



## **KNOX COUNTY SCHOOLS MAINTENANCE GARAGE**

**Comptroller's Investigative Report**  
February 16, 2018

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**Justin P. Wilson, Comptroller**





JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Chief of Staff*

February 16, 2018

Superintendent and Members of the School Board  
Knox County Schools  
P. O. Box 2188  
Knoxville, TN 37901-2188

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Knox County Schools – Maintenance Garage, 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, 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

## Knox County Schools – Maintenance Garage

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the operation of the Knox County Schools Maintenance Garage. Officials from the NAPA Auto Parts Knoxville District offices supplied investigators with crucial information and provided significant assistance during this investigation.

### INVESTIGATIVE RESULTS

- **Former Knox County Schools Maintenance Garage lead mechanic misappropriated at least \$187,670**

During the period July 2014 through November 2017, Michael James, former Knox County Schools Maintenance Garage lead mechanic, purchased vehicle parts for his personal use totaling at least \$187,670.

#### Vehicle parts purchased for non-school vehicles

Mr. James engaged in a fraudulent purchasing scheme in which he obtained more than 1,000 vehicle parts using the school system’s NAPA account, paid for them using school system purchasing cards, and used the items for his private automotive repair business.

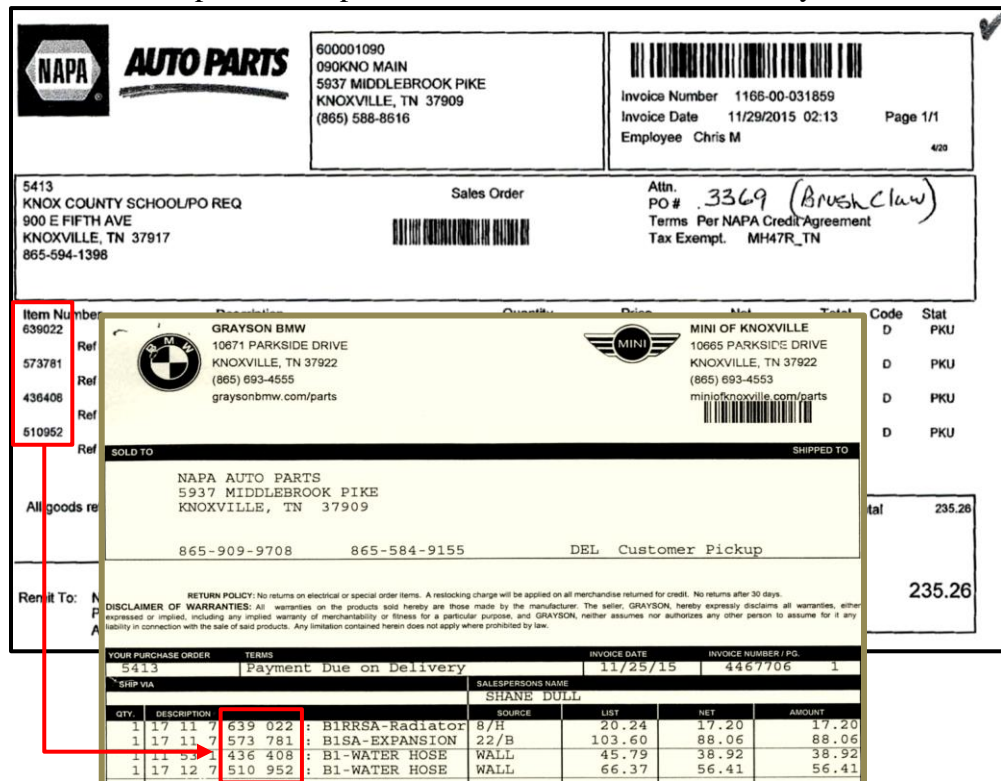
Mr. James bought numerous vehicle parts that were for vehicles not in the school’s fleet. For instance, Mr. James purchased parts for vehicles manufactured by

Mercedes Benz, BMW, Lexus, and other manufacturers.

In some instances,

NAPA did not have the parts Mr. James requested in its inventory and obtained the parts from a dealership or another parts store. (Refer to Exhibit 1.)

