



COMPTROLLER'S INVESTIGATIVE REPORT

H.G. Hill Middle School Parent Teacher Organization

March 21, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

March 21, 2019

Officers of the H.G. Hill Middle School
Parent Teacher Organization
H.G. Hill Middle School
150 Davidson Road
Nashville, Tennessee 37205

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the H.G. Hill Middle School 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 20th 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

H.G. HILL MIDDLE SCHOOL PARENT TEACHER ORGANIZATION

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to H.G. Hill Middle School Parent Teacher Organization (PTO). The Comptroller's Office initiated the investigation after officials with H.G. Hill Middle School reported questionable transactions in the PTO bank records. The results of the investigation were communicated with the office of the District Attorney General of the 20th Judicial District.

BACKGROUND

H.G. Hill Middle School Parent Teacher Organization was a nonprofit chartered school support organization recognized by Metropolitan Nashville Public Schools. The PTO's purpose was to support and enhance the educational experiences of the students by providing financial support for programs outside the annual school budget. The PTO's goals were to support academics and student life at H.G. Hill Middle School by providing support, services and funding to the administration, students and school programs to ensure success of the school in every facet – both academically and extracurricular. Although the organization had multiple officers, the former president assumed responsibility for all financial processes with no oversight.



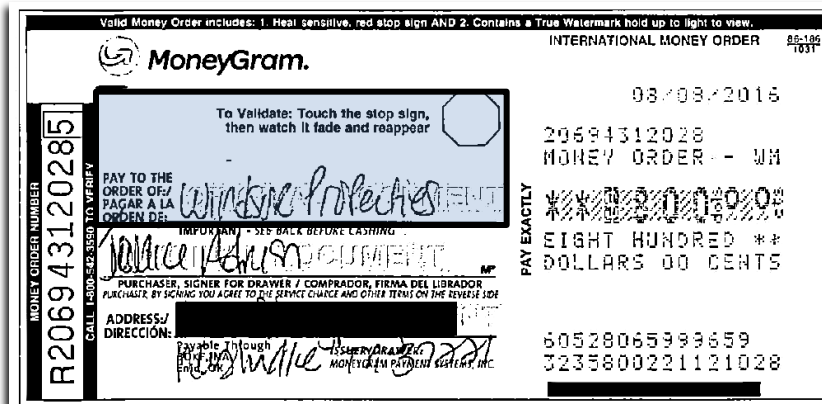
RESULTS OF INVESTIGATION

1. FORMER PRESIDENT MISAPPROPRIATED AT LEAST \$31,490

During the period August 2014 through August 2017, former PTO president Janice Adrian misappropriated PTO funds totaling at least \$31,490. Adrian employed at least four schemes to misappropriate PTO funds for her personal use without the authority or knowledge of other PTO officers or board members.

- Fraudulent Debit Card Charges totaling at least \$8,475**
 Adrian misappropriated PTO funds totaling at least \$8,475 by making at least 36 personal purchases using the PTO debit card. Adrian had sole possession of the PTO debit card and used it to make home rental and car payments, to pay utility and cable bills, and to purchase clothing, furniture, snacks, cigarettes, and other items for her personal benefit. **(Refer to Exhibits 1 and 2.)**

Exhibit 1



Unauthorized \$800 money order Adrian purchased with PTO funds to pay a portion of her home rent

Exhibit 2

Debit transactions		
Other debits		
Aug 08, 16	WAL-MART #0659 NASHVILLE TN 24065901 768371 768371 CARD PURCHASE 08/08	800.00
Aug 12, 16	AMAZON.COM SEATTLE WA 00000101 W6Z5ISJCWQD 711409 CARD PURCHASE 08/11	14.94
Aug 16, 16	COMCAST 800-266-2278 GA 27370190 436984 436984 CARD PURCHASE 08/16	265.24
Aug 16, 16	AUTO MASTERS LLC NASHVILLE TN 04923514 176372 176372 CARD PURCHASE 08/15	483.00
Aug 17, 16	ATM SURCHARGE FEE BillMatrix Nashville TN NASH1331 703866 703866 PAYMENT 08/17	2.25
Aug 17, 16	BillMatrix Nashville TN NASH1331 703866 703866 PAYMENT 08/17	265.00
Aug 18, 16	L2G*SERVICEFEE T 615-741-2286 TN 81019659 513357 513357 CARD PURCHASE 08/17	0.47
Aug 18, 16	L2G*SERVICEFEE T 615-741-2286 TN 81020129 884627 884627 CARD PURCHASE 08/17	1.64
Aug 18, 16	L2G*TN SOS ANNUA 615-741-2286 TN 81019162 479748 479748 CARD PURCHASE 08/17	20.00
Aug 18, 16	L2G*TN SOS BUSSR 615-741-2286 TN 81018651 669165 669165 CARD PURCHASE 08/17	70.00
Aug 18, 16	HARPETH VALLEY 615-3527076 TN 17206230 161435 161435 CARD PURCHASE 08/16	104.70

