



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DIVISION OF STATE AUDIT  
John G. Morgan, Comptroller  
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## NEWS RELEASE

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**For Immediate Release:** December 11, 2008

### **Audit Reveals the Department of Safety Lacked Adequate Controls in Four Areas**

View Full Report: <http://www.comptroller1.state.tn.us/repository/SA/ag07036.pdf>

**NASHVILLE, Tenn.** – A financial and compliance audit of the Department of Safety was released today by Comptroller of the Treasury John Morgan. The audit, covering the period from July 1, 2005, through June 30, 2007, identified the following four findings:

#### **Management Has Not Assessed and Mitigated Risks Associated With Inadequate Controls Over Reinstatement Receipts, Increasing the Risk That Employees Could Make Unauthorized Changes to System Information**

The department's Driver License System, IMS2, is used to update the driver's history file when reinstatement payments are processed. However, department staff did not reconcile the IMS2 system with the department's cash register system (which is used to record the receipt of funds) to ensure that updates to the driver's history file corresponded with the related reinstatement fees collected. In addition, access controls were not adequate to prevent unauthorized changes to the Driver License System.

#### **Management Introduced a Manual Override of Controls Without Adequately Assessing and Mitigating the Risks of Inadequate Controls Over the Issuance of Handgun Permits, Which Allowed Fraud to Occur and Fees to Be Misappropriated**

During our audit the Director of Internal Audit informed us that an examiner at the Clarksville driver's license station had stolen an undetermined amount of handgun permit fees. The department's Handgun Permit Division had originally discovered the theft of the handgun permit fees and had called the department's Criminal Investigations Division and Internal Affairs to investigate the matter. In addition, the Internal Audit Division completed an audit of the transactions related to the examiner. Management had introduced a manual override of controls which was designed to allow department staff to process handgun applications and collect handgun fees when the cashiering system is down; however this override also allowed the examiner who was processing the handgun permit application to override the cash register system, which allowed the fraud to occur and fees to be misappropriated. We also noted that the handgun permit applications did not work very well with the cash register system, applications were not prenumbered, and staff did not reconcile the handgun permits issued with the money received. In addition, numerous individuals had access to make changes to the transaction record through a particular screen with no documentation of what was changed, who made the change, and when the change was made.

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**Management Still Has Not Adequately Monitored Access to the Driver License System by Individuals From Other Agencies, Resulting in Instances of Unauthorized Access**

The Department of Safety allows certain employees of other state agencies and agencies outside the state to have inquiry access to its Driver License System. Acceptable Use Policy forms were not maintained for some users, and some users were not properly authorized.

**Management's Lack of Contract Oversight Allowed Staff to Make Payments Under an Improperly Executed Contract and to Record Transactions Incorrectly in the Accounting System, Increasing the Risk of Fraudulent Transactions**

Due to a lack of contract oversight, a Fiscal Director was able to circumvent state contracting procedures and process payments for an invalid contract. The five-year, \$2.7 million contract, which was for services relating to the processing of commercial vehicle licensing and tax administration, contained signatures that had been forged by the Fiscal Director.

The Department of Safety management concurred with the findings. Management's comments are also included in the full audit report, available on the Comptroller of the Treasury's website at: <http://www.comptroller1.state.tn.us/repository/SA/ag07036.pdf>

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