



## COMPTROLLER'S INVESTIGATIVE REPORT

### Grainger High School

*August 4, 2020*

**Justin P. Wilson**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

August 4, 2020

Grainger County School System  
Director of Schools and  
Board of Education  
P.O. Box 38  
Rutledge, TN 37861

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Grainger High School, 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 4<sup>th</sup> Judicial District, certain state legislators, and various other interested parties. A copy of the report 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, appearing to read "Justin P. Wilson", is written over a light gray rectangular background.

Justin P. Wilson  
Comptroller of the Treasury

JPW/MLC

# INVESTIGATIVE REPORT

## Grainger High School

The Office of the Comptroller of the Treasury investigated allegations of misappropriation of funds at Grainger High School. The Comptroller's Office initiated the investigation after the school's contract auditor reported numerous accounting irregularities in its financial records. The results of the investigation were communicated with the Office of the District Attorney General of the 4<sup>th</sup> Judicial District.

### BACKGROUND

Grainger High School (GHS), a part of the Grainger County School System, serves students in grades 9 through 12. The school is in Rutledge, Tennessee and serves a mostly rural area of East Tennessee. GHS has an enrollment of approximately 925 students and is staffed by 58 certified teachers. Valerie Combs (Combs), served as the GHS bookkeeper for more than



6 ½ years, from July 2011 through February 2018. As bookkeeper, Combs was responsible for receipting and recording all school collections and depositing them into the school's bank account. Also, Combs prepared and signed school checks, recorded the disbursements in the school financial records, and reviewed and reconciled the school bank statements.

### RESULTS OF INVESTIGATION

#### 1. FORMER BOOKKEEPER VALERIE COMBS MISSAPPROPRIATED GRAINGER HIGH SCHOOL COLLECTIONS TOTALING AT LEAST \$34,754

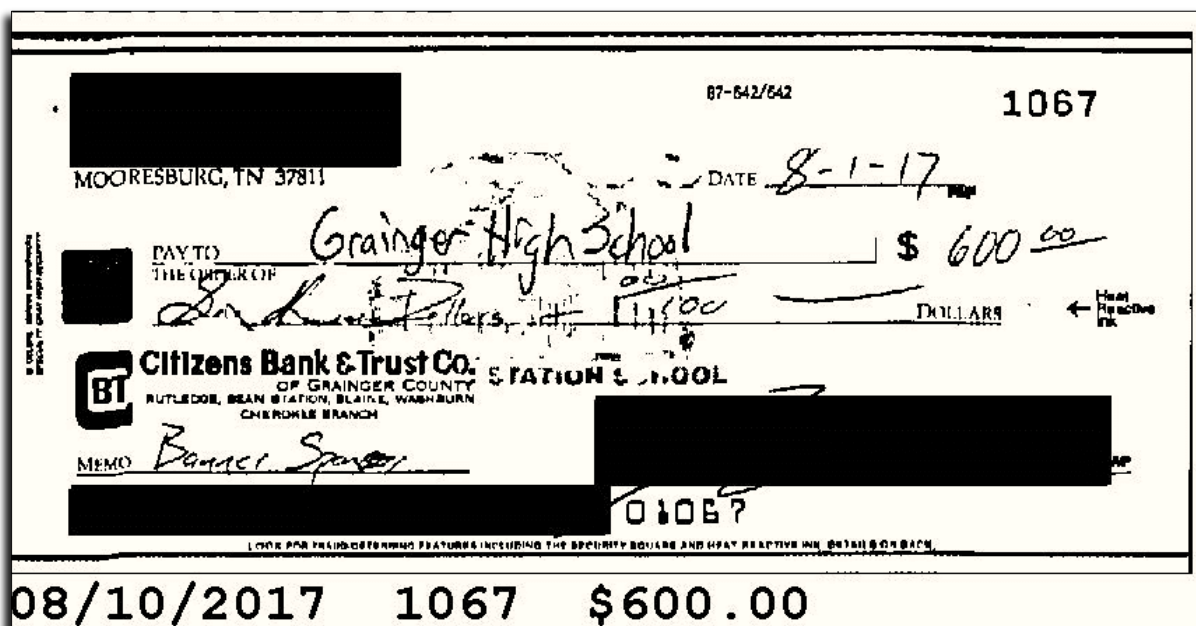
From August 2015 through February 2018, GHS bookkeeper Valerie Combs misappropriated school cash collections totaling at least \$34,754. She used at least three schemes to misappropriate school funds and conceal her wrongful activity:

