



COMPTROLLER'S INVESTIGATIVE REPORT

Gene Brown Elementary PTO

August 6, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

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Deputy Comptroller

August 6, 2019

Officers of the Gene Brown Elementary PTO
Gene Brown Elementary School
174 Imperial Boulevard
Hendersonville, TN 37075

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Gene Brown Elementary PTO, 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 18th Judicial District, 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/MLC

INVESTIGATIVE REPORT

Gene Brown Elementary PTO

The Office of the Comptroller of the Treasury (Comptroller) conducted an investigation of the Gene Brown Elementary PTO after receiving allegations of malfeasance. The investigation was limited to selected records for the period July 1, 2017, through November 21, 2018, and revealed the internal control and compliance deficiencies noted below. The Comptroller communicated the results of the investigation with the Office of the District Attorney General of the 18th Judicial District.

BACKGROUND



Gene Brown Elementary PTO (PTO) is a recognized school support organization of Sumner County Schools, affiliated specifically with Gene Brown Elementary School (GBES). Among other purposes, the PTO exists to promote the welfare of children in home, school and community. The PTO is operated by parent volunteers and has a core of officers that lead its operations. Historically, most of the PTO's fundraising efforts have been used to fund the salary of the technology teacher assigned to GBES. The PTO also sponsors and conducts GBES staff appreciation activities and provides supplies and equipment to the school.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Officers of the PTO, 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. The Comptroller, pursuant to *Tennessee Code Annotated*, Section 49-2-610, published the "Model Financial Policy for School Support Organizations - Procedures Manual" (Model Financial Policy) in 2008 to assist PTO officers in discharging their obligation to safeguard the funds and property of their respective organizations. To that end, the Model Financial Policy prescribes the minimum financial accountability controls that PTO officers must follow.

Our investigation found that the PTO failed to adopt or comply with financial controls prescribed by the Model Financial Policy. These resulting deficiencies included:

Deficiency 1: PTO Officials did not review and reconcile bank statements

PTO officials failed to routinely review and reconcile bank statements. To ensure that deposits and disbursements are accurately recorded and appropriately used, the Model Financial Policy requires that bank statements be reconciled promptly and that a copy of the bank statements and imaged checks be included in the minutes of PTO meetings. PTO officials did not comply with the policy and thus failed to promptly identify or resolve several personal and questionable disbursements that were made using the PTO debit card. The PTO president and treasurer were both in possession of a unique PTO debit card. They stated that in October 2018, they reviewed July through October bank records and found that the PTO president had inadvertently used the PTO debit card to make \$80 in personal purchases in early September 2018. The PTO president told investigators that she immediately repaid the PTO for the personal charges upon discovery of her mistake.

Investigators reviewed prior-year bank records and found an additional \$176 in unexplained debit card transactions made by the president or treasurer to various payees, including Walgreens, Regal Cinemas, New Shackle Island Market, McDonalds and Chick-Fil-A. PTO officials stated that some of these transactions were also personal charges accidentally charged to the PTO account. The PTO officials repaid these charges and stated that they would never authorize or knowingly allow personal use of PTO funds. [Refer to Exhibits 1, 2 and 3 for examples.]

Exhibit 1

04/11	\$64.41	PURCHASE - FAZOLI'S #5063 MADISON TN DATE 04/10 REF # 2422443FM30V2X7E3	0566
04/13	\$11.47	POS DB NEW SHACKL 9100 04/13 253 NEW SHACKLE 253 NEW SHACKLE IS HENDERSONVILLE TN 3	5581
04/19	\$115.35	POS DB SAMS CLUB 9100 04/19 SAM'S CLUB SAM'S CLUB HENDERSONVILL TN	0566

Acknowledged Inadvertent Use of PTO Debit Card to Pay for Personal Purchase

Exhibit 2

05/29	\$11.46	POS DB NEW SHACKL 9100 05/27 253 NEW SHACKLE 253 NEW SHACKLE IS HENDERSONVILLE TN 3	5581
05/30	\$17.76	POS DB SAMS CLUB 9100 05/30 SAM'S CLUB SAM'S CLUB HENDERSONVILL TN	0566
05/31	\$121.11	POS DB PUBLIX SUP 9160 05/31 PUBLIX SUPER MA PUBLIX SUPER MAR 1 HENDERSONVILL TN	5581

