



COMPTROLLER'S INVESTIGATIVE REPORT

MLK Magnet School Band Boosters

December 5, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

December 5, 2019

Metro Nashville Public Schools
Director Adrienne Battle
2601 Bransford Ave
Nashville, TN 37204

and

MLK Magnet School
Principal Angela McShepard
613 17th Ave North
Nashville, TN 37203

Director Battle and Principal McShepard:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the MLK Magnet School Band Boosters, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 20th Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

MLK Magnet School Band Boosters

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the MLK Magnet School Band Boosters. The Comptroller's Office initiated the investigation after Martin Luther King Jr. Academic Magnet High School (MLK) officials identified questionable transactions in the bank statements. The results of the investigation were communicated with the Office of the District Attorney General of the 20th Judicial District.

BACKGROUND

MLK Magnet School Band Boosters (band boosters) was a recognized school support organization of Metropolitan Nashville Public Schools (MNPS), affiliated specifically with MLK. The band boosters served the school by providing support and assistance for the benefit of the band program at MLK.

The band boosters' organizational structure called for an Executive Board comprised of up to nine officers and committee chairpersons to make operational and financial decisions. However, the investigation revealed that when the former band director became an authorized signer on the bank account in August 2014, he acquired and maintained almost exclusive control over band boosters operations and finances in direct contravention of state law. Upon his resignation in May 2018, the band director closed the band boosters bank account and shut down the band boosters website.



RESULTS OF INVESTIGATION

- **FORMER MLK BAND DIRECTOR MISAPPROPRIATED BAND BOOSTERS FUNDS TOTALING AT LEAST \$474**

A former MLK band director misappropriated band boosters funds totaling at least \$474 by submitting a fraudulent expense reimbursement claim related to a December 2017 music clinic in Chicago, Illinois.

Prior to the Chicago music clinic, the former band director applied for and was awarded a grant in the amount of \$500, administered by MNPS for music teachers to attend out-of-district music conferences. The grant award letter included specific instructions for reimbursement procedures that included a requirement to submit itemized receipts for expenses incurred for registration, hotels, meals, and travel.

Exhibit 1

Recap of [REDACTED] Expenses	
Hilton	212.50
Airfare	141.98
Registration	120.00
Lyft 12.19.17	19.10
Lyft 12.20.17	7.76
	<u>501.34</u>

Amount awarded for expenses was \$500.

All expenses were paid personally by [REDACTED]

The former band director submitted a reimbursement request supported by detailed receipts and other documentation to MNPS personnel for lodging, airfare, registration, and local travel costs he incurred to attend the music clinic. The request included a recap with a statement that all expenses were paid personally by him. **(Refer to Exhibit 1.)** The band director received the grant funds of \$500 in January 2018 via a check.

Band boosters bank records showed, however, that the former band director used the debit card issued on the band boosters account to pay his registration fee and expenses for airfare and lodging. **(Refer to Exhibit 2.)** These expenses totaled \$474.48.

Recap of expenses submitted for reimbursement by former band director stating that all expenses were paid personally, when in fact, most were paid using band booster funds.

Exhibit 2

WITHDRAWALS							
09/05	Card Purchase Southwes	526	3066	800-435-9792	TX 75235	0643	141.98
09/05	Card Purchase Southwes	526	3066	800-435-9792	TX 75235	0643	5.00
09/11	Card Purchase Target	0	5411	Smyrna	TN 37167	0643	44.94
09/18	Card Purchase Fedex	787735085	4215	Memphis	TN 38116	0643	13.59
09/18	Card Purchase Fedex	900206400	4215	Memphis	TN 38116	0643	13.10
09/20	Card Purchase Dillon Music	5733	Woodbridge	NJ 07095	0643		222.15
09/20	Card Purchase The Midwest Cli	8398	630-861-6125	IL 60452	0643		240.00

WITHDRAWALS							
12/06	Card Purchase Fedexoffice	0	7338	800-4633339	TX 75240	0643	215.90
12/21	Recurring Card Transaction Amazonprime Mem	5968	amzn.com/prme	WA 98109	0643		12.03
12/26	Card Purchase Hilton Hotels C	3504	Chicago	IL 60605	0643		335.17
12/26	Card Purchase Hilton Hotels C	3504	Chicago	IL 60605	0643		850.00

Although the former band director claimed he paid these expenses personally, these portions of the band boosters bank account statements show the band director's use of the band booster debit card to pay for airfare, registration, and lodging related to the music clinic.