A. Combs exchanged unreceipted checks received by the school for cash collections

Combs exchanged unreceipted checks for school cash collections she kept for her personal use. Although the school’s accounting system required the issuance of written receipts for all collections, Combs did not issue receipts for some payments to the school that were made by check. Instead, she swapped those unreceipted checks for school cash collections she had receipted, and she retained the cash for her personal benefit. By not receipting or recording those checks in the school’s accounting records, she was able to conceal her misappropriation scheme, commonly referred to as a check-swap scheme.

For example, in August 2017, Combs received and deposited a \$600 check from a business for a promotional banner to be displayed at athletic events. She did not receipt the check or record it in the school accounting system. Instead, she exchanged the check for cash from other school collections, effectively “cashing” the check through the collection drawer and keeping the cash for her personal use. [Refer to Exhibit 1.]

Exhibit 1



*Unrecorded check Combs exchanged for cash,  
which she kept for her personal use.*

In another example, investigators recovered an authentic collection log for a school activity that was prepared by a teacher. Combs had placed this collection log in a container in her office with items to be shredded. In connection with that same school activity, Combs misappropriated \$626 in cash by exchanging unreceipted checks in an equal amount, discarding the actual collection log, and creating a fictitious log to conceal the misappropriation. Since Combs was responsible for recording collections in the school’s accounting records, she was able to hide this fraudulent activity from school officials. [Refer to Exhibit 2.]

Exhibit 2

**GRAINGER HIGH SCHOOL**  
2201 Highway 11W South  
Rutledge, TN 37861

**Teacher Collection Log**

Date: 1/19/18  
Amount counted: 1776.00  
Receipt Number: 24602

Fund Number: 603  
Fund Name: BBO Dinner  
Deposit for: GHS Baseball team

Pennies:	Ones:	37	\$37
Nickels:	Fives:	27	\$135
Dimes:	Tens:	9	\$90
Quarters:	Twenties:	42	\$840
Other:	Fifties:	—	—
Checks:	Hundreds:	3	\$300

Check Total: \$360  
Cash Total: \$1402.00  
Total: \$1762.00

Bookkeeper's Signature: Val Combs  
Teacher's Signature: [Redacted]

**GRAINGER HIGH SCHOOL**  
2201 Highway 11W South  
Rutledge, TN 37861

**Teacher Collection Log**

Date: 1/19/18  
Amount counted: 1762.00  
Receipt Number: 24602

Fund Number: 603  
Fund Name: BBO Dinner  
Deposit for: GHS Baseball

Pennies:	Ones:	—	—
Nickels:	Fives:	—	—
Dimes:	Tens:	—	—
Quarters:	Twenties:	—	—
Other:	Fifties:	—	—
Checks:	Hundreds:	—	—

Check Total: 986  
Cash Total: 776.00  
Total: \$1762.00

Bookkeeper's Signature: Val Combs  
Teacher's Signature: [Redacted]

Combs increased the check total by the amount she misappropriated:  
 $\$360 + \$626 = \$986$

Combs reduced the cash total by the amount she misappropriated:  
 $\$1,402 - \$776 = \$626$

*Authentic collection log prepared by teacher recovered from a container in Combs office where she placed documents to be shredded.*

*Fabricated collection log prepared by Combs showing \$626 less cash than the amount turned over to her and \$626 more checks, concealing her fraudulent actions.*

**B. Combs receipted checks for less than their actual amounts**

Combs receipted some check collections for less than their actual amounts, allowing her to divert funds to her own use. For example, Combs received a \$6,000 vendor commission check payable to the school that she receipted and recorded in the school's accounting records as \$5,000. [Refer to Exhibit 3.] Bank records show that she deposited the \$6,000 check but removed \$1,000 in cash she had received from teachers for other activities. The deposit appeared to be for the correct amount because Combs falsified the check entry to conceal her misappropriation. Since Combs was responsible for recording collections in the school's accounting records, she was able to hide this activity from school officials.



Exhibit 3

Teacher Collection		Date	6/9/17
Fund Number: 3042		Amount counted	5000
Fund Name: Pictures		Receipt Number	24119
Deposit for: Commission			
Pennies: _____	Ones: _____		
Nickles: _____	Fives: _____		
Dimes: _____	Tens: _____		
Quarters: _____	Twentys: _____		
Other: _____	Fifties: _____		
Checks: 5000 -	Hundreds: _____		

Received From: [REDACTED]		Date	6/9/2017
C 4000 3042 General	commission	\$5,000.00	
Receipt #: 24119			\$5,000.00

FILE COPY

Check Total: 5000 -	Cash Total: _____
TOTAL: 5000 -	

Bookkeeper's Signature: [Signature]

Teacher's Signature: \_\_\_\_\_

[REDACTED]		DATE	6/9/2017
[REDACTED]		AMOUNT	\$5,000.00

***Combs received a \$6,000 commission check as \$5,000, enabling her to divert \$1,000 in cash for her personal benefit and avoid prompt detection.***

***C. Combs fraudulently manipulated receipts for some school cash collections***

Combs concealed her diversion of cash collections for her personal use by either not recording some cash collections or by recording cash collections at less than their true amount. Teachers provided investigators with proof that Combs altered some collection records they had prepared. In one instance, Combs received \$778.60 in cash from a teacher but falsely recorded only \$378.60 in the school financial records, thus concealing that she converted \$400 of school money to her personal use. As illustrated in **Exhibit 4** below, Combs altered the collection record, changing the “7” to a “3”, and receipted that fraudulent amount. A recalculation of the amounts listed by the teacher confirm that \$778.60 was turned in to Combs by the teacher for deposit.

Exhibit 4

**GRAINGER**  
2201 High  
Rutledge, TN

**Teacher**

Date: 9/26/17  
Amount counted: \_\_\_\_\_  
Receipt Number: 24354  
Fund Number: 8160  
Fund Name: JROTC  
Deposit for: Adventure Taps, Treas Cost, Clothing

Pennies: 05  
Nickels: 2.30  
Dimes: 9  
Quarters: 33.25  
Other: \_\_\_\_\_  
Checks: \$0

Ones: 189  
Fives: 35  
Tens: 90  
Twenties: 220  
Fifties: 50  
Hundreds: 100

Check Total: \$0  
Total: \$378.60  
Cash Total: \$

Bookkeeper's Signature: \_\_\_\_\_  
Teacher's Signature: \_\_\_\_\_

24356  
Date: 9/26/2017  
Received From: \_\_\_\_\_  
candy  
\$378.60  
Receipt #: 24356  
\$378.60  
- FILE COPY -

Total: \$378.60

***Combs altered the teacher collection record, reducing the cash amount by \$400, and recorded the false amount in the school financial records, allowing her to obtain \$400 cash for her personal use without prompt detection.***

In another instance, as shown in **Exhibit 5**, Combs did not alter the collection log, rather she simply falsely underreported cash the teacher turned over to her by \$700 and receipted that false amount in the school's financial records. This fraudulent action concealed her \$700 misappropriation of school cash collections from school officials.

