



**JASPER ELEMENTARY
SCHOOL PTO**

Comptroller's Investigative Report
February 13, 2019

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

February 13, 2019

Officers of the Jasper Elementary School PTO
Jasper Elementary School
495 Warrior Drive
Jasper, Tennessee 37347

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Jasper 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 12th 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

JASPER ELEMENTARY PTO

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Jasper Elementary PTO. The Comptroller’s Office initiated the investigation after school system officials reported questionable transactions in the PTO bank account. The results of the investigation were communicated with the office of the District Attorney General of the 12th Judicial District.

BACKGROUND

The Jasper Elementary PTO (PTO) operated as a school support organization recognized by Marion County Schools. The PTO’s fundraising efforts provided additional financial support for activities at Jasper Elementary School. Although the organization had multiple officers, the former president assumed responsibility for all financial processes with no oversight. Following discovery of questionable transactions in the PTO bank account, PTO operations were suspended.



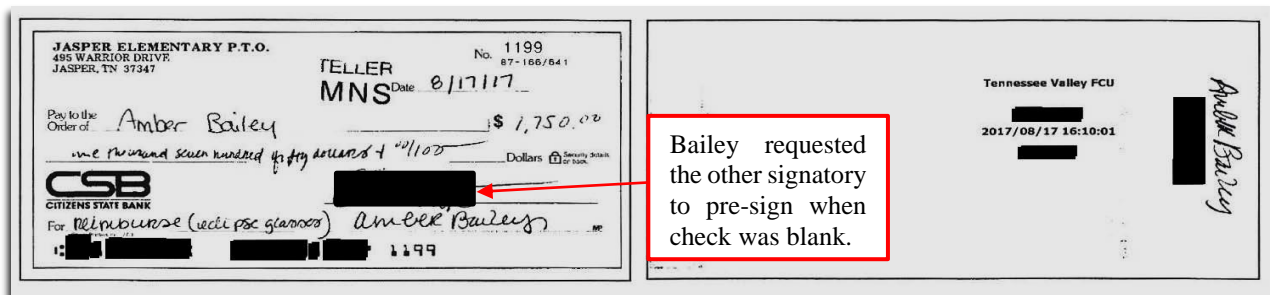
RESULTS OF INVESTIGATION

- FORMER PTO PRESIDENT MISAPPROPRIATED AT LEAST \$5,590**

During the period May 2017 through February 2018, while serving as PTO president, Amber Bailey misappropriated PTO funds totaling at least \$5,590. Bailey used at least three methods to perpetrate her scheme without the knowledge or authority of PTO officers or board members:

- Bailey misappropriated PTO funds totaling at least \$2,620 by issuing and transacting PTO checks for her personal benefit. For example, without the knowledge or authority of other PTO board members, Bailey prepared, signed, endorsed, and transacted a PTO check payable to herself purportedly for the purchase of eclipse glasses. **(Refer to Exhibit 1.)**

Exhibit 1



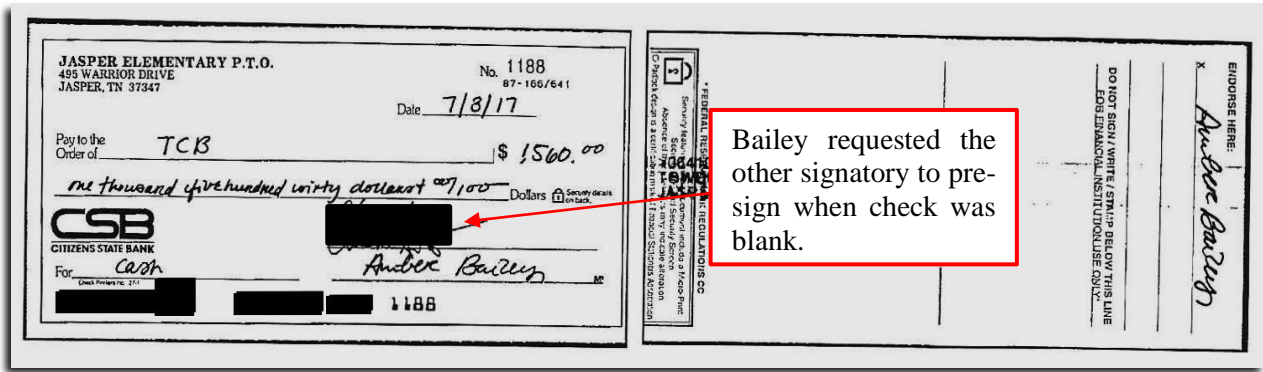
PTO check issued and transacted by Amber Baily for her personal benefit

The PTO, however, received no financial benefit from this expenditure. Bailey did not turn over to the PTO either the eclipse glasses or any proceeds from the sale of the glasses. Additionally, Bailey did not include a vendor receipt for this purchase in the PTO files. Instead, Bailey obtained and retained these PTO funds for her personal benefit.

