



# CLARKSVILLE-MONTGOMERY COUNTY SCHOOL SYSTEM CHILD NUTRITION

**Investigative Report**  
August 13, 2015

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**Justin P. Wilson, Comptroller**





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

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Comptroller of the Treasury

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August 13, 2015

Dr. B.J. Worthington, Director of Schools  
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Dr. Worthington:

We performed an investigation of selected records of the Clarksville-Montgomery County School System's Child Nutrition Department (the Child Nutrition Department) for the period January 1, 2011, through June 30, 2014, and the Clarksville Child Nutrition Association (the Nutrition Association) for the period January 1, 2012, through April 30, 2015. Our investigation revealed the following deficiencies:

- The Child Nutrition Department's director had a conflict of interest, which violated the School System's purchasing policy by making purchases totaling \$73,916.86 from a vendor that employed the director's husband as a sales representative.
- The former and current Nutrition Association treasurers paid personal expenses with association funds.
- The Nutrition Association used School System commodities without reimbursing the Child Nutrition Department.
- The Nutrition Association had operating deficiencies.
- The Child Nutrition Department had deficiencies in purchasing procedures.

Findings and recommendations, as a result of our investigation, are presented below. 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 Nineteenth Judicial District.

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## **The Clarksville-Montgomery County School System's Child Nutrition Department**

The Child Nutrition Department is primarily responsible for all cafeteria operations, including the preparation of school breakfasts and school lunches. The department is supported through revenue generated from the sale of meals plus federal and state funds awarded based on meal participation. The department participates in the National School Lunch and National School Breakfast Programs. These programs are federally assisted child feeding programs sponsored by the United States Department of Agriculture (USDA) and provide free or reduced meals to students whose families meet certain criteria. In addition, the USDA provides commodities in the form of taxpayer provided food to the department for use in these programs. The former director of the Child Nutrition Department became the director on July 27, 1992, and retired on June 30, 2015.

## **The Clarksville Child Nutrition Association**

The Nutrition Association is a school support organization for the Clarksville-Montgomery County School System and is a local chapter of the national School Nutrition Association and the state School Nutrition Association. The Nutrition Association is a nonprofit organization made up of a board of directors and employees, all employed by the Clarksville-Montgomery County School System. The Nutrition Association raises funds by catering events and bake sales to pay travel and food expenses for members to attend conferences and trainings. The Nutrition Association catering events have included banquets, weddings, and award ceremonies for various organizations. As a school support organization, the Nutrition Association is required to follow the *Model Financial Policy for School Support Organizations* prescribed by the Tennessee Comptroller of the Treasury. This model policy provides minimum internal controls to assist members and officers in improving accountability over school support organization funds. In addition, the Nutrition Association has guidelines that school support organizations are required to follow. The Nutrition Association maintains its own bank account and manages its operations in accordance with adopted by-laws. The former treasurer resigned on August 16, 2013.

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## **INVESTIGATIVE FINDINGS AND RECOMMENDATIONS**

### **FINDING 1                    **THE FORMER CHILD NUTRITION DEPARTMENT DIRECTOR HAD A CONFLICT OF INTEREST AND VIOLATED THE SCHOOL SYSTEM'S PURCHASING POLICY****

The former Child Nutrition Department director steered certain food items and food service equipment purchases to a vendor who employed her husband as a sales representative. Official duties of the director included developing bid specifications as well as selecting suppliers. The Clarksville-Montgomery County School System issued 16 checks totaling \$73,916.86 to the director's husband's employer between February 17, 2011, and June 18, 2012, for Child Nutrition Department purchases. We reviewed invoices and communicated with the vendor to confirm that the director's husband served as sales representative for each of the purchases. The invoices did not identify the sales representative by name but did include an employee identification number. Also, we determined that the Child Nutrition Department director was responsible for initiating each of the purchases. The director's husband was employed by the vendor until being hired by the Clarksville-Montgomery County

School System on August 15, 2012. We noted no other purchases from this food service vendor before or after the husband's employment as a sales representative. The chief financial officer was not aware the Child Nutrition Department director's husband was the sales representative of a vendor employed by the School System.

Section 12-4-101(b), *Tennessee Code Annotated*, states, "It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be indirectly interested in any such contract unless the officer publicly acknowledges such officer's interest."

