
STATE OF TENNESSEE

**SPECIAL REPORT ON THE
HICKMAN COUNTY CLERK**

**FOR THE PERIOD JULY 1, 2008
THROUGH JUNE 14, 2010**



Division of County Audit



**SPECIAL REPORT ON THE
HICKMAN COUNTY CLERK
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DIVISION OF COUNTY AUDIT
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August 4, 2010

To the Hickman County Mayor,
Director of Accounts and Budgets,
and Board of County Commissioners
Hickman County, Tennessee

On May 13, 2010, the Hickman County Mayor informed us of suspected irregularities concerning falsified records and missing inventory in the Office of Hickman County Clerk. We reviewed these suspected irregularities, and based on that review we conducted a special investigation for the period July 1, 2008, through June 14, 2010. We were assisted in this investigation by a criminal investigator from the Office of District Attorney General. The Office of County Clerk was administered by two different clerks for the period covered by this examination. Mr. Randel Totty was the county clerk for the period July 1, 2008, through July 31, 2009, and Ms. Andrea Totty was the county clerk for the period August 1, 2009, through June 14, 2010. This investigation included a review of the financial records and a physical inspection of certain equipment. Our examination disclosed that a cash shortage of \$4,628.50 existed at June 14, 2010. Our examination also disclosed the county clerk's manipulation of two motor vehicle renewal transactions, the personal use of county owned computers, and certain accounting deficiencies in the operation of the office.

We reviewed the findings resulting from this special investigation with the county mayor, director of accounts and budgets, and the district attorney general. These findings, together with our recommendations, are presented in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Arnette".

Jim Arnette, Director
Division of County Audit

cc: Honorable Kim Helper, District Attorney General

SPECIAL REPORT ON THE HICKMAN COUNTY CLERK

For the Period July 1, 2008 through June 14, 2010

Findings and recommendations, as a result of our special investigation, are presented below. We reviewed these findings and recommendations with the county mayor and director of accounts and budgets to provide an opportunity for their response; however, they did not provide responses for inclusion in this report. We have also reviewed this report with the district attorney general.

FINDING 10.01 **A CASH SHORTAGE OF \$4,628.50 EXISTED IN THE OFFICE OF COUNTY CLERK AT JUNE 14, 2010**
(Internal Control – Material Weakness Under Government Auditing Standards)

On May 13, 2010, the Hickman County Mayor informed us of suspected irregularities concerning falsified records and missing inventory in the Office of Hickman County Clerk. We conducted a special investigation with the assistance of a criminal investigator from the Office of District Attorney General for the period July 1, 2008, through June 14, 2010. This investigation included a review of the financial records and a physical inspection of certain equipment. Our examination disclosed that a cash shortage of \$4,628.50 existed at June 14, 2010. This cash shortage occurred during the administration of Ms. Andrea Totty as county clerk.

In May 2008, the Office of County Clerk began using a third-party vendor (VitalChek Network) to process credit card payments. VitalChek provides the clerk's office with equipment to process credit card transactions electronically. Once VitalChek processes and approves each credit card transaction, a VitalChek company check is electronically printed on-site for each credit card transaction. This check is then deposited into the county clerk's bank account along with the other transactions for the day. VitalChek also provides the clerk's office with pre-endorsed blank company checks to be used when the electronic system is not functioning properly. To manually use these pre-endorsed blank checks, the county clerk telephones VitalChek and obtains an authorization code before depositing the check into the clerk's bank account.

Our investigation revealed that five of these pre-endorsed checks provided by VitalChek totaling \$4,628.50 were manually written and deposited into the office bank account without authorization codes. The clerk removed cash from the office and substituted these unauthorized checks for the cash she had removed. When three of these unauthorized checks were presented to VitalChek for payment, VitalChek contacted the Hickman County mayor who confronted the county clerk and then contacted our office. The other two checks were subsequently discovered to have been written without authorization codes.

