

SPECIAL INVESTIGATION

HOLLOWAY NIGHT SCHOOL RUTHERFORD COUNTY SCHOOLS



State of Tennessee

Comptroller of the Treasury

September 11, 2014



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

JAMES K. POLK STATE OFFICE BUILDING, SUITE 1600

505 DEADERICK STREET

NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7907

FAX (615) 532-4499

Justin P. Wilson

Comptroller of the Treasury

September 11, 2014

Director of Schools and Members
of the Board of Education
Rutherford County Schools
2240 Southpark Drive
Murfreesboro, TN 37128

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, conducted a special investigation of selected records of the Holloway Night School, Rutherford County Schools. Presented in this report are the findings resulting from this special investigation.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, 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 cursive script that reads "Stephanie S. Maxwell".

Stephanie S. Maxwell, Deputy General Counsel
Office of the Comptroller of the Treasury

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**SPECIAL INVESTIGATION
HOLLOWAY NIGHT SCHOOL
RUTHERFORD COUNTY SCHOOLS**

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to Holloway Night School, Rutherford County Schools. As set forth below, the special investigation revealed the former bookkeeper misappropriated night school collections totaling at least \$15,875.

INVESTIGATIVE FINDING

1. **FINDING: Former bookkeeper misappropriated tuition collections totaling at least \$15,875**

During the period of July 1, 2010, through June 30, 2012, former bookkeeper Pam Tying misappropriated night school tuition collections totaling at least \$15,875. Although several employees received tuition collections as part of their duties, eventually all collections were remitted to Ms. Tying. In turn, she was solely responsible for turning over the collections, along with the related receipts, to Rutherford County Schools' central office staff for deposit. Instead, our investigation revealed that Ms. Tying misappropriated some cash collections and concealed the misappropriation by failing to turn over receipts for those misappropriated collections.

Ms. Tying disclosed to investigators that she reconciled receipts for night school tuition to the money she turned over to the central office staff for deposit; however, she could not explain the discrepancy of nearly \$16,000.

This matter was referred to the local district attorney general. On September 2, 2014, the Rutherford County Grand Jury indicted Ms. Pam Tying on one count of Theft over \$10,000 and one count of Official Misconduct.

OTHER FINDINGS AND RECOMMENDATIONS

Presented below are findings related to internal control deficiencies noted during our special investigation. School officials have indicated they have corrected these deficiencies.

1. **FINDING: Failure to prepare and retain adequate documentation to account for the transfer of custody of night school tuition collections**

School officials failed to require and ensure that prenumbered receipts were issued, or other documentation prepared, when custody of night school collections was transferred between school employees, including collections remitted to the former bookkeeper. Various employees received night school collections. The collections were routed through an assistant principal and eventually turned over to the former bookkeeper. The school employees did not document the dates and amounts of money being transferred.

Accounting standards provide that internal controls should be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. Failure to properly document the transfer of collections from one school employee to another and to reconcile these amounts to the amount remitted to the central office contributed to the former bookkeeper's ability to misappropriate funds without prompt detection.

RECOMMENDATION:

To help ensure that all night school collections are remitted to central office staff for deposit, school officials should ensure that a prenumbered receipt is issued, or other documentation is prepared, any time the custody of and responsibility for funds are transferred.

2. **FINDING: Collections not deposited promptly**

The former bookkeeper failed to remit school collections to Rutherford County Schools' central office staff for deposit within three days of receipt. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds into an official bank account within three business days of collection.

RECOMMENDATION:

To help prevent the misuse, manipulation, or loss of collections, school officials should require and ensure that all collections are turned over intact for deposit within three business days of collection.