



COMPTROLLER'S INVESTIGATIVE REPORT

Legacy Leadership Academy

May 27, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

May 27, 2021

Shelby County Board of Education
Board Members
160 South Hollywood Street
Memphis TN, 38112

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Legacy Leadership Academy, 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 30th 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 that reads "Jason E. Mumpower".

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Legacy Leadership Academy

The Office of the Comptroller of the Treasury investigated allegations of financial improprieties by Legacy Leadership Academy Executive Director Dr. Tamika Carwell-Richmond. The Comptroller's Office performed an investigation concerning misappropriation of grant funds received from the Tennessee Department of Education (TDOE) by Carwell-Richmond from August 1, 2017 through August 31, 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 30th Judicial District.

BACKGROUND



Legacy Leadership Academy (the academy), located in Memphis, Tennessee, was established in 2017 as a charter school serving students in grades six through eight. The academy was only open for the 2017-2018 school year. The academy dissolved at the end of its first school year and officially ceased operations in August 2018.

The academy was awarded a federal Charter Schools Program (CSP) Planning and Implementation subgrant in the summer of 2017. The CSP grant provides funds to charter schools to assist with initial planning, implementation, and start-up costs. The grant is reimbursement driven, and reimbursement is provided by the TDOE after goods and

services are provided to the academy from vendors, and a valid receipt of payment is submitted to the TDOE by the academy. The academy received a total of \$261,000.75 in grant funds: \$221,476.14 in September 2017 and \$39,524.61 in December 2017. In addition to the CSP grant funds, the academy also received a total of \$285,163.65 from Shelby County Schools in Basic Education Program funds between August 2017 and June 2018.

RESULTS OF INVESTIGATION

1. EXECUTIVE DIRECTOR DOCTOR TAMIKA CARWELL-RICHMOND MISAPPROPRIATED \$4,594.72 FROM LEGACY LEADERSHIP ACADEMY

Our investigation noted the following misappropriations:

- A. On October 11, 2017, Carwell-Richmond made an unauthorized cash withdrawal of \$3,313.68 from the academy’s operating account at Regions Bank. Carwell-Richmond could not provide investigators any documentation justifying the withdrawal or otherwise provide verification that she used the funds for academy-related purposes. Investigators reviewed the academy’s general ledger and determined Carwell-Richmond did not post the cash withdrawal to the accounting records.
- B. Carwell-Richmond falsified two invoices resulting in an overpayment of \$1,281.04 for leased furniture. Carwell-Richmond entered into a lease agreement with CORT Furniture on July 31, 2017, ordering temporary furniture (e.g. office desks, tables, and chairs for students) for the academy to use until the permanent furniture arrived. The total amount of the lease agreement was \$7,561.79. Investigators reviewed documentation related to this lease, interviewed a local vendor in Memphis, and determined that Carwell-Richmond used the following scheme to misappropriate funds:
- 1) Carwell-Richmond created a false invoice totaling \$6,861.72, which she submitted to the TDOE. **(Refer to Exhibit 1)**. Investigators determined that the actual cost of the furniture and the amount that Carwell-Richmond paid to the furniture store was \$6,280.75 **(Refer to Exhibit 2)** a difference of \$580.97 (\$6,861.72 less \$6,280.75).
 - 2) Carwell-Richmond subsequently created another false invoice for the above-noted furniture purchase, which she submitted to the TDOE totaling \$7,561.79. The TDOE reimbursed the academy for the higher amount (the total lease agreement amount of \$7,561.79). This allowed Carwell-Richmond to retain a difference of \$700.07 (\$7,561.79 less \$6,861.72).

Summary of Misappropriations by Executive Director Carwell-Richmond

<i>Summary of Misappropriated Funds</i>		
A. Unauthorized Cash Withdrawal	\$	3,313.68
B. False Invoices (\$580.97 plus \$700.07)		1,281.04
Total Misappropriated Funds Received	\$	4,594.72

Exhibit 1

CORT® **Rental Payment Receipt**

The comment boxes denote the discrepancies discovered via comparison of the actual invoice and the fake invoice

Payment Date 08/03/2017

District 16 **CFR** MEMPHIS
Showroom 1602 MEMPHIS RETAIL SHOWROOM
6400 SHELBY VIEW DRIVE
MEMPHIS TN 38134
901/365-2560

Customer Number	1326546 Legacy Leadership Academy	Invoice Paid	Invoice number missing
Lease Number	993576	Amount Paid	\$6,861.72
Payment Transaction	1479782	Paid By	Credit Card
CORT Representative	██████████	VISA	*****2788

Thank you for your payment!

Entry mode missing →
First six digits of the card number are missing ↑

Falsified CORT Furniture Invoice Submitted to the TDOE by Carwell-Richmond

Exhibit 2

CORT® **Rental Payment Receipt**

Payment Date 08/03/2017

District 16 CFR Memphis
Showroom 1602 MEMPHIS RETAIL SHOWROOM
6400 SHELBY VIEW DRIVE
MEMPHIS TN 38134
901/365-2560

Customer Number	1326546 Legacy Leadership Academy	Invoice Paid	6091076
Lease Number	993576	Amount Paid	\$ 6,280.75
Payment Transaction	1479782	Paid By	Credit Card
CORT Representative	██████████	Entry Mode	Keyed
		VISA	460730*****2788

Thank you for your payment!

