



**Minutes of:
Carter County Audit Committee
August 17, 2021**

Present: Vice Chairwoman Margaret Moses
Secretary Margaret Pate
Travis Hill

Absent: Carter Honeycutt

County Officials Present: Finance Director Carolyn Watson, Mayor Patty Woodby, Director of Schools Dr. Tracy McAbee, Abby Frye of the Mayor's Office serving to provide minutes for the meeting.

Call To Order:

Vice Chairwoman Margaret Moses called the meeting to order at 5:10 p.m.

Vice Chairwoman Margaret Moses recognized Carolyn Watson the new Finance Director for Carter County and welcomed her. Vice Chairwoman Moses then introduced the members of the committee to Director Watson.

A motion to approve the agenda for this meeting of the Audit Committee was made by Margaret Pate and seconded by Travis Hill. The motion passed unanimously on a voice vote.

Minutes of Previous Meeting:

Vice Chairwoman Moses presented the minutes from the previous meeting on June 10, 2021, to the committee for approval. Motion to approve the minutes was made by Margaret Pate. The motion received a second from Travis Hill and passed unanimously on a voice vote.

Discussion was held on the election of officers, and it was decided to postpone the election of officers until the next regular meeting.

Public Comments:

No members of the public wished to speak.

Old Business:

None

New Business:

Review of investigative audit report on Carter County Head Start conducted by the Comptroller's Office. Vice Chairwoman Moses presented the report and supporting documentation from the investigative audit. Vice Chairwoman Moses stated school system staff had found something questionable and reported it to the Comptroller's Office which led to the investigation.

REPORT:

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Carter County Head Start. The investigation was initiated after Carter County Head Start officials identified and reported questionable purchases. The investigation was limited to selected records for the period July 1, 2017 through January 31, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 1st Judicial District.

RESULTS OF INVESTIGATION:

1. FORMER HEAD START ADMINISTRATIVE ASSISTANT JOYCE PARSONS MISAPPROPRIATED CARTER COUNTY HEAD START FUNDS TOTALING AT LEAST \$8,657

Head Start administrative assistant Joyce Parsons used Head Start credit cards to make at least \$8,657 in unauthorized personal purchases that included clothing, groceries, cosmetics, household goods, and personal hygiene products. Head Start employees who used the program's credit cards were required to sign purchase receipts prior to turning them in to the Head Start office. Several employees whose names appeared on receipts informed investigators that they did not sign them and did not make the purchases. Head Start's purchasing card policy prohibits charging personal items using business credit cards. In April 2021, Parsons told investigators that she used Head Start credit cards for her personal benefit due to financial problems, and she signed other employee's names to her receipts to conceal her personal purchases. Head Start officials suspended Parsons without pay on January 22, 2020 and terminated her employment effective April 13, 2020.

2. INVESTIGATORS IDENTIFIED QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST \$6,276

Investigators identified at least \$6,276 in questionable disbursements of Head Start funds. In some instances, purchases for food, travel, car rentals, and supplies were not supported with itemized receipts or other supporting documentation. Therefore, investigators could not determine whether the purchases were used exclusively for the Head Start program. Disbursements should be made only for authorized expenditures, and adequate documentation should be maintained to support all disbursements.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES:

Our investigation revealed the following deficiencies in internal control and compliance, some of which contributed to Parsons' ability to perpetrate her misappropriation without prompt detection. These deficiencies included:

Deficiency 1: Head Start management did not provide adequate oversight of operations and did not establish internal controls

Head Start management did not provide adequate oversight and did not establish internal controls to ensure accountability of Head Start funds. Management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. The lack of oversight by management contributed to their failure to promptly identify the improper transactions.

Deficiency 2: Head Start had purchasing deficiencies

Investigators noted the following deficiencies related to purchasing:

- Those with purchasing authority did not always issue purchase orders or issue them properly. Purchase orders are required by Head Start policies and are necessary to control who has purchasing authority for the program and to document purchasing commitments. In some instances, actual expenditures exceeded the purchase order amount. The failure to properly issue purchase orders increases the risk of unauthorized purchases.

- Head Start officials failed to ensure that the program promptly and fully paid all of its accounts, incurring finance charges and late fees totaling at least \$535. Management should ensure all credit and charge card balances are paid timely to avoid unnecessary finance charges and late fees.

- Head Start officials did not require or retain adequate supporting documentation for some disbursements. As noted previously, investigators could not determine whether these disbursements were for the benefit of Head Start. Requiring adequate documentation, such as invoices or receipts, allows management to verify that the payment is proper and reasonable.

