



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

Justin P. Wilson
Comptroller of the Treasury

**BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499**

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

January 27, 2011

Honorable Mayor and Members of the
Board of Aldermen
City of Sevierville
P. O. Box 5500
Sevierville, TN 37864

Mayor and Board of Aldermen:

At the request of local officials, our office initiated and completed an investigative audit of selected records of the City of Sevierville's Eagles Landing Golf Club. This investigative audit focused on the period January 1, 2008, through March 31, 2008. The scope of the investigative audit was expanded when warranted. This investigation was performed in conjunction with the Tennessee Bureau of Investigation.

Our investigative audit revealed that during the period January 1, 2008, through March 14, 2010, Faye Randolph, former golf course manager, apparently misappropriated collections totaling at least \$95,139 and concealed the theft by creating fictitious refunds. Ms. Randolph also discarded existing daily cash collection reports and created new ones reflecting lower collection amounts. Since daily cash collection reports were routinely initialed to indicate who prepared them, Ms. Randolph also frequently forged the initials of the person responsible for preparing the reports.

This matter was referred to the local district attorney general. On January 19, 2011, the Sevier County Grand Jury indicted Faye Randolph on one count of Theft over \$60,000, one count of Computer Fraud, one count of Forgery, three counts of Official Misconduct, and one count of Destruction and Tampering with Governmental Records.

Our investigative audit also revealed several internal control weaknesses in the collection process that either contributed directly to the undetected misappropriation or created other opportunities for the misappropriation of municipal collections.

Honorable Mayor and Members of the
Board of Aldermen
City of Sevierville
January 27, 2011
Page 2

➤ Inadequate separation of duties

Someone not involved in the collection process should periodically review sales transaction reports to determine the reasonableness of refunds. Sales transaction reports should also be reconciled to deposits of golf course collections to ensure that all collections are properly deposited into a city bank account.

➤ Pro shop cashiers all worked out of same drawer

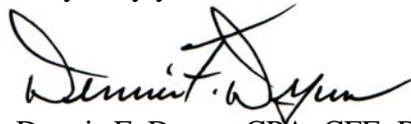
Cashiers should each have their own collection drawers and separate password access to the pro shop's collections software program.

➤ Collection overages and shortages were not noted on daily cash collection reports

Rather than recording overages and shortages on daily cash collection reports, small fictitious sales or refunds were rung up instead. Recording collection overages and shortages is a basic internal control and should not be circumvented for any reason.

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

Very truly yours,



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

DFD/RAD