In addition, these purchases violated the Clarksville-Montgomery County School System's purchasing policy. That policy states, "No employee is to be financially interested, or have any direct personal beneficial interest in any contract or purchase order for any supplies, materials, equipment or contractual services used by or furnished to the school system." This conflict of interest and violation of purchasing policy were the result of a lack of administrative oversight.

**RECOMMENDATION**

Purchasing procedures and internal controls should be monitored for the detection of conflicts of interest and violation of policies. Management should develop disclosure forms for each employee to note potential conflicts of interest annually.

**MANAGEMENT'S RESPONSE—DR. B.J. WORTHINGTON, DIRECTOR OF SCHOOLS**

We concur and going forward, CMCSS is amending its Conflict of Interest and Purchasing policies to strengthen its ability to detect conflicts of interest and violation of policies. Annual training on the Conflict of Interest Policy will now be required for all CMCSS employees.

In accordance with CMCSS' Conflict of Interest Policy (HUM-A069) as amended, all employees in the position of making purchasing decisions requiring either informal quotes or a formal bid must now disclose any potential conflict of interest or any appearance of a conflict of interest. Also, according to CMCSS' Purchasing Policy (PUR-A001) as amended, the CMCSS employee making the purchasing decision and those employees in their direct chain of command will now be required to complete the Conflict of Interest Disclosure Form (New), to be retained on file with the solicited quotes/formal bids for audit purposes. Purchase requests without the proper supporting documentation will be denied.

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**FINDING 2                    THE FORMER NUTRITION ASSOCIATION TREASURER PAID PERSONAL EXPENSES WITH ASSOCIATION FUNDS**

The former Nutrition Association treasurer charged association related official travel expenses on two of her personal credit cards during the period under examination and then electronically transferred funds from the association's official bank account to pay for these expenses. These two personal credit cards were "Rewards" cards that earned points toward additional purchases. We determined the electronic payments from the association's official

bank account to pay the personal credit cards totaled \$12,203.91; however, this total included \$491.12 for personal expenses. These personal expenses included payments for items such as Stubhub; Shell Oil; the Gold Strike Casino in Robinsonville, Mississippi; and Weight Watchers. In a written statement, the treasurer admitted that “I took funds from the nutrition account and transferred those to my personal account. There were times when bills would come due, and I transferred the money to cover them. I don’t know how much was moved, but it was more than the travel reimbursements.”

We examined the treasurer’s credit card records and noted that on three occasions, she appeared to have charged more for Nutrition Association travel expenses than she was reimbursed. The expenses on these three occasions totaled \$1,859.41; however, due to the lack of documentation regarding who attended the Nutrition Association events and a lack of accounting records maintained by the treasurer, we could not determine if the travel was personal in nature, or if other association members attended the events and reimbursed the treasurer personally for their portion of the expenses. The payments of personal expenses resulted from insufficient internal controls and a lack of oversight by Nutrition Association officers.

**RECOMMENDATION**

The Nutrition Association should seek reimbursement of the \$491.12 from the former treasurer for her personal expenses paid from association funds. School support organization expenses should not be paid by an employee using their personal funds. The Nutrition Association should implement internal controls and provide sufficient oversight over all association operations to ensure expenses are adequately documented.

**MANAGEMENT’S RESPONSE—DR. B.J. WORTHINGTON, DIRECTOR OF SCHOOLS**

We concur. The treasurer for the Nutrition Association will seek reimbursement of the \$491.12 from the former treasurer for her personal expenses paid from association funds.

The district was not aware that the Nutrition Association was classified as a SSO, rather than a totally separate organization. CMCSS currently provides oversight and support to over 60 School Support Organizations (SSO). Several training opportunities are provided annually to SSOs by CMCSS to address the School Support Organization Financial Accountability Act, to ensure bylaws and goals are turned in annually, officers have an understanding of accounting procedures and internal controls, and other pertinent information required for compliance. The back-to-school training session is mandatory for all SSO Presidents and Treasurers. The Nutrition Association is currently inactive and should they be reactivated, will be required to attend the training and receive the same oversight as other SSOs.

