



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

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Dennis F. Dycus, CPA, CFE, Director
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June 1, 2011

Members of the Board of Commissioners
Cagle-Fredonia Utility District
P. O. Box 1191
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Board of Commissioners:

We have completed our investigative audit of selected records of the Cagle-Fredonia Utility District. Our examination focused on the period April 1, 2009, through January 31, 2011. However, when warranted, this scope was expanded.

Our investigative audit revealed that the utility district's office manager, Charlotte Turner, apparently misappropriated utility district collections totaling at least \$32,849. In an interview with state auditors, Ms. Turner admitted she had misappropriated the utility district collections.

This matter was referred to the local district attorney general. On May 23, 2011, the Sequatchie County Grand Jury indicted Charlotte Turner on one count of Theft over \$10,000.

Our investigative audit also revealed that management failed to ensure that there was adequate separation of duties related to the office manager's responsibilities. Ms. Turner collected payments for utilities, recorded payments in the utility district's financial records, maintained custody of collections prior to deposit, prepared collections for deposit and delivered deposits to the bank, as well as reconciling bank statements.

The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 2-6, requires that an internal control system designed to minimize errors, fraud, and waste be installed, including safeguards to prevent abuse of district property. It states:

Ideally, the same individual should not be responsible for authorizing transactions, recording transactions, and maintaining custody of assets. Establish work flow so that an employee's work is automatically verified by another employee working independently. Such procedures will help to eliminate errors in accounting records and limit the possibility of fraud.

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Our investigative audit also revealed that some collections were not deposited until several weeks after collection and not all collections were deposited intact (in the form and amount in which they were collected). For instance, Ms. Turner routinely prepared separate bank deposits for cash collections and check collections, facilitating her misappropriation of utility district funds. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, states, "Receipts should be deposited promptly and intact...."

Management should take immediate steps to correct these deficiencies. If you have any questions concerning the above matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

DFD/RAD