

**INVESTIGATIVE AUDIT OF THE RECORDS OF
WEST WARREN–VIOLA UTILITY DISTRICT
FOR THE PERIOD JANUARY 1, 2002, THROUGH AUGUST 31, 2003**

LEGAL ISSUE

1. **ISSUE: Misappropriation totaling at least \$34,163.46**

During the utility district's annual audit for the fiscal year ended April 30, 2003, the district's auditor discovered an unusual entry on the district's bank reconciliation. As a result of the auditor's inquiry into this transaction, a billing supervisor admitted to misappropriating funds from the district.

Our investigative audit revealed that over a three-year period ending in June 2003, a former district billing supervisor failed to properly deposit district collections totaling at least \$34,163.46 into a district bank account. The former billing supervisor admitted that she used this diverted cash for her personal benefit. The former billing supervisor told investigative auditors that she would prepare a fictitious deposit slip that showed all collections. This deposit slip would be placed in the district files. She would then prepare a *second* deposit slip that reflected the amount she *actually* delivered to the bank, which was from \$75 to \$1,000 less than the actual collections. (Refer to exhibit.) Our investigative audit revealed that for the three-year period ending in June 2003, on 69 separate occasions, district files contained either a deposit slip with no bank validation or no deposit slip at all. On those occasions, the deposit reflected on the bank statement was less than collections recorded in the district's records.

The former billing supervisor was responsible for preparing bank deposit slips, delivering deposits to the bank, and reconciling the bank statement. Therefore, she had complete control of the bank deposit transactions from beginning to end. As a result, the billing supervisor was able to conceal the cash shortage from management.

This matter was referred to the local district attorney general. In January 2004, the Warren County Grand Jury indicted Melissa Woodlee, former billing supervisor, on one count of theft over \$10,000.

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GLOSSARY OF STATE STATUTES

Section 39-14-103, *Tennessee Code Annotated*

Theft of property.

A person commits theft of property if, with intent to deprive the owner of property, the person knowingly obtains or exercises control over the property without the owner's effective consent.

Section 39-14-105, *Tennessee Code Annotated*

Grading of theft.

Theft of property or services is . . .

(4) A Class C felony if the value of the property or services obtained is ten thousand dollars (\$10,000) or more but less than sixty thousand dollars (\$60,000). . . .