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**FINDING 3                    THE CURRENT NUTRITION ASSOCIATION TREASURER PAID HER PERSONAL ELECTRIC BILL WITH ASSOCIATION FUNDS.**

On December 3, 2014, the current Nutrition Association treasurer wrote a check from the association’s official bank account totaling \$196.21 to the Clarksville Department of Electricity (CDE) to pay her personal electric bill. This was the only payment to CDE noted during the period. The treasurer advised us that she was unaware the check was written on the

Nutrition Association account and stated she would reimburse the amount. This payment resulted from insufficient internal controls and a lack of oversight by Nutrition Association officers.

**RECOMMENDATION**

The Nutrition Association should verify that the treasurer reimbursed the \$196.21 used for personal expenses. The Nutrition Association should implement internal controls and provide oversight over all association operations.

**MANAGEMENT’S RESPONSE—DR. B.J. WORTHINGTON, DIRECTOR OF SCHOOLS**

We concur. The Nutrition Association will verify reimbursement of the \$196.21 from the treasurer for her personal expenses paid from association funds.

The district was not aware that the Nutrition Association was classified as a SSO, rather than a totally separate organization. CMCSS currently provides oversight and support to over 60 School Support Organizations (SSO). Several training opportunities are provided annually to SSOs by CMCSS to address the School Support Organization Financial Accountability Act, to ensure bylaws and goals are turned in annually, officers have an understanding of accounting procedures and internal controls, and other pertinent information required for compliance. The back-to-school training session is mandatory for all SSO Presidents and Treasurers. The Nutrition Association is currently inactive and should they be reactivated, will be required to attend the training and receive the same oversight as other SSOs.

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**FINDING 4                    THE NUTRITION ASSOCIATION USED COMMODITIES  
WITHOUT REIMBURSING THE CHILD NUTRITION  
DEPARTMENT**

Child Nutrition Department employees and the former Child Nutrition Department director advised us that for over 30 years the Nutrition Association routinely used School System facilities and USDA commodities for fundraising and catering events. We determined through our interviews that the Nutrition Association used \$134.84 of commodities during a recent fundraising event without reimbursing the School System; however, the Nutrition Association reimbursed the \$134.84 after discussions with investigators. There were insufficient inventory records detailing the amounts of commodities used for Nutrition Association events; therefore, we were unable to determine the value of commodities used by the Nutrition Association for the period of our investigation.

Concerning the use of commodities outside the nonprofit school food service, Title 7 *Code of Federal Regulations* (CFR) Part 250, Section 6(b), states, “In all cases, the school food authority must ensure reimbursement to the nonprofit school food service account for the value of donated foods used in such activities, in addition to reimbursement for other resources utilized from that account.” The Nutrition Association’s use of commodities without reimbursement resulted in children not receiving taxpayer funded food donations and was a result of a lack of management oversight.

## **RECOMMENDATION**

The School System should use commodities only as authorized by federal guidelines, and the School System should be reimbursed for the use of commodities by any separate entity.

## **MANAGEMENT’S RESPONSE—DR. B.J. WORTHINGTON, DIRECTOR OF SCHOOLS**

We concur.

The district was not aware that the Nutrition Association was classified as a SSO, rather than a totally separate organization. CMCSS currently provides oversight and support to over 60 School Support Organizations (SSO). Several training opportunities are provided annually to SSOs by CMCSS to address the School Support Organization Financial Accountability Act, to ensure bylaws and goals are turned in annually, officers have an understanding of accounting procedures and internal controls, and other pertinent information required for compliance. The back-to-school training session is mandatory for all SSO Presidents and Treasurers. The Nutrition Association is currently inactive and should they be reactivated, will be required to attend the training and receive the same oversight as other SSOs.

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## **INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES**

### **FINDING 5            THE    NUTRITION    ASSOCIATION    HAD    OPERATING DEFICIENCIES**

The Nutrition Association had multiple operating deficiencies that exposed the association to risks of collections not being recorded, disbursements not being authorized, and funds being misappropriated. We noted the following deficiencies resulting from a lack of management oversight:

- A. The Nutrition Association failed to issue prenumbered receipts for collections as required by the *Model Financial Policy for School Support Organizations*. Therefore, we were unable to verify the amount of collections and whether the Nutrition Association deposited all collections in the bank.
- B. The Nutrition Association failed to count and record total collections received at fundraising events as required by the *Model Financial Policy for School Support Organizations*. Requirements for collections from certain events or mass collections (e.g., concessions, parking, car washes, candy sales) are as follows:
  - A record of the total collections each day must be created.
  - Two individuals should count the collections and prepare a count sheet signed by both individuals.
  - When the collections are remitted to the treasurer, the treasurer and the two individuals should recount the collections, and the treasurer should then immediately issue a receipt to the individuals.
  - The count sheet should be retained and filed by the treasurer.

