



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
FINANCIAL AND COMPLIANCE INVESTIGATIONS**

Justin P. Wilson
Comptroller of the Treasury

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July 10, 2014

James L. Long, Director of Schools
Humphreys County Schools
2443 Highway 70 East
Waverly, Tennessee 37185

John Tidwell, Principal
Lakeview Elementary School
802 Long Street
New Johnsonville, Tennessee 37134

Gentlemen:

On November 12, 2013, we received an allegation that a teacher had misappropriated funds at New Johnsonville's Lakeview Elementary School in Humphreys County. As a result of this allegation, we conducted an investigation, in conjunction with the Tennessee Bureau of Investigation (TBI), for the period August 1, 2009, through November 30, 2013. The scope of our investigation related to the teacher's inappropriate use of a school Wal-Mart credit card and funds from a bank account held on behalf of a youth basketball league. In addition to the review of these items, we also conducted interviews and reviewed internal controls in place at the school. Our investigation revealed a cash shortage of \$11,527.41 as follows:

- Personal purchases of \$8,982.77 were made using the school's Wal-Mart credit card.
- Funds totaling \$2,544.64 were used for personal purchases from a bank account held on behalf of a youth basketball league.

On November 25, 2013, during an interview with comptroller investigators, the teacher admitted to using the school's Wal-Mart credit card for personal use. In a subsequent interview on December 5, 2013, with comptroller investigators and the TBI, the teacher admitted to using funds from the account of the youth basketball league for personal use. The teacher subsequently resigned her employment with Lakeview Elementary. During the period, we noted that the teacher replaced misappropriated funds totaling \$1,780 to the school with personal funds, which left an unpaid cash shortage of \$9,747.41 at November 30, 2013.

Presented below are the findings and recommendations resulting from our investigation. These findings and recommendations have been reviewed with management to provide an opportunity for their response. Also, these findings and recommendations have been reviewed with the district attorney general for the 23rd Judicial District. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/> .

INVESTIGATIVE FINDINGS

FINDING 1 **A CASH SHORTAGE OF \$11,527.41 RESULTED FROM PERSONAL EXPENDITURES FROM PROGRAMS AT LAKEVIEW ELEMENTARY SCHOOL**

A cash shortage of \$11,527.41 resulted from personal expenditures of an art teacher from programs at Lakeview Elementary School during the period July 1, 2009, through November 30, 2013. This cash shortage is comprised of the following:

- A. A teacher used a school Wal-Mart credit card for personal purchases totaling \$8,982.77. These charges included purchases of alcoholic beverages, clothing, food, cosmetics, a camera, iPad, DVDs, scrapbooking supplies, an Xbox membership, and gift cards. In an interview, the teacher admitted that she used the school's credit card for personal purchases. It should be noted that the teacher repaid \$1,780 of the cash shortage, leaving an unpaid cash shortage of \$7,202.77 from credit card purchases at November 30, 2013.

- B. We discovered the teacher also had debit card access to the funds of a youth basketball league known as the Vision League. The Vision League is a K-8 basketball league for students in Humphreys and Benton counties that is organized and operated by community members and parents of participants. Lakeview Elementary School provides facilities for games and receives funds from the league, but does not oversee the league. Another faculty member involved with the league noted several questionable transactions in the league's bank account and questioned the teacher about the transactions. We determined the teacher misappropriated \$2,544.64 from the account. These charges included cash withdrawals, purchases of clothing, alcoholic beverages, and payments on personal debt. In an interview, the teacher admitted that she used funds from the account for personal purchases. The following table summarizes the inappropriate charges:

Date	Payee	Amount
Various	Cash Withdrawals	\$ 692.00
Various	Stanley Lawhorn & Lebowsk	723.04
Various	Jadore	311.60
Various	Abella Boutique	252.49
12/21/2012	Nationwide	127.50
1/24/2013	TeamFanShop.com	116.89
12/18/2012	Target.com	65.81
11/17/2013	Madras Moose	59.88
12/15/2012	FMN Boutique	52.43
11/18/2013	AT&T	44.40
1/24/2013	The Blue Door Boutique	43.95
1/13/2013	The Whispering Tree	38.41
1/15/2013	Hunt's Riverside Liquors	16.24
	Total	\$ 2,544.64

RECOMMENDATION

Officials should take steps to recover the unpaid cash shortage of \$9,747.41 (\$7,202.77 from the unauthorized use of the school’s credit card and \$2,544.64 from the Vision League basketball program).