The following table details the cash shortage identified by our investigation:

| Date of Unauthorized Check | Check Number | Amount |
|----------------------------------|-----------------|--------------------|
| 3-16-10 | 27261 | \$ 849.00 |
| 5-21-10 | 605661 | 859.00 |
| 5-25-10 | 605662 | 954.00 |
| 5-27-10 | 605670 | 1,126.00 |
| 6-1-10 | 605663 | <u>840.50</u> |
| Total Cash Shortage | | <u>\$ 4,628.50</u> |

VitalChek discovered 21 non-business related checks that were issued by Ms. Totty to obtain cash for personal use out of the office's operating funds. Ms. Totty used a personal credit card to cover these checks prior to final processing by VitalCheck; therefore, these 21 checks are not included in the \$4,628.50 cash shortage noted above. However, the use of these checks for non-business related activity is an indication of abuse of the system by the county clerk.

The following table details the 21 checks identified by VitalChek that were issued by Ms. Totty for non-business related activity of the Office of County Clerk:

| Date of Check | Check Number | Amount |
|------------------|-----------------|----------|
| 1-29-09 | 3316522 | \$ 80.00 |
| 2-6-09 | 3316524 | 170.00 |
| 2-12-09 | 3316529 | 140.00 |
| 2-27-09 | 3316532 | 40.00 |
| 3-9-09 | 3316537 | 40.00 |
| 4-9-09 | 3339401 | 20.00 |
| 6-1-09 | 3316595 | 10.00 |
| 6-3-09 | 599549 | 450.00 |
| 7-1-09 | 3415610 | 70.00 |
| 7-1-09 | 3339475 | 140.00 |
| 7-17-09 | 3339480 | 150.00 |
| 7-30-09 | 3415627 | 40.00 |
| 8-28-09 | 3339499 | 190.00 |
| 9-25-09 | 3415528 | 450.00 |
| 10-13-09 | 3415676 | 25.00 |
| 12-2-09 | 3415565 | 400.00 |
| 1-14-10 | 3489421 | 85.00 |

| Date of Check | Check Number | Amount |
|------------------|-----------------|--------------------|
| 1-21-10 | 3415590 | \$ 560.00 |
| 1-27-10 | 3489429 | 300.00 |
| 2-14-10 | 3489455 | 770.00 |
| 5-5-10 | 3564233 | <u>650.00</u> |
| Total | | <u>\$ 4,780.00</u> |

On June 14, 2010, we met with the district attorney’s criminal investigator, Hickman County Sheriff, and Ms. Totty. At this meeting, Ms. Totty admitted to diverting office funds for her personal use and immediately resigned from office. This cash shortage resulted from management having access to pre-endorsed blank checks provided by VitalChek. We have discussed this internal control weakness in VitalChek’s system with VitalChek’s management.

RECOMMENDATION

County officials should take immediate steps to collect the \$4,628.50 cash shortage. Management should work with VitalChek concerning the company’s issuance of pre-endorsed blank checks. Cash from the office cash drawer should not be used to cash personal checks or substituted with a credit card charge.

FINDING 10.02 **THE COUNTY CLERK MANIPULATED TWO MOTOR VEHICLE RENEWAL TRANSACTIONS**
 (Internal Control – Material Weakness Under Government Auditing Standards)

Our examination disclosed irregularities involving the renewal of two motor vehicle licenses and the corresponding wheel tax licenses. This renewal information was entered into the office computer system; however, the transaction information for the two renewals was subsequently voided. We discovered that these voided transactions were for Ms. Totty’s personal vehicle (transacted on August 28, 2009), and for her friend’s vehicle (transacted on March 31, 2010). The office should have collected \$195 for these two transactions; however, no funds were ever received by the office. We met with Ms. Totty twice to discuss the voided transactions. During our first meeting, Ms. Totty denied processing and voiding these transactions; however, during our second meeting, Ms. Totty admitted to taking the decals and altering the records. On June 17, 2010, Ms. Totty surrendered both vehicles’ license plates to the Hickman County Sheriff’s Department and subsequently obtained new

car tags for both vehicles. Therefore, the \$195 is not included in the above-noted cash shortage. The county clerk, as senior management, determines what, if any, internal control procedures will be put in place to mitigate various risks within the office; however, when senior management overrides the system, the internal control procedures in place become ineffective.

