



COMPTROLLER'S INVESTIGATIVE REPORT

Memphis Academy of Health Sciences

December 1, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

December 1, 2021

Memphis Academy of Health Sciences
3925 Chelsea Avenue
Memphis, TN 38108

Memphis Academy of Health Sciences Management:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Memphis Academy of Health Sciences, 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

Memphis Academy of Health Sciences

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Memphis Academy of Health Sciences. The Comptroller's Office initiated the investigation after school officials reported questionable transactions by former Memphis Academy of Health Sciences Executive Director Corey Johnson. During the investigation, school officials brought up additional concerns pertaining to food service operations under the management of former Nutritional Services Director Michael Jones. As a result, investigators expanded the scope to include food service operations. This investigation was limited to selected records for the period July 1, 2015 through February 28, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 30th Judicial District.

BACKGROUND

Memphis Academy of Health Sciences (MAHS), located in Memphis, Tennessee, is a public charter school operating within the jurisdiction of the Shelby County School System. Founded in 2003, MAHS is comprised of a middle school, serving students in grades 6 through 8, and a high school, serving students in grades 9 through 12. The school receives operating funds from local, state, and federal government sources. The MAHS Governing Board of Directors (board) is comprised of 9 members whose responsibility is to provide oversight of school operations.



Former Executive Director Corey Johnson and former Finance Director Robert Williams were long-term MAHS employees. Prior to July 2015, Johnson served as the chairman of the board; he assumed the role of interim executive director on July 1, 2015 and became executive director on July 1, 2016. Johnson was responsible for managing day-to-day operations, providing administrative oversight, and reporting to the board. Between 2008 and 2016, Williams worked in various functions within the Finance Department, and he was promoted to finance director on July 1, 2016. Michael Jones was hired as nutritional services director on July 1, 2016. Both Williams and Jones reported to Johnson in their respective capacities. The board terminated the employment of Johnson on December 3, 2019; Jones on September 28, 2020; and Williams on February 12, 2021.

RESULTS OF INVESTIGATION

1. FORMER EXECUTIVE DIRECTOR COREY JOHNSON MISAPPROPRIATED SCHOOL FUNDS TOTALING AT LEAST \$337,955.13

Between July 2015 and December 2019, former Executive Director Corey Johnson misappropriated school funds totaling at least \$337,955.13 as follows:

A. Johnson made \$253,863.33 in improper disbursements from MAHS bank accounts

As the executive director, Johnson had access to and controlled five different MAHS bank accounts at the following banking institutions:

- Renasant Bank: high school account, middle school account, and philanthropy account
- Commercial Bank and Trust Company: high school account and middle school account

Through unauthorized debit card transactions, checks, wire transfers, and cash withdrawals, Johnson made improper disbursements from these accounts including payments for various lodging and travel expenses (Caesars Palace & Casino in Las Vegas, Nevada; Hotel Zaza in Dallas, Texas; Hilton Diplomat Resort in Hollywood, Florida; Renaissance Hotel in New Orleans, Louisiana; etc.), payments for entertainment (Memphis Grizzlies tickets; various Ticketmaster purchases; etc.), unauthorized cash withdrawals and various wire transfers, child support payments, purchases at various retail stores (Family Leisure [**Refer to Exhibit 1**]; Gaylord Opryland; Best Buy; Home Depot; Michael's Store; Amazon; etc.), payments for phone and internet services (AT&T), payments for food and alcohol at various restaurants (Love Lounge; Outback Steakhouse; Blue Monkey; Red Fish; Open Flame Bar and Grill; East End Grill; etc.), fuel purchases for personal travel, medical payments for family members and payments for veterinary care, and payments for various personal services and other personal-related transactions (car repairs at Firestone; piano rentals at Amro Music; personal services at Massage on the Square; barbershop services; payments to a church where Johnson is the pastor; cleaning and plumbing services; other personal-related charges) (**Refer to Exhibit 2**). Johnson did not provide any documentation to justify these disbursements, and school officials confirmed to investigators that none of these transactions benefited the school, its teachers, or students. **Refer to Exhibit 3** for a break-down of Johnson's misappropriations using funds from MAHS' bank accounts.

