

# **SPECIAL INVESTIGATION**

## **TOWN OF KENTON**

**OCTOBER 1, 2010, THROUGH SEPTEMBER 30, 2011**



# **State of Tennessee**

## **Comptroller of the Treasury**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

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**Justin P. Wilson  
Comptroller of the Treasury**

February 20, 2014

Honorable Mayor and Members of the  
Board of Aldermen  
Town of Kenton  
108 North Poplar Street  
Kenton, TN 38233

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the Town of Kenton which focused on the period October 1, 2010, through September 30, 2011. When warranted, this scope was expanded.

Presented in this report are the findings resulting from this special investigation. Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in cursive script that reads "L. Rene Brison".

L. Rene Brison, CPA, CFE, Assistant Director  
Office of the Comptroller of the Treasury

LRB/RAD

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**SPECIAL INVESTIGATION OF SELECTED RECORDS OF  
THE TOWN OF KENTON  
FOR THE PERIOD OCTOBER 1, 2010, THROUGH SEPTMEBER 30, 2011**

**CASE SUMMARY**

The Comptroller of the Treasury, Special Investigations Unit, performed a special investigation of selected records of the Town of Kenton. The investigation focused primarily on utility collections during the period October 1, 2010, through September 30, 2011. When necessary, this scope was expanded. The special investigation revealed the following:

- Former town clerk Kelly Ann Greer misappropriated cash collections totaling at least \$2,037.
- Ms. Greer admitted to Comptroller investigators that she misappropriated town cash utility collections for her personal use.
- Town officials failed to adequately segregate duties.
- The mayor and members of the Board of Aldermen did not require staff to reconcile utility accounts receivable at least monthly, authorize and document a utility adjustment policy, approve adjustments, and ensure that deposit slips included separate totals for the amounts of cash and checks deposited.

**We reviewed this finding with the local district attorney general. On February 4, 2014, the Obion County Grand Jury indicted Kelly Ann Greer on one count of theft over \$1,000.**

**INVESTIGATIVE FINDING**

The investigative finding resulting from this special investigation is shown below.

1. **FINDING: Former town clerk misappropriated cash utility collections totaling at least \$2,037**

Our special investigation revealed that during the period May 5, 2011, through August 4, 2011, the former town clerk, Kelly Ann Greer, misappropriated cash utility collections totaling at least \$2,037, keeping the money for her personal use. To conceal this misappropriation, Ms. Greer posted some of the customer payments she collected as adjustments in the computerized utility billing system. Ms. Greer did not report these unauthorized adjustments in the town's records as was customary. Ms. Greer admitted that she misappropriated utility collections and told Comptroller investigators that she

used the money to purchase groceries for her personal use. On July 20, 2012, nearly a year after the mayor confronted her about the missing collections, Ms. Greer paid the town \$2,000. Town records (shown below) indicated the payment was for “collection on theft.”

CITY OF KENTON  
Kenton, Tennessee  
MISCELLANEOUS RECEIPT

4937

\$ 2000<sup>00</sup> DATE 7/20 20, 12

Received of Kelly Greer

Two Thousand & 00/100 Dollars

For collection on theft

By Camelia Cunningham Recorder

## OTHER FINDINGS AND RECOMMENDATIONS

Presented below are findings and recommendations related to internal control and compliance deficiencies noted during the special investigation. Town of Kenton officials concurred with the findings and indicated they have corrected or intend to correct each of these deficiencies.

1. **FINDING:** Failure to adequately segregate financial duties

Town officials failed to ensure that duties of utility clerks were segregated adequately. The investigation revealed that utility clerks collected utility payments, recorded those collections in the electronic utility billing system, and made billing adjustments to customers' accounts. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 32, states:

Municipal officials should separate duties 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....

**RECOMMENDATION:**

To help prevent undetected errors and reduce the risk of fraud, waste, and abuse, management should ensure that no employee has complete control of a financial transaction.

2. **FINDING: Failure to reconcile accounts receivable**

Town officials did not ensure that town staff verified the accuracy of unpaid individual utility accounts at least monthly or that staff verified that those amounts agreed with related accounting records. As noted previously, town officials did not discover the discrepancies in accounts receivable or promptly detect the misappropriation noted in the Investigative Finding section. The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 58, requires officials to ensure that the total amount of the unpaid individual accounts on the utility billing sheet is reconciled to the applicable general ledger account total at the end of each month.

**RECOMMENDATION:**

To help detect errors or irregularities promptly, municipal officials should ensure that the detailed accounts receivable amounts in the billing register are reconciled to the general ledger control account every month. Documentation of that reconciliation should be retained for audit.

3. **FINDING: Failure to establish policy for and provide adequate controls over utility adjustments**

Town officials failed to approve and document a utility adjustment policy and failed to ensure that adequate internal controls over the billing adjustment process were established and followed. The investigation revealed that utility clerks adjusted bills based on an informal, unwritten practice, rather than according to a written policy approved by the mayor and members of the Board of Aldermen. As noted in Finding 1 of this section, the clerks who collected utility payments and recorded those collections in the electronic utility billing system were also allowed to make billing adjustments to customer accounts.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 57, requires municipal officials to ensure that

... charges disputed by customers are investigated and adjustments are approved, in accordance with the municipality's policy, by someone other than the bookkeeper handling receipt and payment records. NOTE: Adjustments should never be made by the employee who collects or posts the accounts as paid. If the

municipality utilizes a computer system, the employee who collects or posts should not have access to that portion of the computer system that allows adjustments.

Page 57 of the manual also requires that documentation of each adjustment be required and retained, and that billing adjustments for meter reading and other errors be recorded in the billing register.

**RECOMMENDATION:**

To help ensure that all adjustments to customer accounts are made consistently and for a lawful and legitimate purpose, the mayor and members of the Board of Aldermen should adopt a written utility billing adjustment policy. The policy should require that adjustments be approved by an authorized individual who does not receive and record collections. The policy should also include provisions that ensure employees who collect and record utility payments do not have access to the part of the computer system that allows adjustments. A record of all authorized adjustments should be maintained and periodically compared to adjustments entered into the electronic utility billing system.

4. **FINDING: Town personnel did not indicate separate totals for the amounts of cash and checks or separately list the checks included in the deposit**

Deposit slips prepared for utility collections reflected only a total amount to be deposited. The deposit slips did not indicate separate totals for cash and checks, nor did they include an itemized listing of checks included in the deposit. As a result, personnel designated with oversight responsibilities were unable to compare and reconcile the cash and checks deposited with the cash and checks collected in order to ensure all collections were deposited intact.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, page 42, requires officials to ensure that

... collections are deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections should be withheld from the deposit for any reason.

Page 42 also states that each deposit slip should list deposited checks either individually on the deposit slip or on an attached list, itemizing the name of the payer and the amount.

**RECOMMENDATION:**

To document that utility collections are deposited intact, town officials should ensure that separate totals for cash and checks are listed on each deposit slip. Town officials should also ensure that each deposit lists checks either individually, with the name of the payer and the amount, on the deposit slip or on an attached list.