



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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August 7, 2013

To the Grainger County Mayor and Board
of County Commissioners

Our office received allegations concerning certain improprieties involving motor vehicle sales tax and registration renewal transactions that were processed by an employee in the Office of County Clerk. Based on these improprieties, we examined certain records and computerized audit logs, which reflected transactions that had been changed and the original data deleted from the financial records during the period July 1, 2008, through March 9, 2013. The employee used these changes and deletions to conceal the fact that she had removed \$10,095.20 from the office resulting in a cash shortage on March 9, 2013.

The finding and recommendation, as a result of our investigation, is presented below and has been reviewed with the county mayor, the former employee, and the district attorney general.

Sincerely,

A handwritten signature in black ink, appearing to read "James R. Arnette, Jr.", written in a cursive style.

James R. Arnette, Jr.
Director

cc: Richard Norment, Assistant to the Comptroller
Bryan Burklin, East Tennessee Audit Manager
Kevin Huffman, Coordinator of Investigations
Honorable James Dunn, District Attorney General

GRAINGER COUNTY, TENNESSEE
OFFICE OF COUNTY CLERK
For the Period July 1, 2008 through March 9, 2013

A review of our finding and recommendation as a result of our investigation of the Office of County Clerk is presented below.

FINDING 13.01 THE OFFICE HAD A CASH SHORTAGE OF \$10,095.20 AS OF MARCH 9, 2013

The county clerk informed us of certain improprieties involving motor vehicle sales tax and registration renewal transactions that were processed by an employee of the office. Based on these improprieties, we examined certain records and computerized audit logs, which reflected transactions that had been changed and the original data deleted from the financial records during the period July 1, 2008, through March 9, 2013. The employee used these changes and deletions to conceal the fact that she had removed \$10,095.20 from the office resulting in a cash shortage on March 9, 2013.

The following table summarizes the cash shortage:

Cash drawer shortage based on daily checkout sheets	\$ 595.25
Deleted transactions identified by the employee	403.18
Additional deleted transactions discovered during audit	3,866.75
Altered sales tax transactions discovered during audit	<u>5,230.02</u>
 Total Cash Shortage	 <u><u>\$ 10,095.20</u></u>

On March 11, 2013, the employee's husband brought \$1,030 to the County Clerk's Office to liquidate a portion of the cash shortage. This left an unpaid cash shortage of \$9,065.20, which the employee liquidated on June 21, 2013.

The county clerk identified a cash shortage of \$595.25 based on a comparison of the total cash in the employee's cash drawer on March 9, 2013, with the applicable transactions processed by the employee. The dates for several of the transactions handled by the employee were reflected on the accounting records as March 12, 2013; however, these transactions actually occurred between March 2, 2013 and March 8, 2013. The dates had been changed by the employee in an attempt to delay accounting for the funds collected.

The employee was suspended when the county clerk identified the above-noted \$595.25 cash drawer shortage. The employee's husband later presented paperwork to the county clerk for six other transactions totaling \$403.18, where the employee had removed cash from the office. Those transactions had been entered into the accounting system, but were later deleted by the employee to conceal the fact that cash had been removed.

The county clerk assisted us in examining certain transactions of the office back to July 1, 2008. During that review, 95 additional vehicle registration transactions totaling \$3,866.75 were discovered, which had been inappropriately deleted from the accounting records by the employee. The employee had processed the transactions, printed paperwork for the

customers, collected cash for the transactions, and issued licenses or renewal decals to the customers. Subsequently, the employee deleted the transactions from the computer accounting system and removed the cash.

We also found 28 cash transactions for motor vehicle title applications, which had been altered to reflect a lower amount of sales tax than actually collected. Sales taxes collected were reduced by a total of \$5,230.02 for these transactions. After the customers were given a copy of the paperwork for the transactions, the employee altered the transaction amounts on the computer accounting system to reflect a smaller selling price for the vehicles and a smaller amount of sales tax collected for the transactions. The employee removed cash equal to the amount that the sales tax was reduced for each transaction. The county clerk obtained copies of paperwork directly from certain customers to confirm that the copies given to the customers reflected the higher sales tax amounts while records in the office reflected the lower amounts.

We met with the employee on May 2, 2013, to see if she could present information to validate any changes or deletions made to the records; however, she did not offer any documentation to substantiate the changes and deletions we questioned. Further, she confirmed that she had taken the cash from many changed and deleted transactions and converted the cash for personal use.

We reviewed the finding and recommendation with the employee on May 28, 2013. As previously noted, the employee liquidated \$1,030 of the cash shortage on March 11, 2013. The employee liquidated the remainder of the cash shortage (\$9,065.20) on June 21, 2013.

This finding has been reviewed with the county mayor and the district attorney general.