



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

September 29, 2005

Members of the Board of Directors  
YWCA of Nashville and Middle Tennessee  
1608 Woodmont Avenue  
Nashville, TN 37215

Ladies:

We have completed our investigative audit of selected records of the YWCA of Nashville and Middle Tennessee (YWCA). Our examination focused on the period July 1, 2003, through October 31, 2004. However, when warranted, this scope was expanded. The audit was limited to an examination of certain payroll records, credit card expenditures, cash collections, and petty cash expenditures.

Our investigation was prompted by the discovery by YWCA officials of certain irregularities in the sick leave and vacation leave records of the former staff accountant. The former staff accountant was responsible for leave recordkeeping. YWCA personnel cooperated fully with the investigative audit.

**LEGAL ISSUES**

1. **ISSUE:**      **Personal and undocumented credit card charges**

Our investigative audit revealed \$1,121.79 in apparently unauthorized credit card charges for personal goods and services delivered to the former staff accountant or to the former staff accountant's address. Those charges included Comcast service to the former staff accountant's residence and Beach Body Videos delivered to the former staff accountant's address. We identified an additional \$1,427.66 in questionable credit card charges including charges to Lenses by Mail. However, it appeared that some documentation for credit card purchases retained at the YWCA was incomplete. In addition, we were unable to obtain sufficient documentation from the vendor or from the credit card companies to

determine if those charges were for a valid purpose to benefit the YWCA. YWCA officials identified separate and additional questionable charges of \$3,513.89 that were misclassified in categories that appeared to obscure the actual nature of the transaction. However, sufficient supporting documentation could not be obtained from the vendor or from the credit card companies to determine if those charges were for a valid purpose to benefit the YWCA. According to YWCA personnel, the job duties of the former staff accountant included the accounting classification of credit card charges.

2. **ISSUE:**           **Unaccounted for cash collections**

Our investigative audit revealed that at least \$600 in cash collections which were turned over to the former staff accountant for deposit was never deposited into a YWCA bank account. The former staff accountant was responsible for making daily bank deposits. In an e-mail, the former staff accountant acknowledged that \$520 in cash had been turned over to her for deposit. However, she claimed to have forgotten to make the deposit promptly and that the money was stolen from her by a person she knew.

3. **ISSUE:**           **Unaccounted for petty cash**

We identified \$260 in petty cash expenditures that were not supported by receipts. According to YWCA personnel, the former staff accountant was responsible for handling petty cash and performing quarterly audits of petty cash.

4. **ISSUE:**           **Sick leave taken exceeded balance**

Our investigative audit revealed that the former staff accountant apparently was paid for 77.26 hours of sick leave which she was not entitled to, per the YWCA time records. According to YWCA officials, the former staff accountant's job responsibilities included the processing of payroll and related duties. We noted discrepancies between the actual amount of vacation time accumulated by the former staff accountant and the amount of vacation time on certain payroll records of the former staff accountant. Per documents provided by YWCA officials, the former staff accountant described in her exit interview how it was possible to override the computer and make changes in sick leave and vacation time accrued.

We have referred this matter to the local district attorney.

We identified one weakness in the entity's internal control that allowed these apparently unauthorized credit card charges to occur without being detected timely.

▪ **Inadequate separation of duties and inadequate controls on credit card purchases**

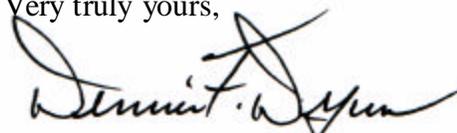
The organization had at least 10 different types of credit cards with multiple authorized users. For example, we noted nine different authorized users for one type of credit card. The entity had no written policy concerning credit card purchases. In addition, the former staff accountant had access to credit cards and was also responsible for maintaining credit card statements and supporting documentation for credit card purchases. We noted that certain questionable credit card charges were not supported by adequate documentation to identify goods or services purchased, the person receiving those goods or services, and the organizational purpose of the purchase. Finally, several credit card statements could not be located and had to be obtained from the credit card company.

*Accounting and Financial Reporting for Not-For-Profit Recipients of Grant Funds in Tennessee*, Section 6, states, "Accounting control is concerned with the plan of organization and the procedures and records that relate to the safeguarding of assets and the reliability of financial records. Controls should provide reasonable assurance that: 1. transactions are executed in accordance with management's general or specific authorization."

To safeguard the assets of the organization and to ensure the reliability of the organization's financial records, we recommend that the organization limit the use of credit cards to only those purchases that cannot be made by check. We recommend that purchases be limited to specific authorized users, supported by adequate documentation, and regularly reviewed by a qualified individual who is not authorized to make purchases. We noted that YMCA officials cooperated fully with the investigative audit and have already taken corrective action in these matters. We recommend that these corrective steps be reviewed and monitored to make sure the internal control problems have been corrected.

If you have any questions, please contact me.

Very truly yours,



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