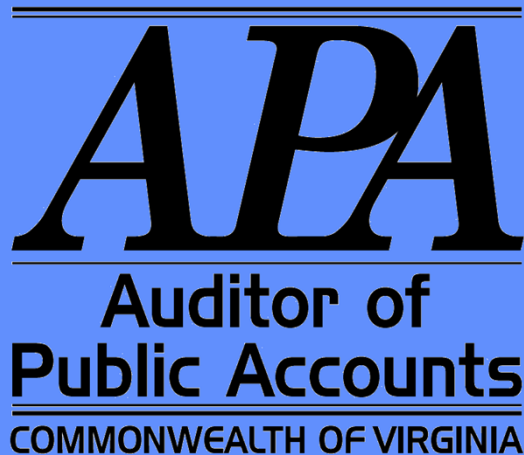


COUNTY OF GOOCHLAND

REPORT ON INVESTIGATION OF TREASURER'S OFFICE

AUGUST 2011





Commonwealth of Virginia

Auditor of Public Accounts

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P.O. Box 1295
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August 25, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

County Board of Supervisors
County of Goochland

On February 3, 2011, the Goochland County Sheriff arrested former County Treasurer, Brenda Grubbs for attempted embezzlement. After her arrest, she effectively resigned on February 11, 2011. On February 4, 2011, we began an investigation of the financial transactions conducted within the Treasurer's Office during the two year period preceding her arrest.

We conducted a number of procedures based on a risk assessment of possible vulnerabilities in the Treasurer's processes where the opportunities to embezzle funds existed. We focused on the Treasurer's access to cash and checks intended for County accounts. Our review included the following:

- Review of daily cash and check deposits and collection registers.
- Review of daily sales ledgers compared to deposit transfer slips from each of the school cafeterias.
- Review of Treasurer's checks written including accounting for voided or missing checks.
- Confirmation of revenue collected and accounts receivable for a sample of taxpayers in the county.
- Review of all activity on the purchase card assigned to the former Treasurer.
- Inquiry of all Deputy Treasurers serving under the former Treasurer and other County and School Board staff.
- Review of bank reconciliations for all county accounts under the Treasurer's control.
- Review of checks returned for insufficient funds, which the Treasurer kept on hand and had not rebilled the maker.
- Review of the Treasurer's sent and received email and other correspondence.
- Review and reconciliation of deposits or other activity provided by law enforcement in their investigation of the Treasurer's personal bank records.

Our investigation found the Treasurer embezzled \$180,470.48 from March 4, 2009 through February 2, 2011. The Treasurer embezzled the majority of those funds in the six month period from August 5, 2010 to February 2, 2011 with only four transactions totaling \$9,751.48 occurring prior to August 2010. The following explains the methods by which the Treasurer embezzled those funds.

Counter Withdrawals

The former Treasurer embezzled the majority of funds from the county using direct counter withdrawals from a checking account from June 2010 through January 2011. A direct counter withdrawal is a process by which the Treasurer makes a check payable to herself or the County and presents the check at a bank teller's window to obtain an amount of cash.

The Treasurer originally established this checking account to segregate cash from the operating fund in order to purchase Certificates of Deposit for investment, which otherwise would have been a legitimate business practice. However, since the Treasurer had complete control over this account, including responsibility for ensuring its reconciliation to the accounting system; she was able to use the account for the embezzlement.

We found a total of 33 counter withdrawals between June 23, 2010 and January 28, 2011 totaling \$143,349. We also found two instances in March and May of 2009 where the Treasurer withdrew funds directly from the County's operating checking account, for a total of \$6,708.25. The Treasurer embezzled a total of \$150,057.25 of County funds by directly withdrawing cash at the local bank branch office.

Deposit Tampering

We found eight deposits between September 2010 and February 2011 that the former Treasurer tampered with before making the deposit to the bank. In each case, a Deputy Treasurer prepared the daily deposit and the deposit slip. The former Treasurer removed some amount of the cash from the deposit and changed the deposit slip to reflect a reduced amount on the deposit.

In each case, we observed evidence of modification of the carbon-copy deposit slips retained for the Treasurer's records and that the amount recorded as cash receipts in the accounting system did not agree to the certified bank stamp on the original deposit slip. We also found that the Treasurer later transferred an amount equal to the embezzled total from another county checking account to the operating account in order to cover the deposit shortages. The former Treasurer executed these transfers from the same account from which she was making direct counter withdrawals. The former Treasurer embezzled \$27,170 using this method.

Self-Issued Checks

We found two Treasurer's checks which the former Treasurer had written and signed paid to the order of Brenda Grubbs. Review of the instruments from the bank revealed that the former Treasurer had also endorsed the checks. The former Treasurer embezzled \$3,243.23 by this means.

Disposition of Funds

During the course of our investigation we observed evidence and were aware of evidence obtained by law enforcement that the former Treasurer wired funds in excess of the amounts embezzled beginning in February 2010 and through January 2011 to an individual outside of the United States in Lagos, Nigeria. As such, any attempt to recover these funds may require additional resources and Federal law enforcement assistance.

Other Report

We issued a previous report in June 2011 which includes a number of recommendations to the new interim Treasurer to improve internal control and accountability within the Treasurer's office. Implementation of these recommendations will mitigate the risk of similar actions occurring and going undetected within the Treasurer's office in the future. That report also served as the turnover of assets and liabilities to the incoming Treasurer, and is on our website www.apa.virginia.gov.

AUDITOR OF PUBLIC ACCOUNTS

AWP/clj