TENNESSEE COMPTROLLER OF THE TREASURY

COMPTROLLER'S INVESTIGATIVE REPORT

Hamilton County Commissioner

July 8, 2024

Jason E. Mumpower
Comptroller of the Treasury

DIVISION OF INVESTIGATIONS

TENNESSEE COMPTROLLER OF THE TREASURY

JASON E. MUMPOWER
Comptroller

July 8, 2024

Hamilton County Commission Office
625 Georgia Avenue, Suite 401
Chattanooga, TN 37402

Hamilton County Commission Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Hamilton County Commissioner, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 11th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at http://www.comptroller.tn.gov/ia/.

Sincerely,

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

HAMILTON COUNTY COMMISSIONER

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to a Hamilton County Commissioner. The investigation was limited to selected records for the period July 2019 through November 2023; however, investigators expanded the scope to include selected expense reimbursement records for the period November 2023 through February 2024. The results of the investigation were communicated with the Tennessee District Attorneys General Conference, who was appointed *Pro Tem* in this matter, after the 11th Judicial District Attorney General was recused.

BACKGROUND



Hamilton County (county) is located in southeast Tennessee and is governed by a mayor and 11 county commissioners who are elected to represent the 11 districts within the county. The county commission serves a combined estimated population of 374,682. The county commission is the legislative body of the county and has the authority to levy property taxes, expend funds for lawful purposes, and is responsible for passing the county's annual budget.

In addition to an annual base salary of $27,202 for the Fiscal Year 2024, each county commissioner is currently allotted $15,000 per year from the county budget as a discretionary spending allowance, paid on a reimbursable basis. Prior to the Fiscal Year 2024, the allowance was $12,500. For the period reviewed, the Expense Allowance Policy for the Hamilton County Commission (policy) stated that allotted discretionary spending amounts were to be used for business expenses, including travel (local and out-of-town), rent for additional office space, utilities for additional office space, supplies, and any other business expenses incurred in the furtherance of their duties as a member of the county commission, to meet the concerns and needs of their respective constituents. The policy authorized commissioners choosing to maintain additional office space in their district to rent or use space appropriate for hosting meetings with constituents relevant to county matters.

Audits for the county are performed by the Hamilton County Auditors Office and a contracted private firm. Tenn. Code Ann. § 8-4-503 requires certified public accountants or firms conducting audits of public entities to promptly report any reasonable suspicion of unlawful conduct to the

Office of the Comptroller of the Treasury (Comptroller). Tenn. Code Ann. § 8-4-503 further requires public officials with knowledge, based on available information, that reasonably causes them to believe unlawful conduct has occurred shall report that information to the Comptroller in a reasonable amount of time. Tenn. Code Ann. § 8-4-502 specifies that "unlawful conduct" includes theft, forgery, and any other act of unlawful taking, waste, or abuse…of public money, property, or services. Reports made to the Comptroller are confidential pursuant to Tenn. Code Ann. § 8-4-505. When the Comptroller deems it necessary to identify or correct errors, irregularities, or defaults in the management and disbursement of public funds, Tenn. Code Ann. § 9-3-212(b) authorizes the Comptroller to require any audit or additional investigative or review work to be conducted by the Comptroller's Department of Audit.

RESULTS OF INVESTIGATION

1. A COUNTY COMMISSIONER RECEIVED QUESTIONABLE REIMBURSEMENTS TOTALING AT LEAST $27,382.09

During the period reviewed, a county commissioner received questionable reimbursements through the county's discretionary spending allowance totaling at least $27,382.09. Taxpayer funds should be used for the furtherance and betterment of constituents. Investigators question these reimbursements as being reasonable and necessary business expenses incurred in the furtherance of the commissioner's duties for the benefit of the taxpayers and the county.

A. A county commissioner received reimbursements totaling $15,500 for additional office space that did not have active electric utility service

A county commissioner received reimbursements totaling $15,500 for the rent of additional office space. During the period of August 2021 through February 2024, rent for the additional office space was $500 per month, and the additional office space did not have active electric utility service. The policy allowed county commissioners to receive reimbursement for rent for additional office space, providing the space was appropriate for hosting meetings relevant to county matters. For the period reviewed, the policy did not include storage as an allowable basis for the reimbursement of rent for additional office space.

In April 2024, the county commissioner told investigators that he was actively using the additional office space to meet with constituents and campaign personnel and was using the space primarily as a storage unit. The county commissioner told investigators that the additional office space did not have electric service and that he did not remember the last time he had electric service at the additional office space. Investigators asked the county commissioner if he thought that it was appropriate to host a meeting in a space that didn't have any electricity. He responded, "Yes." The county commissioner told investigators he last met with someone at the additional office space "maybe a month ago," but he could not recall with whom.

In May 2024, the county commissioner presented a verbal and written statement to the Hamilton County Commission in which he said that "about two years ago, during the height of the COVID-19 crisis, I stopped hosting face-to-face meetings. It was during this period that

I had the utilities cut off at my office largely due to a toilet leaking." He also said that he needed the additional office space in which to store the "vast amount of commission related materials" accumulated in his time on the county commission.

Investigators inspected the exterior of the additional office space, along with the main portion of the building's interior, visible through the front window, in September 2023 and May 2024. On both days, investigators observed and noted indications that the additional office space was not being used, including cobwebs on the office door, mail shoved in the cracks of the office door, and mail lying in a pile just inside the office door **(Refer to Exhibit 1)**. The county commissioner declined investigators' request to inspect the interior of the additional office space.

Exhibit 1



The entrance to the additional office space where a county commissioner received reimbursement from the county

Investigators saw folding tables, a futon, baby equipment, and what appears to be a mattress being stored in the county commissioner's additional office space **(Refer to Exhibit 2)**.

Exhibit 2



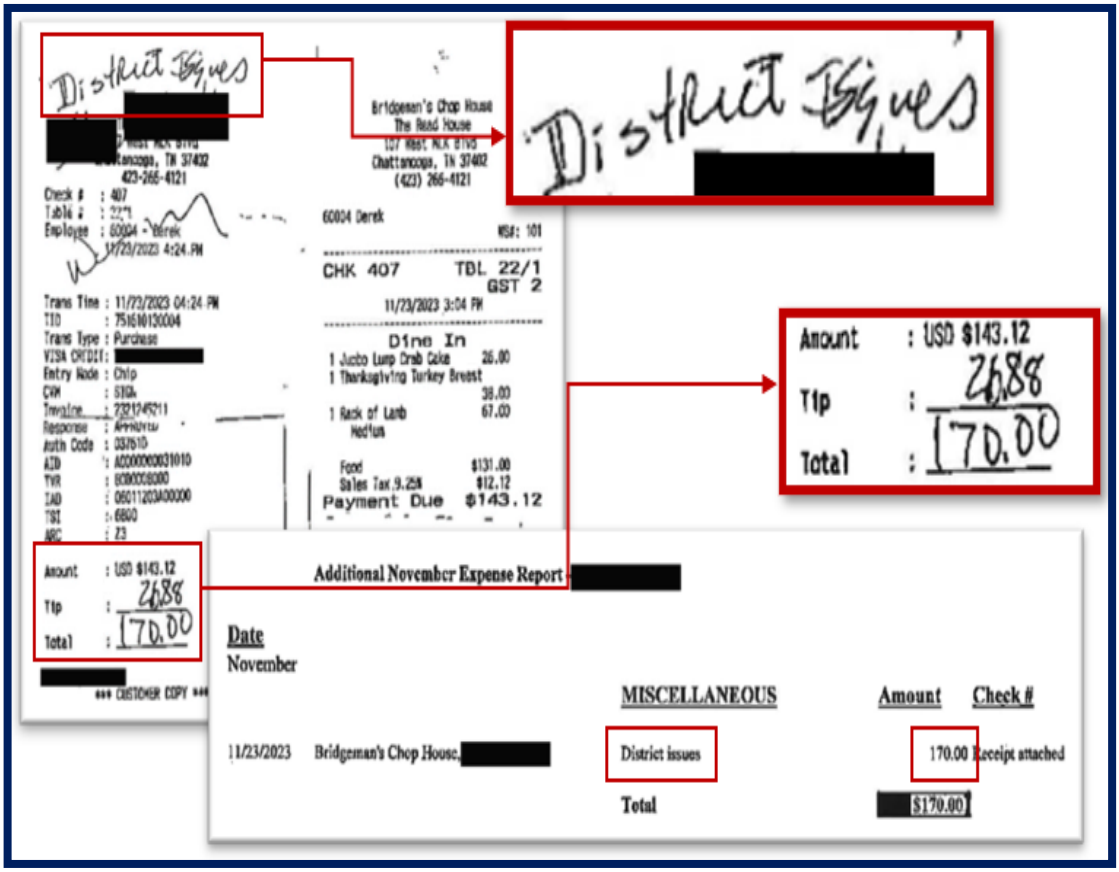
The interior of the additional office space (mattress in red box highlight)

