



CLAIBORNE HIGH SCHOOL

Comptroller's Investigative Report
December 13, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

December 13, 2018

Director of School and School Board Members
Claiborne County Schools
P. O. Box 179
Tazewell, TN 37879

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Claiborne High School, 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 of the 8th Judicial District, 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 black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

CLAIBORNE HIGH SCHOOL



BACKGROUND

The Comptroller's Office began an investigation at Claiborne High School (CHS) after school officials discovered and reported possible employee misconduct, missing funds, and operational deficiencies. CHS is in Claiborne County in East Tennessee and has a total student enrollment of approximately 760 students.

The results of our investigation are presented below. We reviewed these results with the district attorney general for the Eighth Judicial District.

RESULTS OF INVESTIGATION

FINDING 1: The former Claiborne High School principal improperly used school maintenance employees for private purposes

The former CHS principal was hired on December 1, 2015 and resigned on June 29, 2018. During his tenure at CHS, the principal used two school maintenance employees on numerous occasions for private purposes. We noted the following improprieties:

- A. On November 29, 2017, the principal instructed a maintenance employee to drive the principal's personal truck during work hours to Middlesboro, Kentucky, for repairs. The maintenance employee stated he left the school during his lunch period and drove the truck

to Middlesboro, where he waited several hours at the dealership before the repairs were completed.

- B. The principal instructed a maintenance employee to haul cattle owned by the principal to the University of Tennessee at Knoxville on three separate occasions. On the first trip, the maintenance employee dropped off a bull for medical treatment; however, we could not confirm the date of this trip. On March 26, 2018, during spring break, the maintenance employee dropped off a heifer and calf for medical treatment. On April 13, 2018, during work hours, the maintenance employee returned to Knoxville and picked up the heifer and calf once the medical treatment was completed.
- C. On April 2, 2018, the principal instructed a maintenance employee to burn brush on the principal's farm during work hours. The maintenance employee worked two hours on the farm before he stopped due to rain.
- D. On April 4, 2018, during work hours, the principal instructed a maintenance employee to go to the principal's home and pick up the mail and bring it to the principal's office.
- E. The principal claimed to have instructed maintenance employees to perform other work for private purposes during work hours; however, we could not verify the dates and extent of the work performed. This work included: mowing fields at the principal's farm; mowing fields on other farms as part of the principal's side business; taking the principal's tractor tire to be repaired; and taking a hay roller owned by the principal to Virginia.
- F. The principal claimed to have hired maintenance employees to perform various other work for private purposes after work hours, which included staining the principal's deck; mowing fields; and hanging a star on the principal's barn. We could not verify whether the principal paid the maintenance employees for this work.

According to the principal, he instructed maintenance employees to make up the time worked for his private purposes by working at school later each day; however, the principal signed time sheets for known dates in question, and the time sheets we reviewed did not reflect any differences between time worked and their normal work schedules. Maintenance employees stated they felt pressured to perform the private work for the principal or they might lose their jobs. We confirmed one maintenance employee did not receive his rehire paperwork until it was provided by the director of schools on June 28, 2018, the day prior to the principal's resignation. According to the school department administration, nonprofessional employees should have received rehire paperwork on May 8, 2018, for the 2018-2019 school year.

FINDING 2: The former principal purchased merchandise from a vendor using the school department's sales tax exemption

The former principal purchased merchandise from a vendor using the school department's sales tax exemption allowing him to avoid paying sales tax. *Tennessee Code Annotated*, Section 67-6-322(c), limits the use of sales tax exemptions to schools, school departments, or other eligible

institutions granted the exemption. The principal claimed he made one personal purchase using the school department’s sales tax exemption; however, upon review of invoices and vendor records, we confirmed the principal made other purchases without paying sales tax, and the principal was not reimbursed by the school department or school for these purchases. The principal made the following sales tax-exempt purchases:

Invoices Paid with Principal’s Personal Check

Invoice Date	Invoice Total	Items Purchased
06/15/2016	\$ 90.10	10 caps
06/15/2016	151.70	4 women’s shorts, 4 women’s tees
06/28/2016	231.45	6 polo shirts
07/27/2016	76.50	8 crew shirts
08/05/2016	36.00	Lettering on clothing
10/03/2016	108.80	2 jackets
03/31/2017	101.76	2 jackets
04/24/2017	207.62	3 polos, 4 shorts, 2 crew shirts
07/31/2017	30.00	Lettering on clothing
09/11/2017	142.29	3 polos, 1 pair of toddler shoes
10/04/2017	<u>154.35</u>	3 windshirts
Total	<u>\$1,330.57</u>	

Invoices Paid with Principal’s Credit Card

Invoice Date	Invoice Total	Items Purchased
12/01/2017	\$263.94	2 shorts, 3 polos, 1 shirt
02/09/2018	<u>100.80</u>	2 windshirts
Total	<u>\$364.74</u>	

Other outside groups paid four additional invoices on the tax-exempt account. The *Tennessee Internal School Uniform Accounting Policy Manual* prohibits nongovernmental groups from using the school department’s sales tax exemption. These transactions, as well as the purchases made by the principal, were not recorded in the school’s accounting records. Two of the additional invoice payments appeared to be donations written by check directly to the vendor for school purposes. The other two additional invoices were paid by credit card, and we could not determine the cardholder or purpose of the purchases; however, CHS does not use credit cards. The *Tennessee Internal School Uniform Accounting Policy Manual* states, “Internal accounting requires all transactions pertaining to school money to be recorded in the accounting records daily.” The practice of not recording transactions exposes the school to risks of misstatements in financial statements and the school department’s sales tax exemption being used improperly by others.

