

The separate audits of the departments, agencies, and institutions are not meant to serve as organization-wide audits as described in the Single Audit Act as amended in 1996 and the Uniform Guidance. Some, however, serve as segments of the organization-wide audit of the State of Tennessee; therefore, they include the necessary tests for compliance with applicable laws, regulations, contracts, and grant agreements and the required consideration of the internal control.

Financial and Compliance Reports

- 2021 Single Audit Report
- Austin Peay State University
- Chattanooga State Community College
- Clean Water State Revolving Fund
- Cleveland State Community College
- Columbia State Community College
- Department of the Treasury
- Dyersburg State Community College
- East Tennessee State University
- Endowment for Educational Excellence, Tennessee State University Foundation 2019
- Endowment for Educational Excellence, Tennessee State University Foundation 2020
Financial and Compliance Reports (continued)

- Jackson State Community College
- Local Government Group Insurance Fund
- Middle Tennessee State University
- Motlow State Community College
- Roane State Community College
- Roane State Community College Foundation
- State of Tennessee Postemployment Benefits Trust 2020
- State of Tennessee Postemployment Benefits Trust 2021
- Teacher Group Insurance Fund
- Tennessee Consolidated Retirement System, Department of the Treasury
- Tennessee Education Lottery Corporation
- Tennessee Housing Development Agency
- Tennessee Local Development Authority
- Tennessee Rehabilitative Initiative in Correction
- Tennessee State School Bond Authority
- Tennessee State University 2019
- Tennessee State University 2020
- Tennessee State Veterans’ Homes Board
- Tennessee Student Assistance Corporation
- Tennessee Technological University 2020
- Tennessee Technological University 2021
- The University of Memphis
- The University of Tennessee
- Volunteer State Community College

Performance Reports

- Department of Agriculture
- Department of Education
- Department of Human Services
- Department of Revenue
- Division of TennCare
- Office of the Attorney General and Reporter
- Office of the Comptroller of the Treasury
- Tennessee Board of Regents

Special Reports

- Annual Report on the Status of Submission of Title IX Implementation Plans
- Department of Human Services Food Service Programs
- Department of Human Services Summer Food Service Program for Children
- Tennessee Wildlife Resources Agency 2021 Season-Long Wildlife Management Area Waterfowl Hunt Computer Drawing

Medicaid/TennCare Reports

The division released a total of 9 Medicaid/TennCare reports during the year ended June 30, 2022, including examinations of the following nursing facilities:

- Gallatin Center for Rehabilitation and Healing
- Green Hills Center for Rehabilitation and Healing, Nashville
- Nashville Center for Rehabilitation and Healing

The division completed an examination of the following intermediate care facility for individuals with intellectual disabilities:

- The Orange Grove Center, Inc., Chattanooga

The division completed examinations of the following federally qualified health centers:

- Perry County Medical Center, Inc., Linden
- Rural Health Services Consortium, Inc., Rogersville
- Rural Medical Services, Inc., Newport

The division completed examinations of the following rural health clinics:

- The Grove Primary Care Clinic, LLC, Henderson, Middleton, and Scotts Hill
- Joseph Howard Rupard, MD, Shelbyville
Through the Division of Local Government Audit, the Department of Audit is responsible for the audits of all local governmental entities with statutory audit requirements as well as certain nonprofit and for-profit organizations that are publicly funded. The division may conduct the audit for governmental entities or accept an audit prepared by a certified public accountant provided the audit meets minimum standards established by the Comptroller of the Treasury.

The division conducts the annual audit for 91 of the state’s 95 counties. Through a contractual process with independent certified public accounting firms, the division ensures the performance of over 1,700 audits for the state’s remaining counties, municipalities, public internal school funds, charter schools, utility districts, housing authorities, local government created entities, quasi-governmental organizations, and other government-funded agencies.

