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October 12, 2009

Members of the Board of Directors
East Tennessee Human Resource Agency
9111 Cross Park Drive, D-100
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Ladies and Gentlemen:

We have concluded our investigative audit of the East Tennessee Human Resource Agency (ETHRA) Misdemeanor Probation Service, Morristown Office. The investigative audit was initiated after staff with the Division of County Audit noted problems in accounting for collections made by ETHRA on behalf of the Hamblen County Circuit and General Sessions Courts. The investigative audit focused on the period of June 1, 2005, through October 31, 2007. However, when warranted, this scope was expanded.

Background Information

The ETHRA Misdemeanor Probation Services provided supervision and other services in accordance with orders from the Circuit and General Sessions Courts in 15 counties, including Hamblen County. Probation officers were responsible for collecting supervision fees and restitution payments, if ordered, as well as ensuring that the client paid all applicable court fines and fees. The probation officers were responsible for depositing any and all collections into an ETHRA bank account.

Clients were encouraged to pay court fines and fees directly to the court. However, the probation officers also accepted those payments. The probation officers were responsible for depositing all funds collected each day into an ETHRA bank account. From this account, checks were issued to the applicable county court clerk for fines and fees.

ETHRA managers initially noticed that one of the program's probation officers, Ronna Inman, was not turning in her documentation of collections and deposits in a timely manner. Documentation for some deposits did not agree with the probation officer's documentation of collections. Management initiated an internal review that identified thousands of dollars in court fines and fees which were improperly recorded in ETHRA's records and could not be accounted for.

When confronted with the discrepancies on October 19, 2007, Ms. Inman apparently acknowledged to ETHRA management that she had collected funds on behalf of ETHRA clients and failed to deposit those funds in an ETHRA bank account or remit those funds to Hamblen County Circuit and General Sessions Courts. She apparently told ETHRA personnel that she had hidden the money in her work space; however, she later explained that she in fact kept the money in a lock box at her home.

Ms. Inman turned over \$2,510 in cash to an ETHRA supervisor on October 19, 2007, along with several receipts for deposits she had made to the ETHRA bank account. She resigned the same day. On October 24, 2007, an attorney representing Ms. Inman delivered three envelopes to ETHRA containing \$341.50 in additional funds on behalf of the now former probation officer. ETHRA officials recovered and deposited another \$152 found in client files and located in the desk and work area that had been used by the former probation officer.

The results of our investigative audit are as follows:

Misappropriation of at least \$5,702

Our investigative audit identified at least \$5,702 in recorded collections of court fines, court fees, and supervision fees that could not be accounted for. Over 20 different clients had made these payments to former probation officer Ronna Inman. Several clients of Ms. Inman told state auditors that she ordered them to pay off their court fines and fees in full or face having their probation violated. Those clients apparently sold personal property or borrowed money to make these payments. However, our investigative audit revealed that none of those payments were actually remitted to the applicable courts to satisfy the client's debt.

Of those unaccounted for funds, \$2,958.50 was recovered from Ms. Inman, from an attorney apparently acting on Ms. Inman's behalf, and from Ms. Inman's work space. Therefore, at least \$2,743.50 in recorded collections remained unaccounted for.¹

This matter was referred to the local district attorney general. On September 28, 2009, Ronna Inman, the former probation officer, was indicted by the Hamblen County Grand Jury on one count of Theft over \$1,000, one count of Forgery over \$1,000, one count of Computer Fraud over \$1,000, one count of Official Misconduct, and three counts of Official Oppression.

¹The total of funds recovered from Ms. Inman (\$2,510), and Ms. Inman's attorney (\$341.50), and found in Ms. Inman's work area (\$152), was \$3,003.50. However, \$45 of the funds found in Ms. Inman's work area was a collection apparently made by Ms. Inman from the client of another probation officer. Therefore, that \$45 was not applicable to the shortage from the clients under Ms. Inman's supervision. The total of funds recovered for the clients under Ms. Inman's supervision was \$2,958.50.

Internal Control Weaknesses

Auditors observed that the reconciliation of bank deposits with daily collection records by a designated ETHRA probation services employee beginning in late 2006 was a significant improvement to internal controls. Nevertheless, our investigative audit identified several weaknesses in the internal controls of the agency that allowed these apparent discrepancies to occur and not be detected in a timely manner. Those weaknesses include:

- **Inadequate separation of duties**

ETHRA's probation program charged a \$45 monthly supervisory fee to each client throughout the term of probation. Probation officers were responsible for recording the fees to be collected, collecting those fees, recording those collections, preparing the collections for deposit, and depositing collections into an ETHRA bank account. Supervision of those activities was limited to a review of the percentage of active clients who paid their monthly supervisory fee.

ETHRA's probation officers were also responsible for monitoring the fines, fees, and any restitution ordered by the court. Clients were encouraged to make direct payments to the court. However, ETHRA did accept payments for fines, fees, and restitution. Probation officers were responsible for recording the amount of fines and fees and restitution to be collected, collecting those funds, recording the collection, preparing those collections for deposit, and making the bank deposit. Probation officers were also responsible for reporting the amount of unpaid supervisory fines due to ETHRA and the amount of unpaid fines and fees due to the local court of jurisdiction. There was no procedure in place to independently compare ETHRA's records with the records of the local court of jurisdiction.

To decrease the risk of undetected errors and irregularities, management should review employees' responsibilities to ensure that no employee has complete control over a transaction.

- **Receipts not issued**

Receipts were not used to document the transfer of funds from one ETHRA employee to another.

To properly account for all collections, a prenumbered, duplicate receipt should be issued each time a probation officer makes a collection. To better account for all revenue, anytime custody of money changes from one employee to another, the money should be counted by both employees, a prenumbered, duplicate receipt

should be issued by the recipient of the funds, and both employees should sign the document indicating their agreement with the amount transferred.

- **Manual receipts were not accounted for**

We found no evidence that ETHRA staff attempted to account for manual receipts which had been issued to clients.

To document and account for money paid to the agency, all prenumbered, duplicate receipts should be retained, safeguarded, and accounted for.

- **Lack of comprehensive written collection policy**

We were unable to find a written policy specifying the proper procedures for ensuring that all collections from ETHRA clients were properly recorded and deposited promptly and intact into an agency bank account.

To ensure that all employees understand and follow the proper procedures for collecting, recording, and depositing collections from ETHRA clients, management should formulate, adopt, and communicate a comprehensive written collection policy.

Management should take immediate action to correct these deficiencies. If you have any questions concerning the above, please contact me.

Very truly yours,



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Division of Municipal Audit

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