



COMPTROLLER'S INVESTIGATIVE REPORT

Lenoir City High School Culinary Arts Program

July 9, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

July 9, 2020

Lenoir City Board of Mayor
and Aldermen
530 Highway 321 North
Lenoir City, TN 37771

and

Lenoir City Schools Superintendent
and Board of Education
200 East Broadway Street
Lenoir City, TN 37771

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Lenoir City High School Culinary Arts Program, 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 9th Judicial District, certain state legislators, and various other interested parties. A copy of the report 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

Lenoir City High School Culinary Arts Program

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Lenoir City High School Culinary Arts Program. The investigation was limited to selected records for the period February 1, 2017 through June 30, 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 9th Judicial District.

BACKGROUND



Lenoir City High School (LCHS), located in Loudon County and part of the Lenoir City School System, is governed by a five-member board. Since January 2015, LCHS has offered a Culinary Arts Program where students can acquire the skills they need to pursue a successful career in the food service industry. The skills learned in food preparation and catering provide students with marketable culinary experience for future employment.

Tennessee Code Annotated, Section 49-2-110, authorizes schools to establish

and maintain student activity funds and sets forth requirements governing their use. This statute requires local school systems adopt the *Tennessee Internal School Uniform Accounting Policy Manual* and to comply with all of its requirements related to maintenance of such activity funds and the records of their sources and use. Maintenance and use of activity funds are also governed by Lenoir City School Board Policy, Section 2.500, which states "Monies collected at the building level must be deposited to one of three bank accounts: General School Fund/Restricted Account, School Food Service, or Savings."

RESULTS OF INVESTIGATION

- **THE CULINARY ARTS PROGRAM HAD OPERATING DEFICIENCIES**

Investigators reviewed accounting records, bank statements, and supporting documentation for the period February 1, 2017 through June 30, 2019, and noted deficiencies related to collecting, depositing, and disbursing collections by the former culinary arts program instructor (instructor). These deficiencies are noted below:

- A. The instructor failed to maintain adequate documentation of collections from program activities. Furthermore, the instructor did not properly remit collections to LCHS but instead deposited the funds into her personal bank account. The instructor provided investigators her bank statements indicating total Wave and Square Reader deposits of \$2,893.27. Wave and Square Reader are mobile payment processing devices that allowed the instructor to use her mobile device for collections, which she electronically forwarded to her personal bank account. The instructor advised investigators that she used card readers to make it easier for anyone to impulse buy whatever items the program might be selling; e.g., holiday themed cookies. Without documentation, investigators could not determine if the instructor remitted all collections to the bookkeeper for deposit. The instructor's use of a personal bank account for the culinary arts program is the result of a lack of management oversight.
- B. The instructor made program disbursements from her personal bank account rather than through approved school purchasing procedures, which require approval and a receipt/invoice prior to issuance of an official school check. Not using the school purchasing procedures, including their tax exempt status, resulted in the payment of at least \$124.88 in sales tax.
- C. The instructor did not provide adequate supporting documentation to account for the use of all collections. The instructor provided invoices totaling \$2,677.09 for program expenditures, which included the account balance of \$176.43 remitted to LCHS by the instructor when school officials requested that she no longer use her personal account. Therefore, investigators could not determine if the instructor used the remaining \$216.18 in collections deposited in this personal bank account for the culinary arts program. **(Refer to Exhibit 1.)**

Exhibit 1

Culinary Program Activity	Amount
Identified Revenues/Deposits	\$ 2,893.27
Identified Program Expenditures	(2,677.09)
Undocumented Expenditures	<u>\$ 216.18</u>

- D. Our investigation revealed that the instructor made questionable program expenditures of at least \$244.12. These expenditures involved the purchase of meals, holiday cards, insufficient fund bank fees, and other expenditures for which no documentation was provided. Investigators question whether these expenditures were used exclusively for the culinary arts program. **(Refer to Exhibit 2.)**

Exhibit 2

Questionable Expenditures	Number of Purchases	Total Amount
McDonalds	4	\$ 18.66
Chick-Fil-A	2	\$ 22.04
Starbucks	2	\$ 26.32
Dunkin	1	\$ 6.08
Petro's Chili	1	\$ 19.01
Krispy Kreme	1	\$ 3.96
Ingles - No documentation	1	\$ 10.90
Dollar Tree - No documentation	1	\$ 1.38
Walmart - No documentation	1	\$ 18.62
Publix - No documentation	1	\$ 7.74
Vista Print - Holiday cards Southerncity	1	\$ 8.18
CVS - No documentation	1	\$ 37.23
Subtotal		\$ 180.12
NSF Bank Fees	2	\$ 64.00
Total Questionable & Undocumented		<u>\$ 244.12</u>

The instructor resigned and left the employment of the Lenoir City School System on July 10, 2019.

Lenoir City School officials indicated that they have corrected or intend to correct these deficiencies.