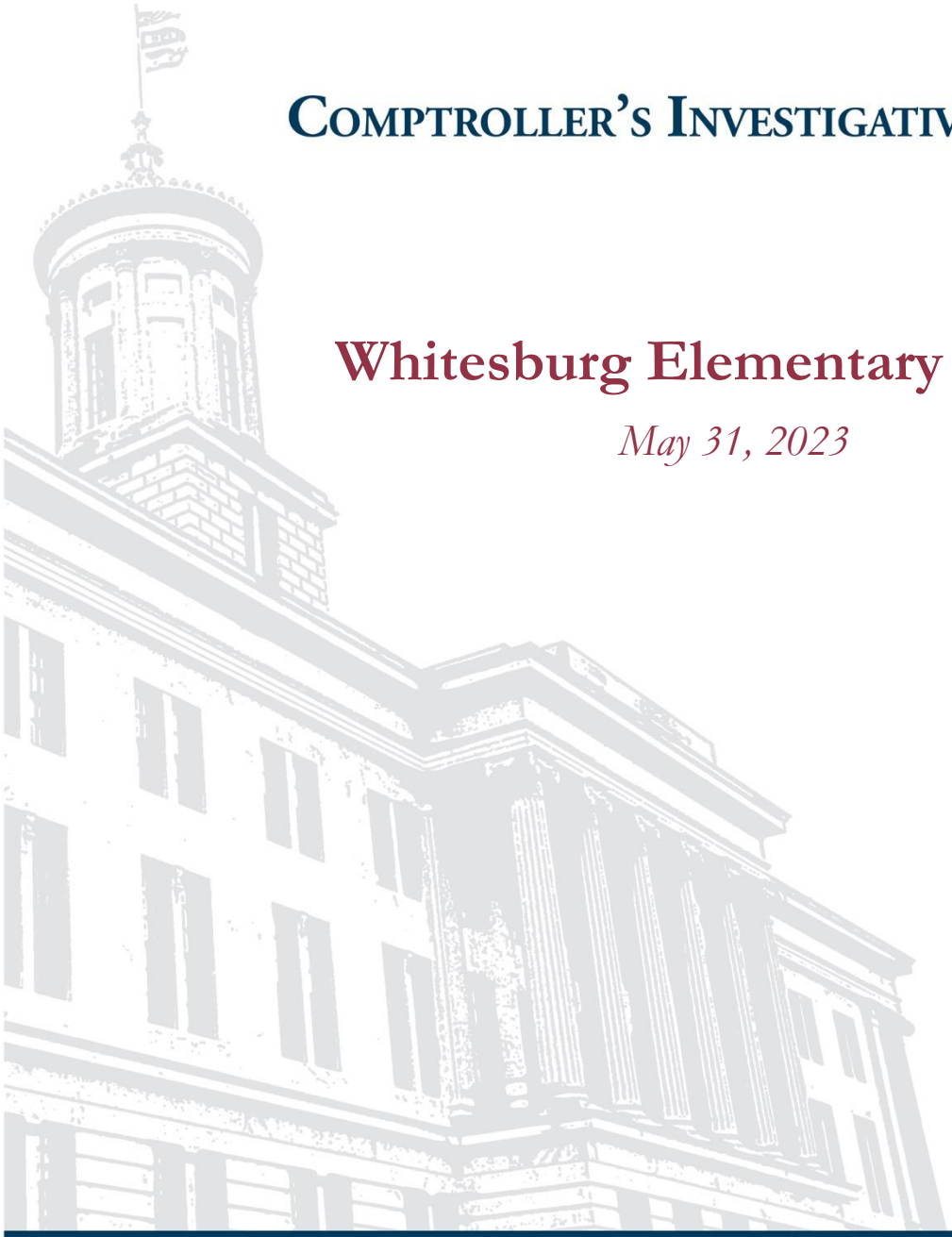


Comptroller's Investigative Report

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,

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).

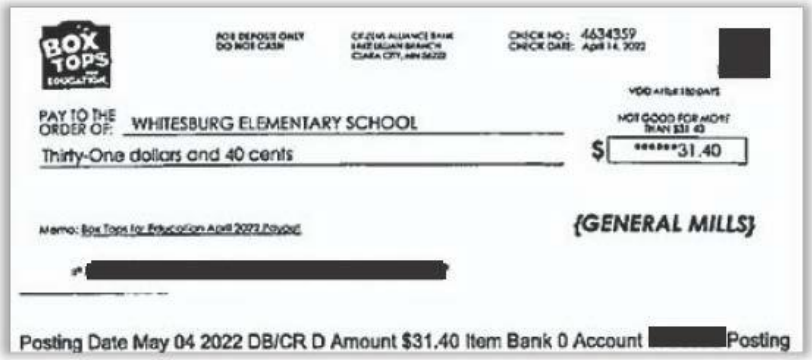
Whittaker acknowledged to investigators she had taken school collections and used the cash due to personal financial problems.

