



## COMPTROLLER'S INVESTIGATIVE REPORT

**City of Dunlap**

*May 20, 2025*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

May 20, 2025

City of Dunlap Mayor  
and Board of Commissioners  
15595 Rankin Ave  
Dunlap, TN 37327

City of Dunlap Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Dunlap, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 12<sup>th</sup> Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "J.E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower  
Comptroller of the Treasury

JEM/MLC

# INVESTIGATIVE REPORT

## City of Dunlap

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Dunlap. The investigation was limited to selected records for the period June 2020 through April 2024. The results of the investigation were communicated with the Office of the District Attorney General of the 12<sup>th</sup> Judicial District.

### BACKGROUND



The City of Dunlap (city), located in Sequatchie County, Tennessee, is governed by a mayor and four commissioners. Two of the city's utility services are gas and water. Full-time employees include a recorder/treasurer and an office manager. The recorder/treasurer and the office manager are married and built a home together within the city's gas and water service area during the scope of the investigation.

Both the gas and water departments have a supervisor responsible for the employees within their respective departments. However, employees responsible for gas and water utility billing are supervised by the office manager.

Employees are responsible for opening "active billing" accounts in the two utility billing systems. Opening an active billing account refers to the process of opening an account in the billing system so that a customer's meter is read monthly and bills are subsequently generated.

During the scope of the investigation, an active billing account was opened for new gas customers once the gas meter was set. Customers' meters were then read monthly, and they were billed based on their gas usage plus an additional five dollar service fee each month.

For certain water customers, such as those with new construction, the city initially created a "clean-up" account before opening an active billing account. Clean-up accounts were not entered into the department's billing system; rather, water usage was tracked on paper each month. Customers could remain in this status for up to six months and were not billed for water usage during this period. When the clean-up account was closed, customers were billed one time for the entire usage, calculated based on the standard monthly utility rate. At that point, an active billing account was opened in the water billing system, and customers began receiving monthly bills based on meter readings. Residential customers with active billing accounts were billed a minimum of \$24.95 or \$39.95 per month, depending on whether the property was located within or outside city limits, respectively.

## RESULTS OF INVESTIGATION

### 1. THE GAS ACCOUNT FOR THE RECORDER/TREASURER AND OFFICE MANAGER WAS NOT OPENED TIMELY

The gas account for the recorder/treasurer and the office manager was not opened as an active billing account timely. According to city officials, once the work order to set a gas meter is completed, the work order is given to the billing department employees for an active billing account to be opened. Although there is no written policy outlining the timeline or workflow of the account opening process, officials explained that the practice is to activate gas accounts and begin billing once a meter is set, even if the customer has not had the gas lines connected to the home. Customers are charged a monthly five dollar service fee regardless of gas usage.

The work order for the recorder/treasurer indicated that the gas meter was set on February 15, 2023 (**Refer to Exhibit 1**). According to city officials, the account should have been opened in February 2023, with the first meter reading occurring in March 2023. However, billing records indicated that the account was not opened in the billing system until December 1, 2023. As a result, the recorder/treasurer and office manager were not billed for the five dollar monthly service fee during the 10-month delay, resulting in \$50 in unbilled charges.

#### Exhibit 1

**DUNLAP NATURAL GAS SYSTEM  
METER ORDER**

Route & Account: [REDACTED] Name: [REDACTED] Phone No: [REDACTED]  
Service Address: [REDACTED] Billing Address: [REDACTED]  
City: Dunlap Tap Fee: 150.00 Meter Deposit Amount: 25.00 Meter Deposit No: [REDACTED]

Set Meter ☒ On Reading ☒ Pull Meter ☐ Off Reading ☐ Transfer Meter ☐ Transfer Reading ☐  
Set Pressure: 403 Leak Test Type: [REDACTED]

Remarks: set meter & pressure

Serviceman: [REDACTED] Date: 2-15-23

***Meter Order indicating that the gas meter was set on February 15, 2023***

## 2. CITY OFFICIALS FAILED TO HAVE A WRITTEN POLICY REGARDING WATER CLEAN-UP ACCOUNTS

City officials failed to have any written policy or guidelines governing clean-up accounts; therefore, investigators were unable to determine if an undue benefit was received. The recorder/treasurer and office manager had water service at their residence initiated on September 1, 2022, under a clean-up account, which remained open until January 23, 2024, seventeen months later.

City employees stated to investigators that while there is no written policy, the standard practice is to keep clean-up accounts open for six months. Customers could request to extend their clean-up account for one month, but never more than two months. Conversely, the office manager stated to investigators that clean-up accounts could remain open for the duration of construction, with no specified limit.

The recorder/treasurer and office manager were billed and subsequently paid for the total water usage at the end of the seventeen-month period. However, investigators noted that if the clean-up account had been limited to six months plus a one-month extension, they would have been billed an additional \$303.76 in minimum monthly charges over the remaining ten months. Due to the lack of written policies outlining how long a customer could be in a clean-up account, investigators could not determine when the water account belonging to the recorder/treasurer and office manager should have been transitioned to active billing.

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## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Pursuant to Tenn. Code Ann. § 9-18-102(a), “Each agency of state government and institution of higher education, along with each county, municipal, and metropolitan government, shall establish and maintain internal controls” to protect funds, property, and other assets from waste, loss, unauthorized use, or misappropriation. Furthermore, according to the Tennessee Comptroller of the Treasury’s *Internal Control and Compliance Manual*, municipal governments must establish and maintain an adequate internal control system for purposes of financial reporting, managing operations, and legal compliance. Our investigation revealed deficiencies in internal control and compliance. These deficiencies included:

### **Deficiency 1: City officials failed to ensure the duties of the recorder/treasurer and office manager were adequately segregated**

City officials failed to ensure the duties of the recorder/treasurer and office manager were adequately segregated. Direct supervision of the office manager was assigned to the mayor, but the recorder/treasurer was responsible for approving the office manager’s purchases and the purchases of her department. Additionally, according to the office manager, she received and reviewed the bank statements for errors, signed off on them, and then gave them to the recorder/treasurer to review and approve. City officials are responsible for designing internal

controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Separating financial duties reduces the risk that errors or misappropriations will occur and remain undetected.

**Deficiency 2: City officials failed to ensure purchase orders were issued properly**

City officials failed to ensure purchase orders were issued properly. Purchase orders are used to document the employees' authorization to make purchases. Investigators found that purchase orders were often requested and approved by supervisors after a purchase had been made. This practice causes a purchase order to be an approval of payment rather than an approval of the purchase. Purchase orders are necessary to control who has purchasing authority for the city and to document purchasing commitments. The failure to properly and timely issue purchase orders increases the risks of unauthorized purchases.

City officials indicated that they have corrected or intend to correct these deficiencies.

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