FINANCIAL AND COMPLIANCE AUDITS

The division presently conducts audits in 91 counties. These audits are assigned to teams that audit the various offices and/or departments and entities of county government. The audit staff is divided into four geographical areas: East, Mideast, Middle, and West. Each area is under the supervision of an audit manager who is responsible for audit planning and supervision.

The Audit Process

The Division of Local Government Audit performs the following general procedures as part of the financial and compliance audit process:

• evaluates the entity’s existing internal controls in the appropriate areas of operation;
• confirms the accountability for receipts by examining, for example, tax rolls, state and federal revenue data, and letters of inquiry;
• determines the appropriateness of disbursements by examining budget authorization, paid invoice files, purchasing files, payroll records, and other financial records;
• determines the authorization for transactions by school boards, highway commissions, and various committees such as budget and finance, and purchasing;
• determines compliance with federal regulations and state and local laws;
• obtains management’s representations with respect to the financial statements, as well as the supporting accounting data, and other items of disclosure;
• evaluates financial statement presentation to determine conformity with accounting principles generally accepted in the United States of America; and
• evaluates the validity of all evidence obtained throughout the audit process to formulate an opinion on the financial statements.
Scope of Activity: Post-Audit of County Governments

The Division of Local Government Audit conducted audits in 91 of the state’s 95 counties for the fiscal year ended June 30, 2021. A minimum of 10 offices or departments in each of the 91 counties was audited:

1. County Trustee
2. County Mayor
3. Department of Education
4. Department of Highways
5. County Clerk
6. Circuit Court Clerk
7. General Sessions Court Clerk
8. Chancery Court Clerk and Master
9. Register
10. Sheriff

The audit field work in each county is conducted by an audit team. The size of the team is determined by the complexity of the assignment. Approximately ten weeks of field work are required, including audit review and supervision by a senior auditor and/or an audit manager. The draft audit reports are reviewed in the Nashville office and released. The division also performs special audits and reviews as requested or as deemed necessary.

Results of Audits

The division’s audits of the 91 counties revealed new cash shortages of $118,619, leaving a balance of outstanding cash shortages of $711,324 on June 30, 2021. The audits disclosed a total of 278 audit findings in 79 counties. Twelve counties did not have any audit findings for the year ended June 30, 2021: Blount, Coffee, Cumberland, Hamblen, Henderson, Gibson, Giles, Lauderdale, Loudon, Marion, Roane, and Robertson.

Information System Reviews

Most county government offices and departments in Tennessee have automated all or a portion of their daily operations. The division’s eight information systems (IS) auditors are responsible for evaluating the general and application controls of each county’s computerized accounting system. Findings resulting from this evaluation are discussed with the appropriate officials and included in the county’s annual financial report.

Scope of Activity: Information Systems

As required by the division’s annual audit plan, information system related controls were evaluated in 91 counties during the year ended June 30, 2022. To assist the financial and compliance audit staff, two IS specialists work with the county governments’ software vendors to obtain information from each county’s accounting system. This information along with software tools developed by the IS specialists is used for audit fieldwork.

Contract Audits

The division fulfills its audit responsibility through a contractual process with independent certified public accounting firms who perform the audits for the following Tennessee local governments:

Counties
- 4 of the state’s 95 counties
- 277 county-related entities

Municipalities
- 342 municipalities
- 83 municipal-related entities
Quasi Governments
• 172 utility districts
• 84 housing authorities
• 18 human resource agencies and development districts
• 106 other quasi-governmental entities

Schools
• 177 public internal school funds
• 60 charter schools
• 15 special school districts

The division further ensures that approximately 305 nonprofit and for-profit organizations are audited as required by state contracts and agreements. The entities use standard contracts, prepared by the Comptroller of the Treasury, which must be approved by the Comptroller’s designees in the Division of Local Government Audit before audit work begins. These audits must be performed in accordance with generally accepted government auditing standards and certain other minimum requirements prescribed by the Comptroller of the Treasury.

