



HOUSTON COUNTY CLERK

Investigative Report
October 20, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

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COMPTROLLER OF THE TREASURY

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October 20, 2016

Robert Brown, County Clerk
Houston County, Tennessee
P.O. Box 388
Erin, Tennessee 37061

Mr. Brown:

We performed an investigation of selected records of the Houston County Clerk's Office for the period July 1, 2014, through May 10, 2016. Our investigation revealed the following deficiencies:

- A cash shortage of at least \$3,553.15 existed on May 10, 2016.
- The county clerk did not review the software application audit logs.
- A deputy clerk gained access to the office's accounting software by using the county clerk's and another deputy clerk's login information.
- Multiple employees operated from the same cash drawer.
- The office did not always deposit collections intact.

The findings and recommendations, as a result of our investigation, are presented in this report. These findings and recommendations have been reviewed with management to provide an opportunity for their response. The Houston County Clerk did not provide a response. Also, these findings and recommendations have been reviewed with the district attorney general for the Twenty-Third Judicial District.

BACKGROUND



The Houston County Clerk's Office provides various services to include marriage licenses; notary public; automobile and motorcycle registration - title, tags, and sales tax; drivers licenses - original, renewal, or duplicates; ID cards; boat registration; and beer permits.

INVESTIGATIVE FINDING AND RECOMMENDATION

FINDING 1 **A CASH SHORTAGE OF AT LEAST \$3,553.15 EXISTED ON MAY 10, 2016**

A cash shortage of at least \$3,553.15 existed in the Office of County Clerk on May 10, 2016. This cash shortage resulted from a deputy clerk improperly modifying and deleting transactions after collecting funds. The clerk's office discovered an irregularity when an automobile dealership tried to get a motor vehicle tag transferred for a customer, but the tag was recorded as an expired tag in the clerk's computer system. Subsequently, the customer presented the clerk's office with a valid registration for the purported expired tag. Eventually, it was discovered that a deputy clerk had deleted this transaction after collecting the funds. The deputy clerk admitted to overcharging customers' fees, deleting transactions, and keeping the amounts for personal use. The deputy clerk also admitted to performing these acts while using the clerk's login information, her own login information, or another employee's login information. The deputy clerk is not currently coming to work, but has not been terminated by the county clerk.

These events are discussed below in sections A and B.

- A. The deputy clerk admitted to overcharging customers' fees in the computer system, returning to the system to key in the correct amounts, and then keeping the amounts of the overcharged fees for personal use. If the fees were paid by check, the deputy clerk admitted to properly accounting for the check, and taking cash from the cash drawer that equaled the overcharged fees.
- B. The deputy clerk admitted to deleting properly recorded customers' transactions and taking the amounts of the transactions from the cash drawer for personal use. If a transaction was paid by check, the deputy admitted to properly accounting for the check, and taking the amount of the check from the cash drawer.

This unauthorized overcharging and deletion of transactions resulted in a loss of revenue as detailed in the table below:

Finding	Transactions	Amount
A.	43 Overcharged transactions	\$ 911.15
B.	39 Deleted transactions	2,642.00
	Total	<u>\$ 3,553.15</u>

RECOMMENDATION

County officials should take immediate steps to collect the cash shortage of \$3,553.15.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

FINDING 2 THE COUNTY CLERK’S OFFICE HAD MULTIPLE OPERATING DEFICIENCIES

Our investigation revealed the following operating deficiencies in the County Clerk’s Office, which can be attributed to a lack of management oversight that directly facilitated the former deputy clerk’s improper actions:

- A. The software application used by the office generates various daily logs that display transaction changes made by users. Because these logs provide the only audit trail of these changes, the logs should be reviewed periodically for inappropriate activity. The county clerk advised us that he did not review the audit logs. Without periodic review of system activity, errors and improper changes could occur and go undetected.
- B. Although each employee had been assigned a unique username and password for accessing the office’s accounting software, the county clerk advised us that the former deputy clerk had used his login information. The county clerk locked the former deputy clerk out of the office’s computer system; however, he later let her use his computer after he logged in. Furthermore, the former deputy clerk advised us that she also used another employee’s login information. If inappropriate activity were to occur, determining which employee was responsible for this activity would be difficult because user accounts were shared. Sound business practices dictate that each transaction be identified to the individual creating the transaction.
- C. Multiple employees operated from the same cash drawer. Good internal controls dictate that each employee have their own cash drawer, start the day with a

standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer.

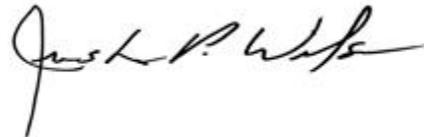
- D. The clerk's office did not always deposit collections intact, which means funds collected during a specific period of time were not deposited together in the form and amount in which they were collected. Sound business practices dictate that collections be deposited intact to enhance internal controls.

RECOMMENDATION

The county clerk should periodically review the software audit logs, and any unusual transactions should be investigated. Each employee should access the software application using his or her unique username and password to ensure that transactions are properly identified to that employee. The clerk should assign each employee their own cash drawer. All collections should be deposited intact to the office bank account.

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

Sincerely,



Justin P. Wilson
Comptroller of the Treasury

JPW/kbh