Acknowledged Inadvertent Use of PTO Debit Card to Pay for Personal Purchase

Exhibit 3

06/01	\$7.42	POS DB WALGREENS 9160 06/01 WALGREENS STORE WALGREENS STORE 36 HENDERSONVILL TN	5581
06/01	\$25.00	PREVIOUS MONTHS SERVICE CHARGE	0000
06/04	\$10.92	PURCHASE - MCDONALD'S F13 HENDERSONVILL TN DATE 06/01 REF # 2442733H8LYKHGF0R	5581
06/04	\$6.49	PURCHASE - SONIC DRIVE IN HENDERSONVILL TN DATE 06/01 REF # 2442733H8LYKR5AR5	5581
06/18	\$80.00	PURCHASE - DOS MARGARITAS HENDERSONVILLE TN DATE 06/16 REF # 2445388HR000HQJSX	0566
06/18	\$90.08	PURCHASE - ATIREGAL CINEM REGMOVIES.COM CA DATE 06/17 REF # 2449215HRLS702Z3R	0566

Acknowledged Inadvertent Use of PTO Debit Card to Pay for Personal Purchase

Deficiency 2: PTO officials failed to retain adequate supporting documentation for some disbursements

The PTO did not acquire or retain invoices, vendor receipts, or other adequate supporting documentation for many disbursements. Tennessee Code Annotated, Section 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 appropriately used.

Excluding payments for teacher salaries and bank fees, PTO officials provided vendor receipts for only 9 disbursements made during the 2017-2018 school year. For the first 5 months of the 2018-2019 school year, over 25% of the disbursements were not supported with an invoice, receipt, or other adequate documentation.

Deficiency 3: PTO officials did not adequately account for collections

PTO officials did not comply with the requirements to oversee, document, or account adequately for the proceeds of fundraising activities, which included a fall festival and a gift brochure sale, among others. As a result, investigators could not verify the accuracy and completeness of the amounts recorded as collected. The Model Financial Policy sets forth required collection procedures to account for proceeds from fundraiser and other collections. Officials failed to:

- Issue receipts for applicable collections or prepare count sheets signed by two responsible individuals.
- Review bank statements timely to ensure all expected deposits were made promptly and intact.
- Require, prepare, or review profit analyses for applicable activities to ensure expected collections were generated.
- Account for adequately or redeposit separately the cash withdrawn for beginning change for fundraisers.

Deficiency 4: Officials failed to establish a policy for business meals and social events

PTO officials failed to establish a policy to identify appropriate expenses for business meals and social events and failed to include them in the PTO's approved annual budget. Between April and August 2018, PTO officials spent at least \$226 from the PTO account for PTO volunteer planning meals and social and celebratory events, including at least three meals at a local restaurant for officers and selected volunteers. PTO bylaws require that the PTO treasurer "disburse funds according to the approved annual budget or as authorized by the Executive Board" and to provide the executive board an account of all transactions.

In order to improve accountability and provide increased transparency, PTO officials should develop a policy addressing permissible uses of PTO funds for officials' meals and social events, including how that furthers the goals and objectives of the organization. Additionally, if deemed appropriate, PTO officials should include the proposed expenditures for officials' meals and social events in their annual budget. [Refer to exhibit 4.]

Exhibit 4

06/04	\$6.49	PURCHASE - SONIC DRIVE IN HENDERSONVILL TN DATE 06/01REF # 2442733HBLYKR5AR5	5581
06/18	\$90.00	PURCHASE - DOS MARGARITAS HENDERSONVLE TN DATE 06/16REF # 2445388HR000HQJSX	0566
06/18	\$90.08	PURCHASE - ATIREGAL CINEM REGMOVIES.COM CA DATE 06/17REF # 2449215HRLS70ZZ3R	0566

Payment for One of Several Meals for PTO Officials and Selected Volunteers

Newly selected officials of the Gene Brown Elementary School PTO, all of whom accepted their office as of May 2019, indicated they have corrected or intend to correct these deficiencies.