



COMPTROLLER'S INVESTIGATIVE REPORT

Highland Rim School

April 22, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

April 22, 2021

Lincoln County Schools
Director Bill Heath
909 Main Avenue South
Fayetteville, TN 37334

and

Lincoln County Board of Education
Board Members
909 Main Avenue South
Fayetteville, TN 37334

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Highland Rim School, 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 17th 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 blue ink, appearing to read "Jason E. Mumpower", is written over a faint, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Highland Rim School

The Office of the Comptroller of the Treasury, in conjunction with the Lincoln County Sheriff's Office, investigated allegations of malfeasance related to Highland Rim School. The Comptroller's Office initiated the investigation after school officials discovered and reported low balances in the school accounts and a general disarray of records in the bookkeeper's office. The investigation was limited to selected records for the period July 1, 2018 through June 30, 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 17th Judicial District.

BACKGROUND



Highland Rim School (HRS) is in Fayetteville, Tennessee, and is part of the Lincoln County School System. The school serves over 700 students ranging from Pre-K to 8th grade. Angela Osborne served as the school's bookkeeper from January 2018 through June 2019. Her responsibilities included receipting and recording all school collections into the school accounting software and depositing funds into the school's bank account. Osborne also

prepared and signed checks, recorded disbursements in the school's accounting system, and reconciled the school's bank statements. The Lincoln County School System terminated Osborne's employment on July 22, 2019.

Osborne was the Lincoln County High School (LCHS) color guard sponsor before and during her tenure as HRS's bookkeeper. HRS's band program allows its 8th grade band students to march with the LCHS band and color guard.

RESULTS OF INVESTIGATION

- **ANGELA OSBORNE MISAPPROPRIATED HIGHLAND RIM SCHOOL COLLECTIONS AND MADE UNAUTHORIZED PURCHASES TOTALING AT LEAST \$6,127.34**

1. *ANGELA OSBORNE MISAPPROPRIATED HIGHLAND RIM SCHOOL COLLECTIONS TOTALING AT LEAST \$2,417*

Investigators reviewed receipts recorded in the school’s accounting records and determined that at least \$2,167 of receipted collections was not deposited into the school’s bank account. Osborne stated to investigators that she brought school collections home to create the deposits and any missing funds were her responsibility.

Investigators noted instances where Osborne coded cash receipts as checks in the accounting records and vice versa in an attempt to conceal the misappropriation. Osborne also allocated collections to incorrect accounts in attempt to conceal the misappropriation. Osborne receipted football gate check collections to the band account to appear as a reimbursement for a personal purchase totaling \$250. Due to Osborne’s miscoding of funds and the disarray of the school’s accounting records, investigators could not determine that all funds were properly accounted for.

2. *ANGELA OSBORNE MADE UNAUTHORIZED PURCHASES WITH HIGHLAND RIM SCHOOL FUNDS TOTALING AT LEAST \$3,710.34*

2a. Osborne improperly paid LCHS color guard expenses totaling at least \$3,479.35 with HRS funds.

