



COMPTROLLER'S INVESTIGATIVE REPORT

McKenzie High School On Deck Club

September 8, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

September 8, 2023

McKenzie Special School District
Director of Schools Justin Barden
114 Bell Avenue
McKenzie, TN 38201

and

McKenzie Special School District Board of Education
Board Members
114 Bell Avenue
McKenzie, TN 38201

McKenzie Special School District Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the McKenzie High School On Deck Club, 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 19th 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

McKenzie High School On Deck Club

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the McKenzie High School On Deck Club. The investigation was initiated after school officials identified and reported questionable transactions in the club's bank account. The investigation was limited to selected records for the period from January 1, 2021, through April 30, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 19th Judicial District who was appointed as *Pro Tem* in this matter.

BACKGROUND



The McKenzie Special School District is a public school system located in McKenzie, Tennessee and includes three schools serving students in grades pre-k through 12. The McKenzie High School On Deck Club (club) is a school support organization that supports the activities of both the McKenzie High School (MHS) and McKenzie Middle School (MMS) softball teams. Each year, the MHS softball season begins in March and ends in May, while the MMS softball season begins in August and concludes in September. The club board is comprised of four officers who oversee the club's operations. Samantha Chesser (Chesser), who served as club treasurer from 2016 to 2023, was responsible for collecting funds and paying associated club expenses. In March 2021, the club board approved Chesser to obtain a debit card to use for club-related purchases.

The club's bank account was frozen in February 2023 after club officials were notified by the bank of a low account balance, and the club began operating from the MHS softball account.

RESULTS OF INVESTIGATION

1. FORMER TREASURER SAMANTHA CHESSER MISAPPROPRIATED CLUB FUNDS TOTALING AT LEAST \$12,592.81

During the period from January 1, 2021, through April 30, 2023, former treasurer Samantha Chesser used the club debit card to misappropriate club funds totaling at least \$12,592.81

through unauthorized ATM withdrawals, cash withdrawals, and personal purchases as described below:

A. Chesser used the club debit card to make unauthorized ATM withdrawals and fees totaling at least \$11,191.75.

Investigators identified 38 transactions between November 2021 and November 2022 where Chesser used the club debit card to make unauthorized ATM withdrawals totaling at least \$11,182.75 and incurred \$9 in ATM fees. Investigators confirmed with club officials that there was no reason for the club to have made such cash withdrawals. Investigators reviewed the club’s bank statements and noted that the funds were withdrawn at various ATMs in Tennessee, in cities including McKenzie, Lexington, Dresden, and one instance in Montgomery, Alabama.

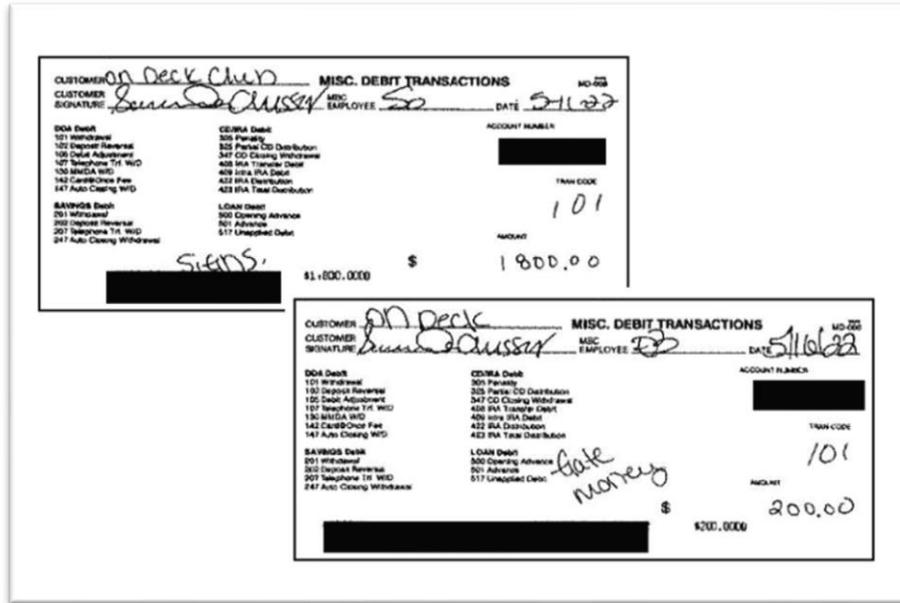
Additionally, investigators reviewed ATM video surveillance footage and confirmed that Chesser withdrew cash from the club’s checking account and did not deposit the funds back into the account. When questioned, Chesser stated that she kept the club debit card in her personal vehicle and had never allowed anyone else to use the club debit card.

