



**STATE OF TENNESSEE  
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DIVISION OF MUNICIPAL AUDIT**

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

September 22, 2005

Board of Commissioners  
Gladeville Utility District  
3826 Vesta Road  
Lebanon, TN 37090

Commissioners:

We have completed our investigative audit of the Gladeville Utility District. The examination focused on one issue involving a utility district bank deposit which could not be accounted for. However, when the examination warranted, this scope was expanded.

Our investigative audit revealed that a \$33,665.38 deposit prepared January 23, 2004, consisting of \$3,993.02 in cash and \$29,672.36 in checks was not recorded as deposited into Gladeville Utility District bank accounts. The shortage was discovered by system employees during the normal course of their duties. The district required customers whose check was in that deposit to reissue payment. On August 9, 2005, the employee who last had custody of the missing bank deposit paid the utility district the amount of the missing cash funds.

This matter was referred to the local district attorney.

Our investigative audit revealed several weaknesses in the system's collection process that contributed to or could contribute to undetected misappropriations.

We noted that at the time of the missing deposit, personal checks from employees were cashed through the utility district's cash drawer. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 3, Chapter 1, Section 5, states that collections should be deposited promptly and intact and only in designated depositories. We also noted that at the time of the missing deposit, utility district employees who took deposits to the bank would not immediately obtain a record of the deposit, such as a validated duplicate deposit slip or teller receipt, to return to the utility district.

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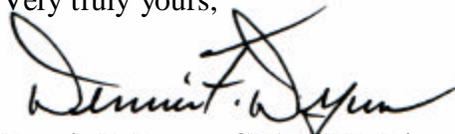
We recommend that all collections be deposited promptly and intact into the designated bank account and that management prohibits employees or anyone else from cashing checks through the cash drawer. We also recommend that the designated employee responsible for transporting the deposits to the bank obtain a record of that deposit to immediately return to the utility district and that any discrepancies be immediately investigated.

Since this incident, we understand these recommendations have been implemented.

Our office looked at the issue of the missing January 23, 2004, bank deposit. However, we are aware that other significant issues were raised by the district's contract auditor, Yeary, Howell & Associates, Certified Public Accountants, in the December 31, 2004, annual financial audit report of the Gladeville Utility District. Management should also take immediate action to resolve those issues.

If you have any questions concerning the above, 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