Deficiency 3: The Head Start director did not document a review and approval of travel expense claims

In some instances, travel expense claims were not signed by the Head Start director as evidence of review and approval. The Head Start Travel Policy requires that travel claims must be completed for all travel expenses and should be approved by a supervisor before being submitted for reimbursement. To provide adequate oversight, management should review and approve all travel expense claims. Failing to review and approve travel expense claims increases the risk of improper payments.

Head Start officials indicated that they have corrected these deficiencies.

The report notes that on July 12, 2021, the Carter County Grand Jury indicted Joyce Parsons on one count of Theft over \$2,500 and those criminal court proceedings are still ongoing.

After presenting the report from the investigative audit, Vice Chairwoman Moses opened the floor for discussion.

Director of Schools Dr. Tracy McAbee said the questionable expenditures were discovered in approximately January 2020 by new Head Start Director Leann Carr when she was reviewing program expenses. Director Carr saw questionable items on receipts and alerted the auditor to self-report issue. As the investigation progressed it became apparent the previous Head Start Director had not been following the adopted internal controls. Head Start Administrative Assistant was initially suspended without pay due to the investigation and ultimately her employment was terminated. A new administrative assistant for the program was hired.

Vice Chairwoman Moses questioned if the new Head Start Director is following the proper procedures. Director McAbee stated that she was, adding that it was her adherence to the adopted policies and procedures that uncovered the issue.

Director McAbee stated they have implemented some additional policies and procedures as a result of the investigative audit and its findings. He stated he and Director Carr have met with the investigative auditors to review the changes they had made to ensure they were taking proper action to prevent an incident like this from occurring again. Dr. McAbee stated the auditors were pleased with the changes made and steps the school system is taking.

Vice Chairwoman Moses asked whether the Head Start program has written policies in place regarding purchasing and Director McAbee stated that yes, the policies were written and in place and had been in place prior to this incident.

Vice Chairwoman Moses commended the school system for self-reporting the issue and stressed the importance of posting the fraud reporting hotline information so employees and others have access to the number and can file reports if they see anything suspicious.

Vice Chairwoman Moses adjourned the meeting at 5:26 p.m.

Respectfully submitted,
Abby Frye



COMPTROLLER'S INVESTIGATIVE REPORT

Carter County Head Start

July 19, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

July 19, 2021

Carter County Board of Education
Board Members
1339 Stateline Road
Elizabethton, TN 37643

and

Carter County Schools
Director of Schools, Dr. Tracy McAbee
305 Academy Street
Elizabethton, TN 37643

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Carter County Head Start, 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 1st 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, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

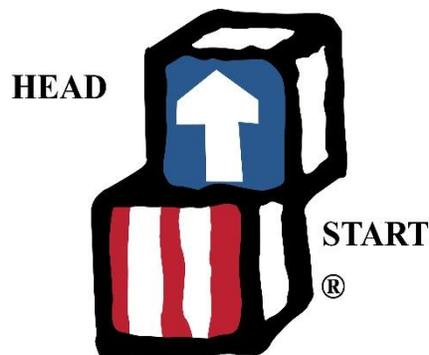
JEM/MLC

INVESTIGATIVE REPORT

CARTER COUNTY HEAD START

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Carter County Head Start. The investigation was initiated after Carter County Head Start officials identified and reported questionable purchases. The investigation was limited to selected records for the period July 1, 2017 through January 31, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 1st Judicial District.

BACKGROUND



Carter County Head Start (Head Start) is a federally funded comprehensive early childhood program for low-income children and their families administered through the Upper East Tennessee Human Development Agency (UETHDA). The program provides children with a learning environment which will help them develop socially, intellectually, physically, and emotionally in an age-appropriate manner. The Carter County Board of Education serves as a subrecipient to UETHDA and assists in fulfilling program and administrative services required by the Federal Head Start Program Grant.

RESULTS OF INVESTIGATION

1. FORMER HEAD START ADMINISTRATIVE ASSISTANT JOYCE PARSONS MISAPPROPRIATED CARTER COUNTY HEAD START FUNDS TOTALING AT LEAST \$8,657

Head Start administrative assistant Joyce Parsons used Head Start credit cards to make at least \$8,657 in unauthorized personal purchases that included clothing, groceries, cosmetics, household goods, and personal hygiene products (**Refer to Exhibit 1**). Head Start employees who used the program's credit cards were required to sign purchase receipts prior to turning them in to the Head Start office. Several employees whose names appeared on receipts informed investigators that they did not sign them and did not make the purchases. Head Start's purchasing card policy prohibits charging personal items using business credit cards. In April 2021, Parsons told investigators that she used Head Start credit cards for her personal benefit due to financial problems, and she signed other employee's names to her receipts to conceal her personal purchases.

