



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

Justin P. Wilson
Comptroller of the Treasury

**BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499**

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

March 9, 2011

Joel Riddle, Executive Director
and Members of the Board of Directors
Clarksville-Montgomery County Community
Action Agency
250 Pageant Lane, Suite 307
Clarksville, TN 37040

Dear Mr. Riddle and Board Members:

As part of our ongoing process of examining the records of nonprofit organizations, we have completed our investigative audit of selected records of the Clarksville-Montgomery County Community Action Agency. The investigative audit was initiated after management alerted this office to several discrepancies they had identified. This investigative audit focused on the period July 1, 2009, through September 30, 2010. However, when the examination warranted, this scope was expanded.

Our investigative audit revealed that during the period May 1, 2007, through July 31, 2010, the former agency fiscal officer made unapproved and unauthorized cash withdrawals for her personal benefit and paid personal expenses from agency bank accounts totaling at least \$208,830.

Our investigative audit determined that on more than 100 separate occasions without knowledge or authorization of agency management, the former employee personally signed for and withdrew cash from agency bank accounts totaling \$205,002¹ and used the cash for her personal benefit. The former employee did not record these withdrawals in the agency records, thereby creating inaccurate and misleading financial records. As a result, management decisions were made based on incorrect financial information. Consequently the agency's operating bank account had a deficit balance of more than \$15,000 in July 2010².

¹ The agency did have use of a small amount of cash on a quarterly basis. Auditors calculated the maximum amount for this purpose and removed it from this total.

² The agency's bank honored agency checks even though the account contained insufficient funds.

Joel Riddle, Executive Director
and Members of the Board of Directors
Clarksville-Montgomery County Community
Action Agency
March 9, 2011
Page 2

Our investigation also concluded that, on an agency trip to Atlanta in June 2010, the former employee charged a second hotel room to her agency credit card at a cost of \$1,175. There was no agency purpose for this second room. In addition, according to agency records, in September 2009, the former employee not only paid for the charges of her authorized cell phone, but also for the charges on four other nonagency phones at a cost of over \$253. Finally, in October 2009, the former employee apparently used agency funds to make a \$1,414 payment on her personal credit card account. Auditors could not determine if that payment was intended for agency or personal expenses.

Auditors also noted that on one occasion in June 2009, the former employee deposited a \$16,470 check payable to the agency into an agency bank account; however, she requested and received a cash payout of \$2,400 for her personal benefit, making the net bank deposit only \$14,070.

Type	Amount
Unauthorized cash withdrawals	\$205,002.00
Cash back deposit	2,400.00
Personal expenses	<u>1,428.00</u>
Total	<u>\$208,830.00</u>

Our investigative audit also revealed an internal control weakness that contributed directly to the apparent undetected misappropriation:

Inadequate separation of duties

The former fiscal officer performed incompatible functions for the agency. The former employee had signatory authority at agency banks, made bank deposits, was responsible for maintaining the agency accounting records and also reconciled the agency bank accounts. The unauthorized and unapproved withdrawals were only discovered when another agency employee attempted to reconcile the agency bank accounts.

For the proper administration of all financial activities, the *Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee*, Section 6, requires that nonprofits establish certain internal controls, including the following:

Joel Riddle, Executive Director
and Members of the Board of Directors
Clarksville-Montgomery County Community
Action Agency
March 9, 2011
Page 3

- Certain duties should not be performed by the same individual. For example, one employee making deposits, maintaining the accounting records, and reconciling bank statements increases the risk that errors or irregularities will occur and not be detected in a timely manner. This risk also increases when one individual authorizes withdrawals, maintains the accounting records, and reconciles bank statements.
- Bank reconciliations should be prepared regularly and reviewed by someone independent of the receiving and recording functions.

If you have any questions concerning this investigative audit, please contact me.

Very truly yours,



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

DFD/RAD