In addition, the auditor must comply with other federal and state provisions. The Division of Local Government Audit approves the audit contracts of the certified public accountants and reviews each audit report to verify that it adheres to applicable reporting requirements. If a local governmental unit fails or refuses to have an audit, the Comptroller may direct the Division of Local Government Audit, or may appoint a certified public accountant, to perform the audit. If a nonprofit or for-profit organization refuses to have an audit, the division works in connection with the respective state funding agency to obtain an audit.

The division evaluates the audit working papers of certified public accounting firms that audit the entities. The objective of this review is to ensure that in addition to standards prescribed by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the United States Comptroller General, standards prescribed by the Comptroller of the Treasury have been followed. If the firm’s audit working papers are deemed substandard, the Comptroller of the Treasury takes appropriate action, which might include referral to the State Board of Accountancy.

Scope of Activity: Monitoring and Review of Contract Audits

The division monitors the contracted CPA firms’ work in accordance with a monitoring plan, which includes a review of audit documentation prepared by certified public accountants. For the fiscal year ended 2022, the division performed audit documentation reviews of 36 contracted CPA firms and reviews of 1,735 audit reports submitted by certified public accountants for local governments and other publicly funded entities.

Other Services

Technical Assistance

In addition to the basic audit function and the monitoring and review of audits by certified public accountants, the division provides other services, which include:

• providing information and assistance to facilitate implementation of new auditing and accounting standards;
• submitting federal program data to the federal clearing house on behalf of county governments;
• requesting technical data for pension and other postemployment benefits note disclosures from the State of Tennessee;
• maintaining the uniform chart of accounts used by county governments; and
• participating in the review of notifications made to the Comptroller’s Fraud Hotline.

The division also provides, upon request, assistance to counties in resolving current problems with financial
administration, as well as answering questions on various local governmental matters. The division provides fiscal reviews of new legislation related to county governments and works closely with the state legislature on the passage of new statutes for county governments.

**Statutory Referral of Utility Systems**

Sections 68-221-1010(a) and 7-82-703(a), *Tennessee Code Annotated*, require the Comptroller to refer financially distressed municipal water and/or wastewater systems and public utility districts to the state’s Water and Wastewater Financing Board and/or the Utility Management Review Board. Sections 68-221-1010(d) and 78-82-401(h) of *Tennessee Code Annotated* require the Comptroller to refer water systems with excessive unaccounted for water losses. After applicable facilities are referred to the appropriate board, the respective board obtains and reviews a proposed plan for correction by the facility. If the board finds the facility’s plan unacceptable, the board will recommend an alternate course of action.

During the year ended June 30, 2022, the division referred 76 utility systems to the Water and Wastewater Financing Board and/or the Utility Management Review Board. As a result, several utility districts and municipal utility systems are now operating or are on their way to operating on a financially sound basis and/or are in the process of taking measures to decrease their water loss rates.

**Certified Finance Officer Programs**

The Division of Local Government Audit in association with Municipal Technical Advisory Service (MTAS) and County Technical Assistance Service (CTAS) has developed the Certified Municipal Finance Officer (CMFO) and the Certified County Finance Officer (CCFO) programs. These programs provide Tennessee’s municipal and county financial officers an opportunity to learn about accounting and financial reporting principles, understand how government is structured in Tennessee, and enhance their skills in order to carry out their job responsibilities for their city or county. MTAS and CTAS administer the educational program and testing to achieve the CMFO and CCFO designations, while the Division of Local Government Audit has been designated as the certification authority. These programs enhance government accountability and directly correlate to the Comptroller’s mission “to make government work better.”

<table>
<thead>
<tr>
<th>Program</th>
<th>Active Certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMFO</td>
<td>613</td>
</tr>
<tr>
<td>CCFO</td>
<td>441</td>
</tr>
</tbody>
</table>

**Reviews of Funds Administered by District Attorneys General**

During 2022, the division conducted reviews of District Attorney General Funds, Judicial District Drug Task Force Funds, and other funds the district attorneys general administer in the state’s 31 judicial districts. Each review covered the period July 1, 2020, through June 30, 2021. The scope of each review was limited to the transactions of the individual funds and did not include the overall operation of the district attorneys’ offices.
The Comptroller’s Division of Investigations investigates allegations of fraud, as well as certain allegations of waste and abuse of public funds. These cases frequently result in criminal prosecution.