PTO bank statement showing Adrian's personal payments with PTO debit card

Investigators discovered that the PTO incurred bank charges related to some of these fraudulent transactions and that Adrian made several of the personal purchases while visiting another state. Investigators also noted that Adrian used the PTO debit card to make numerous other questionable purchases. Records were unavailable or inadequate to determine whether these other questionable purchases benefited the PTO.

- Fraudulent Electronic Cash Withdrawals totaling at least \$6,832**
 Adrian misappropriated PTO cash for her personal use totaling at least \$6,832 by making at least 25 cash withdrawals via ATM transactions. **(Refer to Exhibit 3.)** The cash was not used for PTO purposes but rather for Adrian's personal benefit. As noted in the exhibit, some of these transactions occurred in another state.

Debit transactions

Other debits

Oct 02, 15	678635 ATM WD CHECKING 1001 PINNACLE BANK - NASHVILLE TN LK520611 678635	500.00
Oct 02, 15	617150 ATM WD CHECKING 1002 PINNACLE BANK - NASHVILLE TN LK520611 617150	500.00
Oct 07, 15	Wal-Mart Super C SURFSIDE BEAC SC 05740018 5280148 28449 CARD PURCHASE 10/07	125.87
Oct 08, 15	ATM SURCHARGE FEE 54921 ATM WD CHECKING 1008 SANDHILLS BANK MYRTLE BEACH SC IC	4.00
Oct 08, 15	54921 ATM WD CHECKING 1008 SANDHILLS BANK MYRTLE BEACH SC IC074550 054921	300.00
Oct 16, 15	WALGREENS 7001 W BELLEVUE TN WORK021 309275 309275 CARD PURCHASE 10/15	45.20
Oct 19, 15	TARGET T- 26 Whi Nashville TN 30146171 021581 21581 CARD PURCHASE 10/19	25.00
Oct 19, 15	SAMSClub #6447 NASHVILLE TN 24644701 541338 541338 CARD PURCHASE 10/19	233.71
Oct 20, 15	TARGET T- 6814 C Nashville TN 32240082 113629 113629 CARD PURCHASE 10/19	93.91
Oct 20, 15	COMCAST OF NASHV 800-COMCAST TN 88567853 076698 76698 CARD PURCHASE 10/20	285.18
Oct 30, 15	SERVICE CHARGE	15.00
Total Debits		\$ 2,125.93

Exhibit 3

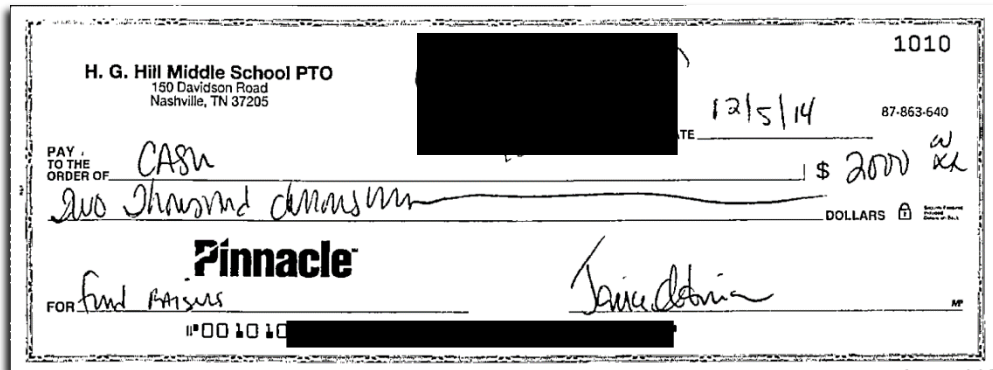
Fraudulent ATM withdrawals made by Adrian in Nashville, Tennessee.

Fraudulent ATM withdrawal made, and related fee incurred by Adrian in Myrtle Beach, South Carolina.