Actual CORT Furniture Invoice Obtained from the Store Manager

2. CARWELL-RICHMOND FORGED A BUSINESS OWNER'S SIGNATURE ON DOCUMENTATION SUBMITTED TO THE TENNESSEE DEPARTMENT OF EDUCATION

Investigators reviewed a letter and handwritten documentation submitted by Carwell-Richmond to the TDOE for reimbursement for an invoice from a local signage shop. The shop created a large sign for the academy. To confirm if the academy paid the vendor, investigators went to the business and met with the owner. The owner stated Carwell-Richmond did pay the invoice in full. Investigators showed the owner a letter dated March 16, 2018, which appeared to be written by the business owner and addressed to the academy. However, the owner stated she did not write the letter; she did not sign her last name on the letter, her name was spelled incorrectly; and her business address was listed incorrectly on the letter. The TDOE confirmed that Carwell-Richmond submitted the letter on April 18, 2018, as her proof of payment for the academy's sign.

3. LEGACY LEADERSHIP ACADEMY DID NOT COMPLY WITH THE TENNESSEE DEPARTMENT OF EDUCATION GRANT REQUIREMENTS

Legacy Leadership Academy submitted vendor invoices it had not yet paid to the TDOE for reimbursement. However, a grantee should only request reimbursement from the TDOE after the grantee obtains valid proof of payment from the vendor. Additionally, the academy used these reimbursements to pay items such as employee payroll, instead of paying the applicable vendor invoices the academy was seeking reimbursement for. As a result, the academy failed to pay multiple vendors. After an on-site monitoring by the TDOE, officials from the academy were unable to provide adequate documentation showing that the academy paid vendor invoices, and that the academy spent reimbursements in accordance with grant requirements. Carwell-Richmond admitted to investigators that she did not spend grant funds in accordance with grant requirements. The TDOE placed the academy in corrective action and suspended reimbursements after the on-site visit. The academy still owes the TDOE \$126,755.33 for repayment of questioned costs identified during the on-site monitoring visit.

On May 6, 2021, the Shelby County Grand Jury indicted Tamika Carwell-Richmond on two counts of Theft over \$2,500, two counts of Forgery over \$2,500, and one count of forgery under \$2,500.

[Legacy Leadership Academy Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed multiple deficiencies in internal control and compliance, some of which contributed to Carwell-Richmond's ability to perpetrate her misappropriation without prompt detection and allowed non-compliance with grant contracts to occur. These deficiencies included:

Deficiency 1: The academy failed to comply with the Tennessee Public Charter Schools Act of 2002 (*Tennessee Code Annotated*, Sections 49-13-101 through 49-13-145)

Tennessee Code Annotated, Section 49-13-111, establishes compliance requirements that charter schools are required to follow. Investigators found multiple instances of the academy's failure to adhere to the compliance requirements. Investigators noted the following instances of non-compliance:

- A. The academy did not maintain accounts and records in accordance with accounting principles generally accepted in the United States and in conformity with the uniform chart of accounts and accounting requirements prescribed by the Tennessee Comptroller of the Treasury. The academy failed to post all cash withdrawals and disbursements from the official bank account to the accounting records. Failure to keep accurate and proper accounting records allows errors and misappropriation of funds to occur.
- B. The academy employed at least three teachers during the 2017 school year that did not hold a valid Tennessee educator license or permit.
- C. The academy did not properly and fully record all charter school board minutes. Minutes are the official record of the governing body of the charter school. Failure to properly record all minutes and board votes violates *Tennessee Code Annotated*, Section 8-44-104, which prohibits secret votes of governing bodies.

Deficiency 2: The academy failed to adequately segregate financial duties

Carwell-Richmond and the board of directors failed to adequately segregate financial duties among the academy's staff. Carwell-Richmond approved all invoices, had sole access to the academy's operating bank account for a period of time, received the monthly bank statements, made deposits, and was responsible for reconciling the monthly bank statements. Essentially, she had total management control over these transactions, and she limited other employees' duties so she could manipulate records and conceal the scheme through her position and authority. Adequate segregation of duties supports good internal controls, which aid in preventing, detecting, and deterring misappropriations and noncompliance such as those noted in this report.

Deficiency 3: The academy's Board of Directors did not provide adequate oversight

The Board of Directors did not provide adequate oversight and did not establish and document adequate internal controls as required by the Tennessee Comptroller of the Treasury's *Internal Control and Compliance Manual* and the *US Office of Management and Budget Code of Federal Regulations*. Both requires all entities to establish and maintain an effective system of internal

control over grant money received. Accounting standards dictate that internal controls should be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. The academy failed to use proper internal controls. The board's failure to document and implement internal controls resulted in deficiencies in the organization's financial processes and allowed for the misappropriation and non-compliance to occur.

Deficiency 4: The academy did not perform bank reconciliations

Carwell-Richmond did not reconcile bank statements with the general ledger. During the period August 2017 through June 2018, the academy had multiple overdraft fees totaling \$75.50 and returned item fees totaling \$180. These fees are a direct result of failing to reconcile bank statements. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly. The failure to reconcile bank statements on a current basis increases the risk that errors or misappropriation will not be detected in a timely manner and enhances the risk for fraud to occur.
