



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT

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Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

July 27, 2010

Tom Leatherwood  
Shelby County Register of Deeds  
1075 Mullins Station  
Suite W165  
Memphis, TN 38134

Dear Mr. Leatherwood:

At the request of the local district attorney general, our office initiated and has completed an investigative audit of selected records of the Shelby County Register of Deeds. This investigative audit focused on the period July 1, 2008, through December 31, 2008. The scope of the investigative audit was expanded when warranted.

**Legal Issue**

- **Apparent misappropriation of Register of Deeds collections totaling at least \$3,038**

Our investigative audit revealed that during the period September 17, 2008, through January 26, 2009, Regina Daniel, former cashier, apparently misappropriated collections totaling at least \$3,038. Ms. Daniel concealed the theft by reducing check collection amounts recorded in the agency's computer system and then substituting the difference between the modified check amounts and actual check amounts for misappropriated cash collections. Ms. Daniel then masked any discrepancies between cash and check totals collected and amounts deposited by recording fictitious cashed employee checks in the computer system.

- **Apparent misappropriation of local law firm payments totaling at least \$980**

Our investigative audit further revealed that during the period September 25, 2008, through January 27, 2009, Ms. Daniel apparently misappropriated payments from a local law firm totaling at least \$980. The law firm in question sent documents to be registered along with blank, signed checks to the register's office via courier, with the understanding that register's office personnel would complete the checks for the amounts needed to register the related documents. However, rather than prepare the checks for the amounts needed for registering the related documents, Ms. Daniel prepared the checks for amounts greater than needed or recorded in the computer system. She then substituted the difference between the face value of the manipulated checks and the amounts recorded as collected in the computer system for misappropriated cash, essentially cashing the excess amounts of the law firm's checks. Ms. Daniel then masked any discrepancies between cash and check totals collected and amounts deposited by recording fictitious cashed employee checks in the computer system.

Ms. Daniels acknowledged to state auditors that she had taken county collections totaling more than \$4,000 to pay her personal expenses. She also stated that she now intended to repay the county for what she had taken. On July 22, 2010, the Shelby County Grand Jury indicted Ms. Daniels on one count of Theft over \$1,000, one count of Theft over \$500, and one count of Official Misconduct.

### **Internal Control Deficiencies**

Our investigative audit revealed several internal control weaknesses in the collection process that directly contributed to the undetected misappropriation. Because Ms. Daniel was tasked, as part of her job duties, with modifying recorded collection amounts in the computer system, she was able to change check collection amounts and substitute the difference between the modified check collections and actual check collections for misappropriated cash. Similarly, allowing employees to cash personal checks created the opportunity for Ms. Daniel to record fictitious employee checks in the computer system, masking any discrepancies between cash and check totals collected and amounts deposited. Finally, accepting blank checks in payment for registered documents allowed Ms. Daniels to manipulate the face value of the checks, creating a second opportunity for her to misappropriate funds.

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At the inception of our investigative audit, we were informed that the cashier position no longer had the authority to make modifications of payment amounts and that employees were no longer allowed to cash checks through the collections drawer. We further recommend that the office either cease accepting blank check payments or require someone not otherwise involved in the collections process to complete blank checks presented for payment.

If you have any questions concerning this matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large, stylized initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit