



COMPTROLLER'S INVESTIGATIVE REPORT

White House Heritage Elementary School Parent Teacher Organization

August 20, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

August 20, 2024

White House Heritage Elementary School Parent Teacher Organization
220 West Drive
White House, TN 37188

and

Robertson County Schools
800 M.S. Coutts Blvd.
Springfield, TN 37172

White House Heritage Elementary School and Robertson County Schools Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the White House Heritage Elementary 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 19th 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", is written over a faint blue line.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

White House Heritage Elementary School Parent Teacher Organization

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the White House Heritage Elementary School Parent Teacher Organization. The investigation was initiated after Robertson County Schools officials reported financial discrepancies involving the former parent teacher organization's treasurer. The investigation was limited to selected records for the period May 2021 through September 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 19th Judicial District.

BACKGROUND



White House Heritage Elementary School (school) is part of Robertson County Schools and is located in White House, Tennessee. Formed in 2010, the White House Heritage Elementary School Parent Teacher Organization (PTO) is a 26 U.S.C.A. § 501(c)(3) tax-exempt nonprofit entity whose purpose is to support teachers, staff, students, and parents. The officers of the PTO include a president, five vice presidents, a secretary,

and a treasurer. The PTO raises money through various events and activities, including spring and fall fundraisers, father-daughter dance events, spirit nights, silent auctions, and general donations from individuals and businesses. The PTO's disbursements include expenses associated with fundraising events, donations to the school, and various expenses associated with PTO-related activities.

For the period July 2021 through July 2023, the former PTO treasurer was responsible for the PTO's financial duties, including receipting and accounting for collections, depositing funds into the PTO bank account, making disbursements, and maintaining accurate recordkeeping.

RESULTS OF INVESTIGATION

1. THE FORMER PARENT TEACHER ORGANIZATION TREASURER MISAPPROPRIATED FUNDS TOTALING AT LEAST \$8,000

Our investigation revealed that the former PTO treasurer misappropriated PTO funds totaling at least \$8,000 from two father-daughter dance events. On May 7, 2022, and May 13, 2023, the PTO organized father-daughter dance events. During both events, the PTO collected funds for entry fee donations, concession sales, silent auction proceeds, and fees for those having photographs taken by a PTO-hired photographer. The majority of the collections consisted of cash, although some collections were made via Venmo, an online payment service.

Prior to each event, the former PTO treasurer withdrew \$700 from the PTO bank account, totaling \$1,400 for both years (2022 and 2023), to supply the beginning change funds. The majority of items sold through concessions or auctioned off through the silent auctions were donated from the community with no costs to the PTO.

At the conclusion of both events, the former PTO treasurer and the former PTO president completed a money count and filled out a collection log documenting the total cash on hand, consisting of cash collections less the expenses paid during the event. With both events occurring on the weekend, the former PTO treasurer took custody of the money, consisting of cash received during each event and the beginning change money, as well as the collection log, and she safeguarded it at her personal residence. The former PTO treasurer was expected to deposit all the money in her custody into the PTO bank account as soon as possible.

The former PTO treasurer was unable to provide investigators with any records related to collections. Due to a lack of records and inadequate accounting practices, it is unclear how much money the PTO collected during both events. The review of the PTO bank account confirmed that no deposits were made related to the 2022 and 2023 father-daughter dances.

On May 3, 2024, the former PTO treasurer told investigators that she had custody of at least \$4,000 cash after each dance, \$8,000 in total. The former PTO treasurer admitted that instead of depositing the 2022 dance money into the PTO bank account, she used a portion of it to pay various personal living expenses and retained the remaining funds at her residence. She further admitted that upon the conclusion of the 2023 dance, she kept in her possession all the money from the 2023 dance and any remaining money from the 2022 dance in a bank bag at her personal residence. The former PTO treasurer stated that in July 2023 when questions were raised about the missing funds, she panicked and threw away the bank bag in a dumpster. According to the former PTO treasurer, the bank bag that she threw in the dumpster could have included several thousand dollars.