Exhibit 1



Using debit cards associated with the Renasant Bank high school and middle school accounts, Johnson purchased a hot tub from Family Leisure for \$5,108.98. Johnson used this hot tub at his personal residence.

Exhibit 2

Misappropriations by Type of Spending	# of Transactions	Amount
Lodging and Travel Expenses	97	\$ 45,562.62
Entertainment	15	44,210.45
Unauthorized Cash Withdrawals/Wire Transfers	11	22,118.98
Child Support Payments	18	19,621.00
Purchases at Retail Stores	60	18,119.28
Phone/Internet Services	25	8,697.78
Restaurant Charges for Food and Alcohol	44	6,862.36
Fuel Purchases	69	4,306.86
Medical and Veterinary Care Charges	4	1,869.58
Various Services and Other Personal-Related Charges	219	82,494.42
Total	562	\$ 253,863.33

Exhibit 3

Misappropriations by Bank Accounts		Amount	Total
Renasant Bank	High School Account	\$ 152,365.00	\$ 221,487.15
	Middle School Account	59,065.45	
	Philanthropy Account	10,056.70	
Commercial Bank and Trust Company	High School Account	5,000.00	32,376.18
	Middle School Account	27,376.18	
Total			\$ 253,863.33

B. Johnson received \$84,091.80 in improper payroll payments

As the executive director, Johnson was a salaried employee receiving the compensation agreed-upon in his employment contracts. In addition to his annual salary, Johnson collected \$84,091.80 through unauthorized stipends and performance bonuses, duplicate and additional payroll payments, and received a higher salary than stated in his employment contracts (**Refer to Exhibit 4**).

Exhibit 4

Type of Payments	Description of Transactions	Amount
Stipends and Bonuses	18 different payments ranging from \$500 through \$10,000 (Refer to Exhibit 5).	\$ 67,317.44
*Duplicate Salary Payments	\$4,083.33 paid on November 13, 2015, and November 27, 2015, respectively.	8,166.66
Additional Salary Payment	\$3,200 paid on June 30, 2017.	3,200.00
Salary Received Above the Contract Salary	\$3,750 paid during fiscal year 2018; \$1,657.70 paid during fiscal year 2020.	5,407.70
Total		\$ 84,091.80

*Both Johnson and Williams received the duplicate salary payments on the same dates in November 2015 (Refer to Exhibit 6).

Exhibit 5

Bonus/Stipend Payments	Date Paid	Amount
1	1/27/2017	\$ 9,500.00
2	3/30/2017	5,000.00
3	5/26/2017	10,000.00
4	7/28/2017	4,000.00
5	10/31/2017	6,500.00
6	12/15/2017	1,920.00
7	3/30/2018	3,500.00
8	6/15/2018	2,000.00
9	6/29/2018	1,920.00
10	8/17/2018	1,500.00
11	9/14/2018	1,500.00
12	10/12/2018	500.00
13	10/26/2018	3,500.00
14	12/24/2018	3,978.00
15	12/28/2018	3,978.00
16	1/31/2019	3,978.00
17	6/28/2019	1,989.19
18	10/11/2019	2,054.25
Total		\$ 67,317.44

Johnson self-approved his stipend and bonus payments without consulting with the board. No documentation (e.g., annual performance evaluation form) was provided to investigators supporting any approval by the board authorizing the former executive director to receive these merit-based payroll payments. Also, investigators were unable to verify the justification of the duplicate and additional payments or obtain explanations for Johnson receiving a higher salary than amounts agreed to in his employment contracts. Investigators were unable to reach Johnson for an interview. As stated above, the board terminated Johnson’s employment on December 3, 2019.

Summary of Misappropriations by Former Executive Director Corey Johnson

Misappropriations	Total
A. Improper Disbursements from MAHS Bank Accounts	\$ 253,863.33
B. Improper Payroll Payments	84,091.80
Total	\$ 337,955.13

2. FORMER FINANCE DIRECTOR ROBERT WILLIAMS RECEIVED IMPROPER PAYROLL PAYMENTS TOTALING AT LEAST \$35,295.95

Between November 2015 and October 2017 in addition to his annual salary, former Finance Director Robert Williams collected \$35,295.95 in improper payroll payments consisting of duplicate salary payments, excessive stipends, and a questionable buy-back vacation payment (Refer to Exhibit 6).

