
STATE OF TENNESSEE

**SPECIAL REPORT ON THE
FRANKLIN COUNTY PROBATION OFFICE**

**FOR THE PERIOD JULY 1, 2009
THROUGH DECEMBER 31, 2010**



Division of County Audit



**SPECIAL REPORT ON THE
FRANKLIN COUNTY PROBATION OFFICE
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May 27, 2011

To the Franklin County Mayor
and Board of County Commissioners
Franklin County, Tennessee

During the annual audit of Franklin County for the year ended June 30, 2010, we discovered several irregularities concerning receipts, deposits, and daily collection logs in the Franklin County Probation Office. As a result of these irregularities and with the assistance of the Tennessee Bureau of Investigation, we conducted a special investigation to include transactions from July 1, 2009 through December 31, 2010. Our investigation identified a cash shortage of at least \$7,445 in the Probation Office at December 31, 2010.

We reviewed the finding resulting from this special investigation with the county mayor and the district attorney general. This finding with our recommendation, is presented in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Arnette".

Jim Arnette, Director
Division of County Audit

cc: Honorable J. Michael Taylor, District Attorney General

**SPECIAL REPORT ON THE
FRANKLIN COUNTY PROBATION OFFICE**

For the Period July 1, 2009 through December 31, 2010

A finding and recommendation, as a result of our special investigation, is presented below. We reviewed this finding and recommendation with the county mayor and probation officer to provide an opportunity for their response. The county mayor's and probation officer's responses have been paraphrased in this report. We have also reviewed this report with the district attorney general.

**FINDING 10.01 A CASH SHORTAGE OF AT LEAST \$7,445 EXISTED IN THE
PROBATION OFFICE AT DECEMBER 31, 2010**
(Material Noncompliance Under Government Auditing Standards)

During the annual audit of Franklin County for the year ended June 30, 2010, we discovered several irregularities concerning receipts, deposits, and daily collection logs in the Franklin County Probation Office. As a result of these irregularities and with the assistance of the Tennessee Bureau of Investigation, we conducted a special investigation to include transactions from July 1, 2009 through December 31, 2010. Our investigation identified a cash shortage of at least \$7,445 in the Probation Office at December 31, 2010.

The Probation Office is staffed by the probation officer and a deputy who perform all duties of the office. Funds are collected from probationers, receipts are issued to the probationers, and payees and amounts are listed on daily collection logs. Collections would subsequently be remitted to the county Trustee's Office. The cash shortage noted above resulted from cash collections not being remitted to the Trustee's Office or otherwise accounted for properly. The following table details the variances in collections where total receipts exceeded the amounts deposited with the trustee.

Date Deposited With Trustee	Amount Deposited With Trustee	Receipts Issued By Probation Office	Cash Shortage
11-25-09	\$ 2,320	\$ 2,860	\$ 540
12-4-09	3,277	3,662	385
12-10-09	2,215	2,905	690
12-23-09	2,250	3,650	1,400
1-6-10	1,230	1,830	600
1-8-10	1,255	1,755	500
1-19-10	2,500	3,350	850
1-22-10	1,745	2,450	705
2-5-10	3,735	4,210	475
2-26-10	3,170	3,880	710
7-2-10	695	975	280
8-6-10	1,065	1,075	10
8-30-10	2,380	2,680	300
Total Cash Shortage			<u>\$ 7,445</u>

The following internal control deficiencies contributed to the cash shortage:

- A. The office did not issue official receipts for collections as required by Section 9-2-104, Tennessee Code Annotated (TCA). Instead, the office used prenumbered generic receipts. The use of generic receipts exposes the office to risks that collections may not be accounted for properly. For example, the prenumbered receipt sequence was not sequential but varied from book to book; therefore, we could not determine if we had all of the receipts that were issued. The table below reflects days where deposits with the trustee exceeded receipts or where no supporting receipts were found. The actual number of receipt books that could be missing cannot be determined; therefore, the actual amount of cash collected cannot be determined.