Due to missing records, investigators could not verify the exact dollar amount collected, but the former PTO treasurer admitted that she either spent for personal use or disposed of in a dumpster at least \$8,000 cash belonging to the PTO.

Summary of Misappropriations by Former PTO Treasurer

Event	Date of Event	Total
2023 Father-Daughter Dance	May 13, 2023	\$ 4,000
2022 Father-Daughter Dance	May 7, 2022	4,000
Total		<u>\$ 8,000</u>

On July 11, 2024, the PTO received an \$8,000 check for deposit on behalf of the former PTO treasurer.

2. THE FORMER PARENT TEACHER ORGANIZATION TREASURER DESTROYED RECORDS AND DID NOT PROPERLY MAINTAIN CUSTODY OF RECORDS

According to the former PTO treasurer, the bank bag that she threw away in the dumpster in July 2023 included records related to the 2023 father-daughter dance. In addition, the former PTO treasurer was the last person to have custody of the 2023 and 2022 dance collection logs, which were the sole records documenting the exact amounts collected during both events. The investigation further revealed that additional financial records were missing and were not provided to the new PTO officials upon the former PTO treasurer's resignation. The former PTO treasurer was responsible for the accurate recordkeeping of the PTO operations, including verification of collections and reconciliation of disbursements.

3. THE PARENT TEACHER ORGANIZATION HAD COLLECTION SHORTAGES TOTALING AT LEAST \$1,265.87 RELATED TO VARIOUS EVENTS AND FUNDRAISERS

Our investigation revealed additional discrepancies in collections from several PTO events and fundraisers totaling at least \$1,265.87. No records exist to reconcile these discrepancies, and neither the former PTO treasurer nor other PTO officials could explain the following shortages:

A. 2023 Spring Fundraiser

The PTO partnered with a vendor to raise money through the sale of chocolate. The PTO ordered and received 25,500 pieces of chocolate, which were available for sale at a selling price of \$1 apiece. The fundraiser was expected to generate \$25,500 from the sale. The PTO also offered the option of donating money instead of purchasing chocolate; however, the records documenting who purchased chocolate and who donated money were not provided to investigators.

A total of \$26,935.63 was collected via cash, checks, Venmo, and PayPal related to this fundraiser from chocolate sales as well as donations. Investigators determined that at least \$24,815.63 in collections was attributable just to the chocolate sale. The PTO records reflect a shortage of \$684.37, representing the difference between the expected collections for the chocolate sale (\$25,500) and the collections attributable to the chocolate sale (\$24,815.63).

B. 2022 Fall Fundraiser

The PTO partnered with another vendor to raise funds through the catalog sale of various items. Participation in the fundraiser was accomplished by ordering and paying for items online or by filling out and sending to the school a physical retail order form and, at a later date, sending the payment, which could have been cash or checks. PTO records indicated the fundraiser generated physical order forms totaling \$7,275 in sales. Only one deposit in the PTO bank account in the amount of \$7,093.55 correlates with the fundraiser, resulting in a shortage of \$181.45.

C. 2022 Silent Auction

The PTO raised money by auctioning four parking spots at the school to the highest bidders. Proceeds totaling \$550, representing only three parking spots, were collected via Venmo. Investigators were provided a document titled “Budget 22.23,” indicating that the actual collection for parking spots was \$750. Other evidence in the PTO records indicated that a check, possibly from the fourth parking spot, could have been received related to this fundraiser. No deposits in the PTO bank account or any other transactions in the PTO’s Venmo and Paypal accounts appeared to correlate with this event, resulting in a \$200 collection shortage.

