



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

John G. Morgan
Comptroller of the Treasury

SUITE 1600
JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-0271
PHONE (615) 401-7871
FAX (615) 741-1551

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

April 27, 2005

Members of the Power Board
Mt. Pleasant Power System
P. O. Box 186
Mt. Pleasant, TN 38474

Gentlemen:

We have completed our investigative audit of selected records of the Mt. Pleasant Power System. The examination focused on the period September 1, 2004, through November 30, 2004. However, when the examination warranted, this scope was expanded. The audit was limited to an examination of collection records.

Our investigative audit revealed that a former cashier took \$1,197.69 in system collections from her cash drawer without authority. The cash shortage was discovered by system employees during the normal course of their duties. The former cashier acknowledged to auditors that she had taken the cash for her own personal use. She repaid the funds shortly after the shortage was discovered.

This matter was referred to the local district attorney. In February 2005, the Maury County Grand Jury indicted Ms. Cara Gilliam, a former cashier, on the criminal charge of Theft over \$1,000.

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

Voided transactions

Cashiers were able to collect a customer payment, issue the customer a receipt, and then void the transaction. No one in management reviewed the voided transactions to determine if they were reasonable or necessary. As a result, several customers had valid

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receipts indicating payment; however, the system's records indicated that their bill had not been paid. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 2, requires municipal officials to provide supervision to ensure that employees are adhering to internal controls and following proper procedures.

Separation of Duties

Cashiers prepared their own bank deposits several hours prior to the close of business hours. Therefore, the former cashier was able to cover a cash drawer shortage with collections that would not be accounted for until the next day. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 2, Section 2, states that "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."

Customer Adjustments

Cashiers were able to adjust customer bills without management oversight. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 1, Chapter 2, requires municipal officials to provide supervision to ensure that employees are adhering to internal controls and following proper procedures.

System personnel have instituted additional internal controls and oversight to address these weaknesses.

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

Sincerely,

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

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