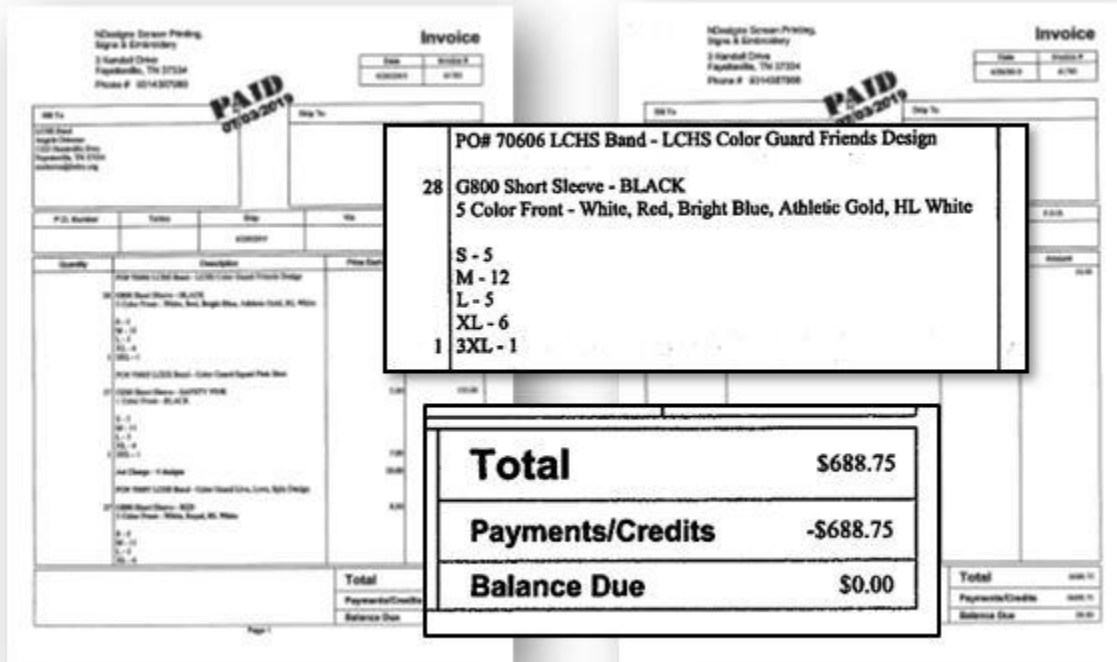
During the period December 2018 through June 2019, Osborne, without the authority or knowledge of school officials, improperly used HRS funds totaling at least \$3,479.35 to purchase LCHS color guard equipment. Investigators reviewed invoices issued by the vendors American Band; Band Shoppe; and NDesigns Screen Printing, Signs, and Embroidery spanning the timeframe of July 2018 through June 2019 and compiled a list of all items that were purchased for the LCHS color guard with HRS funds. Items purchased included flags, flag poles, sabers, t-shirts, and box jumps. Osborne used money from various HRS accounts without the principal’s permission to pay for the color guard items. For example, Osborne ordered shirts from NDesign for the LCHS color guard but paid for the shirts from the HRS volleyball account (**See Exhibit 1 and Exhibit 2**). Osborne admitted to investigators that she did not have authority to make these purchases.

Exhibit 1

7840	06/30/2019	NDESIGNS	992				
	Shirts	Volleyball	606	10532	61783	No	\$688.75
Total for Check # 7840							\$688.75

Check listing from the school’s accounting software showing the paying account as the HRS volleyball account instead of the LCHS’s color guard account.

Exhibit 2



Invoice for order of three shirt designs for the LCHS color guard.

2b. Osborne made personal purchases totaling at least \$230.99 with HRS funds.

Osborne made personal purchases using HRS funds totaling at least \$230.99. Osborne purchased a drum practice pad from Amazon and paid for the purchase using funds from the HRS general music account. Staff at HRS confirmed the purchase was not for the school band. Osborne admitted to investigators that she did not have authority to make this purchase. Osborne claimed to reimburse the school for the purchase; however, it was determined after a review of the bank records that she deposited check collections for an unrelated school event as her reimbursement (as discussed in the first result).

SUMMARY OF MISAPPROPRIATIONS BY OSBORNE		
No.	Description	Amount
1.	Misappropriated collections	\$ 2,417.00
2a.	Unauthorized payments of HRS funds for the LCHS color guard	3,479.35
2b.	Unauthorized personal purchases	230.99
Total Misappropriation		\$ 6,127.34

In April 2021, the Lincoln County Grand Jury indicted Angela Osborne on one count of Theft over \$2,500 and one count of Destruction and Tampering with Governmental Records.

[Highland Rim School Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Tennessee Code Annotated, Section, 49-2-110, requires local school systems to adopt the *Tennessee Internal School Uniform Accounting Policy Manual* (manual) and to maintain all activity funds and records in accordance with the requirements noted in the manual. The Comptroller's investigation revealed that school officials failed to comply with certain requirements set forth in the manual. Investigators also noted numerous deficiencies in internal controls and compliance, some of which contributed to Osborne's ability to perpetrate her misappropriation without prompt detection. The deficiencies included:

Deficiency 1: School officials did not provide adequate oversight and duties were not segregated adequately.