The Investigation Process

Investigations are performed as a result of allegations received through the toll-free Fraud, Waste & Abuse Hotline; statutorily required fraud reporting forms; misappropriations or other significant issues indicative of fraud noted during routine audit work or audit report reviews; information received from certified public accountants, other state agencies, and concerned citizens and/or officials; and requests received from local District Attorneys General, Tennessee’s Office of the Attorney General, the Federal Bureau of Investigation, and other prosecutorial and law enforcement agencies.

Results of investigations are presented in reports or letters that document occurrences of improper activity. These reports are forwarded to Tennessee’s Office of the Attorney General and Reporter, the local District Attorney General, and, when applicable, the local Office of the United States Attorney for any legal action deemed necessary. The division’s investigators frequently work with local District Attorneys General, Tennessee’s Office of the Attorney General and Reporter, the Office of the United States Attorney, the Tennessee Bureau of Investigation, the Federal Bureau of Investigation, and local law enforcement.

The division’s investigations also include an assessment of internal controls and compliance with applicable laws relative to the issues investigated. Often, investigators have found that weak internal controls or ineffective management were contributing factors in losses incurred as a result of fraud. In the resulting reports or letters, the division identifies these internal control and compliance deficiencies and recommends corrective action. The investigations point out to officials the importance of sound internal controls and compliance with applicable laws and regulations. Investigators also share the information with the other divisions of the Department of Audit—State Audit and Local Government Audit—for consideration in audits of the affected entity.

While publicly funded agencies and resources make up the vast majority of investigations, under very limited circumstances, the Comptroller has legal authority to investigate an allegation of suspected fraud exceeding $60,000 involving private funds or entities. However, such investigations are rare and may only be conducted upon the request of the Attorney General and Reporter or a District Attorney General, in conjunction with an open investigation by the Tennessee Bureau of Investigation, and only if the Comptroller in his discretion deems an investigation to be in the public interest.
INVESTIGATIONS RELEASED

During the fiscal year ended June 30, 2022, the division released 62 investigative reports, prepared 33 closing memos, and sent 1 unpublished letter revealing losses of at least $4,683,648.90 due to fraud and cited an additional $37,574.46 in waste and/or abuse. As a result of these investigations, 42 public officials and other subjects were indicted on 104 criminal counts. Most investigations also revealed deficiencies in (or the absence of) internal controls; lack of compliance with applicable laws and regulations; or other problem areas that created an environment conducive to fraud, waste, and abuse.