In addition, Bailey used PTO funds to purchase or to reimburse herself for the purchase of various other items including a folding canopy, drill, garment steamer, and folding tables, which she retained in her possession. PTO records were insufficient to determine whether the PTO received the benefit of numerous other purchases.

2. Bailey misappropriated PTO funds totaling \$1,560 by preparing, signing, and cashing a PTO check made payable to a bank and retaining the cash for her personal benefit. (Refer to Exhibit 2.)

Exhibit 2



PTO check issued and transacted by Amber Bailey to the bank. Amber Bailey retained the proceeds of the check for her personal benefit

Exhibit 3

Date <u>7/3/17</u>		1188		Brought Forward	
Pay to _____					
For <u>Change</u>		Date _____		Deposit	
<u>PTO 4th of July</u>		Date _____			
<u>went</u>		Total			
		Amount of Check		1560 00	
		Balance			

According to the PTO check stub, the check was for change for the PTO 4th of July event. (Refer to Exhibit 3.) Although other PTO officials verified that they helped Bailey work this event and that related sales were made, Bailey did not redeposit this cash change fund or make any deposits related to this event.

Stub found in PTO records indicating purported purpose of check

3. Bailey misappropriated PTO funds totaling at least \$1,410 from fundraisers and other collection activities. During her tenure as president, Bailey maintained total control of the funds collected during PTO fundraisers and other events. Although the PTO held multiple fundraisers and other events, PTO bank records revealed that Bailey made only three deposits from June 2017 through February 2018. Investigators determined that Bailey failed to deposit some funds collected from sales of Pucker Powder straws and t-shirts and did not deposit any funds related to several other collection activities, including the Jasper 4th of July Festival (**Refer to Exhibit 4**), the fall membership drive, and concession sales. PTO records were inadequate to determine the amounts Bailey collected for some of these fundraising activities. As a result, investigators could not definitively determine amounts of additional unaccounted for funds.

Exhibit 4



PTO booth at Jasper 4th of July Festival

Bailey effectively concealed her misappropriation by failing to turn over, or to make available for review by the PTO treasurer and other officers, the PTO bank statements and other crucial financial information.

In February 2018, after discovery of the questionable transactions, school officials terminated Bailey’s access to the PTO bank account and suspended PTO activities.

Summary of Misappropriation by Former PTO President Amber Bailey

Method of Misappropriation	Amount
Disbursements for personal benefit	\$2,620
Proceeds of cashed check retained for personal use	1,560
Collections retained for personal use	1,410
Total	<u>\$5,590</u>

On February 4, 2019, the Marion County Grand Jury indicted Amber Bailey on one count of Theft over \$2,500.

[Jasper Elementary School PTO Investigation 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 Jasper Elementary PTO failed to comply with the Act and establish and implement reasonable procedures for accounting, controlling, and safeguarding PTO funds. The investigation revealed numerous internal control and compliance deficiencies that contributed to Bailey'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 nine months. As a result, Bailey had complete control over the PTO financial transactions.

Deficiency 2: Inadequate supporting documentation for disbursements

PTO officials did not require and retain adequate supporting documentation for many disbursements. As noted previously, investigators determined that some of these disbursements were for Bailey's personal benefit. PTO records were insufficient to determine whether the PTO received the benefit of numerous other checks Bailey issued to herself and to other vendors.

Deficiency 3: PTO checks signed while blank

PTO officials failed to ensure that PTO checks were completed and reviewed prior to being signed by two authorized check signers. The former president retained control of the organization's checkbook. Even though checks contained two signatures, investigators discovered that the former president often requested the second signatory to sign blank checks, which the former president subsequently completed. Requiring two signatures on completed checks verifies that both signatures agree that the payment is proper and reasonable.

Deficiency 4: Inadequate accountability for collections

PTO officials failed to 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 and did not deposit collections timely. Officials did not review bank statements to ensure all expected deposits were made. As noted previously, the former president failed to deposit some collections in the PTO bank account. Providing adequate accountability and oversight of collections helps ensure that all collections are deposited.

Deficiency 5: PTO failed to maintain active registration with State of Tennessee

PTO officials did not maintain the PTO’s registration as a nonprofit corporation with the Tennessee Secretary of State’s office. State law requires school support organizations to maintain active registration as a nonprofit organization, foundation, or a chartered member of a nonprofit organization or foundation prior to soliciting, raising, or collecting money in the name of the school and in order to be properly recognized as complying with the Act.

Jasper Elementary PTO officers indicated that they have corrected or will correct these deficiencies.