School officials did not provide adequate oversight and did not separate incompatible financial duties. Osborne was responsible for receipting collections, preparing bank deposits, and reconciling receipts with bank deposits. She also maintained custody of school checks, received the bank statements, maintained supporting documentation, and prepared the payments to vendors. School officials are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Separating financial duties and providing adequate oversight reduces the risks that errors or misappropriations will remain undetected.

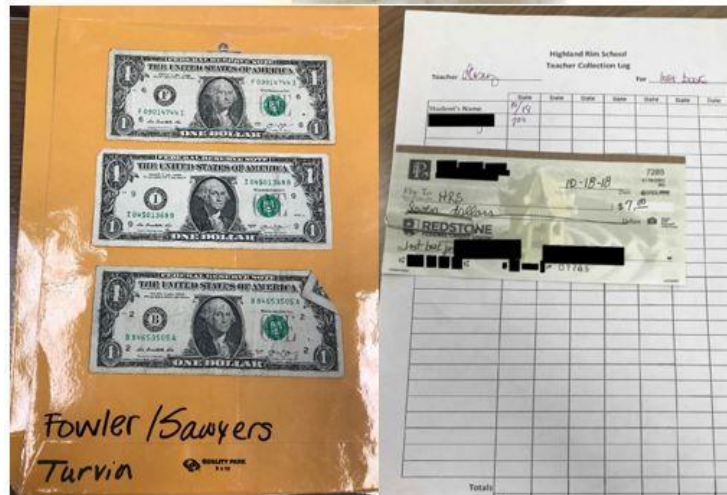
Deficiency 2: Osborne failed to record some collections properly in the school's accounting software.

Investigators compared the collection logs found in Osborne's office with receipts entered in the school's accounting software. From January 2019 through June 2019, Osborne recorded many cash receipts as checks, and check receipts as cash. Often, Osborne would record a teacher's collection as all cash or all checks despite having a mix of both. For most deposits after January 2019, Osborne failed to include an itemized listing of checks on the receipt or deposit slip. Osborne listed checks in the accounting software as the teacher's name and total amount of checks received, instead of listing the student's name and dollar amount of each check as required by the manual. Misclassifying information in the accounting records diminishes the usefulness of the records as a management tool.

Deficiency 3: School officials failed to ensure collections were deposited intact and timely.

School officials failed to ensure collections were deposited intact and timely. Osborne did not deposit collections in the form (cash or check) and amount in which they were collected. Through her manipulation of collections and records, the amount of cash she deposited frequently did not agree with the amount of cash that teachers remitted to her. Osborne also entered receipts into the school’s accounting software and made deposits multiple days after collections were remitted by the teachers. For example, a deposit made on April 17, 2019 totaling \$3,204 included collections received on March 27. While retrieving records from Osborne’s office, investigators found cash in her desk drawer and in a teacher’s collection envelope along with an undeposited check (See Exhibit 3). Section 4, title 2 of the manual states that “fund money must be deposited intact (in the form and amount in which collected) in banks within three banking days after the money is received.” Ensuring that collections are made intact and agree with the cash and check makeup of the money remitted by teachers reduces the risks that undetected errors or misappropriations will occur.

Exhibit 3



While searching the bookkeeper’s office, investigators found \$7 loose in the desk drawer (top), \$3 in a teacher collection envelope (lower left) and an undeposited check for a lost library book (lower right).

Deficiency 4: School officials failed to retain adequate supporting documentation for collections and disbursements.

School officials did not retain adequate supporting documentation for collections and disbursements. Osborne failed to retain teacher collection logs and receipts to support deposit vouchers and corresponding deposits. Osborne also failed to retain purchase orders, requisition forms, and invoices to support disbursements made with school funds. Without proper documentation, investigators could not determine if all collections were receipted and deposited, or if all disbursements were properly approved. Failure to produce and retain adequate documentation increases the risks that errors or misappropriations will occur without prompt detection.

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