Summary of ATM Withdrawals & Fees		
Month	Amount	Number of Transactions
November 2021	\$110.00	1
June 2022	1,204.00	4
July 2022	3,104.00	7
August 2022	4,003.50	10
September 2022	1,233.00	7
October 2022	1,453.00	7
November 2022	84.25	2
Total	\$11,191.75	38

B. Chesser made unauthorized cash withdrawals totaling at least \$1,000

Investigators found that Chesser misappropriated a total of at least \$1,000 by making unauthorized cash withdrawals via bank withdrawal slips (**Refer to Exhibit 1**). According to club officials, there was no reason for expenses to be paid in cash, since the club had checks that were in Chesser’s possession. On May 11, 2022, Chesser withdrew \$1,800 in cash to purchase sponsorship signs for a softball fundraiser. According to the sign vendor’s account history for the club, the cost of the signs was \$1,000. Investigators did not note any other expense that the remaining \$800 was used to pay on the club’s behalf and verified that the cash was never deposited back into the club’s checking account.

Exhibit 1



Unauthorized cash withdrawal slips signed by Chesser

On May 16, 2022, Chesser withdrew \$200 in cash and hand-wrote “gate money” on the withdrawal slip to be used for change funds. School officials informed investigators that the charge to attend softball games was \$5 per person. Investigators noted that there were no deposits for softball gate collections nor were the change funds deposited back into the club’s checking account. The club did not prepare collection logs or otherwise account for collections therefore, investigators were unable to determine the amount that should have been deposited.

Summary of Unauthorized Cash Withdrawals		
Date	Purpose of Withdrawal	Amount
5/11/2022	Remaining Cash from Signs	\$800
5/16/2022	Gate Money	200
	Total	\$1,000

C. Chesser used the club debit card to make personal purchases totaling at least \$401.06

Investigators identified 20 transactions Chesser made using the club debit card between October 2022 and November 2022 for personal purchases at various retailers, restaurants, gas stations, and a pharmacy totaling at least \$401.06 (**Refer to Exhibit 2**). These purchases were made at various locations in Tennessee, including Huntingdon, Dresden, Gleason, Lexington, Trezevant, and McKenzie. Investigators confirmed with club officials that these purchases were not made for the benefit of the softball teams. Additionally, these purchases were made during the off-season months of October and November, after the conclusion of the 2022 MMS softball season.

Exhibit 2

OTHER DEBITS		
Date	Description	Amount
10/11/2022	POS Payment SONIC DRIVE IN #6694 DRESDEN TN #8963	13.58
10/14/2022	POS Payment DOLLAR-GENERAL #9237 GLEASON TN #8963	6.30
10/14/2022	ATM Withdrawal 16830 HIGHLAND DR. MCKENZIE TN #8963	600.00
10/17/2022	POS Payment FAST STOP GAS AN LEXINGTON TN #8963	3.82
10/17/2022	POS Payment EXXONMOBIL 45454634 MCKENZIE TN #8963	5.48
10/17/2022	POS Payment HWY 22 FOOD MAR MCKENZIE TN #8963	20.03
10/17/2022	POS Payment WM SUPERCENTER #161 HUNTINGDON TN #8963	23.89
10/17/2022	ATM Withdrawal FAST STOP GAS GRILL LEXINGTON TN #8963	163.00
10/17/2022	ATM Transaction Fee FAST STOP GAS GRILL LEXINGTON TN #8963	1.00
10/18/2022	POS Payment BP#2019180MCKEN MCKENZIE TN #8963	14.32
10/18/2022	ATM Withdrawal 16830 HIGHLAND DR. MCKENZIE TN #8963	200.00

Partial October 2022 bank statement showing unauthorized ATM withdrawals, ATM fees, and various personal purchases

Chesser concealed the unauthorized ATM withdrawals, cash withdrawals, and personal purchases by falsifying annual club financial records that she prepared and submitted to school officials. Chesser did not provide monthly bank statements to support the financial reports. Investigators noted that the unauthorized ATM withdrawals and personal purchases were not listed on the financial reports as legitimate club expenses.

Summary of Misappropriation	
Description	Amount
Unauthorized ATM Withdrawals	\$11,191.75
Unauthorized Cash Withdrawals	1,000.00
Personal Purchases	401.06
Total	\$12,592.81

2. INVESTIGATORS IDENTIFIED QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST \$3,400.08

In addition to Chesser’s misappropriation, investigators identified \$3,400.08 in questionable disbursements of club funds that consist of \$3,120 in cash withdrawals and \$280.08 in debit card transactions. On May 16, 2022, Chesser withdrew \$2,220 in cash to pay for shirts that the club purchased for a fundraiser. Additionally, on June 10, 2022, Chesser withdrew \$900 in cash to pay for food provided for the MHS softball banquet. The purpose of both withdrawals were handwritten by Chesser on the corresponding withdrawal slips. Club officials stated that the club did receive both the shirts and the food, however the purchases should have been made with the club’s checks instead of cash. Investigators were given the names of the vendors who provided both the shirts and the food, however both vendors stated they did not have any record of the shirts nor the food being billed to the club. Due to a lack of documentation, investigators

could not substantiate that the cash withdrawn was used to pay vendors for the purchases, and could not confirm the actual cost of the products that the club purchased.

