



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS
FINANCIAL AND COMPLIANCE UNIT**

Justin P. Wilson
Comptroller of the Treasury

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December 19, 2013

Mr. Robert Baggett
Circuit, General Sessions, and Juvenile Courts Clerk
Franklin County
360 Wilton Circle
Winchester, TN 37398

Dear Mr. Baggett:

The Franklin County Circuit, General Sessions, and Juvenile Courts Clerk contacted our office on October 12, 2012, after becoming aware of several suspicious transactions processed by the former deputy clerk, who was assigned to assist the office bookkeeper. The court clerk and the office bookkeeper noted these suspicious transactions while performing the September 2012 bank reconciliation. Several deposits were not made timely, and checks and money orders that should have been in the deposits were not included in those deposits by the former deputy clerk. As a result of this suspicious activity, we conducted an investigation of the office for the period July 1, 2012, through December 31, 2012. Findings, recommendations, and management's responses, as a result of our investigation, are presented below. Also, these findings and recommendations have been reviewed with the district attorney general.

INVESTIGATIVE FINDING

1. **FINDING:** A cash shortage of \$3,046.25 existed at December 31, 2012

A cash shortage of \$3,046.25 existed in the Office of Circuit, General Sessions, and Juvenile Courts Clerk at December 31, 2012. This cash shortage resulted from a former deputy clerk failing to make deposits of court collections totaling \$3,046.25, of which \$1,671.25 were receipted and not deposited from general sessions court, and \$1,375 were receipted and not deposited from circuit court. Beginning in July 2012, the former deputy clerk diverted cash collections and delayed making deposits to the official bank account as follows:

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Court	Date	Total of Receipts	Amount Deposited	Sessions	Circuit	Total
General Sessions	07/31/2012	\$ 1,371.25	\$ 0.00	\$1,371.25	\$ 0.00	\$1,371.25
General Sessions	09/04/2012	1,129.00	0.00	1,129.00	0.00	1,129.00
General Sessions	09/24/2012	31,050.44	31,879.44	(829.00)	0.00	(829.00) (1)
Circuit	09/24/2012	3,139.40	1,764.50	<u>0.00</u>	<u>1,375.00</u>	<u>1,375.00</u> (2)
Total cash shortage on December 31, 2012				<u>\$1,671.25</u>	<u>\$1,375.00</u>	<u>\$3,046.25</u>

(1) Check included in deposit from undeposited receipts of 09/04/2012

(2) Two money orders receipted in circuit court but subsequently deposited in general sessions court to replace cash diverted

We determined that cash was not included in deposits, and checks were subsequently deposited to replace diverted cash. We determined that this pattern of holding checks to replace cash continued through September 2012, when the bookkeeper and the official noted discrepancies with the bank reconciliations.

During the course of our investigation, we were advised that each deputy clerk had unique computer court system login credentials, which were not shared among employees. Therefore, the suspicious transactions in the computer system could be identified and traced to the former deputy clerk. Furthermore, we were advised that as the deputy clerk, the former employee was responsible for preparing bank deposits for general sessions, circuit, and juvenile courts on a rotational basis with the bookkeeper. We determined that discrepancies with receipts and deposits only occurred when the former deputy clerk was responsible for preparing deposits.

RECOMMENDATION:

County officials should take immediate steps to collect the \$3,046.25 cash shortage. Any variances in daily deposits compared with collections should be investigated.

MANAGEMENT'S RESPONSE:

Court Clerk:

I notified the Tennessee Comptroller's Office and the District Attorney General's Office and requested an investigation as soon as I became aware of a cash shortage in my office. I identified a deputy clerk in my office as a person of interest in the cash shortage. The deputy clerk identified as a person of interest in the cash shortage has since been

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terminated from employment from my office. Every effort is being made to recover the cash shortage.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES **FINDINGS AND RECOMMENDATIONS**

1. **FINDING:** Collections were not deposited properly

Our examination of collections and deposits noted the following deficiencies:

Collections were not always deposited into the office bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. This statute requires county officials to deposit all funds within three days of collection. Also, collections were not deposited intact; i.e., funds collected during a specific period of time were not deposited together.

RECOMMENDATION:

To strengthen internal controls over cash collections and deposits, the court clerk's office should deposit all funds intact within three days of collection.

MANAGEMENT'S RESPONSE:

Court Clerk:

Bank deposits in my office are now made on a daily basis, I have enacted policies regarding the daily balancing of cash drawers and processing bank deposits as listed below:

- All auditing, cash drawer balancing and depositing procedures are conducted by at least two employees. Normally, the bookkeeper and another designee appointed by the clerk are in charge of these duties. The clerk's designee is substituted routinely.
- Each employee responsible for receipting money is assigned an individual cash drawer.

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- Each employee's cash drawer is audited and balanced every day by the bookkeeper or the clerk's designee and the employee. When the audit and balancing procedure is complete, the bookkeeper or the clerk's designee and the employee initial the end of day balancing report reflecting that it has balanced and is accurate.
- The bookkeeper and the clerk's designee process the bank deposits together. The bookkeeper and the clerk's designee rotate on a daily basis specified duties regarding deposit processes. The bookkeeper and the clerk's designee make sure that deposit reports generated from our case management system balance with the monies received each day. The clerk is given copies of the deposit reports. The clerk makes sure the deposit reports match the money that has been deposited. The bookkeeper and the clerk's designee make sure that no cash drawers remain open and unbalanced each day. All cash drawers are audited, balanced, and closed daily.
- After the bank deposit is processed, the monies are placed in a sealed bag with a preprinted number. The bag is initialed by the two people who have processed the deposit. The bag number is logged on the deposit log. The sealed deposit is placed in our safe overnight. The clerk or the clerk's designee will take the sealed deposit to the bank the following day. The bank employees have been instructed to notify the clerk immediately if they notice that the sealed bag has been compromised in any fashion.
- All deposit processes are logged each day.
- Random audits on cash drawers are performed routinely.
- No one accesses the safe without a second person to accompany them.

Every effort is being made to ensure that money received in this office is protected, secure and distributed in accordance with duties of this office. It is my hope that these procedures will enhance the integrity and restore the level of confidence that the citizens of Franklin County and the State of Tennessee have in this office.

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If you have any questions concerning the above, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Kevin B. Huffman". The signature is written in a cursive style with a prominent initial "K".

Kevin B. Huffman, CPA, CFE, CGFM
Investigative Audit Manager
Division of Investigations
Financial and Compliance Unit

KBH/rad