- C. The Nutrition Association did not properly maintain and file supporting documentation for disbursements. Of the 137 disbursements reviewed totaling \$46,547.06, 55 disbursements totaling \$23,934.17 had insufficient or no supporting documentation on file. The disbursements with no supporting documentation included a \$1,500 check written to cash and two ATM withdrawals for \$500 and \$20. The *Model Financial Policy for School Support Organizations* states, “Each check written should have a receipt or invoice filed by check number. The treasurer should write the check number and date paid on the invoice or receipt. When a receipt or invoice is not available, a written document, signed by the treasurer, describing the expenditure and explaining why no other documentation is provided, should be created and filed.”
- D. Checks written for disbursements did not contain two authorizing signatures as required by the *Model Financial Policy for School Support Organizations*.
- E. The Nutrition Association did not always perform monthly bank reconciliations. The *Model Financial Policy for School Support Organizations* states, “Bank accounts should be reconciled promptly. A copy of the bank statement and imaged checks should be included in the minutes.”
- F. The Nutrition Association did not segregate duties among officers and members adequately. The treasurer signed checks, prepared accounting records, received collections, and made deposits. The *Model Financial Policy for School Support Organizations* states, “Financial responsibilities should be separated whenever possible. One person should not have complete control of the organization’s finances. Officers or members periodically reviewing bank statements and other documentation helps detect errors and enhances the integrity of financial information.”
- G. The treasurer did not provide a monthly signed summary of collections and disbursements to officers and members of the association. The *Model Financial Policy for School Support Organizations* requires the treasurer to provide a signed summary of collections and disbursements to association officers on a monthly basis. Due to the lack of financial reports and documentation, officers and members did not know the association’s monthly financial position, including a bank overdraft that occurred during the period, which resulted in \$35 for overdraft fees.
- H. The Nutrition Association has not adopted written policies on procedures for accounting, controlling, and safeguarding money, materials, property, or securities collected or disbursed, as required by the *Model Financial Policy for School Support Organizations*. The lack of written policies exposes the association to risks that collections may not be accounted for properly or funds may be misappropriated.

## **RECOMMENDATION**

The Nutrition Association should develop written policies and procedures to correct the above-noted operating deficiencies as referenced in the *Model Financial Policy for School Support Organizations*.

**MANAGEMENT’S RESPONSE—DR. B.J. WORTHINGTON, DIRECTOR OF SCHOOLS**

We concur.

The district was not aware that the Nutrition Association was classified as a SSO, rather than a totally separate organization. CMCSS currently provides oversight and support to over 60 School Support Organizations (SSO). Several training opportunities are provided annually to SSOs by CMCSS to address the School Support Organization Financial Accountability Act, to ensure bylaws and goals are turned in annually, officers have an understanding of accounting procedures and internal controls, and other pertinent information required for compliance. The back-to-school training session is mandatory for all SSO Presidents and Treasurers. The Child Nutrition Association is currently inactive and should they be reactivated, will be required to attend the training and receive the same oversight as other SSOs.

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**FINDING 6                      THE CHILD NUTRITION DEPARTMENT HAD DEFICIENCIES IN PURCHASING PROCEDURES**

As a part of our investigation, we reviewed 44 check purchases and 24 monthly credit card billings for the Child Nutrition Department.

