



COMPTROLLER'S INVESTIGATIVE REPORT

Indian Springs Elementary Parent Teacher Organization

September 22, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

September 22, 2023

Sullivan County Board of Education
154 Blountville Bypass
P.O. Box 306
Blountville, TN 37617

Sullivan County Board of Education Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Indian Springs Elementary Parent Teacher Organization, 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 2nd 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

Indian Springs Elementary Parent Teacher Organization

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Indian Springs Elementary Parent Teacher Organization. The investigation was limited to selected records for the period August 2018, through May 2022. The results of the investigation were communicated with the Office of the District Attorney General of the 2nd Judicial District.

BACKGROUND



Indian Springs Elementary is part of the Sullivan County School System and is located in Kingsport, Tennessee. The Indian Springs Elementary Parent Teacher Organization (PTO) is led by a group of volunteer officers including a president, vice-president, treasurer, and secretary, and exists to support the education of children at Indian Springs Elementary by fostering relationships among the school, parents, and teachers. The PTO funds activities for students through fundraisers such as holiday gift shops and grandparent appreciation dinners. For the period August 2018, through May 2022,

Misty Ritchie was PTO president and responsible for fundraising, events, and financial duties, including recordkeeping, making payments, writing checks, receipting collections, and depositing funds.

RESULTS OF INVESTIGATION

FORMER PTO PRESIDENT MISTY RITCHIE MISAPPROPRIATED FUNDS TOTALING AT LEAST \$11,016.63

For the period February 2020, through November 2020, former PTO president Misty Ritchie misappropriated PTO funds totaling at least \$11,016.63. Ritchie employed the following two schemes to knowingly misappropriate PTO funds for her personal use without the authority or knowledge of other PTO officers:

A. Personal Credit Card Payments

Ritchie misappropriated PTO funds by making seven payments totaling \$10,016.63 from the PTO’s bank account on her husband’s personal credit card account balance. Credit card statements for Ritchie’s husband’s personal account indicate charges were personal in nature and neither authorized nor related to PTO business (**Refer to Exhibit 1**).