Exhibit 6

Improper Payments	Date Paid	Amount	Total
*Duplicate Salary	11/13/2015	\$2,375.00	\$ 4,750.00
	11/27/2015	2,375.00	
Excessive Stipends	1/27/2017	9,500.00	25,000.00
	5/26/2017	10,000.00	
	10/31/2017	5,500.00	
Vacation Buy-Back	10/31/2017	5,545.95	5,545.95
Total			\$ 35,295.95

*Both Johnson and Williams received the duplicate salary payments on the same dates in November 2015 (Refer to Exhibit 4).

The former finance director admitted to investigators that he paid himself three stipend payments totaling \$25,000 and one vacation buy-back payment totaling \$5,545.95 (combined total \$30,545.95), which were excessive, and former Executive Director Corey Johnson approved these amounts without seeking board approval. Williams further admitted that he did not deserve these payments, this money belonged to the school, and he is willing to pay the money back. As stated above, the board terminated Williams’ employment on February 12, 2021.

3. FORMER NUTRITIONAL SERVICES DIRECTOR MICHAEL JONES MISAPPROPRIATED SCHOOL FUNDS TOTALING AT LEAST \$25,114.19

Between September 2016 and March 2020, former Nutritional Services Director Michael Jones misappropriated \$25,114.19 as follows:

A. Jones made \$21,586.05 in unauthorized food purchases for personal consumption

Using the established system for ordering food through U.S. Foods (MAHS food vendor), Jones made unauthorized food purchases on the school account and removed the food from the MAHS premises for personal consumption. The MAHS Finance Department paid the food vendors for orders placed by Jones assuming these purchases were for legitimate transactions incurred by the Nutritional Services Department. Jones' unauthorized purchases included shrimp, crab legs, ribeye steaks, ribs, salmon, catfish, and lobsters - food that is typically not served to students in a school setting. Cafeteria employees confirmed to investigators that these food items were never served to MAHS students.

B. Jones misappropriated \$3,528.14 in repair services performed on non-school vehicles

Jones misappropriated \$3,528.14 using school funds as follows:

1. Jones submitted one invoice to the Finance Department totaling \$1,300 for repairs performed on his personal vehicle.
2. Jones submitted another invoice to the Finance Department totaling \$2,228.14 for repairs performed on a MAHS employee's personal vehicle. This employee was Jones' direct subordinate in the Nutritional Services Department.

In both instances, Jones altered certain information on the invoices prior to submission to the Finance Department. Assuming the repairs were performed on one of the three vehicles in the Nutritional Services Department, the Finance Department paid these invoices.

Former Finance Director Robert Williams informed investigators that Jones "slid" the two invoices in with other car repair invoices performed on school vehicles; therefore, Williams was unaware at the time that the school paid the repair shop for services performed on non-school vehicles. As stated above, the board terminated Jones' employment on September 28, 2020.

Summary of Misappropriations by former Nutritional Services Director Michael Jones

Misappropriations	Total
A. Unauthorized Food Purchases	\$ 21,586.05
B. Unauthorized Repairs on Non-School Vehicles	3,528.14
Total	\$ 25,114.19

Summary of Misappropriations by the Three Former Directors

Misappropriations	Total
Former Executive Director Corey Johnson (Finding 1)	\$ 337,955.13
Former Finance Director Robert Williams (Finding 2)	35,295.95
Former Nutritional Services Director Michael Jones (Finding 3)	25,114.19
Total	\$ 398,365.27

4. FORMER EXECUTIVE DIRECTOR COREY JOHNSON AND FORMER FINANCE DIRECTOR ROBERT WILLIAMS MADE QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST \$400,521.45

Between July 2015 and December 2019, investigators question the following disbursements authorized under the management of former Executive Director Corey Johnson and former Finance Director Robert Williams:

A. Williams received \$360,350.94 in questionable payroll payments

In addition to the misappropriations described in **Finding 2**, Williams received \$360,350.94 in questionable payroll payments representing annual compensation, stipends, and performance bonus payments (**Refer to Exhibit 7**).