- Knox County
- City of Decherd
- AZ Kelley PTA
- Unicoi County Board of Education
- Appalachian Regional Coalition on Homelessness (ARCH)
- Carter County Head Start
- West Greene High School
- Rossview High School Band
- Spring Hill School PTO
- Scott County Emergency and Rescue Squad
- Claiborne County Clerk
- City of Cookeville Police Department Canine Team
- Peakland Baptist Church
- Bristol-Bluff City Utility District
- City of Franklin Fire Chief
- City of Martin Public Works Department
- Town of Gleason
- Ashland City Elementary PTO
- Glencliff Elementary School PTO
- Town of Englewood
- Churchill Rescue Squad
- Hawkins County Volunteer Fireman’s Association
- Houston County Mayor’s Office
- Copper Basin Elementary School
- Mid-Cumberland Human Resource Agency
- Claiborne County High School Cheer
- Town of Ashland City Mayor
- Phases, Inc.
- Roane County Rescue Squad
- Rhea of Sunshine, Inc.
- Memphis Academy of Health Sciences
- Hawkins County Emergency Response Team
- Clay County Circuit Court Clerk
- Elma Ross Public Library
- Greenbrier High School
- G.C. Football Wolfpack Booster Club
- Haletown Volunteer Fire Department
- City of Copperhill
- David Crockett High School
- McNairy County Circuit Court Clerk’s Office
- Anderson County Schools
- Ingram Sowell Elementary School
- 11th Judicial District Attorney General’s Office
- Kingston Elementary School PTO
- Tennessee Department of Mental Health and Substance Abuse Services
- White County Schools Transportation Department
- Cocke County Sheriff’s Department
- Jackson-Madison County Metro Narcotics Unit
- Hawkins County Emergency Communications District
- South Fork Utility District
- Campbell County Library Board
- West Creek Middle School
- Clarksville City Garage
- Overton County Clerk
- Livingston Police Department
- Austin Peay State University Track and Field and Cross Country
- City of LaFollette
- West Knox Utility District
- Brighton Blitz Booster Club and Brighton High School
- Claiborne County Circuit Court Clerk’s Office
- Cocke County Recreation Department
- Leapwood Volunteer Fire Department
The Fraud, Waste & Abuse Hotline received 835 notifications between July 1, 2021, and June 30, 2022. For fiscal year 2022, the hotline received 477 telephone calls and the online reporting website received 358 submissions. Of the 835 total notifications, 680 concerned substantive allegations of fraud, waste, or abuse. These notifications concerned a wide range of entities, including municipalities, counties, state agencies, federal agencies, and nonprofit recipients of government funds. A more detailed analysis is below. Substantive notifications are investigated by Comptroller staff or are referred to the appropriate agency or program.

Results of Hotline Notifications

Of the 680 notifications referred for action, responses have been received on 579, and these are considered closed. The remaining 101 are considered open. Due to the timing of receipt of notifications and the resulting necessary action, notifications and referrals may remain open and extend across and beyond successive fiscal years.

The remaining 155 notifications were not assigned for review because they were either repeat notifications or were not relevant to the purpose of the hotline. Notifications in the latter group include wrong numbers, hang-ups, general inquiries about the hotline, and requests for services provided by other agencies, such as benefits assistance. Where applicable, the person making the notification is referred to the appropriate agency or department that can provide assistance.

The following summaries detail hotline notifications upon which corrective action was taken for the year ended June 30, 2022. Each summary is preceded by the reviewing entity and a brief synopsis of the allegation.

1. Reviewed by the Comptroller of the Treasury – Time Theft
   The notification alleged a county sheriff engaged in duplicate time reporting and failed to fulfill his job responsibilities. The resulting investigation determined that the county sheriff submitted timesheets to the sheriff’s department and a neighboring police department for the same hours worked, resulting in duplicate payments. County officials indicated they will provide better oversight of time and attendance reporting going forward.

2. Reviewed by the Comptroller of the Treasury – Inappropriate Vehicle Use
   The notification alleged two sheriff’s deputies used their government vehicles for personal benefit. The resulting investigation determined that a sheriff and a sheriff’s deputy used their county-issued vehicles to commute to an adjacent county for secondary employment. County officials indicated they would correct this deficiency.
3. Reviewed by the Comptroller of the Treasury – Misuse of Time
   The notification alleged a sheriff’s deputy created and posted religious-based videos on social media while on the clock and in uniform. Upon review of the allegation, it was determined that the sheriff’s deputy did create religious videos on social media while on duty. While the incidents did not cause significant loss to the county, concerns about the deputy’s misuse of time were addressed by the sheriff.

4. Reviewed by Comptroller of the Treasury – Waterfowl Drawing Discrepancies
   The notification alleged discrepancies within a state agency’s Waterfowl Drawing. The resulting audit determined that the agency and the company responsible for the computerized draw did identify mistakes that affected the draw results, including a human error that remained undetected until after the draw was complete. Further, the audit indicated the use of the incorrect draw process for the waterfowl draw was the result of a computer developer’s misunderstanding of a program change request made by the agency, and a change was made based on that misunderstanding. The audit recommended agency and company management conduct testing to ensure future draws work properly.

