



COMPTROLLER'S INVESTIGATIVE REPORT

Knox County Schools - Career Technical Education

March 17, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

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Deputy Comptroller

March 17, 2020

Knox County Schools
Superintendent and Board of Education
912 South Gay Street
Knoxville, TN 37902

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Knox County Schools – Career Technical Education, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 6th 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/MLC

INVESTIGATIVE REPORT

Knox County Schools – Career Technical Education

The Office of the Comptroller of the Treasury, in conjunction with the Knox County Sheriff's Department, investigated allegations of malfeasance related to the operation of the Knox County Schools Career Technical Education (CTE). The Comptroller's Office initiated the investigation after Knox County Schools officials notified the Comptroller's Office when they discovered unusual CTE transactions. The investigation was limited to a review of selected records for the period March 2014 to August 2017. The results of the investigation were communicated with the office of the District Attorney General of the 6th Judicial District.

BACKGROUND

The mission of Knox County Schools CTE programs was to provide students with the academic and technical skills, knowledge, and training necessary to succeed in future careers. The programs included 16 career clusters, such as Advanced Manufacturing, Information Technology, and Transportation. Within each cluster were several programs of study.



The transportation cluster included instruction in automotive maintenance and light vehicle repair, including diesel repair, as well as collision repair. Prior to 2016, the transportation programs included curriculum that allowed students to build and maintain racing cars.

RESULTS OF INVESTIGATION

1. KNOX COUNTY SCHOOLS DIRECTOR OF CTE CHARLES DON LAWSON MISAPPROPRIATED AT LEAST \$9,752

During the period January 2016 through August 2017, Knox County Schools Director of CTE Charles Don Lawson purchased vehicle parts totaling at least \$9,752 for vehicles that neither CTE nor other Knox County School departments had in their vehicle fleet. At least \$6,593 of these parts were for Lawson's personal use. Investigators were unable to definitively determine who personally benefitted from the remaining parts. For instance, Lawson used his school system

purchasing card to buy an engine and transmission for a 2007 Nissan Murano totaling \$4,675, which, at the time, was owned by a family member (Refer to Exhibits 1, 2 and 3). **Exhibit 1**

Product Line	Part #	Description	SKU	Warranty	Qty	List	Cost	Extended
Spartan/ATK Engines	349	Engine Reman 1 EA SPRTN	10054209	WARRANTY INFO AVAILABLE ON REQUES	1	3,300.04	2,775.00	2,775.00
Spartan/ATK Engines	349	CORE Engine Reman 1 EA S	10054167		1		410.00	410.00
Returns								
Spartan/ATK Engines	349	CORE Engine Reman 1 EA S	10054167		-1		410.00	-410.00
MERCHANDISE SUBTOTAL								2,775.00
TOTAL INVOICE								2,775.00
Tender Type								Visa 3012 023664

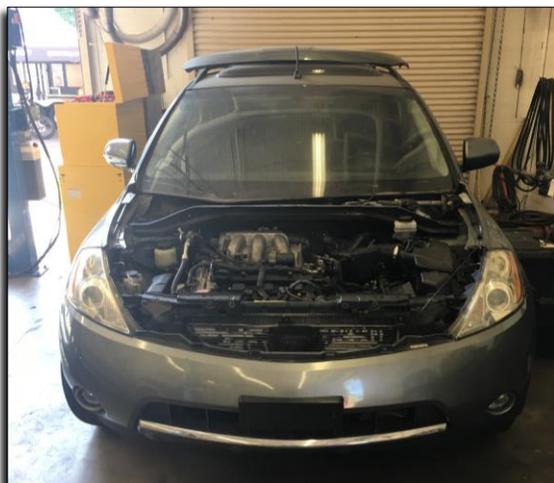
Engine for Nissan Murano

Exhibit 2

Product Line	Part #	Description	SKU	Warranty	Qty	List	Cost	Extended
Castrol	06811	ATF CVT CAS 1 QT CSTRL	11044517	REPLACE OR REFUND AT MGR DISCRETI	12	14.39	4.00	48.00
	3102m1xt3cre	AUTO. TRANMISSION	80010222		1	2,375.00	1,900.00	1,900.00
MERCHANDISE SUBTOTAL								1,948.00
TOTAL INVOICE								1,948.00
Tender Type								Visa 3012 009877

Transmission for Nissan Murano

Exhibit 3



2007 Nissan Murano

CTE students installed the engine and transmission into the 2007 Nissan Murano. Lawson also used his school system purchasing card to buy a Pioneer App Radio and headlights, both for a Nissan Murano, at a cost of \$828. Subsequent to those purchases, Lawson titled the vehicle in his name.

Lawson also used his school system purchasing card to purchase a transmission for a Ford F350 at a cost of \$3,110 and a winch bumper for a Nissan X-Terra at a cost of \$1,090. The invoice for the transmission included the vehicle identification number for which it was intended, which was not a CTE or Knox County Schools owned vehicle. CTE and Knox County Schools also did not have a Nissan X-Terra in its fleet.

2. LAWSON MISAPPROPRIATED AT LEAST \$26,009 BY REMOVING SCHOOL ASSETS WITHOUT AUTHORITY

Lawson removed school assets from school property totaling at least \$26,009. An inventory of CTE program assets revealed that at least 11 trailers, two ATVs, one Camaro, and one engine were neither kept on school property nor used for school purposes. In May 2019, Lawson advised Knox County Sheriff’s Department detectives of the location of the missing school assets. Pursuant to this information, the detectives located and recovered three trailers, a Camaro, an engine, and an air conditioning recovery machine belonging to Knox County Schools from property belonging to Lawson’s relatives. When they were recovered, one of the trailers contained various other school owned items, while another trailer contained what appeared to be household garbage (**Refer to Exhibit 4**). The remaining missing assets were not located.

Exhibit 4



Recovered CTE King America trailer



Recovered CTE Big Tex trailer

Knox County Schools placed Lawson on paid administrative leave on July 21, 2017, placed him on unpaid administrative leave on August 23, 2017, and removed him from his position of Director of CTE on November 17, 2017. At the time of Lawson’s administrative leave, the Nissan Murano as well as the radio and headlights noted above were at the Knox County Schools high school where the parts had been installed, and the Nissan X-Terra winch bumper was located at the CTE facilities. All of those items remained in school custody.

On March 10, 2020, the Knox County Grand Jury indicted Charles Don Lawson on one count of Theft over \$10,000.

[Knox County Schools – Career Technical Education Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance that contributed to the CTE director’s ability to perpetrate his fraudulent scheme without prompt detection. These process deficiencies included:

Deficiency 1: Officials did not adequately separate responsibilities for purchasing card use

School officials failed to separate duties adequately or to provide increased oversight when appropriate related to purchasing card use. School officials allowed the CTE director to initiate and complete purchases using his school-issued purchasing card with no oversight. During the 5-year period ending April 2017, Lawson made charges on his Knox County Schools purchasing card totaling \$2,512,565. These purchases were not subject to purchase order requirements or other scrutiny, allowing Lawson to make the inappropriate personal charges (noted above) on his school issued purchasing card without detection. In order to improve accountability, school officials should review in detail all purchases made with school purchasing cards to ensure they are for permissible uses and further the goals and objectives of the specific school program.

Deficiency 2: Officials failed to ensure that purchases were for permissible CTE purposes or were properly classified

School officials failed to ensure that CTE purchases were in accordance management’s objectives and were properly classified. Lawson’s supervisor ordered him to stop purchasing parts for and building and maintaining racing cars as part of the CTE transportation program in May 2015. School system records show, however, that Lawson continued to purchase prohibited racing parts using his purchasing card until at least March 2017. For instance, Lawson purchased Hoosier

racing tires, aluminum racing wheels and other racing related parts in March 2017 totaling \$4,470. Investigators were unable to determine if many other tools, vehicle parts and other miscellaneous purchases made by Lawson were properly used in the CTE program. Furthermore, since March 2014, Lawson improperly categorized at least \$117,499 of automotive program expenses as Construction Heavy Maintenance expenses.

Deficiency 3: Officials failed to adequately account for school assets

School officials failed to monitor, review, and physically locate assets purchased through the CTE program. As detailed above, various CTE assets acquired over the last ten years could not be located during a comprehensive search of school properties. To reduce the risk that school assets are improperly removed from school property, and to ensure that school assets are being used for school purposes, school officials should institute a comprehensive inventory system, including periodic visual inspection of assets.

Deficiency 4: Appearance of conflicts of interest

Lawson made several transactions and financial decisions that may have resulted in the financial gain of himself or close family members:

- Lawson made school system purchases totaling at least \$263,330 from an automobile parts store where a close relative worked. That store was not the vendor's location nearest to either Lawson's school office or the individual high schools for which the items were ordered. In fact, to reach that store location necessitated Lawson passing two or three other store branches. Considering this relationship, it was not possible for school system management to ensure that either the motivation for selecting that store branch as a supplier, or the volume of purchases from that store branch, was in the school system's best interest.
- Lawson purchased for the CTE program a pick-up truck he had previously operated. School personnel believed Lawson owned the 2004 GMC Sierra 2500 pick-up truck (truck) because he was frequently observed commuting to work in that vehicle. Although Tennessee Department of Revenue records indicated Lawson never titled that vehicle in his name, investigators found a title document in his school office indicating he purchased the vehicle for \$2,800 in May 2016. On January 16, 2017, a family member sold or traded the truck to a local car dealership. On January 24, 2017, using his Knox County Schools purchasing card, Lawson purchased the truck from the local car dealership on behalf of Knox County Schools for \$6,000. The family member had not applied for a title to that vehicle in her name until June 2017. The family member asserted on a vehicle title form that she paid \$500 for the vehicle. Management could not ensure that the purchase of this vehicle was in the school system's best interest.
- A member of Lawson's family was given a position at CTE. Later, a new position was created at CTE for that same family member. The school system had a nepotism policy

prohibiting direct supervision of immediate family members. Although another employee, reporting to Lawson, was listed as the family member’s supervisor, management could not determine what influence Lawson had over the hiring, supervision or evaluation of his family member.

Government officials hold a position of public trust and therefore must strive to hold themselves and their employees to the highest standards. Officials should not engage in any action, whether specifically prohibited by statute, regulation, or policy, which might result in or create the appearance of private gain, preferential treatment, or impeding government efficiency.

Deficiency 5: Improper sales tax avoidance

Lawson improperly utilized the school system’s tax-exempt status when he made personal purchases using the school system accounts and funds. As a result, Lawson was not charged and did not pay applicable sales taxes on items purchased for his personal benefit.

School officials indicated they have corrected or intend to correct these deficiencies.