Exhibit 5

**- RECEIPT -**

Grainger High School  
2201 Highway 11W South  
Rutledge, TN 37861

24131  
Date 6/23/2017

Received From: [REDACTED]

ACCOUNT NUMBER	ACCOUNT TITLE	MEMO	AMOUNT
C 6000 607	Athletics	camp clothes	\$3,740.94
<b>TOTAL</b>			<b>\$3,740.94</b>

Receipt #: 24131 *D. Combs* BOOKKEEPER

Date: June 23, 2017  
Fund Number: 607  
Fund Name: Cheerleading  
Turned in By: [REDACTED]  
Collected For: Camp clothes

1 cent:	.06	\$ 1.00	4.00	4.00
5 cent:	.10	\$ 5.00	30.00	30.00
10 cent:	.40	\$ 10.00		
25 cent:	2.50	\$ 20.00	1,140.00	1,140.00
		\$ 50.00		
CHECKS:	\$100.00	1,000.00	1,000.00	
Check Total:	2,263.88	Cash Total:	2,177.06	
<b>TOTAL:</b>			<b>4,440.94</b>	2,177.06

Combs reported a lesser total:  
\$4,440.94 - \$3,740.94 = \$700

***Combs made false entries into the school financial records, under-reporting the amount of cash the teacher gave her by \$700.***

Combs employed these schemes of deliberately manipulating collection records, as well as cash and check composition, at least 129 times during the period reviewed.

**2. COMBS USED SCHOOL PURCHASING CARDS TO MAKE AT LEAST \$643 IN PERSONAL PURCHASES**

Combs misappropriated school funds totaling at least \$643 by using a school purchasing card to make at least 4 personal purchases. For example, on December 23, 2017, Combs spent \$226.28 to purchase wine, a kitchen blender and various food items for personal use [**Refer to**



**Exhibit 6].** In her role as bookkeeper, Combs issued school checks to cover these and other personal purchases.


**Exhibit 6**

GRAINGER HIGH SCHOOL					
ACCOUNT #:	DATE OF SALE #:	P.O. #:			
INVOICE#: 005438	AUTHORIZATION #: 000766	CLUB #: 6572			
REFERENCE #: P9	TRANSACTION #: 5438	REGISTER #: 2			
S.K.U	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT PRICE
000096535	CREAM CHEESE	1.000	EA	\$10.9800	
002967768	BEEF ROUND TIP	1.950	EA	\$3.9794	
005352754	SPRING MIX	1.000	EA	\$6.9800	
026748909	MARINATED SALMON	1.000	EA	\$13.9800	
031185918	TYSON CHICKEN NUGGET	1.000	EA	\$11.9800	
043902759	DASANI	1.000	EA	\$4.9800	
047889732	NUTRI NINJA	1.000	EA	\$59.9800	
051816772	GALA APPLE	1.000	EA	\$7.9800	
052862712	MOZZARELLA SALAD 24	1.000	EA	\$9.8800	
052881306	CHAT. STE. MICHELLE	1.000	EA	\$8.6800	
052903937	MM ARGITONISHREDPAR M	1.000	EA	\$9.7800	
053061423	FC 8PK KIDS SOCK	1.000	EA	\$6.9600	
053562519	SMOKED VARIETY	1.000	EA	\$9.9800	
053668023	OLIVES AND ANTIPASTI	1.000	EA	\$16.9800	
053721745	COOKED MEDIUM SHRIMP	2.000	EA	\$14.9800	
053762219	IS \$ 3.00 OFF	1.000	EA	\$3.0000	
SUB \$210.84		TAX \$15.44		TOTAL INVOICE	\$226.28
				CREDITS TOTAL	\$0.00
				BALANCE DUE	\$226.28

Blender, wine, and clothing items

12/23/17 12:54:08 54 [REDACTED]  
 MERCHANT# 735700321836  
 SAMS B CREDIT

GENERAL MDSE TOTAL 226.28  
 ACCOUNT # 1838  
 APPROVAL # 000766  
 Name VALERIE COMBS

SIGNATURE: 

I AGREE TO COMPLY WITH THE CARDHOLDER AGREEMENT  
 12/23/17 12:54:08

*Combs' personal purchases she paid using school funds.*

Investigators noted numerous other personal purchases totaling over \$7,000 made using store accounts which consisted mostly of food and other grocery items similar to those shown in **Exhibit 7**. Although the types and quantities of the purchases were consistent with personal rather than school purposes, investigators could not definitively determine that the purchases were made by Combs. Therefore, these personal purchases were not included in the misappropriations noted in this report. In her role as bookkeeper, Combs received the account statements showing the personal purchases and issued school checks to pay for these purchases. She did not bring these purchases to the attention of school officials.