FINDING 3: The former principal used questionable practices when renting out the school’s multi-purpose room to outside groups

The former principal used questionable practices when renting out the school’s auditorium to outside groups. This auditorium is commonly referred to as the multi-purpose room and is rented to outside groups for their use after school hours. The principal oversaw scheduling room rentals during his tenure at CHS. School maintenance employees often worked the outside group events held in the multi-purpose room. School accounting records revealed three receipts of \$100 and two receipts of \$200 for rentals of the multi-purpose room during the principal’s tenure. However, according to the principal and maintenance employees, other events were held where rental payments were made in cash or by check directly to maintenance employees. We could not determine why certain rental payments were receipted with the school and others were not. The principal and maintenance employees claimed outside groups initially wrote checks to each maintenance employee that worked an event. This payment served as the room rental and payment to maintenance employees for their services. The principal claimed he began taking cash for most payments when a check to one of the maintenance employees was returned for insufficient funds. Maintenance employees stated they did not always receive payments for working these events once the principal began accepting cash; however, we could not verify this claim. Due to the lack of rental records, we could not verify the number of outside group events held at the school, total rental collections, and related disbursements.

School board policy states, “Requests for the use of school facilities shall be made to the office of the director of schools at least fifteen (15) days in advance of use.” School board policies further state that a board or director approved fee schedule should be used for rental rates, all rental collections should be remitted to the school department, and no payment to school employees for work performed on behalf of the school department should be paid from any source other than the school board. We found no requests to the director of schools for use of the multi-purpose room for the period covering the principal’s tenure. Also, due to the lack of records, we could not verify whether room rental fees were charged in accordance with a board or director approved fee schedule. The practice of not requesting approval for facility use by outside groups creates liability risks for the school department, as well as creating risks that rental collections will be used inappropriately or stolen. The practice of paying workers cash from rental collections exposes the school department to risks of noncompliance with federal and state employment and labor laws.

FINDING 4: School employees used the former principal’s private vehicles and equipment for school purposes without written permission from the director of schools

School maintenance employees used vehicles and equipment owned by the principal for school purposes without written permission from the director of schools. Maintenance employees used a truck and trailer owned by the principal to haul school materials, and they used a tractor owned by the principal to mow the school grounds. According to school board policy, to use a private vehicle for school purposes, the employee must have written permission from the director of schools/designee and proof of vehicle liability insurance. On more than one occasion, school maintenance employees claimed they used fuel from the school department bus garage fuel pumps to replenish fuel in the principal’s tractor; however, we could not verify fill-up dates and fuel

amounts from bus garage records. The school board does not have a written policy regarding the use of bus garage fuel. The practice of using private vehicles without written permission and proof of insurance exposes the school department to potential liability risks. The lack of a school board policy on the use of bus garage fuel exposes the school department to risks of fuel being used inappropriately or stolen.

INTERNAL CONTROL AND COMPLIANCE ISSUES

FINDING 5: Claiborne High School had deficiencies in the operation of the school's coffee shop

We found deficiencies in the operation of the CHS coffee shop, which is operated as a fundraising activity for the benefit of the school. These deficiencies were the result of a lack of management oversight and the inadequate maintenance of accounting records. One adult and several students run the school's coffee shop each school day before classes begin, during breaks, and at lunch. The coffee shop sells coffee to students, faculty, and staff at predetermined prices set by the school administration. According to school employees, the principal counted coffee shop collections alone in his office each day without a second individual. The principal then brought the counted collections to the school bookkeeper, who recounted the collections and signed the cash count sheet. Every few days, the principal and bookkeeper entered the cash count amounts into the school collection log, and both signed the school collection log. The principal then threw away the cash count sheets, leaving the collection log as the only supporting documentation for coffee shop collections. Based upon discussions with the school bookkeeper, monthly profit analysis reports for the coffee shop were not completed. The *Tennessee Internal School Uniform Accounting Policy Manual* states the following regarding concessions sales and certain fundraisers:

- A. Two individuals should collect the receipts and a recorded count of collections signed by both responsible individuals should be prepared. The collections along with the recorded count that has been signed by both individuals should be turned in to the cashier for a receipt.
- B. The form used for the recorded count should include the date, purpose, and amount of collections (with a subtotal for cash payments and a subtotal for check payments). In addition, the form should include a statement that "the money collected for this fundraiser was counted by the parties who have signed below" followed by the signatures of the two responsible persons. One of the responsible persons will retain the original recorded count and a duplicate or copy should accompany the money.
- C. The cashier should issue and submit an official receipt made out to the persons who signed the recorded count of collections or to another designated individual assigned responsibility for retaining copies of the recorded counts of collections and for reconciling receipts received with the counts. If a discrepancy between the recorded count and the official receipt exists, the principal should be notified in writing so that the principal may determine necessary action.

- D. For ongoing resale activities such as bookstores, concessions, vending, etc., monthly profit analysis reports must be completed to document collections, expenses, and any profit or losses of money or product. These reports must be filed with the other school records. The school must maintain detailed records to support all amounts recorded on these forms. If the profit analysis report indicates a shortage, an explanation must be given for the shortage. If no reasonable explanation can be given, each subsequent day's activities must be recorded and evaluated until the reason for the shortage has been identified and corrected.

The failure of the school to follow the requirements noted above exposes the school to risks of coffee shop collections being used inappropriately or stolen.

RECOMMENDATION:

Two individuals should prepare a written count of concession collections signed by both responsible individuals; the individuals should then turn in the collections to the school cashier for a receipt and deposit. The school should complete monthly profit analysis reports for the coffee shop documenting collections, expenses, and any profit or losses of money or product. The school must maintain detailed records to support all amounts recorded on these forms.

The director of schools has advised that the noted deficiencies will be corrected.