In May 2024, the county commissioner sponsored Resolution No. 524-9A regarding additional office space. The resolution states that "satellite offices for the purpose of meeting with constituents and/or storage shall, at a minimum, have electricity, heat and air, accessible restroom and parking facilities, and shall be clearly identified as a satellite Commission District Office(s) not to be within their respective residence." The county commissioner's additional office space did not meet this minimum standard during the period reviewed. The resolution was passed by the county commission on May 1, 2024.

B. A county commissioner received reimbursement totaling at least $5,971.42 for meetings at local restaurants

A county commissioner received reimbursement totaling at least $5,049.69 for meal purchases related to 113 meetings at local restaurants and $921.73 for mileage to and from local restaurants, citing "District Issues" or a similar description on the expense reports and the supporting documentation **(Refer to Exhibit 3)**. According to county employees responsible for the county commissioner reimbursement process, it is uncommon for the county commissioners to request reimbursement for restaurant purchases. However, they provided that this county commissioner regularly submitted restaurant receipts for reimbursement along with the associated mileage.

Exhibit 3

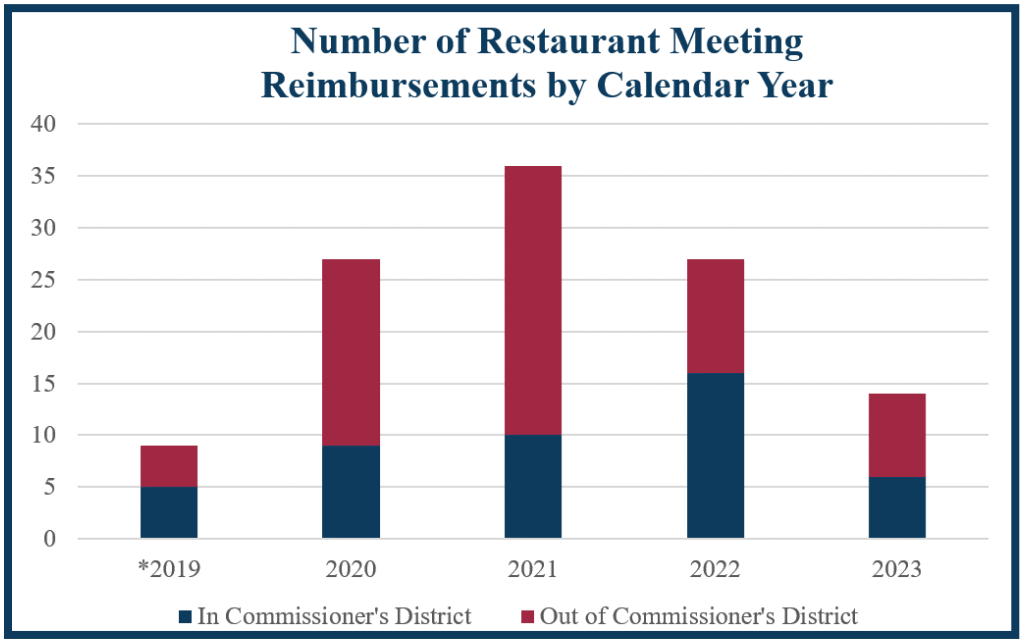


Expense report and associated receipt submitted for reimbursement citing "District Issues"

In an interview with investigators, the county commissioner was asked when he last met someone at a restaurant to discuss district issues. The county commissioner stated that it was about two or three weeks ago. When asked who he met with, he told investigators he did not recall.

Due to a lack of detail on supporting documentation, investigators could not determine if these meetings were for official county commission business and for the exclusive benefit of the taxpayers and the county. The county commissioner was unable to provide any additional supporting documentation indicating that the meetings were related to constituent, county, or commission issues.

During the county commission board meeting on May 1, 2024, the county commissioner told the board that he stopped hosting face-to-face meetings "about two years ago" during the height of the COVID-19 crisis, and it was during that period when he had his utilities disconnected at the additional office space. However, investigators determined that the number of times the county commissioner claimed reimbursements for meeting with constituents at restaurants increased in 2021, the year he had his electric service disconnected at the additional office space.



