



COMPTROLLER'S INVESTIGATIVE REPORT

Marion Natural Gas & Board of Water Works and Sewers

September 26, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

September 26, 2019

South Pittsburg Board of Natural Gas Systems
Water Works and Sewers Board Members
138 South Cedar Avenue
South Pittsburg, TN 37380

and

South Pittsburg City Mayor and Commissioners
204 West 3rd Street
South Pittsburg, TN 37380

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Marion Natural Gas & Board of Water Works and Sewers, 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 12th Judicial District, 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 black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Marion Natural Gas & Board of Water Works and Sewers

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Marion Natural Gas & Board of Water Works and Sewers (utility). The investigation was limited to selected records for the period of January 1, 2017 through February 28, 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 12th Judicial District.

BACKGROUND



Storage Tank



Accessories

The utility is in South Pittsburg, Tennessee. The core business of the utility is natural and propane gas. A warehouse located on Highway 156 houses the water works and gas operations and is used to store gas in onsite tanks, secure delivery vehicles and store inventory. The warehouse also operates a retail store, which sells refills for portable propane tanks, fireplaces, portable heaters, grills, and other accessories such as non-gas grills and coolers. The main office is located at 138 South Cedar Avenue in South Pittsburg.

RESULTS OF INVESTIGATION

1. A CASH SHORTAGE OF AT LEAST \$2,356.40 EXISTED ON FEBRUARY 28, 2018

During the period January 2017 through February 2018, a shortage of at least \$2,356.40 from utility cash collections existed. During the period examined, multiple warehouse employees issued 1,082 receipts. Our investigation noted that 54 of the 1,082 warehouse receipts totaling \$2,356.40, were not posted to the main office accounting records. Warehouse receipts should have been subsequently remitted to the main office by the warehouse employees where these receipts would be manually posted to the main office

official accounting records. However, neither the employees at the warehouse nor the employees at the main office reconciled warehouse receipts with collections and deposits. Due to the lack of internal controls over collections, investigators were unable to determine who was responsible for the cash shortage.

Date	Number of Receipts Issued	Number of Receipts Not Posted	Amount
January 2017	88	9	\$590.00
February 2017	61	4	181.52
March 2017	88	6	298.70
April 2017	39	5	196.93
May 2017	64	5	215.68
June 2017	52	6	231.40
July 2017	29	4	157.70
August 2017	61	6	174.90
September 2017	48	8	291.57
October 2017	71	0	0.00
November 2017	98	1	18.00
December 2017	163	0	0.00
January 2018	170	0	0.00
February 2018	<u>50</u>	<u>0</u>	<u>0.00</u>
Total	<u>1,082</u>	<u>54</u>	<u>\$2,356.40</u>

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to the above-noted cash shortage. These deficiencies included:

Deficiency 1: Funds were not deposited within three days of collection

Tennessee Code Annotated § 6-56-111, requires funds to be deposited within three days of collection. During the period examined, investigators traced receipts written at the warehouse with receipts submitted to the main office and noted that numerous collections were held more than three days at the warehouse before being submitted to the main office. This deficiency was the result of a lack of management oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

Deficiency 2: Collections at the warehouse were not reconciled with daily sales receipts and deposits

Warehouse employees did not reconcile collections with daily sales receipts and failed to reconcile collections with deposits sent to the main office. Failure to reconcile collections with sales and deposits increases the risks that errors or irregulars will not be detected in a timely manner.

Deficiency 3: Collections remitted to the main office were not receipted

Main office employees did not issue a receipt to the warehouse employee when collections were remitted to the main office. Therefore, investigators could not determine if all receipts written at the warehouse were properly remitted to the main office on a current basis. To ensure accountability over funds, main office employees should issue receipts when funds are collected from the warehouse.

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