FINDING 10.03 THE CURRENT AND PREVIOUS COUNTY CLERKS USED COUNTY OWNED COMPUTERS FOR PERSONAL BENEFIT
(Internal Control – Material Weakness Under Government Auditing Standards)

On May 19, 2010, we reviewed the inventory records and equipment purchases for the Office of County Clerk for the period July 1, 2008, through June 30, 2010. Two Toshiba laptop computers purchased April 11, 2009, for \$632.48 each, and one Hewlett Packard (HP) laptop computer purchased April 22, 2010, for \$624.99 could not be located. Our investigation revealed the following:

- A. On June 3, 2010, Ms. Totty informed us that she had been carrying the HP laptop computer home in an attempt to reconcile the office accounting records. Ms. Totty subsequently returned the HP laptop computer to the office for our inspection.

- B. On June 3, 2010, Ms. Totty advised us that the two Toshiba laptop computers were purchased under the former administration, and she did not know their location. However, after further questioning on June 14, 2010, Ms. Totty admitted having one of the Toshiba laptops at her home for personal use and returned it to the office later that day.

- C. The county finance director met with former County Clerk Randel Totty on June 10, 2010, to inform him that we were looking for missing laptop computers. After immediately searching the office, Mr. Totty and the finance director discovered one of the computers in a closet in the County Clerk's Office. Mr. Totty informed us that he left the laptop in the office when he retired. However, on July 8, 2010, Mr. Totty admitted to us that he had indeed been using the laptop at his home for personal use. Mr. Totty also admitted that he brought the computer back to the County Clerk's Office when he learned that we were looking for the missing laptop computers.

We noted that none of the three laptop computers contained a tag identifying the item as property of Hickman County as required by county policy.

RECOMMENDATION

County property should not be used for the personal benefit of employees. The Office of County Clerk and the Office of Finance Director should maintain inventory records of all assets of Hickman County. Personnel independent of maintaining the inventory should periodically verify the inventory records. The county should ensure all equipment is properly returned to the county when employment is terminated. All assets should be tagged or otherwise identified as county property.

FINDING 10.04 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**

(A., B., and C. – Internal Control – Significant Deficiency Under Government Auditing Standards; D. – Noncompliance Under Government Auditing Standards)

We noted the following accounting deficiencies in the Office of County Clerk:

- A. Bank statements were not reconciled with the accounting records on a current basis. We noted that the reconciliations for July 2009 through May 2010 had not been performed as of June 14, 2010.
- B. During the year, the office routinely cashed personal checks for employees from the office cash drawers. This practice weakens internal controls over collections by substituting non-business related checks for cash.
- C. Employees advised us that usernames and passwords were not confidentially maintained and exclusively used by the individual assigned the username and password. Usernames and passwords were written down and maintained in a cash drawer under each computer. Therefore, we could not determine which employee actually performed specific transactions noted in the system's accounting records.
- D. Funds totaling \$170 were not adequately safeguarded. The county clerk informed us that collections exceeded receipts by \$170 between February 2010 and May 2010, and she could not account for the overage; therefore, these funds were never receipted and deposited into the office bank account. Instead, the funds were maintained in an unsecured box on the county clerk's desk. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days of collection. These funds were deposited into the office bank account on June 14, 2010. The delay in depositing the funds increases the risk of fraud and misappropriation.

RECOMMENDATION

Bank statements should be reconciled with accounting records on a current basis. The practice of cashing personal checks from office funds should be discontinued. Usernames and passwords should be safeguarded and only used by the employee assigned the username/password. Funds should be adequately safeguarded, and all funds should be receipted and deposited into the office bank account within three business days as required by state statute.