Exhibit 7

Fiscal Year (FY)*	Annual Salary	Stipends/Bonuses	Amount
FY 16	\$57,000.00	\$ 2,100.00	\$ 59,100.00
FY 17	70,000.08	14,300.00	84,300.08
FY 18	72,100.08	17,400.00	89,500.08
FY 19	74,263.20	15,069.95	89,333.15
FY 20**	35,058.43	3,059.20	38,117.63
Total			\$ 360,350.94

*Fiscal Year: July 1 through June 30 operating period.

**Partial fiscal year. Investigators reviewed Williams' payroll records through December 2019.

Williams did not maintain time records to document his time worked or to justify benefits (e.g., sick or annual leave) accrued and/or used. Investigators were unable to obtain Williams' employment contracts for 2016, 2018, and 2020 fiscal years to verify whether he was paid correctly. No documentation (e.g., annual performance evaluation forms) was provided to investigators to justify the stipend and bonus payments. Williams stated to investigators that some of the stipends on his payroll represent payments for coaching basketball and football; however, Williams could not provide any documentation to verify his claims (no coaching contracts, attendance records, etc.). Williams stated to investigators that his performance evaluations in 2018

and 2019 were not good; yet he received multiple stipends and performance bonuses in both of those years.

B. Johnson made \$40,170.51 in questionable disbursements from the MAHS bank accounts

In addition to the misappropriations described in **Finding 1**, investigators determined that Johnson made questionable disbursements totaling \$40,170.51 using school funds from MAHS bank accounts (**Refer to Exhibit 8**). The questionable disbursements represent payments made to or on behalf of the 100 Black Men, a civic organization in which Johnson is a member. Investigators were unable to obtain documentation to justify these disbursements from the MAHS bank accounts.

Exhibit 8

Questionable Payments by Bank Accounts		Amount	Total
Commercial Bank and Trust Company	High School Account	\$ 29,052.87	\$ 31,015.51
	Middle School Account	1,962.64	
Renasant Bank	High School Account	9,155.00	9,155.00
Total			\$ 40,170.51

**Summary of Questionable Disbursements by Former Finance Director Robert Williams
and Former Executive Director Corey Johnson**

Questionable Disbursements	Total
A. Questionable Payroll Payments Received by Williams	\$ 360,350.94
B. Questionable Disbursements Made by Johnson	40,170.51
Total	\$ 400,521.45

On November 9, 2021, the Shelby County Grand Jury indicted Corey Johnson on one count of Theft over \$250,000 and one count of Theft over \$10,000.

On November 9, 2021, the Shelby County Grand Jury indicted Robert Williams on one count of Theft over \$250,000.

On November 9, 2021, the Shelby County Grand Jury indicted Michael Jones on one count of Theft over \$10,000 and one count of Theft over \$2,500.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Memphis Academy of Health Sciences Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed multiple deficiencies in internal control and compliance, some of which contributed to the former executive director's, former finance director's, and former nutritional services director's abilities to perpetrate their misappropriations without prompt detection.

Internal control is a process that helps ensure three objectives: 1) reliable financial reporting; 2) effectiveness and efficiency of operations; and 3) compliance with laws and regulations. Establishing and maintaining a system of internal controls is required by state and federal laws. The *Internal Control and Compliance Manual for Governmental Entities and Other Audited Entities in Tennessee* (manual) outlines internal control principles applicable to charter schools and other governmental entities receiving public funds.