The grant administrator reimbursed the former band director based on his false representation that he used personal funds to pay for the music clinic expenses he submitted for reimbursement. The Comptroller’s investigation revealed that the former band director retained the grant funds for his personal use.

The former band director resigned from his employment with the school system in May 2018 prior to the start of our investigation. In July 2019, he acknowledged to investigators he used band boosters funds to pay the music clinic expenses and admitted he kept the grant reimbursement for his personal benefit.

Summary Schedule of Misappropriation

Portion of Grant Reimbursement Retained for Personal Benefit	Amount
Hotel accommodations (one night)	\$212.50
Airfare (one-way)	141.98
Clinic registration fee	<u>120.00</u>
Total	<u>\$474.48</u>

On December 4, 2019, MLK received a \$500 payment on behalf of the former band director.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Officers of the band boosters, like officers of all other school support organizations, are required to ensure the funds and property of their organization are safeguarded and used only for purposes related to the goals and objectives of the organization. Pursuant to *Tennessee Code Annotated*, Section 49-2-610, the Comptroller adopted and published the “Model Financial Policy for School Support Organizations - Procedures Manual” in 2008 to assist school support organization officers in discharging their obligation to safeguard the funds and property of their respective organizations. To that end, the Model Financial Policy prescribes the minimum financial accountability controls that school support organization officers must follow.

Our investigation found that the band boosters failed to adopt or comply with the following financial controls prescribed by the Model Financial Policy, which enabled the former band director to perpetrate his misappropriation and avoid prompt detection:

Deficiency 1: The former band director violated state law by acting as band boosters treasurer and directing band boosters finances

From August 2014, through May 2018, the former band director assumed responsibility for, and directed the finances and operations of, the band boosters. *Tennessee Code Annotated*, Section 49-2-604(g), prohibits the band director, as a school representative, from acting as the treasurer or

bookkeeper for a school support organization and from being a signatory on any school support organization bank account. Deficiencies 3, 4, and 5 below are directly related to the former band director's violation of this state law.

Deficiency 2: The former band director incorrectly deposited school funds in the band boosters account

The band director deposited student fair-share band fees, fundraiser proceeds, and other band funds he collected from students into the band boosters bank account. State law requires that those funds be turned over for deposit into the school bank account. *Tennessee Code Annotated*, Section 49-2-603(6)(F), defines funds raised from fees charged to students as student activity funds which belong to the school. *Tennessee Code Annotated*, Section 49-2-606(a), requires any individual who collects student activity funds to turn the money over to the properly designated school official or employee. Because the school becomes accountable when student activity or other internal school funds are initially received by employees (including the band director), officials or volunteers acting in their official capacity, all such funds should have been timely remitted for deposit into the school bank account.

Deficiency 3: The former band director did not separate financial responsibilities adequately

The former band director did not separate financial responsibilities; he controlled all aspects of band booster finances with no oversight. The former band director received and counted collections, prepared and delivered deposits to the bank, made disbursements, and was the only official who received and reviewed the band boosters bank statements. In addition, the former band director transacted cash withdrawals from the financial institution without the approval or knowledge of others and was able to transact checks for the band boosters, with only his signature or by signing another authorized signer's name. Separating financial duties and providing increased oversight when appropriate reduces the risk that errors or misappropriations will remain undetected.

Deficiency 4: The former band director failed to retain adequate supporting documentation for some disbursements

The former band director did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for many disbursements from the band booster bank account. *Tennessee Code Annotated*, Section 49-2-604(c), requires that a school support organization maintain, at a minimum, detailed statements of receipts and disbursements. The Model Financial Policy requires school support organizations to obtain and file invoices for all disbursements to show that funds were appropriately used.

Deficiency 5: The former band director did not adequately account for collections

The former band director did not comply with the requirements to oversee, document, or account adequately for proceeds from fundraisers and other collection activities, which included fair-share fees, a fruit sale and a coupon book sale. As a result, investigators could not verify the accuracy and completeness of the amounts recorded as collected and amounts deposited. The Model

Financial Policy sets forth required collection procedures to account for proceeds from fundraiser and other collections. The former band director failed to:

- Issue receipts for applicable collections or prepare count sheets signed by two responsible individuals.
- Review bank statements timely to ensure all expected deposits were made promptly and intact.
- Require, prepare, or review profit analyses for applicable activities to ensure expected collections were generated.

As noted, the former band director closed the bank account and shut down the band boosters website when he left the school system. As of the date of this report, the MLK Magnet School Band Boosters had not resumed operations.