MANAGEMENT’S RESPONSE - JAMES LONG, DIRECTOR OF SCHOOLS, AND JOHN TIDWELL, LAKEVIEW ELEMENTARY PRINCIPAL

Director of Schools will contact the District Attorney’s office and ask that the teacher replace the misappropriated funds as part of any agreement or punishment.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

FINDING 2 **LAKEVIEW ELEMENTARY SCHOOL DID NOT HAVE A CREDIT CARD POLICY OR MAINTAIN ADEQUATE CONTROLS OVER THE CREDIT CARDS**

Lakeview Elementary has thirty-two Wal-Mart credit cards issued to teachers and staff. These employees keep the cards on their person for use at any time. Employees who use the cards usually turn in receipts for most purchases; however, we noted that administrative staff do not match these receipts to the monthly credit card statements or review the charges for appropriateness before paying the bill. This greatly increases the risk that personal purchases can be made on a card without detection.

We were advised by the Humphreys County Board of Education that an official credit card policy is in place for credit cards maintained at the central office; however, this policy does not apply to individual schools in the county. The *Tennessee Internal School Uniform Accounting Policy Manual*, Section 4, requires that policies regarding credit card use be established, and it provides the specific information that should be included in the policy. Without a formal credit card policy, teachers have no limitations on their credit card purchases.

RECOMMENDATION

Per the *Tennessee Internal School Uniform Accounting Policy Manual*, Section 4, the Humphreys County Board of Education should adopt a credit card policy for individual schools and implement controls to ensure the policy is followed. Administrative staff should require receipts for all credit card purchases and match these receipts to billing statements prior to paying the bill.

MANAGEMENT'S RESPONSE - JAMES LONG, DIRECTOR OF SCHOOLS, AND JOHN TIDWELL, LAKEVIEW ELEMENTARY PRINCIPAL

Humphreys County Board of Education at the August Board meeting will include all individual schools as part of countywide credit card policy.

FINDING 3 **THE VISION LEAGUE DID NOT MAINTAIN ADEQUATE CONTROLS OVER ITS BANK ACCOUNT**

The Vision League maintained a bank account for funds received through registration fees and proceeds from ticket and concession sales. Duties were not segregated adequately regarding the account. One person was responsible for all aspects of the account, including receipt of the monthly statements, deposits, and transactions. In addition, that same person had access to a debit card that was linked to the account. Although another person was a signatory on the account, this person did not perform any regular reviews of the account. *The Model Financial Policy for School Support Organizations* states that financial responsibilities should be separated whenever possible. One person should not have complete control of the organization's finances. Periodic reviews of bank statements and other documentation by other officers or members helps detect errors and enhances the integrity of financial information.

RECOMMENDATION

The Vision League should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE - JAMES LONG, DIRECTOR OF SCHOOLS, AND JOHN TIDWELL, LAKEVIEW ELEMENTARY PRINCIPAL

Lakeview Vision League will be discontinued.

FINDING 4

LAKEVIEW ELEMENTARY SCHOOL AND THE VISION LEAGUE DID NOT FOLLOW PROPER PROCEDURES IN THE HANDLING OF VISION LEAGUE FUNDS

Lakeview Elementary School provided facilities for Vision League games and received funds from the league, but it did not exercise any oversight over the money collected. Employees at the school were responsible for collecting funds related to the league in the form of registration fees, concession stand sales, and tickets.

Tennessee Code Annotated, Section 49-2-606, provides that a local board of education may grant the principal of a school the authority to enter into an agreement with a school support organization to operate and collect money for a concession stand or other activities provided that, among other things, the school support organization provides the school with the relevant collection documentation. We were unable to find documentation that the Vision League had been properly designated as a school support organization. In addition, we were unable to find any books, ledgers, spreadsheets or financial records of the organization's operations other than bank statements during our review.

Tennessee Code Annotated, Section 49-2-604, states that a group or organization may not use a school district or school's name to solicit, raise, or collect money unless that organization has fulfilled certain requirements established by state law. According to those requirements, a school support organization must "adopt and maintain a written policy which specifies reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it."

Money collected by school employees on school property is the responsibility of the school. *The Tennessee Internal School Uniform Accounting Policy Manual*, Section 5 states, "The school becomes accountable when money is initially received by employees, officials, or volunteers acting in their official capacity."

RECOMMENDATION

Lakeview Elementary School and the Vision League should ensure that proper procedures are in place to account for the collection and documentation of funds related to Vision League activities that take place on school property.

MANAGEMENT'S RESPONSE - JAMES LONG, DIRECTOR OF SCHOOLS, AND JOHN TIDWELL, LAKEVIEW ELEMENTARY PRINCIPAL

Lakeview Vision League will be discontinued.

If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh

CC: Members of the Humphreys County Board of Education