



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

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

April 7, 2010

Honorable Mayor and Members of the
Board of Aldermen
City of Ashland City
P. O. Box 36
Ashland City, TN 37015

Mayor and Board of Aldermen:

We have completed our investigative audit of selected records of the City of Ashland City. Our examination focused on the period July 1, 2009, through October 31, 2009. However, when warranted, this scope was expanded. Our audit was limited to a review of city collections.

Our examination revealed that between July 1, 2009, and September 30, 2009, a former city clerk failed to deposit at least \$5,785 in cash collections. In most instances, it appears that she deliberately manipulated the cash and check composition of city bank deposits in an attempt to conceal this scheme. She exchanged unrecorded checks received through the mail for cash in the collection drawer. She then diverted the cash for her own personal purposes. Since the former city clerk controlled what collections were recorded in the city's records, she was able to hide this activity from management and other employees.

For example, the former clerk received a \$2,160 refund check payable to the city from a vendor. However, she did not receipt or record this check in the city's computerized accounting system. Instead, she exchanged this check for cash in the city's collection drawer, effectively "cashing" the check through the collection drawer, and kept the cash for her personal use. The former clerk repeated this scheme with at least nine other checks payable to the city.

In an interview with state auditors, the former clerk admitted that she had taken city money to pay her personal bills, using unreceipted checks payable to the city to conceal her actions. She also told state auditors that she wanted to repay the city as she was able.

This matter was referred to the local district attorney. On April 5, 2010, the Cheatham County Grand Jury indicted Lisa Cantrell on one count of Theft over \$1,000.

Our investigative audit revealed that management failed to ensure that there was adequate separation of duties related to the clerk's responsibilities. The former clerk collected payments

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for business license, traffic citations, utilities and other city operations, and was also responsible for recording all of the payments received. She also had control and custody of the applicable city records and routinely prepared bank deposits.

According to the *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 5, Chapter 1, Section 1:

Municipal officials should separate duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow should be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons should be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight should be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner. Such oversight would include, but not be limited to, the review of bank statements, cash receipts and cash disbursements summaries as well as the related supporting documentation, and analysis of monthly reports.

Title 6, Chapter 1, Section 2, also recommends mandatory vacations for all employees who handle cash. Another employee should perform all of the vacationing employee's job duties.

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 stylized with a large, sweeping initial "D" and "F".

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

DFD/RAD