



WEST BEMIS MIDDLE SCHOOL

Comptroller's Investigative Report
November 13, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

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Chief of Staff

November 13, 2018

Director of Schools and Members
of the Board of Education
Jackson-Madison County School System
310 North Parkway
Jackson, TN 38305

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury, in cooperation with the Jackson Police Department, conducted an investigation of selected records of the West Bemis Middle School, 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". The signature is written in a cursive style with a long, sweeping underline.

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

WEST BEMIS MIDDLE SCHOOL

The Office of the Comptroller of the Treasury in cooperation with the Jackson Police Department, investigated allegations of malfeasance related to West Bemis Middle School (school). The Comptroller’s Office initiated the investigation after officials of the Jackson-Madison County Board of Education reported missing deposits to the Comptroller’s Office and to the Jackson Police Department.

INVESTIGATIVE RESULTS

- **Former bookkeeper Judy Hale misappropriated school collections totaling at least \$15,908**

During the period July 2017 through October 2017, school bookkeeper Judy Hale misappropriated school collections totaling at least \$15,908. Ms. Hale perpetrated her misappropriation by withholding some fundraiser cash collections from deposit into the school’s bank account without the authority or knowledge of school officials. Ms. Hale retained these funds for her personal benefit. Ms. Hale failed to record some of these fundraiser collections in the school’s accounting records, effectively concealing her misappropriation of the collections. Although Ms. Hale receipted some of the collections and prepared related deposit documents, she failed to deposit all of the collections into the school’s bank account. [Refer to Exhibit 1.]

Exhibit 1

DEPOSIT TICKET		CASH	\$4,886.55	7	\$60.00
WEST BEMIS MIDDLE SCHOOL 230 D STREET JACKSON, TN 38301		1	\$60.00	8	\$60.00
Deposit ID :1134 9/19/2017		2	\$6.00		
Date: _____		3	\$60.00		
FIRST SOUTH BANK JACKSON, TN 38301 87-234/843		4	\$5.00		
XXXXXXXXXXXXXX		5	\$5.00		
		6	\$15.00		
DEPOSIT MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL ALL ITEMS RECEIVED FOR DEPOSIT ARE SUBJECT TO THE RULES AND REGULATIONS OF THE FINANCIAL INSTITUTION		TOTAL NUMBER OF DEPOSITED ITEMS		9	\$5,157.55
⑈084302342⑈		[REDACTED]			

Deposit slip prepared by Ms. Hale for candy sale fundraiser collections. Ms. Hale withheld these collections for her personal benefit, along with other cash collections for which no receipts were issued.

- **Additional unaccounted for collections totaling at least \$6,475**

Investigators determined that for the period July 2016 through October 2017, deposited collections from additional fundraising activities, including a candy sale, a bake sale, and a

school dance, were at least \$6,475 less than estimated collections. Ms. Hale failed to prepare and keep detailed records of these collections. As a result, investigators were unable to determine definitive amounts of and responsibility for these additional shortfalls.

- **Ms. Hale used a school credit card to make personal purchases**

Ms. Hale used a school credit card to make numerous unauthorized personal purchases, including pet supplies, fuel, tires, and other items. [Refer to Exhibit 2.] She also improperly allowed a family member to access this credit card account. Ms. Hale used the card to make some legitimate school purchases as well. Credit card account records obtained by investigators revealed that Ms. Hale apparently used both school funds and personal funds to make payments to the account. Because Ms. Hale failed to maintain adequate and sufficient school records related to these credit card purchases, investigators were unable to determine whether the school received the benefit of all school payments to the account.

In addition, investigators discovered that Ms. Hale improperly utilized the school’s tax-exempt status and did not pay applicable taxes related to her personal charges to this credit card account. In addition, Ms. Hale failed to pay the balance of the card timely, resulting in a large unpaid balance which incurred interest and late fees.