Exhibit 1

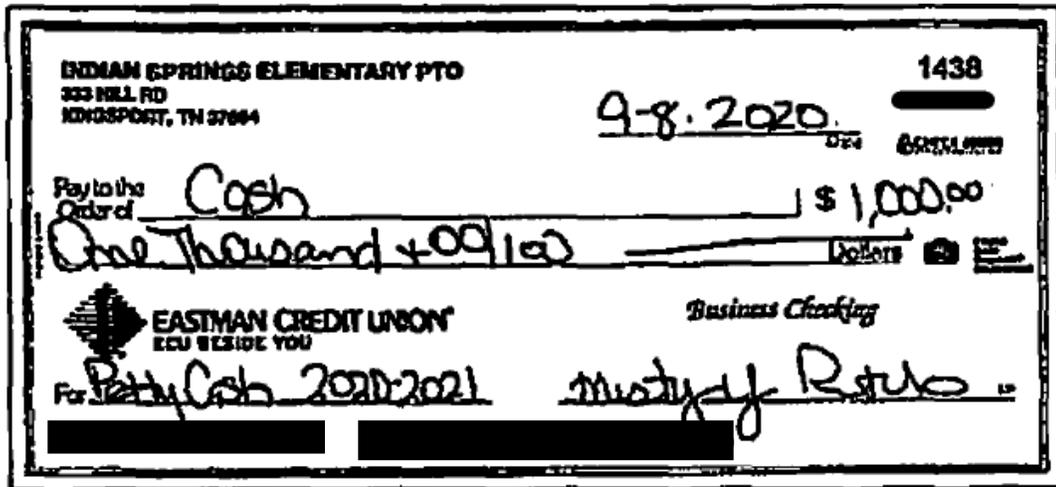
| PAYMENTS AND OTHER CREDITS | | |
|----------------------------|--|-----------|
| 06/09 | Payment Thank You - Web | -4,251.48 |
| 06/08 | ACTION RENTAL AND SALES 800-4907332 TN | -30.00 |
| PURCHASE | | |
| 05/15 | SHELL OIL 10004124003 GRAY TN | 30.18 |
| 05/15 | PAL'S DRIVE THRU 24 JOHNSON CITY TN | 7.58 |
| 05/15 | AMZN Mktg US*MC26Q7WA0 Amzn.com/bill WA Order Number [REDACTED] | 25.98 |
| 05/16 | MCDONALD'S F11986 BLOUNTVILLE TN | 12.67 |
| 05/16 | SONIC DRIVE IN #2320 KINGSPORT TN | 10.81 |
| 05/16 | THE HOME DEPOT 4658 BRISTOL VA | 137.84 |
| 05/18 | TOMY THAI JOHNSON CITY TN | 11.30 |
| 05/19 | HARDEES 1506013 JOHNSON CITY TN | 8.86 |
| 05/20 | MCDONALD'S F1739 KINGSPORT TN | 5.79 |
| 05/23 | ONSTAR DATA PLAN - AT&T 800-331-0500 TX | 15.00 |
| 05/23 | ACTION RENTAL AND SALES KINGSPORT TN | 61.79 |
| 05/22 | PAL'S DRIVE THRU 24 JOHNSON CITY TN | 7.97 |
| 05/23 | CHICK-FIL-A #00777 KINGSPORT TN | 12.24 |
| 05/24 | MCDONALD'S F33793 ABINGDON VA | 18.47 |
| 05/24 | SHELL OIL 10071637002 BLOUNTVILLE TN | 16.89 |
| 05/25 | WM SUPERCENTER #509 KINGSPORT TN | 515.46 |
| 05/24 | GAS-N-GO #860 DAMASCUS VA | 26.98 |
| 05/26 | ACTION RENTAL AND SALES 800-4907332 TN | 41.80 |
| 06/01 | EXXONMOBIL 47908611 KINGSPORT TN | 46.33 |
| 06/03 | ACTION RENTAL AND SALES 800-4907332 TN | 392.44 |
| 06/05 | Amazon.com*MY0TY4H21 Amzn.com/bill WA Order Number [REDACTED] | 59.85 |
| 06/12 | AMZN Mktg US*MY8SS0YU1 Amzn.com/bill WA Order Number [REDACTED] | 5.52 |
| 06/14 | OnStar 888-4ONSTAR MI | 25.18 |
| 06/14 | WALGREENS #9306 COLONIAL HEIG TN | 28.75 |
| 06/13 | GAS N GO #605 KINGSPORT TN | 32.03 |
| 06/13 | THE CHOP HOUSE KINGSPORT KINGSPORT TN | 90.89 |

Transactions from Ritchie’s husband’s June 2020 credit card statement. Ritchie paid \$4,251.48 on her husband’s credit card balance from the PTO bank account, which cleared on June 10, 2020.

B. Fraudulent Check

On October 9, 2020, a PTO check written by Ritchie payable to “Cash” was negotiated by Ritchie at the bank for \$1,000 (**Refer to Exhibit 2**). Ritchie used the proceeds from this check for her personal benefit and not for PTO business. Investigators also noted other questionable checks with no supporting documentation totaling \$3,750. However, without adequate documentation, investigators were unable to determine whether the questionable check funds were used for appropriate PTO business purposes. Therefore, these questionable check amounts were not included in the misappropriation total.

Exhibit 2



Ritchie wrote and signed this \$1,000 PTO check payable to "Cash" on September 8, 2020 (negotiated on 10/9/2020), for her personal benefit.

| Summary of Misappropriation | | |
|--------------------------------------|---------------------|---------------------|
| Transaction Date | Payments | Total |
| <u>Personal Credit Card Payments</u> | | |
| 2/26/2020 | \$ 2,022.84 | |
| 6/10/2020 | \$ 4,251.48 | |
| 7/13/2020 | \$ 42.91 | |
| 8/13/2020 | \$ 35.00 | |
| 9/14/2020 | \$ 1,560.70 | |
| 10/13/2020 | \$ 141.42 | |
| 11/13/2020 | \$ 1,962.28 | \$ 10,016.63 |
| <u>Fraudulent Check</u> | | |
| 10/9/2020 | \$ 1,000.00 | \$ 1,000.00 |
| Total | \$ 11,016.63 | \$ 11,016.63 |

On April 18, 2023, Ritchie told investigators she misappropriated PTO funds because she was unable to work in 2020 and needed financial help. Ritchie left her position with the PTO in May 2022, at the end of the school year.

