



**LA FOLLETTE ELEMENTARY SCHOOL
PARENT-TEACHER ORGANIZATION**

Comptroller's Investigative Report
November 3, 2017

Justin P. Wilson, Comptroller





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Justin P. Wilson
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Chief of Staff

November 3, 2017

Larry Nidiffer, Director of Schools
and Members of the Board of Education
Campbell County Schools
172 Valley Street
Jacksboro, TN 37757
and
Meredith Arnold, Principal
LaFollette Elementary School
105 Myers Lane
LaFollette, TN 37766

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the LaFollette Elementary School Parent-Teacher Organization, and the results are presented herein.

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,

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

Lafollette Elementary School Parent-Teacher Organization

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Lafollette Elementary School Parent-Teacher Organization (PTO). The Comptroller's Office initiated the investigation after officials with Campbell County Schools reported questionable transactions in the PTO bank records.

INVESTIGATIVE RESULTS

- **Former events coordinator and former president misappropriated PTO funds totaling at least \$8,286**

During the period October 2015 through February 2017, Matthew Brooks, former PTO events coordinator, and his wife Heather Brooks, former PTO president, misappropriated at least \$8,286 from the PTO. Mr. and Mrs. Brooks used the PTO debit card to withdraw cash totaling at least \$7,038 from the PTO bank accounts for the couple's personal use. The couple also paid personal expenses totaling at least \$1,248 using the PTO debit card. This included buying service for personal cell phones, games from Google Play, personal meals at local restaurants, and entertainment in Gatlinburg and Pigeon Forge. [Refer to Exhibits 1 & 2.]

Exhibit 1

02-14	#POS Purchase	-9.99
	MERCHANT PURCHASE TERMINAL 469216	
	GOOGLE Playrix Ga mes g co payh CA	
	02-13-17 XXXXXXXXXXXXX0967	
02-15	#ATM Withdrawal	-100.00
	CASH WITHDRAWAL TERMINAL T524172	
	106 S TENNESEE AVE LAFOLLETT TN	
	02-14-17 6:00 PM XXXXXXXXXXXXX0967	
02-16	#ATM Withdrawal	-500.00
	CASH WITHDRAWAL TERMINAL T524172	
	106 S TENNESEE AVE LAFOLLETT TN	
	02-15-17 8:30 PM XXXXXXXXXXXXX0967	
02-17	#POS Purchase	-9.99
	MERCHANT PURCHASE TERMINAL 469216	
	GOOGLE Playrix Ga mes g co payh CA	
	02-16-17 XXXXXXXXXXXXX0967	
02-21	#POS Purchase	-40.00
	MERCHANT PURCHASE TERMINAL 475542	
	FANNIE FARKLES GATLINBUR TN	
	02-19-17 XXXXXXXXXXXXX0967	
02-21	#POS Purchase	-40.00
	MERCHANT PURCHASE TERMINAL 475542	
	FANNIE FARKLES GATLINBUR TN	
	02-19-17 XXXXXXXXXXXXX0967	

ATM cash withdrawals obtained for a personal trip to Gatlinburg and Pigeon Forge.

Purchase at entertainment venue in Gatlinburg while on a personal trip.

06/14	Withdrawal at ATM #004384 ATM Y-12 FCU 1011 E CENTRAL AVE LAFOLLETTE TN	30.00-
06/16	Withdrawal Debit Card Checklink 06/15 04015170000064981649810 BREADBOX 60 LA FOLLETTE TN	11.51-
06/16	Withdrawal Debit Card Checklink 06/15 04186150000030040300400 BURGER KING #18925 LAFOLLETTE TN	21.93-
06/16	Withdrawal Debit Card Checklink 06/15 04210730000000815008150 DOLLYWOOD PIGEON FORGE TN	123.21-
06/17	Withdrawal Debit Card Checklink 06/16 04015170000057365573650 BREADBOX 60 LA FOLLETTE TN	10.00-
06/17	Withdrawal Debit Card Checklink 06/16 0443106000000035000350 SMITH ACE HDWE LA FOLLETTE TN	14.18-
06/21	Withdrawal Debit Card Checklink 06/20 04015170000039578395780 BREADBOX 60 LA FOLLETTE TN	3.28-
06/22	Deposit Transfer From Share 00	5.00
06/22	Withdrawal Debit Card Checklink 06/21 04015170000070567705670 BREADBOX 60 LA FOLLETTE TN	15.00-
06/22	Withdrawal Overdrawn debit	32.00-

Purchase during a personal trip to Pigeon Forge.

Mrs. Brooks manipulated the financial reports she provided to the PTO board members, effectively concealing the misappropriation. Investigators noted that Mrs. Brooks omitted the fraudulent purchases and cash withdrawals from the financial reports she provided. In some instances, she did not provide a financial report. Mr. and Mrs. Brooks admitted to investigators that they misappropriated PTO funds for their personal benefit and assisted Comptroller investigators with identifying their personal use of PTO funds.

After the discovery of the discrepancies, PTO operations were suspended. The organization was administratively dissolved in March 2017.

- **PTO had outstanding bills totaling at least \$2,688 at the time operations were suspended**

Although the PTO had a bank balance of less than \$113 at the time operations were suspended in March 2017, investigators discovered that the PTO had outstanding and unpaid invoices totaling at least \$2,688. This included one bill that had been unpaid since December 2016. Mrs. Brooks disputed the balance of one bill and advised investigators that she was unaware of some of the outstanding invoices. She told investigators that she had PTO cash totaling approximately \$1,700 at her home that she planned to use to pay these outstanding bills.

Summary of Misappropriation by Former Events Coordinator Matt Brooks and Former President Heather Brooks

Method	Amount
Cash withdrawals for personal benefit	\$ 7,038
Personal purchases	\$ 1,248
Total	\$ 8,286

On October 11, 2017, the Campbell County Grand Jury indicted Heather Nichole Brooks and Matthew Timothy Brooks each on one count of Theft over \$2,500.

ADDITIONAL ISSUES

Section 49-2-604(e), *Tennessee Code Annotated*, requires that a school support organization's officers ensure that funds are safeguarded and that the organization adopt and maintain a written policy specifying reasonable procedures for accounting, controlling, and safeguarding school support organization money and other property. Section 49-2-610, *Tennessee Code Annotated*, further authorizes the Tennessee Comptroller of the Treasury to prepare such a model financial policy for the school support organizations. In June 2008, the Comptroller's Office published the "Model Financial Policy for School Support Organizations," which provides minimum controls to assist in improving accountability over school support organization funds.

Our investigation revealed that the Lafollette Elementary School Parent-Teacher Organization's failure to implement a financial policy resulted in deficiencies in the organization's financial processes. These deficiencies contributed to the abilities of the former president and former events coordinator to perpetrate their misappropriation without prompt detection. These financial process deficiencies included:

- PTO officials failed to separate financial duties adequately or to provide increased oversight when appropriate. The former PTO president and her spouse, the PTO events coordinator, had sole possession of the organization's checkbook and debit card, and were the only officials who reviewed bank statements.
- PTO officials failed to: require, review, or retain adequate supporting documentation for disbursements and other withdrawals; ensure that two authorized signatures were included on all checks; or adequately oversee, document, or account for fundraising and other collection activities.
- PTO officials failed to ensure collections were deposited into an authorized bank account in a timely manner. As noted previously, the former president claimed that she had over \$1,700 of the PTO's cash at her home more than four months after the organization had been dissolved.