



COMPTROLLER'S INVESTIGATIVE REPORT

Whitesburg Elementary School

May 31, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

May 31, 2023

Superintendent Arnold Bunch Jr.
and Board of Education Members
Hamblen County Schools
7859 East Andrew Johnson Highway
Whitesburg, TN 37891

Hamblen County Board of Education Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Whitesburg Elementary 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 3rd 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 blue ink, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Whitesburg Elementary School

The Office of the Comptroller of the Treasury investigated allegations of misappropriation of funds at Whitesburg Elementary School. The investigation was initiated after the school's external auditor reported numerous accounting irregularities in its financial records. The investigation was limited to selected records for the period August 2021 through June 2022. The results of the investigation were communicated with the Office of the District Attorney General of the 3rd Judicial District.

BACKGROUND



Whitesburg Elementary School (school) is located approximately 50 miles east of Knoxville and is one of 11 elementary schools in the Hamblen County School System. The school gym was built in 1949, and the main school building was built around 1955. Land was donated by the Isaac White family. The main school building was renovated in 1980, 1992, and 2002. The last renovation included adding four

new classrooms and enlarging the cafeteria. There are now a total of 17 classrooms and one library to serve a total of 206 students in grades K-5.

Karen Whittaker served as secretary for the school during the period reviewed, and she performed the duties of a school bookkeeper.

RESULTS OF INVESTIGATION

SECRETARY KAREN WHITTAKER MISAPPROPRIATED CASH COLLECTIONS TOTALING AT LEAST \$1,104.50

From August 2021 through June 2022, secretary Karen Whittaker misappropriated cash collections totaling at least \$1,104.50. Whittaker used a check for cash swap scheme to conceal her misappropriation:

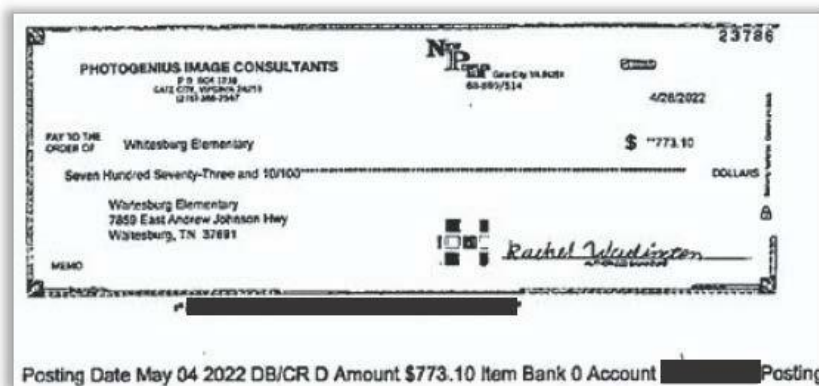
A. Whittaker exchanged unreceipted checks received by the school for receipted cash collections

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

For example, in May 2022, Whittaker received and deposited a check from PhotoGenius and a check from General Mills totaling \$804.50 both written to the school. **[Refer to Exhibit 1 and 2.]** Whittaker did not receipt the checks or record them in the school accounting system. Instead, she exchanged the checks for cash from other school collections, effectively “cashing” the checks through the collection drawer and keeping the cash for her personal use. The collection log indicated cash to be deposited from a “Change Fund” from a sporting event totaled \$800. **[Refer to Exhibit 3.]** This log, along with other collection logs, was attached to a deposit slip dated May 5, 2022. By totaling all attached collection logs, the deposit should have contained \$1,073 in cash and \$17 in checks. However, the deposit slip listed \$268.50 deposited in cash and \$821.50 deposited in checks. The \$804.50 in checks was substituted for \$804.50 in cash, leaving the total deposit amount unchanged. **[Refer to Exhibit 4.]** Investigators identified four additional checks totaling \$300 that Whittaker did not receipt or record in the school accounting system. She exchanged these checks for cash from other school collections and retained the cash for her personal use thus misappropriating at least \$1,104.50 (\$804.50 plus \$300).

Whittaker acknowledged to investigators she had taken school collections and used the cash due to personal financial problems.

Exhibit 1



Unrecorded check Whittaker exchanged for cash, which she retained for her personal use.

Exhibit 4

DATE	CURRENCY	COINS	TOTAL CASH	CHECKS	TOTAL FROM OTHER BANK OR ATTACHED LIST	DEPOSIT TICKET TOTAL ITEMS	DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL	RE-ENTER GRAND TOTAL BY SCREENED BODIES
5/4/2022	768.50	50	768.50	17.00	1090.00			

WHITESBURG ELEMENTARY SCHOOL
PH 423 335-2507 FAX 423-1296222
7850 E ANDREW JOHNSON WAY
WHITESBURG, TN 37887

REGIONS \$ 1090.00

Posting Date May 04 2022 DB/CR C Amount \$1,090.00 Item Bank 53 Account [REDACTED] Posting

Deposit slip from Regions Bank showing cash deposit amount was \$804.50 less than recorded on the collection logs.

B. Whittaker created receipts and signed the initials of another employee on school receipts

Whittaker created receipts and signed the initials of another school employee without their knowledge or permission. Investigators located a receipt book in the office with 39 receipts completed and signed “TC”. The signature was made to look very similar to how the other employee signed her own initials. The other employee was unaware these receipts had been created until investigators brought them to her attention. Investigators were not able to confirm the legitimacy of the information on the receipts. [Refer to Exhibit 5.]

Exhibit 5

RECEIPT No. 939069
DATE 8/16/2021
FROM Amanda [redacted] \$702.00
DOLLARS
 FOR RENT
 FOR _____
ACCT. _____ CASH
PAID 2000 CHECK
DUE _____ MONEY ORDER
 CREDIT CARD
FROM _____ TO _____
BY [signature]
A-1152
T-4161

Receipt prepared and initialed as another employee "TC" by Whittaker.

Hamblen County Schools terminated Whittaker's employment on September 1, 2022.

On May 15, 2022, the Hamblen County Grand Jury indicted Karen Whittaker on one count of Theft over \$1,000, one count of Identity Theft, and one count of Forgery.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[Whitesburg Elementary School Investigative Exhibit](#)

Our investigation revealed the following deficiencies in internal control and compliance, some of which contributed to Whittaker's ability to misappropriate funds without detection.

Deficiency 1: School officials failed to separate and supervise financial duties adequately

School officials failed to separate incompatible financial duties and provide increased oversight when appropriate. Whittaker was responsible for receipting collections, preparing bank deposits, and reconciling receipts with bank deposits. 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 collections were deposited intact. Whittaker 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 remitted to her. Ensuring collections are made intact and match the cash and check makeup of the money remitted by teachers reduces the risk undetected errors or misappropriations will occur.

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