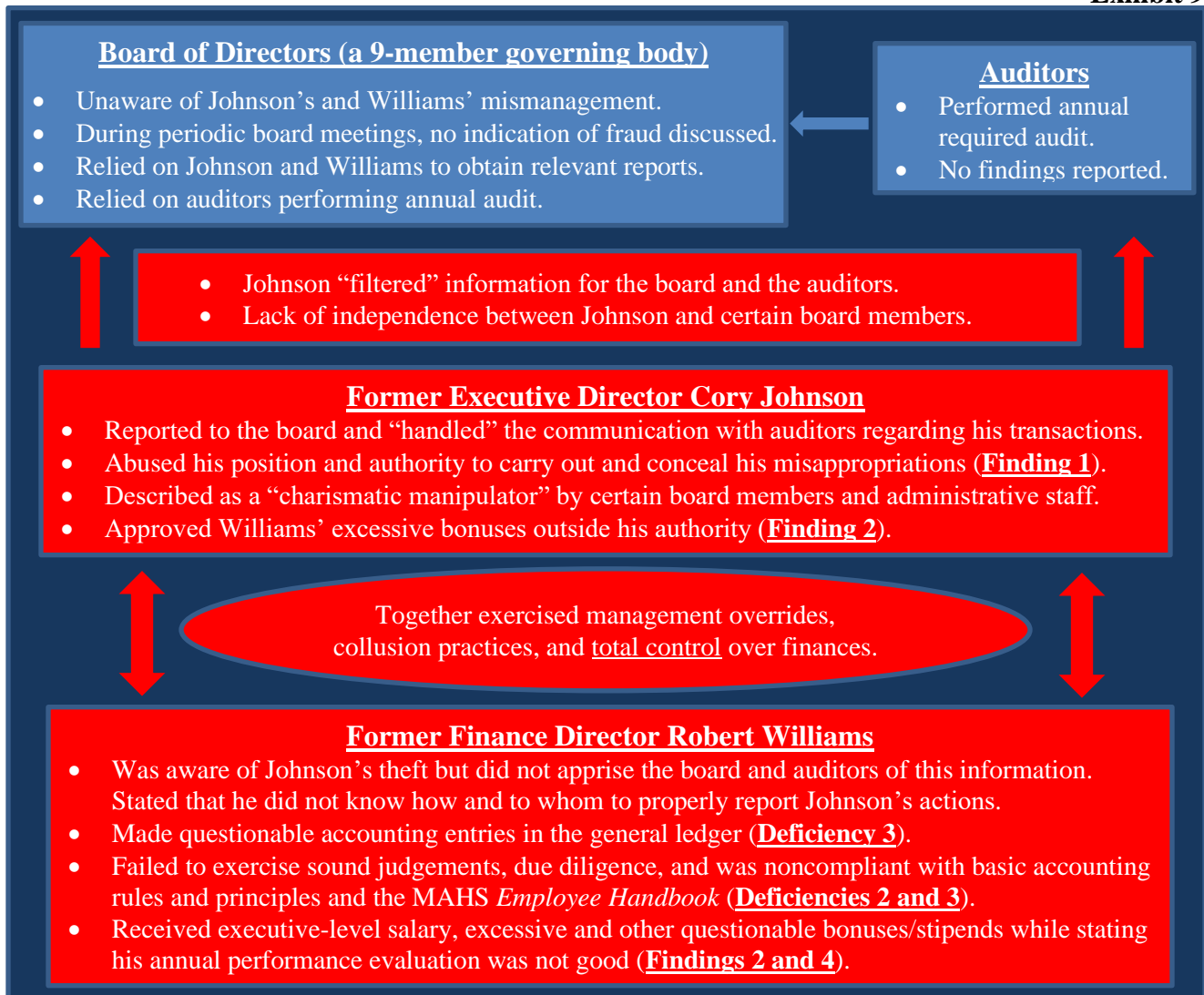
Deficiency 1: MAHS Board of Directors failed to provide adequate oversight of school operations

One of the manual's fundamental internal control principles requires the oversight body and management to demonstrate a commitment to integrity and ethical values. This process involves establishing standards of conduct, developing expectations regarding business practices and ethical behavior (including evaluating potential conflict of interest issues), developing methods of reporting fraud, and effectively implementing and enforcing these principles into the entity's operations.

While the *MAHS Employee Handbook* includes some of these internal controls in the document, the MAHS board failed to effectively implement these internal control principles within the actual processes and operations - the issue of policies shown on paper versus no actual policies implemented in practice. Two key personnel in fiduciary positions over the school finances - former Executive Director Corey Johnson and former Finance Director Robert Williams - continued to carry out their financial improprieties through collusion, management overrides, deceptive accounting practices, questionable management decisions, and acts of dishonesty.