D. 2022 Father-Daughter Dance

Investigators obtained an email sent on May 9, 2022, which indicates that a parent dropped off \$127 cash to the PTO for what appeared to be subsequent collections related to the 2022 father-daughter dance occurring two days earlier, on May 7, 2022 (**Refer to Exhibit 1**). Due to a lack of records and inadequate accounting practices, it is unclear whether this money was used for PTO purposes. No information in the PTO records indicates that the \$127 cash discussed in the email was ever deposited into the PTO bank account or otherwise accounted for.

Exhibit 1

From: [REDACTED]
Sent: Monday, May 9, 2022 7:24 AM
To: [REDACTED]
Subject: money
[REDACTED] dad dropped off \$127.00 cash for PTO? Is that correct? I will put it in your office!

Thanks,

Email correspondence indicating an additional \$127 in unaccounted-for PTO collections

E. 2022 Spring Fundraiser

The PTO partnered with a vendor to raise money through the sale of chocolate. The PTO had 29,940 chocolate pieces available to sell at \$1 apiece, resulting in expected collections totaling \$29,940. Actual collections deposited via cash, checks, PayPal, and Venmo totaled \$29,866.95, resulting in at least a \$73.05 shortage (\$29,940 less \$29,866.95).

The PTO also offered an option of donating money instead of purchasing chocolate. Investigators were unable to determine whether there were additional collection discrepancies related to fundraiser donations outside of the sale of chocolate, as the records documenting who purchased chocolate and who donated money were not provided to investigators. The calculated \$73.05 shortage is solely based on the chocolate sale collections.

In addition, investigators were provided with an email sent on March 23, 2022, discussing a student turning in an unknown amount of money. The last collection log retained by the PTO related to this fundraiser is dated March 15, 2022. It appears that additional money was

collected after March 15, 2022, and it is unaccounted for in the PTO bank account or in any of the PTO records.

Summary of Collection Shortages

Event		Date or Period of the Event/Fundraiser	Total
A	2023 Spring Fundraiser	February – March 2023	\$ 684.37
B	2022 Fall Fundraiser	August – September 2022	181.45
C	2022 Silent Auction	August 4, 2022	200.00
D	2022 Father-Daughter Dance	May 7, 2022	127.00
E	2022 Spring Fundraiser	February – March 2022	73.05
Total			<u>\$ 1,265.87</u>

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

The School Support Organization Financial Accountability Act, codified in Tenn. Code Ann. § 49-2-601 *et. seq* provides that officers of the PTO, like all other officers of school support organizations (SSO), are required to ensure funds and property of their organizations are safeguarded and used only for purposes related to the goals and objectives of their organization. To assist such officers in discharging their duties, the Comptroller, pursuant to Tenn. Code Ann. § 49-2-610, published the *Model Financial Policy for School Support Organizations (Model Financial Policy)*, which prescribes a set of accounting controls to ensure the funds are used to further the organization's goals and objectives.

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to the former PTO treasurer's ability to perpetrate her misappropriation without prompt detection. These deficiencies included:

Deficiency 1: Parent Teacher Organization officials did not provide adequate oversight of operations and did not establish internal controls to ensure the accountability of the PTO's funds

Investigators noted the following deficiencies resulting from a lack of oversight:

A. Lack of Oversight Over Collections

PTO officials failed to adequately oversee, document, or account for fundraising proceeds and other PTO collections. Multiple personnel handled and collected money without establishing and documenting a clear chain of custody. No profit analysis was performed at the conclusion of the fundraiser documenting the total money collected, expenses paid, and profit generated. The *Model Financial Policy* requires SSOs to perform a profit analysis for all types of mass fundraising activities, including concessions, parking, and candy sales.

B. Bank Reconciliations and Reviews Not Performed

PTO officials did not review and reconcile bank statements. The former PTO president informed investigators that she never saw the PTO's bank statements, while other PTO officials told investigators that they were not provided bank statements or any financial information when they asked for it. The *Model Financial Policy* requires officers to verify transactions for accuracy each month. The failure to regularly review bank statements increases the risk that errors or misappropriations will not be detected promptly.

