



**STATE OF TENNESSEE
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DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

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May 24, 2010

Honorable Mayor and Members of the
Board of Aldermen
City of Whiteville
P. O. Box 324
Whiteville, TN 38075

Mayor and Members of the Board of Aldermen:

We have completed our investigative audit of selected records of the City of Whiteville. The investigation was performed in conjunction with the Whiteville Police Department. Our examination focused on the period July 1, 2009, through October 31, 2009. However, when warranted, this scope was expanded. Our audit was limited to a review of city collections.

Our investigative audit revealed that the former Whiteville City Clerk, Tracey Wilson, apparently misappropriated city collections totaling at least \$2,695. Ms Wilson used several methods to conceal this activity from management:

- She manipulated city collection records to indicate that she had collected less than she really had.
- She manipulated city utility bank deposits so that what was deposited did not match what she recorded as collected.
- She failed to deposit receipted collections.

This matter was referred to the local district attorney general. On May 7, 2010, Tracey Wilson was arrested for Theft Over \$1,000 and Official Misconduct.

Our investigative audit also revealed that management failed to ensure that there was adequate separation of duties related to the clerk's responsibilities. The former clerk collected payments for traffic citations, utilities and other city operations while she was also responsible for recording all of the payments received. She also had control and custody of the applicable city records and routinely prepared bank deposits.

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According to the *Internal Control and Compliance Manual for Tennessee Municipalities*,
Title 5, Chapter 1, Section 1:

Municipal officials should separate duties of employees 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. When possible, different persons should be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight should be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner. Such oversight would include, but not be limited to, the review of bank statements, cash receipts and cash disbursements summaries as well as the related supporting documentation, and analysis of monthly reports.

Title 6, Chapter 1, Section 2 also recommends mandatory vacations for all cash handling employees. Another employee should perform all of the vacationing employee's job duties during his or her absence. Management should take immediate steps to correct this deficiency.

Very truly yours,



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

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