**Exhibit 7**

S.K.U	DESCRIPTION	QUANTITY	UNIT	PRICE	EXT. PRICE
005576580	FETA	1.000	EA	\$7.9800	\$7.98
005690920	RED SEEDLESS GRAPES	1.000	EA	\$8.9800	\$8.98
023100227	SILK ALMOND MILK	1.000	EA	\$7.5800	\$7.58
024100672	BAKED SCALLOPED	1.000	EA	\$6.9800	\$6.98
044153203	DC BREADED FLOUNDER	1.000	EA	\$9.9800	\$9.98
047006139	AVOCADOS	1.000	EA	\$4.9700	\$4.97
050860512	BALANCED BREAKS	1.000	EA	\$8.9800	\$8.98
051751071	BUFFALO BLUE CHEESE	1.000	EA	\$7.9800	\$7.98
052204013	IS \$ 1.00 OFF	1.000	EA	\$1.0000	\$1.00
SUB \$78.37		TAX \$5.78		TOTAL INVOICE	\$84.15
				CREDITS TOTAL	\$0.00
				BALANCE DUE	\$84.15

*Example of other personal purchases she paid using school funds.*

Summary of Misappropriation by Valerie Combs	
Scheme	Amount
Cash misappropriation	\$ 34,754
Personal purchases	<u>643</u>
Total Misappropriation	<u>\$ 35,397</u>

Combs resigned from her position as GHS bookkeeper effective February 28, 2018.

On July 22, 2020, the Grainger County Grand Jury indicted Valerie Anne Combs on one count of Theft over \$10,000.

[Grainger High School Investigation Exhibit](#)

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

*Tennessee Code Annotated*, Section, 49-2-110, provides for student activity funds and establishes responsibility for those funds. This section requires local school systems to adopt the *Tennessee Internal School Uniform Accounting Policy Manual* and to maintain all activity funds and records in accordance with the requirements noted in the manual. The Comptroller's investigation revealed that the school failed to comply with some of the requirements set forth in the manual. Investigators noted numerous deficiencies in internal controls and compliance, some of which contributed to Combs' ability to perpetrate her misappropriation without prompt detection. The most significant of these deficiencies included:

**Deficiency 1: School officials failed to separate financial duties adequately**

School officials failed to separate incompatible financial duties or provide increased oversight when appropriate. Combs was responsible for receipting collections, preparing bank deposits, and reconciling receipts with bank deposits. She also maintained custody of school charge cards, received the card statements, maintained supporting documentation, and prepared the payments for those charges. Separating financial duties and providing increased oversight reduces the risk that errors or misappropriations will remain undetected.

**Deficiency 2: School officials failed to ensure collections were deposited intact**

School officials failed to ensure that collections were deposited intact. The school bookkeeper did not deposit collections in the form (cash or check) and amount in which they were collected. Through her manipulation of collections and records, the amount of cash she deposited frequently did not match the amount of cash that teachers turned over to her. Ensuring that collections are made intact and match the cash and check makeup of the money turned over by teachers reduces the risk that undetected errors or misappropriations will occur.

**Deficiency 3: School officials failed to review statements and invoices prior to payment**

School officials failed to review store charge account statements and invoices for certain purchases prior to remitting payment. Purchases totaling at least \$7,037 appeared to be for personal groceries rather than for legitimate school purposes. Reviewing supporting documentation for all disbursements allows school officials to ensure that purchases further the goals and objectives of the school program and reduces the risk that errors or misappropriations will occur.

**Deficiency 4: School officials failed to ensure that all bills were paid timely**

School officials failed to ensure that all bills were paid timely. The school incurred interest and late charges on store accounts totaling \$761. The school had sufficient funds to pay the accounts in full each month, however, payments were often delinquent. Ensuring that bills are paid timely will avoid incurring unnecessary fees.

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

---