



STATE OF TENNESSEE
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DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

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Division of Municipal Audit

November 8, 2005

Honorable Mayor and Members of the
Board of Commissioners
City of Dunlap
P.O. Box 546
Dunlap, TN 37327

Ladies and Gentlemen:

We have completed our investigative audit of selected records of the City of Dunlap. The examination focused on the period July 1, 2002, through June 30, 2004. However, when the examination warranted, this scope was expanded. The audit was limited to an examination of property tax and utility collection records. The discrepancies noted in this report were initially detected by municipal personnel, who also provided considerable assistance during the course of the audit.

Our investigative audit revealed that during the period December 1, 2000, through May 31, 2003, a former clerk apparently receipted and collected cash for property tax payments and a natural gas collection totaling \$3,794 but failed to deposit the collections into a city bank account. Municipal staff became suspicious when several unexpected taxpayers appeared on the delinquent property tax list. The former clerk had been responsible for sending out delinquent property tax notices.

This matter was referred to the local district attorney. In September 2005, the Sequatchie County Grand Jury indicted Connie Simms on one count of Theft over \$1,000.

The former clerk was able to continue this scheme without detection because she had complete control of the transaction. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 2, Section 2, states:

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Municipal officials should enforce division of duties to provide a system of checks and balances 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. . . .

Title 1, Chapter 2, Section 4, of the manual further states:

Municipal officials should ensure that automatic proof techniques are applied whenever possible. These techniques include the use of an employee without prior access to the records to . . . reconcile bank accounts . . . periodically test . . . daily balancing of cash receipts . . . open mail and prelist mail receipts . . . perform routine duties of other employees . . . for at least one vacation period per year.

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

Very truly yours,



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

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