5. Reviewed by the Comptroller of the Treasury – Misappropriation of Funds
   The notification alleged taxpayer money was fraudulently used to pay insurance premiums for a city’s former mayor. Additionally, the allegator indicated the former mayor did not qualify to receive health insurance benefits from the city. The resulting investigation determined that the former mayor received unauthorized health insurance payments. As a result, the former mayor was indicted for theft and official misconduct.

6. Reviewed by the Comptroller of the Treasury – Questionable Purchases
   The notification alleged fraudulent activity such as cash withdrawals and questionable expenditures were made by an emergency and rescue squad. The resulting investigation determined that the emergency and rescue squad made several questionable purchases, and that management did not provide adequate oversight or use sufficient operational controls to promote accountability for use of funds. Finally, it was determined the emergency and rescue squad’s board and management did not provide adequate control for the organization’s bank account activity and credit card use.

7. Reviewed by the Comptroller of the Treasury – Misappropriation of Funds
   The notification alleged a former city recorder ceased payment for her personal utility bill and allowed friends and family members to receive utility services without payment to the utility department. The resulting investigation determined that the former city recorder misappropriated collection funds for the town and the county’s utility system, and improperly received utility services from the town. As a result of the investigation, the former city recorder was indicted for two counts of Theft over $2,500, one count of Theft of Services, and three counts of Official Misconduct.
8. Reviewed by the Comptroller of the Treasury – Misappropriation of Funds
The notification alleged a former Parent Teacher Organization (PTO) president misused funds involving the PTO’s bank card. The resulting investigation determined that the former PTO president misappropriated PTO funds for unauthorized personal purchases and concealed the transactions with fabricated bank documentation. As a result, the former PTO president was indicted on one count of Theft over $1,000, one count of Forgery, one count of Criminal Simulation, and one count of Computer Crimes.

9. Reviewed by the Comptroller of the Treasury – Misappropriation of Funds
The notification alleged a former rescue squad treasurer made excessive food purchases and used property belonging to the rescue squad for personal benefit. The resulting investigation determined the former treasurer misappropriated rescue squad funds and failed to maintain appropriate documentation for checks issued by the rescue squad. The former treasurer later pleaded guilty to two counts of Theft.

10. Reviewed by the Comptroller of the Treasury – Misappropriation of Funds and Falsified Records
The notification alleged a county clerk’s office issued incorrect license plates. Additionally, the notification alleged management for the clerk’s office was aware of discrepancies for the issuance of license plates. The resulting investigation determined that the former chief deputy for the clerk’s office misappropriated funds received for vehicle registration fees. Further, it was determined the former chief deputy falsified county records to conceal the misappropriation. As a result, the former chief deputy was indicted for Theft, Tampering with Government Records, and Official Misconduct.

11. Reviewed by the Tennessee Department of Mental Health and Substance Abuse Services – Operating Without Appropriate Licensure
The notification alleged a rehabilitation facility prescribed a resident Suboxone as part of their treatment; however, the resident was not supervised or managed properly while on this medication. Further, it was reported that paperwork related to this resident was not stored or managed properly. Upon review of this notification, it was determined that the facility was operating an Office Based Opioid Treatment without a license. The facility was sent a cease-and-desist letter for operating the Office Based Opioid Treatment without the appropriate license.

12. Reviewed by Tennessee Housing Development Authority – Improper Emergency Rental Assistance Payments
The notification alleged a participant in the Emergency Rental Assistance Program (“ERA”) was forced to vacate their residence. It was further alleged the landlord for the residence/property in question received rent relief payments for three months after the tenant vacated the property, despite a request for relief payments to cease. Upon review of the allegation, it was determined that the landlord received ERA assistance payments on behalf of the tenant after the tenant vacated the residence. Subsequently, the Tennessee Housing Development Agency (THDA) recommended that program staff ensure the overpayments were refunded to the housing authority and pursue any further action deemed appropriate.
13. Reviewed by the Tennessee Housing Development Agency – Attempted Forgery for Emergency Rental Assistance
The notification alleged a tenant fraudulently used her landlord’s signature to apply for COVID-19 Emergency Rental Assistance. Upon review of the allegation, the tenant’s case for assistance was withdrawn from the agency and no funds were disbursed.

