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DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT

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May 26, 2011

Donnie Poston, Director of Schools  
and Members of the Board of Education  
Campbell County School System  
P. O. Box 445  
Jacksboro, TN 37757

Director and Members of the Board of Education:

We have concluded our investigative audit of selected records of the Jacksboro Elementary School, Campbell County School System. The investigative audit focused on the period July 1, 2009, through June 30, 2010. However, when warranted, this scope was expanded.

### **Unaccounted for air purifiers**

Our investigative audit revealed that between August 2009 and January 2010, the school purchased 33 air purifiers<sup>1</sup> from the principal, Sandra Chaniott; however, when the state auditor requested to inspect those items, Ms. Chaniott was able to locate only four units in use at the school and one unit in storage. She advised the state auditor that the others were at her home. The following day, Ms. Chaniott provided a total of only 28 purifiers for review. However, the auditor found that, based on the serial numbers on the purifiers, 16 of the units Ms. Chaniott presented actually belonged to Caryville Elementary School.<sup>2</sup> Therefore, Ms. Chaniott apparently never provided at least 21 purifiers, totaling \$8,523, to the school.

This matter was referred to the local district attorney general. On May 20, 2011, the Campbell County Grand Jury indicted Sandra Chaniott on one count of Theft over \$1,000 and one count of Official Misconduct.

### **Conflict of interest – principal buying air purifiers from herself – making a profit**

Our investigative audit revealed that the principal personally sold equipment to Jacksboro Elementary School. As noted above, it appears that Ms. Chaniott never delivered at least 21 of

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<sup>1</sup> The principal sold two types of air purifiers to the school – EcoBox units with a retail cost of \$349, and Fresh Air units with a retail cost of \$747.

<sup>2</sup> Ms. Chaniott had sold at least 47 air purifiers to Caryville Elementary School during the 2008 and 2009 school years, while she was principal there.

Donnie Poston, Director of Schools  
and Members of the Board of Education  
Campbell County School System  
May 26, 2011  
Page 2

the units for which she was paid \$8,523. However, of the remaining 12 units that she eventually delivered to the school, Ms. Chaniott personally profited at least \$2,138 from those sales. In addition, our investigative audit found that Ms. Chaniott was paid for at least 47 air purifiers by Caryville Elementary School while she was principal there.<sup>3</sup> Assuming Ms. Chaniott actually delivered all those purifiers to Caryville Elementary School, she would have personally profited \$6,898 from those sales.

Campbell County Board of Education policy, 5.601, states:

Administrative and supervisory personnel shall have no financial interest, directly or indirectly, in supplying books, maps, school furniture, or apparatus for the schools or act as agent for any author, publisher, bookseller, or dealer in school furniture or apparatus, however a spouse or family member of a principal, teacher or other school administrative employee may participate in business transactions with the school system where a sealed competitive bid system is used, provided that the employee does not have discretion in the selection of the bids or specifications....

Employees of the Board will not engage in, or have financial interest in, any activity that raises a reasonable question of conflict of interest with their duties and responsibilities as members of the school staff. This includes but is not limited to the following:...

4. The board shall make no purchase of supplies, materials, or equipment from a school system employee.

### **Conflict of interest – hiring her son to paint at the school**

Our review revealed that the principal, Ms. Chaniott, hired her son and another individual to provide painting services at Jacksboro Elementary School, paying them \$7,002 and \$3,799, respectively. The painting project was not let out for competitive bid; instead, the principal selected the painters. Our investigative audit also found that that Ms. Chaniott endorsed the back of each check payable to the painters. She told the state auditor that she cashed the checks on behalf of the painters because they did not have bank accounts.

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<sup>3</sup> The state auditor and Caryville Elementary staff were only able to locate 13 units on school property in March 2011.

Donnie Poston, Director of Schools  
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Campbell County School System  
May 26, 2011  
Page 3

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Employees of the Board will not engage in, or have financial interest in, any activity that raises a reasonable question of conflict of interest with their duties and responsibilities as members of the school staff.

### **Failure to properly report payments**

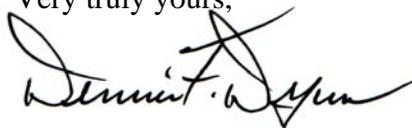
The school failed to report the payments made to the two painters to the Internal Revenue Service on the required federal Form 1099. Section 6041A, *Federal Tax Code*, requires anyone in business (which includes governments and schools) who paid one or more noncorporate recipients \$600 or more in a calendar year to report those payments to the Internal Revenue Service.

### **Additional comment**

Auditors also noted that, from July 1, 2009, to July 31, 2010, during Ms. Chaniott's first 13 months as principal at Jacksboro Elementary School, the school's activity fund bank balance went from \$44,000 down to \$4,000.

If you have any questions concerning the above matter, please contact me.

Very truly yours,



Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit