



COMPTROLLER'S INVESTIGATIVE REPORT

Catlettsburg Elementary School

December 8, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

December 8, 2023

Sevier County Board of Education
and Director of Schools Stephanie Huskey
226 Cedar Street,
Sevierville, TN 37862

Sevier County School System Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Catlettsburg Elementary School, 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 4th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Catlettsburg Elementary School

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Catlettsburg Elementary School. The investigation was initiated after the school's contract auditor reported accounting irregularities in its financial records. The investigation was limited to selected records for the period August 1, 2021, through July 3, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 4th Judicial District.

BACKGROUND



Catlettsburg Elementary School (school) is in Sevierville, Tennessee, and is part of the Sevier County School System. The school serves approximately 630 students in grades kindergarten through six.

The school's former bookkeeper was responsible for receipting school collections and depositing them into the school bank account. She was also responsible for recording school financial transactions, preparing school checks, and reviewing and reconciling school bank statements. She worked in this role from approximately 2020 to 2023, until she was reassigned to a different position within the Sevier County School System.

RESULTS OF INVESTIGATION

1. THE FORMER BOOKKEEPER FAILED TO TIMELY DEPOSIT CASH COLLECTIONS TOTALING \$2,309.50

The former bookkeeper failed to timely deposit cash collections totaling \$2,309.50. Tenn. Code Ann. § 5-8-207 requires that every county official handling public funds shall deposit collected funds into the official bank account within three days. However, the cash collections were not deposited for over seven months when the school's contract auditor questioned the former bookkeeper about the undeposited cash. On February 15, 2022, the former bookkeeper receipted collections totaling \$3,003.70 (\$2,309.50 cash and \$694.20 checks) but voided the receipt in the school's accounting system software on February 28, 2022, (**Refer to Exhibit 1**) without depositing the funds.

Exhibit 1

Subtotal for Receipt Date 02/15/2022		3,003.70
CORRECTIONS TO JE 2/15/22	02/28/2022	-3,003.70

School accounting system record of the “void” collection receipt by journal entry.

On March 14, 2022, the former bookkeeper receipted the checks (\$694.20) from the voided February 15, 2022 collections (**Refer to Exhibit 2**) and deposited them into the school bank account; however, the former bookkeeper did not receipt or deposit the corresponding cash collection of \$2,309.50 until September 19, 2022.

Exhibit 2

Description	Prt/Pst Dt	Receipt Amount
Account	Payment Type	Amount
CORRECTION TO JE 2/15/21 CHECKS	03/14/2022	694.20
999 R 32209 000 013 10013 000	Check	180.00 ✓
999 L 80109 000 013 10013 000	Check	125.00 ✓
999 L 85009 000 013 10013 000	Check - 64212	327.20 ✓
999 R 35509 000 013 10013 000	Cash	56.00 ✓
999 L 70009 000 013 10013 000	Cash	6.00 ✓

School accounting system collection receipt, by journal entry on 3/14/2022, of all checks from the voided 2/15/2022, collections. Investigators confirmed the highlighted cash transactions were actually checks.

According to the former bookkeeper, she stored the undeposited cash in the school’s vault to be used for a later school purchase; she advised investigators that she forgot about the cash until after being questioned by the school’s contract auditor. The undeposited cash consisted of individual small dollar amounts from the yearbook, field trip, concessions, pizza, and Beta Club collections. However, the cash deposit on September 19, 2022, included seven \$100 dollar bills (**Refer to Exhibit 3**). The large bill denomination makeup of the deposit caused investigators to question the former bookkeeper’s admission that the undeposited cash was stored in the school’s vault. Investigators also question the former bookkeeper’s intention of using cash from collections for school purchases, since Tenn. Code Ann. § 5-8-207 requires that disbursements of such county public funds shall be made by consecutively prenumbered checks, other generally accepted negotiable instruments drawn on the official bank account, or electronically if such transfer is properly documented and recorded. Additionally, there were deposit restrictions set forth in Sevier County School System policy No. 813 which were in effect during the scope of the investigation.

Exhibit 3



Picture taken by former bookkeeper of seven \$100 dollar bills included in the 9/19/2022 deposit.

2. THE FORMER BOOKKEEPER SIGNED ANOTHER EMPLOYEE’S SIGNATURE ON CONCESSION COLLECTION LOGS WITHOUT PERMISSION

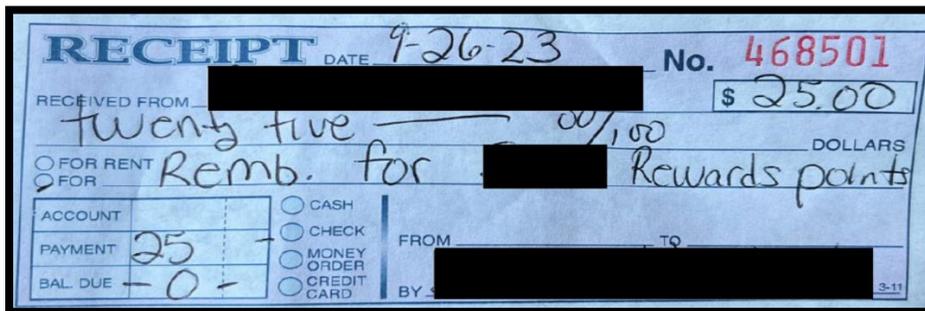
From September 2021 through March 2022, the former bookkeeper signed another employee’s signature without permission or authorization on at least twelve concession collection logs. While reviewing school teacher collection logs, investigators noticed that an employee’s signature appeared to change on certain concession collection logs. The school requires two individuals to sign collection logs. According to the former bookkeeper, she signed the other employee’s name on the concession collection logs with their permission. Investigators confirmed with the employee whose signature was inserted on the concession collection logs in question that they did not sign any of the twelve logs, and they never authorized anyone to sign their name. Given the lack of accurate supporting documentation of collections, investigators could not determine if concession collections were accurately accounted for and deposited in full.

3. THE FORMER BOOKKEEPER USED SCHOOL CREDIT CARD CASH REWARDS TO MAKE PERSONAL PURCHASES TOTALING AT LEAST \$21

From March 2023 through June 2023, the former bookkeeper used school credit card cash rewards to make personal purchases totaling at least \$21 (3/14/2023: \$19 and 6/16/2023: \$2). A school credit card earned cash rewards for purchases and the rewards could be converted to cash for future purchases. The cash rewards were in the school’s name and should have been used for school purposes. According to Tenn. Code Ann. § 5-9-401, “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” The Sevier County School System credit card policy provides that some credit card agreements offer premium or bonus incentives based upon purchases made, and premiums that consist of cash should be deposited into the school system’s general fund. Additionally,

premiums or incentives that consist of non-cash items or rewards should be used to benefit the school system. In some instances, the former bookkeeper used the school membership to access a warehouse club for her personal purchases. The former bookkeeper repaid \$25 for her personal purchases using credit card cash rewards, on September 26, 2023, after being questioned by investigators (**Refer to Exhibit 4**).

Exhibit 4



School receipt documenting the former bookkeeper's reimbursement of personal purchases.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Tenn. Code Ann. § 49-2-110, provides for student activity funds and establishes responsibility for those funds. This section requires local school systems to adopt and comply with the requirements set forth in the *Tennessee Internal School Uniform Accounting Policy Manual (Manual)*. The Comptroller's investigation revealed that the school failed to comply with some of the requirements set forth in the *Manual*. Our investigation revealed the following deficiencies in internal control and compliance:

Deficiency 1: School officials failed to adequately separate financial duties and provide oversight

School officials failed to separate incompatible financial duties and provide increased oversight when appropriate. The former bookkeeper was responsible for preparing checks, receipting collections, preparing bank deposits, and reconciling receipts with bank deposits. She also maintained custody of school charge cards, received the card statements, maintained supporting documentation, and prepared the payments for those charges. Separating financial duties and providing increased oversight reduces the risk that errors or misappropriations will remain undetected. The *Manual* outlines a system of internal controls for financial duties to decrease the risk of errors and misappropriations, which school officials failed to properly implement and comply.

Deficiency 2: School officials failed to ensure that teacher collection logs were complete

The *Manual* requires that “at the time of collection, individuals collecting money should prepare prenumbered receipts, collections logs, or other appropriate documentation.” Investigators determined that in some instances, teacher collection logs did not include a list of student names and the corresponding amounts received from each student. In addition, teacher collection logs were not always signed to document the total amount received by the former bookkeeper. Collection logs should be signed by two responsible individuals; one of the responsible persons should retain the original recorded count, and a duplicate or copy should accompany the money. Due to incomplete teacher collection logs, investigators could not determine what amount should have been remitted for deposit. Failure to maintain complete and accurate collection logs increases the risk that fraud, waste, or abuse will occur without prompt detection.

Deficiency 3: School officials failed to ensure collections were deposited within three business days

The former bookkeeper did not deposit some collections within three days of collection. The provisions contained in Tenn. Code Ann. § 5-8-207 and the *Manual* require all funds to be deposited in a bank account within three days of collection. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

Deficiency 4: School officials failed to ensure collections were deposited intact

School officials failed to ensure collections were deposited intact, which is required by the *Manual*. The former bookkeeper did not deposit collections in the form (cash or check) and the amount in which they were collected. On March 14, 2022, the former bookkeeper deposited only the checks from a February 15, 2022, receipt that was improperly voided, leaving a significant cash amount not deposited until September 19, 2022, after contract auditors questioned the former bookkeeper. Ensuring collections are made intact and consistent with the correct cash and check makeup of the funds remitted by teachers or other office staff reduces the risk of error, fraud, waste, or abuse. In addition, cash should never be withheld from deposits to use for school purchases.

Deficiency 5: School officials failed to ensure purchase orders were issued properly

School officials failed to ensure purchase orders were issued properly. In some instances, purchase orders were issued after the purchase was made. This practice causes a purchase order to be an approval of payment rather than an approval of the purchase. The *Manual* requires the use of prenumbered purchase orders to ensure the availability of money, review of allowability, and authorization prior to a purchase being made. The failure to properly and timely issue purchase orders increases the risk of unauthorized purchases.

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