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President and Members of the Board of Commissioners  
Griffith Creek Utility District  
6684 Highway 108  
Whitwell, TN 37397

Ladies and Gentlemen:

We have completed our investigative audit of the Griffith Creek Utility District. The examination focused on the period June 1, 2002, through March 31, 2003. However, when the examination warranted, this scope was expanded. The audit focused primarily on the areas of collections and disbursements. Our audit revealed the following weaknesses:

1. **Inadequate separation of duties**

We noted that the district has only one employee. That individual is responsible for collecting, depositing, disbursing, and recording transactions. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 1-2, Procedure 1, states that commissioners should require reconciliation of all bank statements and canceled checks by someone other than the person writing or recording the checks or handling cash. Section 2-6, Procedure 2, 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." Despite the fact that the district has only one employee, we recommend that the president and members of the board of commissioners prescribe procedures to reduce the inherent risk associated with inadequate separation of duties. Those procedures should include assigning a commissioner or commissioners to: reconcile the bank statement on a monthly basis, review a monthly reconciliation of accounts receivable, and approve all adjustments to customer accounts.

2. **Adjustments not properly recorded and/or approved**

We noted that certain adjustments to customer accounts were improperly recorded in the accounting records as a collection. For example, \$1,004 in deposits was posted to 80

customer accounts on August 21, 2002. The former utility clerk told us this transaction was made to record the previous collection of deposits from customers that had not been recorded at the time of collection. However, we were unable to find any documentation of when those transactions were made and no documentation of any corresponding monetary deposit into a utility district bank account. In addition, we were unable to obtain documentation that adjustments to billings for meter reading and other errors were properly approved by the board of commissioners. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 4-1, Procedure 3, states that all adjustments to billing for meter reading and other errors should be properly recorded. Section 4-1, Procedure 7, states, "Have customers' disputed amounts investigated by someone other than the bookkeeper handling receipt and payment records." Section 4-1, Procedure 3, also states, "All adjustments to customers' bills should be approved by the board of commissioners." We recommend that the president and members of the board of commissioners establish procedures for the review and approval of all adjustments to customer accounts.

**3. Collections used for miscellaneous expenses**

We noted that certain small purchases were made from collections instead of funds from a petty cash fund. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, Procedure 6, states, "Receipts should be deposited promptly and intact and only in designated depositories." Section 5-3 of the manual describes procedures for managing a petty cash fund.

**4. Date of payment not indicated on some billing stubs**

We noted that only the first stub in a group bundled by receipt date was marked with the date of collection. The *Uniform Accounting Manual for Tennessee Utility Districts*, Section 3-1, Procedure 2, states that each receipt document should be stamped "paid" and dated by the cashier. We recommend that the president and members of the board of commissioners require that each billing stub be marked in accordance with the requirements of the utility manual.

The president and members of the board of commissioners should require and ensure corrective action regarding the above weaknesses. If you have any questions concerning the above, please contact me.

Sincerely,

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