*2019 contains July 2019 – December 2019

The county commissioner also told the board that the purpose of his additional office space was to accommodate his constituents, who found meeting downtown a hardship due to parking and that many of them didn't have transportation. However, a review of the commissioner's restaurant receipts showed that 67 of the 113 restaurant meetings were located outside of the commissioner's district.

C. A county commissioner received reimbursement for a personal purchase totaling $1,059.10

A county commissioner received reimbursement for a personal purchase totaling $1,059.10. On March 9, 2020, the county commissioner placed an order on Amazon.com for two red leather office chairs. On June 1, 2020, the county commissioner submitted a reimbursement request to the county commission office and was subsequently reimbursed by the county finance office.

Because the policy specifies that county commissioners' discretionary spending allowance cannot be used for any costs associated with a home office, and investigators did not locate the chairs in any county office and did not see the chairs in their limited inspection of the additional office space maintained by the county commissioner, investigators asked the county commissioner about the chairs. The county commissioner told investigators that the two leather chairs were a personal purchase and stated that he did not intend to submit the receipt for reimbursement.

Investigators noted that the Amazon.com receipt for the office chairs was the only item listed for reimbursement on that month's expense report (**Refer to Exhibits 4 and 5)**. Investigators also noted that the county commissioner signed the receipt before submitting it to the county commission office.

Exhibit 4



Items Ordered — **Price**
2 of: Modern Ergonomic Sterling Leather Executive Chair with Aluminum Base- Red — $529.55
Sold by: Zuri Furniture (seller profile)
Condition: New

Shipping Address:
[redacted]
2200 Amnicola Highway
Unit 5833
Chattanooga, Tennessee 37406
United States

Shipping Speed:
Two-Day Shipping

Payment information

Payment Method:
American Express | Last digits: [redacted]

Billing address
[redacted]
2200 Amnicola Highway
Unit 5833
Chattanooga, Tennessee 37406
United States

Item(s) Subtotal: $1,059.10
Shipping & Handling: $0.00
Total before tax: $1,059.10
Estimated tax to be collected: $0.00
Grand Total: $1,059.10

Amazon receipt and picture of the leather office chair (2 purchased)

Exhibit 5

Additional March Expense Report - [redacted]

Date		MISCELLANEOUS	Amount	Check #
March				
3/9/2020	Amazon.com	Office chairs	1,059.10	Receipt attached
		Total	$1,059.10	

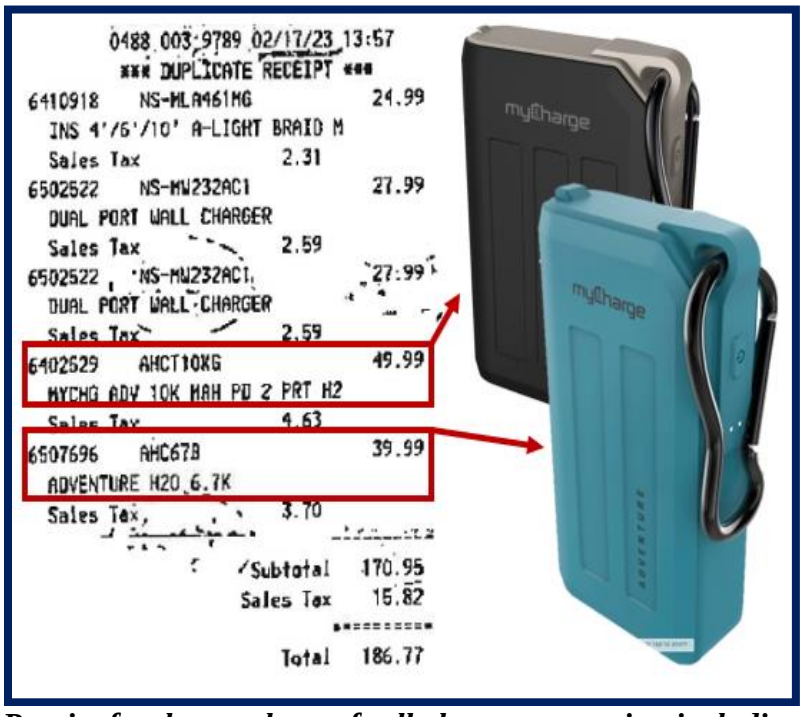
Expense report listing the personal purchase of the office chairs from Amazon.com

During the county commission board meeting on May 1, 2024, the county commissioner told the board of county commissioners that investigators asked about two chairs he purchased. The county commissioner represented to the board of county commissioners that investigators questioned the purchase price of the chairs; however, the county commissioner failed to inform the board of county commissioners that he told the investigators that the chairs were a personal purchase and that he was incorrectly reimbursed for them. As of the date of this report the county commissioner has not repaid the county for reimbursement of the personal purchase.