Exhibit 1

| | | | | | |
|-----------|---------------------|-------|----|---------|-------|
| 120177711 | BNLS PORK BUTT | 9.320 | EA | 2.5697 | 23.95 |
| 123636946 | DICKIES COOLING TEE | 1.000 | EA | 11.9400 | 11.94 |
| 124769311 | TT SS V NECK TEE | 1.000 | EA | 5.0000 | 5.00 |
| 129480954 | DARK DENIM WASH CAP | 1.000 | EA | 2.9700 | 2.97 |
| 129873554 | OPP MESH BEACH TOTE | 1.000 | EA | 6.7300 | 6.73 |
| 132251313 | GV .5L WATER | 1.000 | EA | 3.9800 | 3.98 |
| 133226378 | TT SS V NECK TEE | 1.000 | EA | 5.0000 | 5.00 |

Examples of Parsons' personal purchases using Head Start funds

Head Start officials suspended Parsons without pay on January 22, 2020 and terminated her employment effective April 13, 2020.

2. INVESTIGATORS IDENTIFIED QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST \$6,276

Investigators identified at least \$6,276 in questionable disbursements of Head Start funds. In some instances, purchases for food, travel, car rentals, and supplies were not supported with itemized receipts or other supporting documentation. Therefore, investigators could not determine whether the purchases were used exclusively for the Head Start program. Disbursements should be made only for authorized expenditures, and adequate documentation should be maintained to support all disbursements.

On July 12, 2021, the Carter County Grand Jury indicted Joyce Parsons on one count of Theft over \$2,500.

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.

[Carter County Head Start Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

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which contributed to Parsons' ability to perpetrate her misappropriation without prompt detection. These deficiencies included:

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Investigators noted the following deficiencies related to purchasing:

- Those with purchasing authority did not always issue purchase orders or issue them properly. Purchase orders are required by Head Start policies and are necessary to control who has purchasing authority for the program and to document purchasing commitments. In some instances, actual expenditures exceeded the purchase order amount. The failure to properly issue purchase orders increases the risk of unauthorized purchases.
- Head Start officials failed to ensure that the program promptly and fully paid all of its accounts, incurring finance charges and late fees totaling at least \$535. Management should ensure all credit and charge card balances are paid timely to avoid unnecessary finance charges and late fees.
- Head Start officials did not require or retain adequate supporting documentation for some disbursements. As noted previously, investigators could not determine whether these disbursements were for the benefit of Head Start. Requiring adequate documentation, such as invoices or receipts, allows management to verify that the payment is proper and reasonable.

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In some instances, travel expense claims were not signed by the Head Start director as evidence of review and approval. The Head Start Travel Policy requires that travel claims must be completed for all travel expenses and should be approved by a supervisor before being submitted for reimbursement. To provide adequate oversight, management should review and approve all travel expense claims. Failing to review and approve travel expense claims increases the risk of improper payments.

Head Start officials indicated that they have corrected these deficiencies.

PRESENTMENT

CASE NO. 26307

**STATE OF TENNESSEE
VS.
JOYCE GRACE PARSONS**

THEFT OF PROPERTY (\$2,500.00 OR MORE, LESS THAN \$10,000.00)

INV. [REDACTED] TN COMPTROLLER OF THE TREASURY, PROSECUTOR

CLERK: Summon named witnesses
for the State of Tennessee.

Ken Baldwin
District Attorney General

Witnesses sworn by me in the presence
of the Grand Jury

July 16, 2021
[Signature]
Foreperson of the Grand Jury

Filed this 12th day of July, 2021.

[Signature]
Clerk SP.

Bond: \$5,000.00 @
[Signature]
Criminal Court Judge

A TRUE BILL

[Signature]
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Foreperson of the Grand Jury
[Signature]
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PRESENTMENT NUMBER 26307

STATE OF TENNESSEE, COUNTY OF CARTER

CRIMINAL COURT FOR CARTER COUNTY, TENNESSEE

CHARGE: THEFT OF PROPERTY (\$2,500.00 OR MORE, LESS THAN \$10,000.00)

The Grand Jurors for the State of Tennessee, upon their oaths, present that **JOYCE GRACE PARSONS**, between the 1st day of July, 2017 and the 30th day of January, 2020, in the State and County aforesaid, did commit the offense of theft of property by knowingly obtaining or exercising control over property, to wit; funds, valued in the amount of two thousand five hundred dollars (\$2,500.00) or more, but less than ten thousand dollars (\$10,000.00) the property of Carter County Head Start, without the owner's effective consent and with the intent to deprive the owner thereof; a class D felony, in violation of Section 39-14-103 of the Tennessee Code Annotated, and against the peace and dignity of the State of Tennessee.



DISTRICT ATTORNEY GENERAL

**STATE OF TENNESSEE
VS.
JOYCE GRACE PARSONS**

WITNESSES

INV. [REDACTED]
TN COMPTROLLER OF THE
TREASURY