**Exhibit 1**



**NAPA AUTO PARTS**  
600001090  
090KNO MAIN  
5937 MIDDLEBROOK PIKE  
KNOXVILLE, TN 37909  
(865) 588-8616

Invoice Number 1166-00-031859  
Invoice Date 11/29/2015 02:13 Page 1/1  
Employee Chris M 400

5413 KNOX COUNTY SCHOOL/PO REQ  
900 E FIFTH AVE  
KNOXVILLE, TN 37917  
865-594-1398

Sales Order  
Attn. PO# .3369 (Brush Claw)  
Terms Per NAPA Credit Agreement  
Tax Exempt. MH47R\_TN

Item Number	Description	Quantity	Price	Net	Total	Code	Stat
636022	GRAYSON BMW					D	PKU
573781	10671 PARKSIDE DRIVE					D	PKU
436408	KNOXVILLE, TN 37922					D	PKU
610952	(865) 693-4555					D	PKU
	graysonbmw.com/parts					D	PKU
	minioknoxville.com/parts						
SOLD TO: NAPA AUTO PARTS, 5937 MIDDLEBROOK PIKE, KNOXVILLE, TN 37909						SHIPPED TO: 10665 PARKSIDE DRIVE, KNOXVILLE, TN 37922, (865) 693-4553	
865-909-9708						865-584-9155	
DEL: Customer Pickup						Total 235.26	
Remit To: NAPA AUTO PARTS						235.26	

DISCLAIMER OF WARRANTIES: All warranties on the products sold hereby are those made by the manufacturer. The seller, GRAYSON, hereby expressly disclaims all warranties, either expressed or implied, including any implied warranty of merchantability or fitness for a particular purpose, and GRAYSON, neither assumes nor authorizes any other person to assume for it any liability in connection with the sale of said products. Any limitation contained herein does not apply where prohibited by law.

QTY	DESCRIPTION	UNIT	PRICE	NET	AMOUNT
1	839 022	B1-RSA-Radiator	8/H	20.24	17.20
1	573 781	B1SA-EXPANSION	22/B	103.60	88.06
1	436 408	B1-WATER HOSE	WALL	45.79	38.92
1	510 952	B1-WATER HOSE	WALL	66.37	56.41



Mr. James acknowledged to Comptroller investigators that, without the knowledge or authority of his supervisors, he used the school purchasing card to purchase vehicle parts for his private automotive repair business. School system officials terminated Mr. James' employment with the system effective November 21, 2017.

*Fabricated work orders*

Mr. James fabricated work orders to conceal his fraudulent purchasing scheme. He prepared work orders for maintenance and repairs that were neither needed nor performed and included parts that were never installed on school system vehicles. Mr. James told investigators he created the fabricated paperwork to conceal his purchase of parts used for his private automotive repair business that he purchased with school system funds.

*Improper sales tax avoidance*

Mr. James improperly utilized the school's tax-exempt status when he made personal purchases on the school's account. He failed to pay sales tax totaling at least \$17,359 on the purchase of items that he did not use for school purposes.

These matters were referred to the local district attorney general. On February 13, 2018, the Knox County Grand Jury indicted Michael James on one count of Theft of Property over \$60,000.

## **ADDITIONAL ISSUES**

Our investigation revealed deficiencies in financial and operational processes that contributed to the former lead mechanic's ability to perpetrate this fraudulent scheme without prompt detection. These process deficiencies were:

- School officials failed to separate duties adequately or to provide increased oversight when appropriate. School officials allowed the former lead mechanic to order parts, to charge the parts on his school procurement card, and to accept delivery of the parts.
- School officials failed to monitor, review, and scrutinize adequately vehicle parts invoices paid with the school purchasing card. Vehicle parts invoices frequently did not include enough detail to determine for what vehicle make and model the part could be used. Researching the part number through the vendors website, however, would have identified parts that were not suitable for school system vehicles.
- School officials failed to note and to investigate adequately the nature and timing of some vehicle parts purchases. Vehicle parts were ordered on weekends and holidays, although the maintenance garage was not open during those days.
- School officials failed to reconcile work orders, which identified the vehicle parts installed on school vehicles, with paid vehicle parts invoices. The school system paid for many parts for

which there was no corresponding work order signifying the item had been installed on a school system vehicle.

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