D. A county commissioner received reimbursement for purchases totaling at least $1,368.18 for cell phone accessories

A county commissioner received reimbursement totaling at least $1,368.18 for the purchase of cell phone accessories, including charging cables, wall adapters, a Bluetooth speaker, and Apple AirPods. The county commissioner was reimbursed for the purchase of two myCharge portable phone chargers and two dual-port phone chargers; he also purchased two sets of Beats Fit Pro True Wireless Earbuds **(Refer to Exhibit 6 and Exhibit 7)**. The county, being a tax-exempt entity, paid sales tax on these items through the reimbursement process for the county commissioner. Investigators questioned the purchase of these items as being reasonable or necessary to the furtherance of the duties of a county commissioner or as benefiting his constituents.

Exhibit 6



Receipt for the purchase of cell phone accessories, including two portable phone chargers

Exhibit 7


Welcome to Best Buy #488
2288 Gunbarrel Rd
CHATTANOOGA, TN 37421

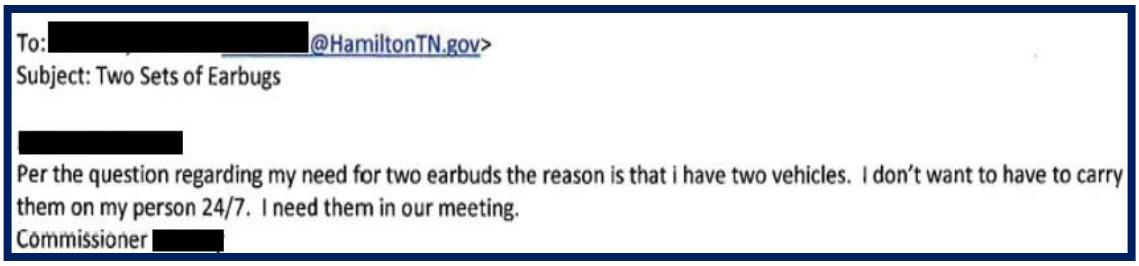
Val: [redacted]

0488 071 7259 08/25/23 19:35
6501044 MPLL3LL/A 159.99
BEATS FIT PRO TRUE WIRELESS -
199.99 Was Price
40.00- Sale Discount
Serial # SF94NJ0VT26
Sales Tax 14.80
6397391 MK2F3LL/A 159.99
BEATS FIT PRO TRUE WIRELESS E
199.99 Was Price
40.00- Sale Discount
Serial # SVKHXJ1K24Q
Sales Tax 14.80
Subtotal 319.98
Sales Tax 29.60
Total 349.58
********[redacted] ChipRead USD$ 349.58
AMERICAN EXPRESS - AMEX

Receipt for the purchase of two sets of Beats Fit Pro True Wireless Earbuds

The county commissioner provided the county accounting manager with an email explaining that two sets of earbuds were needed, a set of earbuds for each of his two vehicles **(Refer to Exhibit 8)**.

Exhibit 8


To: [redacted]@HamiltonTN.gov>
Subject: Two Sets of Earbugs

[redacted]