Our examination revealed the following deficiencies, which can be attributed to a lack of management oversight:

- A. The Child Nutrition Department misclassified two purchases made by checks totaling \$1,110.11 and 19 purchases made by credit card totaling \$2,554.51 in the accounting records. The two check purchases were made from the vendor where the former Child Nutrition Department director’s husband worked as a sales representative and are included in amounts discussed in Finding 1 of this report. The credit card purchases included questionable purchases of coffee and coffee creamer. These misclassifications resulted in expenditure accounts not reflecting the true nature of the transactions. The misclassified purchases resulted from a lack of oversight by the School System’s administration and are summarized in the table below:

Check/ Billing Statement Date	Recorded Object Code (Line Item)	Object Code Description	Purchase Total	Purchase Description
<b><u>Check Purchases</u></b>				
5/23/2011	435	Office Supplies	\$ 852.21	(1) dressing, (1) 10lbs cherry tomatoes, (1) bag feta cheese, (1) box 36 lemons, (3) lasagna, (3) cheesecake, (1) 120 pack bread, (1) 132 pack breadsticks, (4) 4 pack pasta
6/1/2011	435	Office Supplies	257.90	plastic party cups
		Total	<u>\$ 1,110.11</u>	
<b><u>Credit Card Purchases</u></b>				
10/25/2012	435	Office Supplies	\$ 78.02	Keurig coffee, creamer, letter openers
11/26/2012	418	Equipment & Machine Parts	7.96	Keurig coffee
1/25/2013	418	Equipment & Machine Parts	76.94	Keurig coffee
3/25/2013	435	Office Supplies	146.14	maintenance supplies, Kraft paper rolls
4/25/2013	435	Office Supplies	48.93	* Keurig coffee
6/25/2013	435	Office Supplies	46.99	labels, van wash
7/25/2013	435	Office Supplies	340.67	conference parking, paint, shipping
8/26/2013	399	Other Contracted Services	21.42	sherbet, ginger ale, cutlery
8/26/2013	435	Office Supplies	14.70	double loop zinc
8/26/2013	435	Office Supplies	52.22	various maintenance supplies
9/25/2013	435	Office Supplies	139.25	various maintenance supplies
9/25/2013	435	Office Supplies	67.73	misc. tools
10/25/2013	435	Office Supplies	59.41	screw extractor set, maintenance supplies
11/25/2013	435	Office Supplies	528.00	maintenance supplies, ladders, stamps
11/25/2013	435	Office Supplies	404.13	various maintenance supplies
12/26/2013	435	Office Supplies	70.45	utlt 25 ft, plunger, zipper bags
12/26/2013	435	Office Supplies	149.24	food, candles, batteries, wxmn 48-ct, rolling workshop, WD-40, electrical supplies
1/27/2014	435	Office Supplies	302.31	food, tire gauges, 3 jaw puller kit, thermometers
		Total	<u>\$ 2,554.51</u>	

\* This purchase was reimbursed by the Child Nutrition Director after being questioned by the Finance Director.

B. The Child Nutrition Department used check request forms instead of purchase orders for three purchases totaling \$1,890.68. Check request forms are official documents of the School System; however, there is no policy governing their use. The use of check request forms allowed purchases requiring a purchase order to be made without prior approval.

**RECOMMENDATION**

The Child Nutrition Department should properly classify expenditures to reflect the true nature of the transactions. Coffee and coffee creamer should not be purchased with taxpayer funds. The School System should implement a policy for the use of check request forms. The School System should use purchase orders for all applicable purchases as required by its purchasing policy.

**MANAGEMENT’S RESPONSE—DR. B.J. WORTHINGTON, DIRECTOR OF SCHOOLS**

We concur.

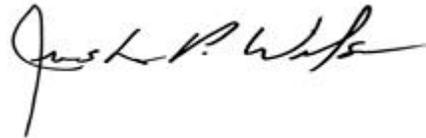
As stated in the state’s recommendation, CMCSS’ purchasing policy does require the use of a purchase order for all applicable purchases. See Purchasing Policy (PUR-A001) and Guidelines for the Implementation of Purchasing Policy (PUR-G002). To further strengthen these policies, the district will establish and implement a policy for the use of check request forms. Training will be provided to appropriate district employees to ensure compliance and to address the proper classification of expenditures and the purchase of items as noted.

Of the credit card purchases noted, \$162.92 was for Keurig coffee purchased for staff use, and this was stopped in April 2013. All other purchases, which totaled \$2,391.59, were appropriate purchases for use in the Child Nutrition Department but had not been coded to the proper general ledger account.

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

Sincerely,



Justin P. Wilson  
Comptroller of the Treasury

JPW/kbh