Exhibit 1

23786
PHOTOGENIUS IMAGE CONSULTANTS
4/28/2022
PAY TO THE ORDER OF Whitesburg Elementary
$ **773.10
Seven Hundred Seventy-Three and 10/100
DOLLARS
Whitesburg Elementary
7859 East Andrew Johnson Hwy
Whitesburg, TN 37891
MEMO
Rachel Washington
Posting Date May 04 2022 DB/CR D Amount $773.10 Item Bank 0 Account [redacted] Posting

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

Exhibit 2


BOX TOPS EDUCATION

FOR DEPOSIT ONLY DO NOT CASH

CITIZENS ALLIANCE BANK EAST LILLIAN BRANCH CLARA CITY, MN 56220

CHECK NO.: 4634359
CHECK DATE: April 14, 2022

[redacted]

VOID AFTER 180 DAYS

PAY TO THE ORDER OF: WHITESBURG ELEMENTARY SCHOOL

NOT GOOD FOR MORE THAN $31.40

Thirty-One dollars and 40 cents

$ ******31.40

Memo: Box Tops for Education April 2022 Payout

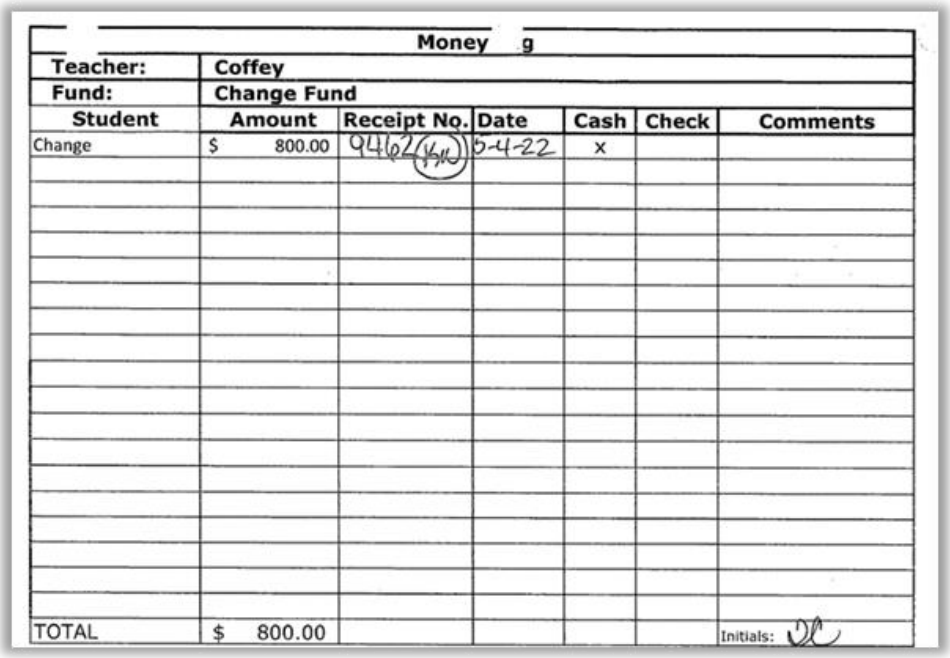
{GENERAL MILLS}

[redacted]

Posting Date May 04 2022 DB/CR D Amount $31.40 Item Bank 0 Account [redacted] Posting

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

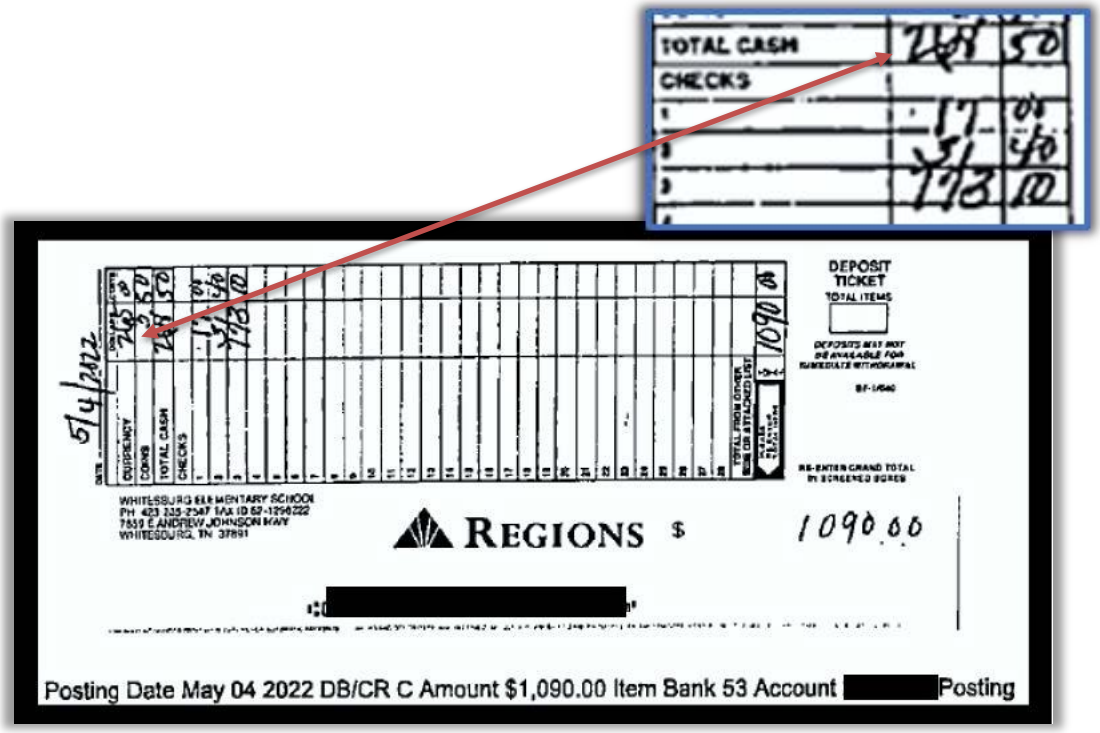
Exhibit 3



Money g						
Teacher:	Coffey					
Fund:	Change Fund					
Student	Amount	Receipt No.	Date	Cash	Check	Comments
Change	$ 800.00	94162 (K,W)	5-4-22	x		
TOTAL	$ 800.00					Initials: DC

School collection log showing count of change fund.

Exhibit 4

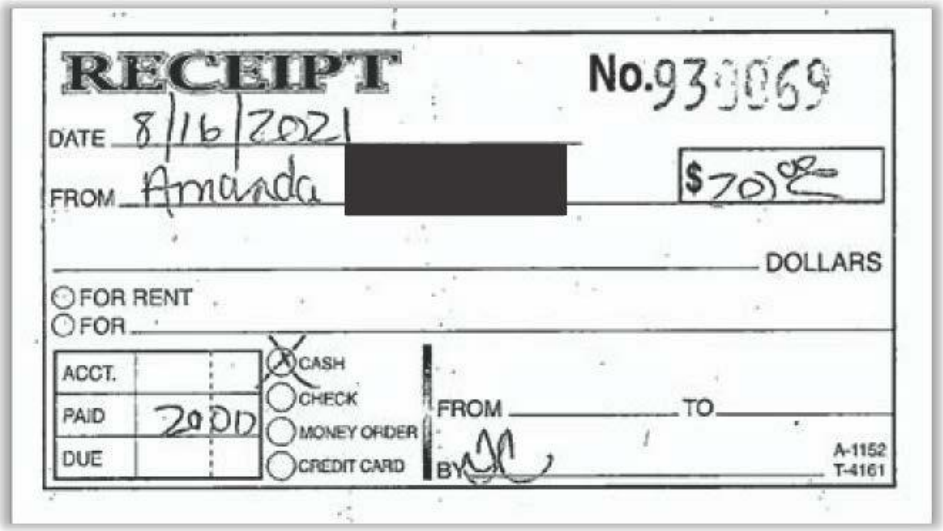


Deposit slip from Regions Bank showing cash deposit amount was $804.50 less than recorded on the collection logs.

B. <u>Whittaker created receipts and signed the initials of another employee on school receipts</u>

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] $70.00

DOLLARS

FOR RENT

FOR

ACCT.	
PAID	20.00
DUE	

CASH

CHECK

MONEY ORDER

CREDIT CARD

FROM TO

BY

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

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

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.