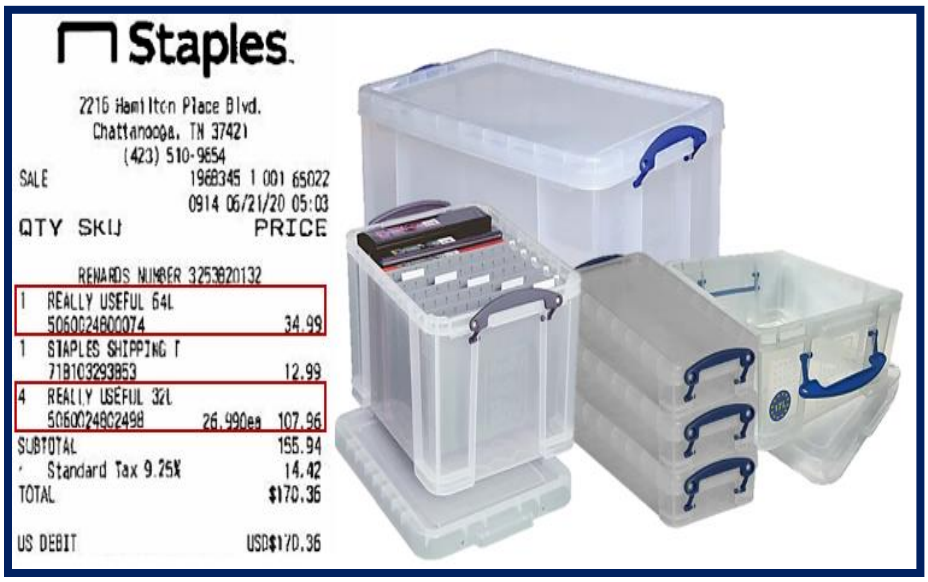
Per the question regarding my need for two earbuds the reason is that i have two vehicles. I don't want to have to carry them on my person 24/7. I need them in our meeting.
Commissioner [redacted]

The county commissioner's email explanation for reimbursement of two sets of wireless earbuds

E. A county commissioner received reimbursement totaling $1,349.81 for the purchase of storage totes

A county commissioner received reimbursement totaling $1,349.81 for the purchase of 48 storage totes ranging in size from .55 liters to 64 liters **(Refer to Exhibit 9)**.

Exhibit 9



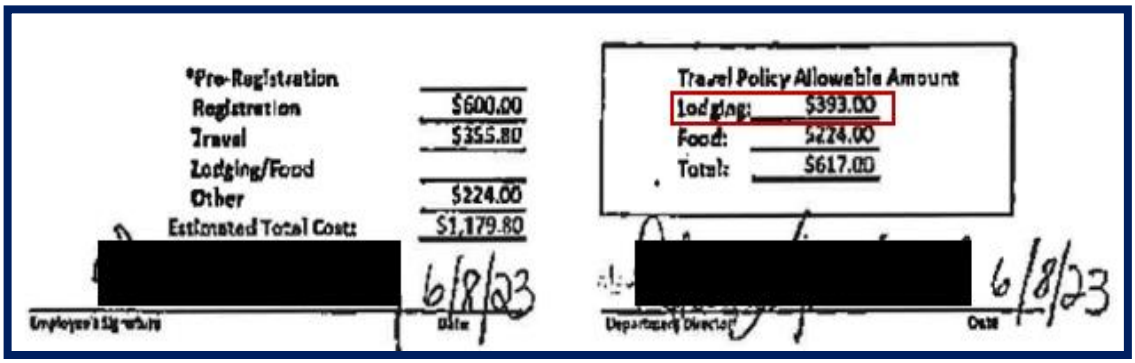
A receipt submitted by the county commissioner and examples of the type of storage totes purchased

Because the policy specifies that county commissioners' discretionary spending allowance cannot be used for any costs associated with a home office, and investigators did not locate the totes in any county office and did not see the totes in their limited inspection of the additional office space maintained by the county commissioner, investigators asked the county commissioner about the totes. The county commissioner told investigators he uses these containers to store commission documents that he has collected over the years. He also told investigators that some of the containers were located in his additional office space but declined to allow investigators access to inspect the totes or verify their presence at the additional office space. The county commissioner did not tell investigators where the rest of the totes were stored.

F. A county commissioner received reimbursement for lodging that exceeded allowable amounts totaling $1,127.58

A county commissioner submitted a signed travel/training request form, which detailed allowable travel policy amounts, including lodging of $393.00. However, the hotel invoice later submitted reflected $1,520.58 **(Refer to Exhibit 10 and Exhibit 11)**. The entire invoice amount was charged to the county commissioner's discretionary spending allowance, which exceeded the $393.00 allowable amount by $1,127.58.

