



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

**John G. Morgan**  
Comptroller of the Treasury

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

May 3, 2002

Honorable Mayor and Members of the  
Board of Commissioners  
City of Whitwell  
13671 Highway 28  
Whitwell, TN 37397  
and

Honorable Mayor and Members of the  
Board of Commissioners  
City of Dunlap  
P. O. Box 546  
Dunlap, TN 37327

Mayor and Board of Commissioners:

We have completed our special purpose examination of the City of Whitwell and the City of Dunlap. Our examination focused on the period July 1, 2001, through September 30, 2001. However, when the examination warranted, the scope was expanded. The audit was limited to Dunlap Natural Gas System revenue collected at Whitwell City Hall.

Per agreement, Whitwell personnel collected natural gas payments on behalf of the City of Dunlap Natural Gas System. These collections were to be deposited into a City of Dunlap bank account. However, our examination revealed that during the period July 1, 2001, through August 3, 2001, natural gas collections totaling \$2,068.67 (\$842.46 of which was in cash) made by Whitwell personnel were not deposited into a City of Dunlap bank account.

The practice followed by Whitwell personnel at the time was as follows: daily collections were prepared for deposit by Whitwell clerks and turned over to the Whitwell day shift police officer for deposit into a City of Dunlap bank account. However, the police officers apparently did not obtain a deposit receipt or a validated deposit slip from the bank teller to document that the bank deposit had actually been made. Because city officials did not require officers to obtain deposit documentation and remit it to city clerks the apparent misappropriation was allowed to continue without prompt detection.

City of Whitwell  
City of Dunlap  
May 3, 2002  
Page 2

Based on our examination of records at both Whitwell and Dunlap city halls, interviews with city employees from both cities, and statements made by a Whitwell police officer, it appears that the Whitwell police officer misappropriated bank collections turned over to him in the amount of \$2,068.67.

This matter has been referred to the local district attorney.

Sincerely,



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

DFD/RAD

xc: Honorable J. Michael Taylor  
District Attorney General  
Rhea County Courthouse Annex  
375 Church Street, Suite 300  
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