Exhibit 2

WEST MIDDLE SCHOOL					
ACCOUNT #: 6046 0020 4158 6487		DATE OF SALE #: 161219		P.O. #:	
INVOICE#: 001511		AUTHORIZATION #: 001063		CLUB #: 335	
REFERENCE #: P928000PM012S8FZ4		TRANSACTION #: 1511		REGISTER #: 8	
S.K.U	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
040609068	PED 22OZ MGD BF/BC/C	12.000	EA	\$1.1800	\$14.16
044767569	NICE N EASY #106	1.000	EA	\$6.9200	\$6.92
050018429	BRY TK SLC BOLO 12OZ	2.000	EA	\$2.0000	\$4.00
061710570	SFGD WHT 8B BS	1.000	EA	\$4.4700	\$4.47
090513617	ZST COC 8B BS	1.000	EA	\$3.8800	\$3.88
099763163	RITZ SUPERCRT 34.3Z	1.000	EA	\$5.4800	\$5.48
099763281	OREO OR DB ST 15.35Z	1.000	EA	\$2.9800	\$2.98
099763458	OREO GLDN FS 19.1Z	1.000	EA	\$3.5600	\$3.56
102434944	GV 18 LRG A EGG	1.000	EA	\$1.4400	\$1.44
106644825	WORK HAND VALU 5.4OZ	1.000	EA	\$9.9400	\$9.94
	CASH/CREDIT RECEIVED	0.000		\$0.0000	\$1.00-
SUB \$56.83		TAX \$5.19		TOTAL INVOICE	\$62.02
				CREDITS TOTAL	\$1.00-
				BALANCE DUE	\$61.02

Ms. Hale made personal charges, including dog food, hair dye, and grocery items on the school credit card account.

- **Ms. Hale obtained a store charge card in the name of West Bemis Middle School without authorization**

Without the knowledge or authority of the school principal or other school officials, Ms. Hale improperly applied for and acquired an unauthorized store charge card in the name of West Bemis Middle School for her personal use. Investigators determined that although Ms. Hale

obtained the account in the name of the school, school funds did not directly pay for personal charges to this unauthorized account.

Ms. Hale was suspended without pay and subsequently retired from employment with Jackson-Madison County School System effective October 7, 2017.

Summary of Misappropriation by Former Bookkeeper Judy Hale

Source of Misappropriated Collections	Amount
Candy sale	\$ 12,742
Discount card sale	1,606
T-Shirt sale collections	1,401
Cookie dough sale	159
Total	<u>\$ 15,908</u>

These matters were referred to the local district attorney general. On October 29, 2018, the Madison County Grand Jury indicted former school bookkeeper, Judy Hale, on one count of Theft over \$10,000.

ADDITIONAL ISSUES

Our investigation revealed significant deficiencies in the school’s financial processes that contributed to the former bookkeeper’s ability to perpetrate her misappropriation without prompt detection.

School officials failed:

- To ensure that the former bookkeeper followed school collection policies separating incompatible financial duties. Some collections were not received and recorded by the school’s cashier as per school policy. Instead, the former bookkeeper received, recorded, and prepared deposits for some school collections, thus bypassing the role of the cashier.
- To ensure that collections were properly processed. The former bookkeeper failed to issue receipts to the cashier when receiving collections and directed the cashier not to retain required copies of collection records the cashier prepared to document her receipt of funds. The former bookkeeper also instructed the cashier to omit the date of collection from the cashier collection log.
- To ensure that the former bookkeeper deposited all collections promptly within three days as required by state law. In some instances, the former bookkeeper deposited collections as much as three weeks after collection. As mentioned previously, the bookkeeper failed to deposit school collections in the school bank account, misappropriating the funds for her personal benefit. Additionally, Ms. Hale sometimes used cash fundraiser collections to pay vendors.

- To ensure that all accounts were paid promptly and in full. The school maintained a large unpaid balance on a store credit account since at least August 2016. The school account incurred late fees and interest totaling more than \$4,484 during the 18-month period ending in January 2018. The unpaid balance on the account at April 2018 was \$11,353. School officials failed to review and to perform a monthly reconciliation of the store credit account statements, which allowed the fees to accumulate without prompt detection.

School officials indicated that they have corrected these deficiencies.