C. Lack of Segregation of Duties

PTO officials failed to implement segregation of duties over the former PTO treasurer's responsibilities. The former PTO treasurer was responsible for receipting and retaining custody of collections, making deposits, and recordkeeping. The *Model Financial Policy* states, "Duties shall be segregated between officers and members of the SSO. No one person within the SSO shall be in control of a transaction from inception to recording." Allowing one individual exclusive control over all financial duties increases the risk of fraud without prompt detection.

D. Missing or Inadequate Records

PTO officials failed to ensure that certain transactions were documented or that the records were retained, as set forth below.

- Collection logs documenting cash/checks collected were missing.
- Bid sheets documenting funds raised during silent auctions were missing.
- No sales or inventory records were maintained from concession sales.
- Certain disbursements did not have supporting documentation or had inadequate supporting documentation.
- Fundraiser records documenting collections for sale of goods versus donations were missing.
- Monthly treasurer's reports were not prepared.
- Receipts were not issued for collections or donations.
- The meeting minutes were incomplete and were missing financial information.

The *Model Financial Policy* states, "All collection and disbursement records, bank statements, imaged checks, receipts/invoices for disbursements, along with copies of the monthly treasurer's report, payroll reports, other financial and informational reports, and reports filed with state and federal agencies, shall be organized and maintained by the

treasurer or bookkeeper by fiscal year. These records must be maintained for at least four years.”

PTO officials are responsible for designing internal controls and compliance to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Providing adequate oversight and establishing effective internal controls reduce risks for fraud, waste, and abuse and increase accountability over the funds and the entity’s operations.

Deficiency 2: The former Parent Teacher Organization treasurer did not deposit collections intact and within three days of collections

The former PTO treasurer failed to deposit collections intact (i.e., in the form and amount collected) and in a timely manner (within three days of collections). Cash collections were used to pay certain expenses without properly accounting for them first in the accounting records and depositing them into the PTO bank account. In addition, the former PTO treasurer kept some collections at her personal residence for up to 57 days before making a deposit. According to the *Model Financial Policy*, all funds should be deposited in a bank account intact and within three days of collection. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

Deficiency 3: The former Parent Teacher Organization treasurer failed to timely turn over the PTO records and PTO-owned computer to the newly elected officials after submitting her resignation

The PTO operates on a fiscal year, July 1 through June 30. The former PTO treasurer resigned from the PTO board by submitting a resignation letter dated July 2023. By July 26, 2023, the new PTO board had already been in place, and new officials had been sworn in. Only after repeated requests did the former PTO treasurer turn in the PTO records and the PTO-owned laptop in her possession to the newly elected PTO officials on August 16, 2023. The *Model Financial Policy* requires the records to be turned over to subsequently elected officers. In addition, the PTO’s bylaws require the treasurer to turn over all official material after balancing the final bank statement and closing the books as of June 30.

Deficiency 4: The Parent Teacher Organization-owned computer’s data was erased the day the former PTO treasurer turned the computer over to PTO officials

On August 16, 2023, the former PTO treasurer turned over the PTO-owned computer in her possession to PTO officials. The forensic examination of the computer by investigators also found that on August 16, 2023, a recovery process was initiated, in what appeared to be steps taken to reset the computer to the manufacturer’s original setting. In addition, investigators determined that while in the former PTO treasurer’s custody, the computer was used to access accounting software called QuickBooks; however, none of the files were recovered.

Deficiency 5: Parent Teacher Organization officials failed to file Form 990-N with the Internal Revenue Service

PTO officials did not file Form 990-N (gross receipts less than \$50,000) with the Internal Revenue Service (IRS), which is due every year. The IRS requires the reporting of finances and basic operations to assist in determining whether an organization is worthy of maintaining its 26 U.S.C.A. § 501(c)(3) tax-exempt status. Failure to file the form for three consecutive tax years will result in an organization automatically losing its tax-exempt status.

PTO officials indicated that they have corrected these deficiencies.