14. Reviewed by the Comptroller of the Treasury – Misuse of Departmental Facilities and a City Email Account for Personal Benefit
The notification alleged a police department canine deputy trained dogs for a personal dog training business while working for the police department and at departmental locations. The resulting investigation determined that a canine team coordinator used city facilities to kennel and train dogs. Additionally, it was determined that the canine team coordinator used a city email address for his personal dog training business. In conclusion, police department officials indicated that there would be a future adoption of a policy prohibiting personal use of department facilities.

15. Reviewed by the Comptroller of the Treasury – Improper Fundraising and Lack of Credentials
The notification alleged school employees were not following policies related to fundraising. It was further alleged that the principal of the school did not have the appropriate credentials for the position. The resulting investigation confirmed that the principal in question did not possess the correct instructional license for leadership. Further, it was determined that staff failed to remit and deposit fundraising monies in a timely manner. School management indicated that they have corrected or intend to correct these matters.

16. Reviewed by the Comptroller of the Treasury – Improper Use of City Personnel and Equipment
The notification alleged a city mayor used fire department personnel to perform work at a private fitness facility. Fire department members were allegedly forced to work in uncomfortable physical conditions while performing work for the private entity. Additionally, it was alleged the mayor improperly used city and county employees at his discretion to work for private entities. Upon review of the notification, it was determined that fire personnel and equipment was used for the benefit of private citizens and businesses. It was further determined the mayor’s use of city-owned vehicles and fuel was excessive and not commensurate with mayoral job responsibilities.

17. Reviewed by the Department of Correction – Misuse of State Vehicle
The notification alleged a state employee misused a state vehicle by transporting an unauthorized person in the vehicle. Upon review of the allegation, it was determined that the employee transported an unauthorized person while in possession of the vehicle. The employee later admitted to misuse of the state vehicle.

18. Reviewed by the Department of Environment and Conservation – Misuse of State Vehicle
The notification alleged improper use of state vehicles by a state employee. Upon review of the allegation, the department determined that the employee misused state owned/leased/rented vehicles and/or equipment for personal business. As a result, the employee was suspended without pay for five days.

For more about the Division of Investigations, go to tncot.cc/DOI.
19. Reviewed by the Department of Finance and Administration – Employee Obtained Position Through Fraudulent Means
The notification alleged a program manager obtained her position under false pretenses. Upon review of the allegation, it was determined the program manager obtained her position through fraudulent means; in reviewing the program manager’s hiring documents, it was discovered the program manager omitted required information for state employment. As a result, the program manager is no longer employed with the department.

20. Reviewed by the Department of Labor and Workforce Development – Identity Theft and Fraudulent Unemployment Claim
The notification alleged an individual improperly received unemployment assistance. It was further alleged that the individual lived out of state, and his personal information was being used in Tennessee fraudulently. Upon review of this matter, it was determined there was a claim under the individual’s name. The claim was flagged for potential fraud and subsequently denied due to the fraudulent filing and theft of identity. No payments were issued on this claim.

21. Reviewed by the Department of Labor and Workforce Development – Identity Theft and Fraudulent Unemployment Claim
The notification alleged an individual’s identity was used fraudulently to file for unemployment benefits. The review of this notification determined this claim was flagged for potential fraud. Subsequently, the fraudulent claim was resolved, and appropriate paperwork was sent to the legitimate individual indicating he did not receive any benefits.

Citizens and agencies are encouraged to report fraud, waste, or abuse in State and Local government.

