



COMPTROLLER'S INVESTIGATIVE REPORT

Karns High School Baseball Team

November 7, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

November 7, 2023

Knox County Board of Education
500 W. Summit Hill Drive
Knoxville, TN 37902

Knox County Schools Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Karns High School Baseball Team, 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 6th 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 light blue circular stamp.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Karns High School Baseball Team

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Karns High School baseball team. The investigation was limited to selected records for the period July 2020 through August 2022. The results of the investigation were communicated with the Office of the District Attorney General of the 6th Judicial District.

BACKGROUND



Karns High School (KHS) is a public high school in the Karns community of Knox County, Tennessee administered by the Knox County Schools (KCS) public school district. The Karns Baseball Club, Inc. (club) was established to provide financial support to and serve the KHS baseball team. The club is a nonprofit corporation managed by a board of directors and undertakes various fundraising activities to support the KHS baseball team.

The KHS baseball team played a shortened autumn season in 2020 due to the COVID-19 pandemic, while playing full spring seasons in 2021 and 2022. KCS removed the head baseball coach, who coached at KHS for the entire period of our investigation, from his coaching responsibilities on October 20, 2022. KCS reassigned the head baseball coach to another school within KCS, without coaching responsibilities, on November 2, 2022.

The club was a KCS approved school support organization during the period reviewed. Officers of the club, like all other officers of school support organizations, 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 organizations. 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)* in 2008 and revised in 2020, which prescribes a set of accounting controls to ensure the funds are used to further the organization's goals and objectives.

RESULTS OF INVESTIGATION

1. BASEBALL COLLECTIONS WERE DEPOSITED INTO A PRIVATE BUSINESS'S BANK ACCOUNT AND PAID OUT TO COACHES

On August 6, 2021, a former KHS student's parent deposited \$8,948 into their private business bank account. For the period August 9, 2021, through October 4, 2021, five checks cleared the private business bank account, which were written to separate KHS baseball coaches totaling \$8,948, and each check memo stated "Baseball (Summer)." Due to a lack of supporting documentation, investigators could not determine the source of the deposit or if coaches paid appropriate state taxes, federal taxes, or other required payroll deductions. According to the *Model Financial Policy* and KCS policy, if the deposit originated from KHS baseball activities, the funds should have been deposited with KHS or the club, and KCS should have authorized the payments and paid the coaches. KCS, KHS, and club officials should ensure all KHS baseball financial activity is supported by documentation and transacted with the appropriate authorized entity. The lack of supporting documentation for baseball activities greatly increases the risk of fraud, waste, and abuse. The following table summarizes baseball activity in the private business bank account:

Private Business Account Baseball Activity				
Transaction Date	Transaction Type	Check Recipient	Amount	Check Memo
8/6/2021	Cash Deposit		\$ 8,948.00	
8/9/2021	Check	Head Coach	\$ (2,000.00)	Baseball (Summer)
8/10/2021	Check	Assistant Coach	\$ (3,583.00)	Baseball (Summer)
8/9/2021	Check	Assistant Coach	\$ (1,500.00)	Baseball (Summer)
9/20/2021	Check	Assistant Coach	\$ (1,465.00)	Baseball (Summer)
10/4/2021	Check	Assistant Coach	\$ (400.00)	Baseball (Summer)
		Total	\$ -	

2. CLUB OFFICIALS FAILED TO PROPERLY SAFEGUARD AND RETAIN CLUB RECORDS

Club officials provided investigators with no club records, other than bank statements, for the entire scope of our investigation, July 2020 through August 2022. According to the club treasurer in position during this period, he lost all records; therefore, investigators were unable to review organizational documents, meeting minutes, determine the source and completeness of collections, or determine the purpose and appropriateness of disbursements. Club officials did not make any deposits for the 2021 baseball season until 10 days after the last scheduled home game. In addition, the club made deposits for the last seven scheduled home games of the 2022 season 94 days after the last scheduled home game. Given the lack of supporting documentation for collections, investigators could not determine if concessions and other collections were ever deposited in full. According to the *Model Financial Policy*, "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." The lack of club organizational and financial records greatly increases the risk of fraud, waste, and abuse.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance related to KCS, KHS, and club operations. These deficiencies included:

Deficiency 1: KHS baseball coaches used KHS facilities for a summer baseball league without KCS knowledge or approval

During 2021 and 2022, KHS baseball coaches participated in a summer baseball league, run by a separate organization in the process of obtaining nonprofit corporation status, using KHS facilities; however, KHS baseball coaches failed to notify or obtain approval from KCS regarding KHS facility use for this purpose. According to *Knox County Board of Education Policy*, Section E-130:

- "All non-school groups or individuals requesting to use school facilities must make application through the principal and have approval of the Director of Schools prior to the date of use."
- "Proper liability insurance shall be required of all groups given permission to use school facilities, except for routine meetings...The Board of Education shall require a copy of insurance certification and may be an additional named insured on all liability insurance policies held by organizations or individuals using Board of Education property or facilities."

Investigators found no specific application or approval by KCS or KHS for the summer baseball league. In addition, investigators could not verify how much coaches or others profited from the league and found no payments to KCS for field use or upkeep. Finally, neither KCS nor KHS maintained a copy of the separate organization's liability insurance. Both KCS and KHS should establish procedures to ensure school facility use is properly authorized, not for private profit, and supported by sufficient liability insurance to cover damages or injury. Noncompliance with board policy increases the risk of fraud, waste, abuse, and civil liabilities.

Deficiency 2: The club's bank account had a negative balance

In May 2022, the club's bank account had a negative balance of -\$453.53, incurring an overdraft fee of \$32.00. A negative bank account creates wasteful bank overdraft fees and reveals overall inadequate management oversight, allowing funds to be spent prior to being available.

Deficiency 3: Club officials did not require two signatures on checks

Club officials did not require two signatures on checks. The *Model Financial Policy* states, “Bills should never be paid in cash. Official prenumbered checks should require two signatures. (Requirement Reminder: Pre-signing blank checks shall never be allowed.)” Checks having two signatures provides a degree of control indicating both signers agree the payment is proper and reasonable.

Deficiency 4: Club funds were not deposited within three days of collection

Club officials failed to ensure that club funds were deposited within three days of collection as required by the *Model Financial Policy*. For the period, the club failed to deposit concession collections during the season within three days of collection. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

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