PTO bank statement showing Adrian's personal payments with PTO debit card

- Fraudulent check totaling \$2,000**
 Adrian misappropriated PTO funds totaling at least \$2,000 by preparing and transacting an unauthorized PTO check made payable to cash and retaining the proceeds for her personal use. **(Refer to Exhibit 4.)**

Exhibit 4



H. G. Hill Middle School PTO
 150 Davidson Road
 Nashville, TN 37205

1010

DATE 12/5/14 87-863-640

PAY TO THE ORDER OF CASH \$ 2000.00

Two thousand and no/100 DOLLARS

Pinnacle

FOR Fund Raisers

Signature: Adrian

PTO check issued and transacted by Adrian who retained cash for personal benefit

- Misappropriated Fundraiser Collections totaling at least \$14,183**
 Adrian misappropriated PTO cash collections for her personal use totaling at least \$14,183 entrusted to her for PTO fundraising events held during 2015, 2016, and 2017. PTO and school officials delivered collections from PTO fundraisers to

Adrian for deposit into the PTO bank account. Analysis of detailed collection records, invoices from vendors, and bank deposit records revealed that Adrian withheld cash collections from the spring 2017 candy bar sale (\$10,102), the fall 2015 coupon book sale (\$2,090), and the 2015 and 2016 spirit wear sales (\$1,991) and retained the funds for her personal benefit.

Investigators further determined that for the 2015 and 2016 candy bar sales, deposited collections were at least \$14,755 less than expected. Investigators also noted that deposited collections appeared less than expected for other fundraisers during the investigative scope. This included a cookie dough sale in the fall of 2014 for which no cash collections were deposited and for which the total amount deposited was less than the amount paid to the vendor. Adrian and other PTO officers failed to consistently document and account for all fundraising and collection activities and did not always prepare and keep detailed records of collections or inventories. As a result, investigators were unable to determine definitive amounts of and responsibility for these additional shortfalls.

2. FORMER PRESIDENT FABRICATED RECORDS

Adrian provided PTO and school officials misleading information about the financial condition of the PTO. She excluded her fraudulent transactions from the financial reports that she provided to PTO, school, and state officials. Adrian created false bank statements, inflating the bank balance and excluding her fraudulent personal expenses from the fabricated bank statements. **(Refer to Exhibits 4a and 4b.)** She provided these fabricated statements to school officials as authentic bank records.

Exhibit 4a

H G Hill Middle School Parent Teacher Org Inc 1056 River Springs Dr Nashville TN 37221	30 1 0
---	--------------

Horizon 300 ACCOUNT 5851030	
LAST STATEMENT 12/31/2016	13,812.97
MINIMUM BALANCE	13,839.53
AVG AVAILABLE BALANCE	13,812.97
AVERAGE BALANCE	15,216.81

REF #	DATE	AMOUNT	REF #	DATE	AMOUNT
	12/14/2016	876		12/15/2016	90.85

DESCRIPTION	DATE	AMOUNT	
SAMS CLUB #6447 NASHVILLE TN 64470013 751417 17652 CARD PURCHASE 12/14	12/14		
CHICK-FIL-A #028 NASHVILLE TN 19712679 819499 819499 CARD PURCHASE 12/14	12/16		
CHECK #1029 22.50			

Inflated balances on bank statement Adrian fabricated and turned in to school

Fraudulent bank statement created by Adrian

Exhibit 4b

H G Hill Middle School Parent Teacher Org Inc 1056 River Springs Dr Nashville TN 37221	
---	--

Statement of account	
Beginning Balance November 30, 2016	\$ 285.41
Ending Balance December 30, 2016	\$ 315.17

This Statement	
Credits (2)	\$ 965.88
Debits (8)	\$ 1,536.17

Credit transactions	
Deposits	
Dec 14, 16 DEPOSIT	875.88
Dec 14, 16 PROOF CORRECTION CREDIT	90.00
Total Credits	\$ 965.88

Debit transactions	
Other debits	
Dec 14, 16 SAMS CLUB #6447 NASHVILLE TN 64470013 751417 17652 CARD PURCHASE 12/14	78.58
Dec 16, 16 CHICK-FIL-A #028 NASHVILLE TN 19712679 819499 819499 CARD PURCHASE 12/14	238.33
Dec 20, 16 Returned Deposit Item Check 02004	44.00
Dec 20, 16 RETURNED ITEM CHARGE	15.00
Dec 20, 16 397484 ATM WD CHECKING 12/19 PINNACLE BANK - NASHVILLE TN LR520611 397484	500.00
Dec 21, 16 KROGER LI 8141 S NASHVILLE TN 80055012 025990 25390 CARD PURCHASE 12/21	470.57
Dec 28, 16 KROGER LI 8141 S NASHVILLE TN 80055012 011887 11887 CARD PURCHASE 12/28	167.69
Total Debits	\$ 1,514.17

Purchases that had been removed from fabricated bank statement.