NOTICE: This agency is a recipient of taxpayer funding. If you observe an agency director or employee engaging in any activity which you consider to be illegal, improper, or wasteful, please call the state Comptroller’s toll free Hotline:

1-800-232-5454

Notifications can also be submitted electronically at: www.comptroller.tn.gov/hotline
### Analysis of Substantive Hotline Notifications

**Fiscal Year Ended June 30, 2022**

<table>
<thead>
<tr>
<th>Reviewing Agency</th>
<th>Notifications</th>
<th>Open</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Office of the Courts</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Board of Professional Responsibility</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Children's Services</td>
<td>6</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Commerce and Insurance</td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Compliance and Ethics</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Comptroller of the Treasury</td>
<td>614</td>
<td>77</td>
<td>537</td>
</tr>
<tr>
<td>Correction</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>District Public Defenders Conference</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Education</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Environment and Conservation</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Equal Employment Opportunity Commission</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Health</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Housing Development Agency</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Human Services</td>
<td>8</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Intellectual and Developmental Disabilities</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Labor and Workforce Development</td>
<td>6</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Mental Health and Substance Abuse Services</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Revenue</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Safety and Homeland Security</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>TennCare</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Transportation</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>680</strong></td>
<td><strong>101</strong></td>
<td><strong>579</strong></td>
</tr>
</tbody>
</table>
PROFESSIONAL STAFF

The Department of Audit’s professional staff perform a wide variety of audit work requiring different types of training and experience. Therefore, members of the staff have degrees in fields such as accounting, public administration, information systems, law, political science, criminal justice, education, and nursing. More than 100 of the professional staff have advanced degrees.

The department encourages its employees to pursue professional certifications such as Certified Public Accountant, Certified Information Systems Auditor, Certified Fraud Examiner, and Certified Government Financial Manager. As of June 30, 2022, more than 200 employees of the department had received one or more professional certifications.

The department ensures its auditors receive the required continuing professional education to meet certification standards and *Government Auditing Standards*. Auditors and investigators participate in the department’s in-house training program as course developers, presenters, and participants. Over 20,000 hours of training were completed during the fiscal year ended June 30, 2022.

The Department of Audit fully supports its staff’s active participation in local and national professional organizations, recognizing that these organizations contribute to the staff’s continued growth.
Certifications represented in the Department of Audit are Certified Fraud Examiner (CFE), Certified Public Accountant (CPA), Certified Government Financial Manager (CGFM), Certified Information Systems Auditor (CISA), Chartered Global Management Accountant (CGMA), Certified Administrative Professional (CAP), IRS Enrolled Agent (IRSEA), and Senior Professional – Human Resources (SrProfHR).
DEPARTMENT OF AUDIT EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2022

DEPARTMENT OF AUDIT EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2022

Total Expenditures
$36,139,869.48

State Audit
$19,944,515
(55%)

Local Government Audit
$11,951,277
(33%)

Investigations
$4,244,078
(12%)

Salaries and benefits
$33,831,013
(94%)

Services (from other agencies)
$634,628
(2%)

Travel
$881,119
(2%)

Other (supplies, training, etc.)
$793,109
(2%)

DEPARTMENT OF AUDIT EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2022

Total Expenditures
$36,139,869.48

State Audit
$19,944,515
(55%)

Local Government Audit
$11,951,277
(33%)

Investigations
$4,244,078
(12%)

Salaries and benefits
$33,831,013
(94%)

Services (from other agencies)
$634,628
(2%)

Travel
$881,119
(2%)

Other (supplies, training, etc.)
$793,109
(2%)

DEPARTMENT OF AUDIT EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2022

Total Expenditures
$36,139,869.48

State Audit
$19,944,515
(55%)

Local Government Audit
$11,951,277
(33%)

Investigations
$4,244,078
(12%)

Salaries and benefits
$33,831,013
(94%)

Services (from other agencies)
$634,628
(2%)

Travel
$881,119
(2%)

Other (supplies, training, etc.)
$793,109
(2%)
To report fraud, waste, or abuse of government funds and property, contact the Comptroller's Hotline at 1.800.232.5454 or www.comptroller.tn.gov/hotline