Exhibit 10



The travel/training request submitted for a conference shows an approved allowable lodging amount of $393.00

Exhibit 11

Date	Description	Additional Information		Charges	Credits
07-21-23	Room Charge			505.00	
07-21-23	State Recovery Fee			3.54	
07-22-23	Room Charge			580.00	
07-22-23	State Recovery Fee			4.06	
07-23-23	Room Charge			425.00	
07-23-23	State Recovery Fee			2.98	
07-24-23	Visa	XXXXXXXXXXXX[redacted]	XX/XX		1,777.28
07-31-23	Visa	refund per [redacted]			-256.70
		XXXXXXXXXXXX[redacted]	XX/XX		
		Total		1,520.58	1,520.58

The hotel bill submitted for the conference and for which the county commissioner received reimbursement totaled $1,520.58

G. A county commissioner received reimbursement totaling $1,006.00 for the renewal of a Post Office Box

A county commissioner received reimbursement totaling $1,006.00 for the renewal of a Post Office Box (PO Box). Per the county Property Assessor's website, this PO Box was listed as a mailing address for six residential properties owned by a private business. According to the Secretary of State's website, the county commissioner is listed as the registered agent for the private business and the website showed the business status as inactive since 2014.

Summary of Questionable Reimbursements from Discretionary Spending	
Discretionary Spending	**Amount**
A. Additional Office Space	$15,500.00
B. Local Restaurant Meetings	5,971.42
C. Leather Office Chairs	1,059.10
D. Cell Phone Accessories	1,368.18
E. Storage Totes	1,349.81
F. Lodging in Excess of Allowable Amount	1,127.58
G. P.O. Box	1,006.00
Total Questionable Reimbursements	**$27,382.09**

2. A COUNTY COMMISSIONER ENDORSED A $150.00 CHECK ISSUED AND PAYABLE TO THE MEDAL OF HONOR HALL OF VALOR MUSEUM OF MILITARY

A county commissioner endorsed a $150.00 check issued and payable to the Medal of Honor Hall of Valor Museum of Military (Museum). Investigators determined that the county commissioner made a $150.00 personal donation to the Museum in March 2021 during the Museum's brick drive fundraiser **(Refer to Exhibit 12)**, where his name and the title of "Commissioner" were engraved on a brick paver placed at the entrance of the Museum.

Exhibit 12



Contribution Statement

Donation Period: 01/01/2021 to 03/26/2021

Charles H. Coolidge National Medal of Honor Heritage Center
PO Box 11467
Chattanooga TN 37401

3/24/2021 Bricks

150.00

Commissioner [redacted]
625 Georgia Avenue #401
Chattanooga TN 37402

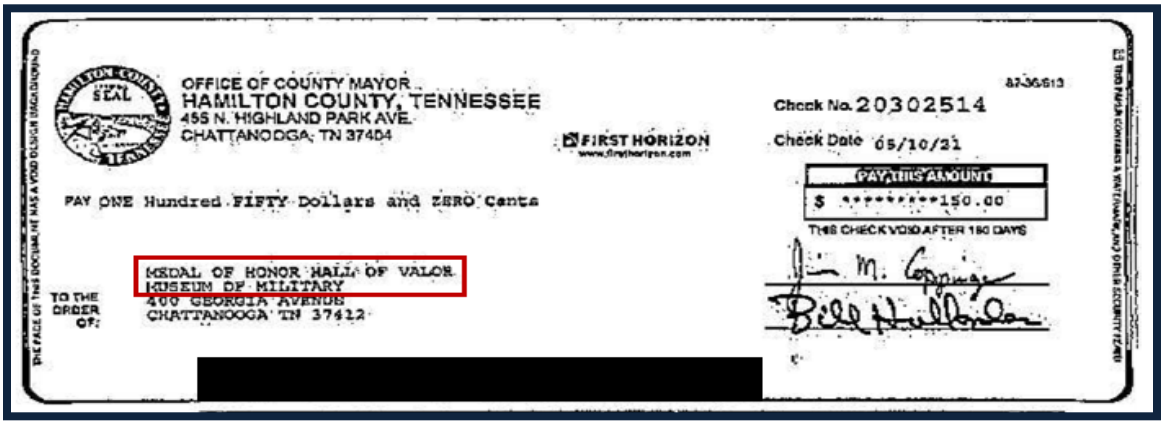
Donation Type / Date	Campaign	Appeal	Accounting Code	Contribution Amount	Value Received	Tax Deduction
3/24/2021 Bricks	Capital Campaign	Bricks	43200 - BRICKS	150.00	0.00	150.00
			Total Contributions:	150.00	0.00	150.00

The county commissioner's contribution statement from March 24, 2021

In April 2021, the commissioner sponsored Resolution No. 421-24, requesting a donation of $150.00 from discretionary funds allocated to District Four be made to the Museum "to assist with programming." The resolution was passed on April 21, 2021, and the check was issued by the finance department on May 10, 2021. However, the Museum stated that they never received the check.