Additionally, investigators identified \$280.08 in questionable club debit card transactions made at various retailers including Amazon, Walmart, Dollar General, and Dollar Tree, and subscription services for Amazon music. These purchases were made with debit cards assigned to the club president and Chesser. Club officials stated that these purchases could have been made for the benefit of the club, however the purchases were not supported with itemized receipts or other documentation. Therefore, investigators could not determine whether these purchases were exclusively for the benefit of the club.

3. INVESTIGATORS COULD NOT DETERMINE THAT ALL COLLECTIONS WERE DEPOSITED

The club generates revenue through fundraisers and admission fees at both MMS and MHS softball games. Various fundraisers the club held in the past two years included sign sponsorships, t-shirt sales, and a gift card raffle. The club also generates revenue by selling tickets to parents to attend an end-of-season softball banquet for both MMS and MHS. As treasurer, Chesser was responsible for collecting and depositing all monies collected through club fundraisers. Club officials stated that they only had 1-2 meetings per year, and the majority of club business was discussed via text messages. Club officials did not maintain collection logs for fundraisers, which resulted in the club being unaware of the amount of money each fundraiser yielded.

A school official stated they gave Chesser approximately \$1,000 cash from admission fees collected at the school's softball games. However, there are no deposits that reflect the cash that was collected. Additionally, investigators obtained a text message screenshot from Chesser to another school official stating that the club broke even at exactly \$500 for a fundraiser that was held in November 2022. The only deposit made during the 2022-2023 school year reflects the proceeds from both the fundraiser and admissions to the MMS banquet, which includes a mix of checks and cash totaling \$440. Due to a lack of documentation, investigators could not determine that all collections from fundraising or admission fees for school softball games were deposited.

On September 5, 2023, the Carroll County Grand Jury indicted Samantha Chesser for one count of Theft of Property over \$10,000 and one count of Forgery over \$10,000.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[McKenzie High School On Deck Club Investigative Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

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

Our investigation revealed that club officials failed to adopt or comply with financial controls prescribed by the *Model Financial Policy*, which enabled Chesser to perpetrate her misappropriations and avoid prompt detection. Our investigation revealed the following deficiencies in compliance:

Deficiency 1: Club officials did not provide adequate oversight of the operations of the club

- Club officials did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for all disbursements. Tenn. Code Ann. § 49-2-604(c) requires that a school support organization maintain, at a minimum, detailed statements of receipts and disbursements. The *Model Financial Policy* requires school support organizations to obtain and file invoices for all disbursements to show that funds were used appropriately. Requiring documentation, such as invoices or receipts, allows officers to verify that the payment is proper and reasonable. Without adequate supporting documentation, investigators were unable to determine whether some club disbursements were for legitimate expenses.
- Club officials did not comply with the requirements to oversee, document, or account adequately for the proceeds of fundraising activities. Officials failed to issue receipts for applicable collections or prepare count sheets signed by two responsible individuals. As a result, investigators could not verify the amount of funds collected by the club. The *Model Financial Policy* sets forth required collection procedures to account for proceeds from fundraisers and other collections. Club officials also did not comply with the 3-day deposit requirement as required by the *Model Financial Policy*.

Deficiency 2: Club officials failed to comply with the Tennessee Nonprofit Gaming Law when operating raffles

The club did not comply with the Tennessee Nonprofit Gaming Law when they held a raffle in November 2022. Raffles are considered games of chance in Tennessee and are therefore prohibited under Tenn. Code Ann. § 39-17-501, et seq. However, certain charitable organizations are authorized to operate an annual event involving a game of chance if that event is conducted in accordance with the Tennessee Nonprofit Gaming Law, codified in Tenn. Code Ann. § 3-17-101, et seq., which provides that “A nonprofit organization seeking to operate an annual event for the benefit of that organization located in this state shall submit an annual event application to the [Secretary of State].” The Tennessee Secretary of State publishes a list of approved gaming events

for each state fiscal year. Investigators reviewed these lists and determined that the club did not receive approval from the Secretary of State for their November 2022 gift card raffle. The club should properly comply with the Tennessee Nonprofit Gaming Law when holding any future raffles.

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