On September 13, 2023, Misty Ritchie pled guilty to one count of Theft of Property over \$10,000 and one count of Forgery and was granted judicial diversion relief and placed on supervised probation for a total of six years. Misty Ritchie was also fined \$100.00 for each count and restitution was paid in full prior to the entry of the plea.

[Indian Springs Elementary Parent Teacher Organization Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Officers of the PTO, like all other officers of school support organizations (SSO), are required to ensure funds and property of their organizations are safeguarded and used only for purposes related to the goals and objectives of their organization. To assist such officers in discharging their duties, the Comptroller's Office, pursuant to Tenn. Code Ann. § 49-2-610, published the "*Model Financial Policy for School Support Organizations*" (*Model Financial Policy*), in 2008 and revised in 2020, which prescribes a set of accounting controls to ensure the funds are used to further the organization's goals and objectives.

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to Ritchie's ability to perpetrate her misappropriation without prompt detection. These deficiencies included:

Deficiency 1: PTO officers did not provide adequate oversight of operations

PTO officers did not provide adequate oversight of operations and did not establish internal controls to ensure accountability of PTO funds. The officers are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Providing adequate oversight and establishing internal controls reduces the risks that errors or intentional misappropriations will remain undetected. The lack of oversight by the officers and the lack of internal controls contributed to Ritchie's ability to misappropriate PTO funds without detection. The *Model Financial Policy* states "The officers and/or board of directors shall assume responsibility for the operation of the SSO. This responsibility cannot be delegated. They must review all receipt and disbursement transactions and supporting documentation at least monthly." Moreover, officers did not abide by the dual check signatory authority policy and requirement noted in the *Model Financial Policy*.

Deficiency 2: PTO officers failed to implement adequate segregation of duties

PTO officers failed to segregate their duties adequately. As PTO president, Ritchie was responsible for fundraising, events, and financial duties. This included recordkeeping, making payments, writing checks, receipting collections, and depositing funds. The *Model Financial Policy* states, "Duties shall be segregated between officers and members of the SSO. No one person within

the SSO shall be in control of a transaction from inception to recording.” Allowing one individual control over all financial duties increases the risk of fraud without prompt detection.

Deficiency 3: PTO officers did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for some disbursements

PTO officers did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for some disbursements. Tenn. Code Ann. § 49-2-604(c) requires that a school support organization maintain, at a minimum, detailed statements of receipts and disbursements for at least four (4) years and be available for request by any member of the organization, principal, director of schools or the director’s designee or the office of the comptroller of the treasury. The *Model Financial Policy* requires school support organizations to obtain and file invoices for all disbursements to document that funds were used appropriately. Requiring documentation, such as invoices or receipts, allows club officers to verify that the payment is proper and reasonable. Without adequate supporting documentation, investigators were unable to determine whether some of the PTO’s disbursements were for legitimate expenses.

Deficiency 4: PTO officers failed to adequately account for fundraising and other collection activities

PTO officers failed to oversee, document, or account adequately for fundraising and other collection activities. Tenn. Code Ann. § 49-2-604(e), requires school support organization officers to ensure funds and property of their organization are safeguarded and used only for purposes related to the goals and objectives of the organization. Furthermore, PTO officers did not maintain documentation verifying that they required, prepared, or reviewed profit analyses for applicable collection activities as required by the *Model Financial Policy*. Providing adequate accountability and oversight of collections and inventory reduces the risk of errors or misappropriation.

PTO officers indicated that they have corrected or intend to correct these deficiencies.