Investigators obtained a copy of the check issued to the Museum that had cleared the bank on May 11, 2021. The check had been endorsed with the county commissioner's signature **(Refer to Exhibit 13)**.

Exhibit 13



OFFICE OF COUNTY MAYOR
HAMILTON COUNTY, TENNESSEE
455 N. HIGHLAND PARK AVE.
CHATTANOOGA, TN 37404

FIRST HORIZON

Check No. 20302514
Check Date 05/10/21

PAY ONE Hundred FIFTY Dollars and ZERO Cents

PAY THIS AMOUNT
$ ********150.00
THIS CHECK VOID AFTER 180 DAYS

TO THE ORDER OF:
MEDAL OF HONOR HALL OF VALOR
MUSEUM OF MILITARY
400 GEORGIA AVENUE
CHATTANOOGA TN 37412

[redacted]

Check made payable to the Museum

In an interview with investigators, the county commissioner told investigators that county commissioners never gain access to the checks, and he has never had access to the checks issued as a result of a resolution. However, county finance division management told investigators that it is a normal practice that donation checks issued to 501(c)3 organizations are requested to be sent to the county commission office so that the county commissioners can hand deliver them to the organizations. County finance division management then told investigators that the county commissioner did, in fact, request that the $150.00 check to the Museum be sent to the county commission office so that the county commissioner could hand deliver it to the organization **(Refer to Exhibit 14)**.

Exhibit 14

TO: [redacted] Finance Division

FROM: [redacted] Commissioner

DATE: March 29, 2021

SUBJECT: Allocation of Funds

This memo serves as my request for a check in the amount of **$150.00** from my Travel Discretionary fund # (103010I-53042) made payable to **Charles H. Coolidge National Medal of Honor Heritage Center** to assist with programming. Enclosed you will find a copy of their 501 (c) 3 and current Form 990.

Please forward the check to the Commission Office; I will deliver it to them personally.

The resolution memo from the commissioner requesting that the $150.00 check be sent to the county commission office for the county commissioner to deliver

If the county commissioner intended that this resolution be passed to reimburse himself for a donation previously made, he was required by Hamilton County's Code of Ethics to disclose his personal interest in the matter before the vote. Investigators reviewed the board meeting minutes of the April 21, 2021, board meeting and the recorded video of the meeting on YouTube, noting no disclosure made by the county commissioner. Additionally, the resolution requesting the donation states,

> "*That said funds must only be used by the named nonprofit charitable and civic organization in furtherance of their nonprofit purpose benefiting the general welfare of the residents of the County.*"

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance, some of which contributed to the investigative findings above. These deficiencies included:

Deficiency 1: The Hamilton County Commission failed to provide adequate oversight of Commissioner Discretionary Spending Allowances

Hamilton County Commission failed to provide adequate oversight of Commissioner Discretionary Spending Allowances and ensure that reimbursements were made in accordance with policy. The policy states that the Office of County Commission Legislative administrator, Commission Chair, and Accounting Department are responsible for reviewing and validating expenditures, but they have no authority to refuse expenditures of the County Commission. Commissioner business expenses should be appropriately scrutinized to ensure they are incurred in the furtherance of the county commissioner's duties and for the betterment of the taxpayers. The expenditure of the funds should not be wasteful or abusive.

Deficiency 2: The county's finance department had improper internal controls over cash disbursements

The county's finance department failed to implement appropriate internal controls over the chain of custody of checks sent to the Office of County Commission. The lack of adequate controls over these cash disbursements increases the risk of misappropriation. A policy requiring county commissioners or commission office staff to sign for checks sent to their office at the request of county commissioners should be implemented and strictly adhered to.

Deficiency 3: The Office of County Commission paid sales tax through the reimbursement of the Commissioner's Discretionary Spending Allowance

Investigators identified the payment of state and local sales taxes on reimbursement receipts during the period reviewed. The Office of County Commission allows payment of sales tax through the reimbursement of purchases through a county commissioner's discretionary spending allowance. The payment of sales tax results in the unnecessary expenditure of county funds and should be addressed in the policy.