Through personal friendships, fraternity connections, and other social organizational ties between Johnson and certain board members, a lack of independence and questionable due diligence existed in oversight efforts by the board. This organizational set-up contributed to the fact that Johnson and Williams had total control over school finances, and they used their positions and authorities to obtain unauthorized benefits for personal gain and were able to conceal their actions over four and one-half years without any board scrutiny (**Refer to Exhibit 9**).

Exhibit 9



Deficiency 2: The three former directors did not comply with *MAHS Employee Handbook* policies pertaining to purchase and travel reimbursements

The *MAHS Employee Handbook* outlines policies and procedures that MAHS employees must follow pertaining to purchase and travel reimbursements. These policies state that an employee can be reimbursed only for school-related purchases and obtain travel reimbursements incurred in performance of official duties. In addition, the handbook also states that employees must provide original receipts or proper documentation to justify these expenses.

Johnson and Jones did not comply with MAHS policies by making personal-related purchases using school funds and by failing to provide appropriate documentation to justify these expenses. Williams failed to comply with the handbook policy by not holding the former executive director accountable for the noncompliance or reporting these improprieties to the board.

Established rules and policies are effective only when they are being followed. When management is not dedicated to following and enforcing these standards, written policies are useless and carry no value to an entity.

Deficiency 3: Williams made questionable accounting entries and maintained questionable accounting records in the general ledger

The general ledger is the entity's record-keeping system, and it provides a record of financial transactions that take place during the fiscal year. Investigators noted that the former finance director:

- made journal entries in the general ledger without obtaining any source documentation (e.g., invoices, purchase receipts, etc.) for purchases made by the former executive director, or verifying that these expenses were benefiting school operations, its teachers, or students.
- misrepresented entries in the general ledger by not posting expenses to appropriate accounts. For example, accounts like "marketing" or "professional development" were utilized to hide Johnson's personal purchases in the general ledger.
- misrepresented memo entries in the general ledger justifying certain purchases. For example, the hot tub referenced in Exhibit 1 that investigators found at Johnson's personal residence - the former finance director recorded "purchase for high school football team" in the general ledger.
- failed to exercise due diligence and sound judgement over MAHS financial matters pertaining to the record-keeping and accounting functions.

The finance director's position is a key fiduciary over finances, and the person serving in this position should fulfill his or her duties that are in the best interest of an entity while complying with all applicable laws, rules, and guidelines.

Deficiency 4: Several school officials failed to report Johnson’s suspected unlawful conduct to the state Comptroller of the Treasury

Section 8-4-503, *Tennessee Code Annotated*, requires public officials to notify the Comptroller of the Treasury of suspected unlawful conduct within a reasonable amount of time. Williams advised investigators that Johnson’s questionable spending was discussed among several present and former members of the school administration; however, none of these personnel notified the Comptroller’s Office with this information. Early notification could have prevented or helped identify the former executive director’s misappropriation sooner.

Reporting suspicions of fraud is an important mechanism that helps protect the accountability of public funds. Failing to report suspected fraud increases the risk that the funds are not being used for their intended purpose. This increases the risk that the MAHS chartering authority - Shelby County School System - may revoke or deny MAHS its public charter school agreement, thus jeopardizing the continuation of the school and the education of children.

Deficiency 5: MAHS Board of Directors failed to provide adequate oversight of Johnson’s and Williams’ time/work schedules

Both the former executive director and the former finance director were salaried positions; thus, the board did not require them to complete time records. During his tenure, the former executive director traveled extensively on non-school related business as referenced in Exhibit 2, and the former finance director obtained one excessive vacation buy-back and other questionable payroll payments without any supporting documentation as referenced in Findings 2 and 4. Completing time records, even for salaried employees, enables the board to provide increased oversight and to obtain accountability over these employees’ time/work schedules and subsequent payroll payments.

MAHS school officials indicated that they have corrected or will correct these deficiencies.