Date Deposited With Trustee	Amount Deposited With Trustee	Receipts Issued By Probation Office	Missing Receipts
3-24-10	\$ 4,095	\$ 2,084	\$ 2,011
3-31-10	1,635	0	1,635
4-8-10	1,950	0	1,950
4-13-10	2,136	0	2,136
4-19-10	2,540	0	2,540
4-26-10	1,825	0	1,825
5-28-10	1,250	190	1,060
6-7-10	1,905	0	1,905
6-15-10	3,025	0	3,025
6-17-10	2,470	0	2,470
6-28-10	2,543	815	1,728
Total	\$ 25,374	\$ 3,089	\$ 22,285

- B. In several instances, the Probation Office did not deposit funds with the county trustee within three days of collection. Section 5-8-207, TCA, requires county officials to deposit public funds within three days of collection. The delay in depositing funds increases the risks of fraud and abuse.
- C. The office did not reconcile receipts issued with deposits. Rather, amounts were listed on daily collections logs, and those logged amounts were remitted to the county trustee. However, it appears that several entries on the daily collection logs had amounts that were changed and/or deleted. In addition, several daily collection logs were not presented to us for our examination.
- D. Duties were not segregated adequately. The probation officer was responsible for depositing collections, reconciling the daily collections, issuing receipts, and maintaining case files for the Probation Office.
- E. Funds were not adequately safeguarded. The probation officer informed us that collections were routinely left in unlocked desk drawers, or if locked, the key was maintained in an adjacent unlocked desk drawer. She further advised that at various times the office would be left unattended.
- F. Some receipts were marked “void” with no supporting documentation or without the original receipt attached as required by sound business practices.

Gena R. Hall, Franklin County Probation Officer, was indicted by the Franklin County grand jury on May 2, 2011, on charges of theft between \$1,000 and \$10,000 and three counts of official misconduct. She resigned her duties as Franklin County Probation Officer on May 2, 2011.

RECOMMENDATION

County officials should take immediate steps to collect the \$7,445 cash shortage. Official prenumbered receipts should be issued for all collections. All receipts books should be accounted for properly. All collections should be deposited with the county trustee within three business days as required by state statute. The office should reconcile receipts issued with the daily collection logs and deposits made with the county trustee. Officials should segregate duties properly, and funds should be adequately safeguarded. Voided receipts should have supporting documentation.

MANAGEMENT'S RESPONSE – RICHARD STEWART, COUNTY MAYOR

I have reviewed the finding and recommendation on the county's Probation Office. The probation officer resigned her duties on May 2, 2011.

The following management response was received from Gena R. Hall, Franklin County Probation Officer, prior to her resignation and indictment.

MANAGEMENT'S RESPONSE – GENA R. HALL, FORMER COUNTY PROBATION OFFICER

I am writing this response to the Finding 10.01. As a result of the annual audit of Franklin County, a cash shortage was brought to my attention as were the day-to-day operations of the office not being performed properly. Since the finding was brought to my attention, the daily operations have been changed, and new practices were put into place immediately.

- A. The office is now using official, sequential, pre-numbered receipt books. A copy of daily receipts is included in the daily deposit as well. Each receipt book is numbered, dated, and kept in a secure storage room located in the office. All receipt books are now dated with "date started" and "date completed" and numbered sequentially and stored in a secure storage room located in the office.
- B. We are making deposits either daily or every other day. I was unaware that funds needed to be deposited within three days of being received according to state law.
- C. When making each deposit, the monies are now counted and reconciled with not only the daily log, but the daily receipts. A copy of the daily receipts is included with each deposit. Also, each deposit is not only reconciled by the above measures, it is done individually by each employee in the office.
- D. The duties of the office are now segregated to the best of our ability. Each employee is rotating the duties of depositing monies at the Trustee's Office as well as reconciling the monies collected each day. The duty of maintaining case files is still primarily shared since we are a small office, but extra measures are being put into place for proper documentation in each file.

- E. The safeguards of the office have been completely changed. We no longer accept cash as payment. We have gone to an all money order or certified check payment office. Monies are still maintained in one locked drawer in the office, but the key to the office is now no longer accessible. It is kept on our persons at all times. The office is now locked at all times when unattended.

- F. All receipts are now being voided properly. There is also accurate documentation of each reason the receipt was voided attached with the original voided receipt.

AUDITOR'S COMMENT

Since there are only two employees of the office and the office no longer accepts cash, the key to the locked cash drawer referred to in management's response E. above should only be maintained by the probation officer.