Actual bank statement

Adrian admitted to investigators that she obtained PTO funds without the knowledge or the consent of PTO officers or members, and that she used these funds for personal expenses. Adrian also told investigators that she created and gave “fake” bank statements to school officials to hide her personal purchases and withdrawals.

Comptroller investigators noted that on two occasions, Adrian used her personal funds to pay PTO expenses totaling \$5,583.68.

Summary of Misappropriation by Former President Janice Adrian

Method of Misappropriation	Amount
Personal Debit Charges	\$ 8,475
Misappropriated Fundraiser Collections	6,832
PTO Check for Personal Benefit	2,000
Electronic Cash Withdrawals for Personal Benefit	14,183
Total	<u>\$31,490</u>

On February 5, 2019, the Davidson County Grand Jury indicted Janice Adrian on one count of Theft over \$10,000 and one count of Fraudulent Use of a Credit or Debit Card.

[H.G. Hill Middle School Parent Teacher Organization Investigative Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

The School Support Organization Financial Accountability Act (Act), sets forth in Section 49-2-604(e), *Tennessee Code Annotated*, that a school support organization’s officers shall ensure that funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization. This section also requires the officers to adopt and maintain a written policy specifying reasonable procedures for accounting, controlling, and safeguarding school support organization money and other property. The Act further authorizes the Tennessee Comptroller of the Treasury to prepare a model financial policy for school support organizations. In June 2008, the Comptroller’s Office published the “Model Financial Policy for School Support Organizations,” which was intended to provide minimum controls to assist in improving accountability over school support organization funds.

The H.G. Hill Elementary School PTO failed to establish and implement reasonable procedures for accounting, controlling, and safeguarding PTO funds. Our investigation revealed numerous internal control and compliance deficiencies in PTO financial processes that contributed to the former president’s ability to perpetrate her misappropriation without prompt detection. These deficiencies included:

Deficiency 1: Inadequate separation of duties

PTO officials failed to separate incompatible financial duties and to provide increased oversight when appropriate. The former president received and counted collections, made disbursements, prepared and delivered deposits to the bank, and received the PTO bank statements. Investigators noted that she was the sole reviewer of the original bank statements, which allowed her scheme to remain undetected for more than two years. As noted previously, the former president created and provided false bank statements to school officials to conceal her fraudulent transactions.

Deficiency 2: Inadequate supporting documentation for disbursements

PTO officials did not require or retain adequate supporting documentation for disbursements and other withdrawals. As noted previously, investigators determined that some of these disbursements were for Adrian's personal benefit. PTO records were insufficient to determine whether the PTO received the benefit of numerous other checks Adrian issued to herself and to other vendors. Requiring adequate documentation for disbursements helps ensure that PTO disbursements further the PTO's goal to support and enhance the educational experiences of the students.

Deficiency 3: Inadequate accountability for collections

PTO officials did not oversee, document, or account adequately for fundraising and other collection activities. Officials did not require, prepare, or review profit analyses for applicable activities, and did not adequately account for or safeguard inventory. The former president controlled all funds generated at fundraising events. Providing adequate accountability and oversight of collections helps ensure that all collections are deposited and used to further the goals and objectives of the PTO.

Deficiency 4: Collections not deposited timely and intact

PTO officials failed to ensure that the former president deposited all collections promptly. As noted in the investigative results, some collections were never deposited in the PTO account. Other collections were not deposited until several months after collection. In some instances, collections were taken to the former president's home to be counted and stored. Depositing funds promptly and intact provides accountability and helps ensure that all collections are adequately safeguarded.

Deficiency 5: Checks not signed by two authorized signers

PTO officials did not ensure that two authorized signatures were required and included on all checks. Investigators noted that for most of the checks issued during the period investigated, the former president was the sole signature on checks. Requiring two signatures on completed checks verifies that both signatures agree that the payment is proper and reasonable.

Current officers of the H.G. Hill Middle School PTO indicated that they have corrected or intend to correct these deficiencies.