



COMPTROLLER'S INVESTIGATIVE REPORT

Spring Station Middle School Parent Teacher Organization

December 20, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

December 20, 2023

Ashley Fankhauser, PTO President
Spring Station Middle School
1000 Spring Station Drive
Spring Hill, TN 37174

Ms. Fankhauser:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Spring Station Middle 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 21st 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

Spring Station Middle School Parent Teacher Organization

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Spring Station Middle School Parent Teacher Organization’s band booster. This investigation was initiated after officials reported concerns about the former band booster treasurer. The investigation was limited to selected records for the period February 1, 2022, through December 21, 2022. The results of the investigation were communicated with the Office of the District Attorney General of the 21st Judicial District.

BACKGROUND



The Spring Station Middle School (SSMS) Parent Teacher Organization’s (PTO) band booster was formed in February 2022 to support the SSMS band, drumline, and color guard. As an activity-specific school support organization (SSO), the band booster was considered a subsidiary of the SSMS PTO and followed the regulations set in place by the SSMS PTO’s board. The SSMS band director recruited parents with prior experience in leadership roles with Williamson County School District SSOs to serve as members of the band booster’s board.

The band booster’s board consisted of a president, a treasurer, and a secretary, and often consulted the band director on various matters. The treasurer's primary responsibilities were operating the concession stand and handling all band booster financial responsibilities. The band booster held several yearly fundraisers to offset the cost of the band’s expenses for competitions, camps, and instrument rentals. Fundraisers included a concession stand for fall sports such as football, wrestling, and volleyball; a candle and popcorn sales fundraiser; a Halloween-themed fundraiser called Spooktacular; and a Holiday Marketplace held in December. The SSMS PTO board dismissed the band booster treasurer on November 14, 2022.

RESULTS OF INVESTIGATION

1. THE FORMER BAND BOOSTER TREASURER FALSIFIED SIGNATURES ON CASH COLLECTION DOCUMENTS

Investigators verified that the former band booster treasurer signed, or directed another person to sign, five false signatures on five different cash collection documents from concession sales

events for the period August 15, 2022, through September 22, 2022. Four of the five false signatures were not signed or authorized by the person whose name was falsely signed on the collection log. In one of the five instances, a signature was applied by the former treasurer's family member who counted the cash collected from the event but never actually worked at the event. The former treasurer told investigators that all falsified signatures were applied because the event volunteers failed to sign their names on the collection documents. In the case of the former treasurer's family member signing the collection documents, the former treasurer stated she was unsure who the parent volunteer was who worked at the event, so she asked her family member to count the cash and sign the collection document. Investigators verified that the four persons whose names were falsely signed on the collection documents did actually work at the listed events. Those persons stated to investigators that all cash amounts listed appeared to be reasonable. Investigators were unable to determine if any additional funds were collected that were not included in the documents' collection totals.

2. THE BAND BOOSTER OPERATED AN UNAUTHORIZED RAFFLE DURING ITS HOLIDAY MARKET FUNDRAISER

Investigators were informed that the band booster collected a raffle table fee for its Holiday Marketplace fundraiser in December 2022. Each vendor had to pay a "door prize" fee to the band booster to participate in the fundraiser. The door prize drawings were held throughout the fundraiser and varied from \$25 to \$50 in value, consisting of coupons to vendor booths, Amazon gift cards, Target gift cards, restaurant gift cards, and more. All attendees had to pay to enter the fundraiser, and they were given one ticket for the drawing upon entry. If any participant wanted additional chances to win a prize, prenumbered tickets could be purchased for one dollar apiece. Tickets were drawn from a basket every 30 minutes throughout the fundraiser to determine the winners of the prizes. Investigators reviewed information available from the Tennessee Secretary of State and determined that neither SSMS, the SSMS PTO, nor the band booster were approved to hold a raffle in accordance with the procedures set forth in the Tennessee Charitable Gaming Implementation Law or by the Tennessee General Assembly.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Officers of booster clubs, like officers of all other school support organizations, are required to ensure that the 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 state Comptroller's Office, 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 minimum financial accountability controls that officers must follow to ensure funds are used to further the organization's goals and objectives. Our investigation revealed the following internal control and compliance deficiencies in financial processes:

Deficiency 1: The former band booster treasurer did not ensure collections were deposited intact

Investigators reviewed each concession collection document prepared by the former band booster treasurer and determined that cash collected from at least nine concession sales events was not deposited into the bank intact. Funds collected and receipted during a specific period should be deposited together. Interviews with concession stand volunteers, the band director, and the former band booster treasurer revealed that band-related expenses were deducted from the total profit and disbursed as cash reimbursements from collections on at least nine occasions. A total of \$463.30 was disbursed as reimbursements from cash for the period August 10, 2022, through October 27, 2022. Each reimbursed expense was accompanied by an attached receipt showing the exact amounts deducted. A document detailing disbursements on the petty cash envelope reflected the deductions recorded on the cash collection documents as “to petty cash” or “to change envelope” (See Exhibit 1).

Exhibit 1

COUNT OF COLLECTIONS

DATE OF ACTIVITY 9/22/2022 ACTIVITY Football

ACCOUNT NAME/NUMBER _____

BEGINNING CHANGE:		
Number of	Total Value	
10	\$10s	\$100
40	\$5s	\$200
50	\$1s	\$50
20	0.25s	\$5
TOTAL =		\$355

I have counted the money to be used in today's cash box, this amount is correct

Picked up and counted by _____

~~-\$355 cash box~~
~~-\$70 GAS~~
~~-\$16 5/11 up~~

~~-\$60 to change envelope~~

BOX PREPARED BY: _____

END OF ACTIVITY _____

Example of a cash collection document with red writing indicating deductions from the total profits. This log includes a petty cash (change) deduction.

The *Model Financial Policy* requires that deposits from collections be deposited in the form (cash or check) and the amount in which they were collected. Because reimbursements were made from cash collections, the amount of cash the former band booster treasurer deposited from concession stand profits frequently did not match the amount of cash that was collected during the concession event. Ensuring collections are made intact and match the cash and check makeup of the money remitted during concessions reduces the risk that undetected errors will occur. In addition, the failure to deposit funds intact increases the risks of fraud and misappropriation.

Deficiency 2: The former band booster treasurer did not ensure that funds were deposited within three days of collection

The former band booster treasurer was responsible for ensuring deposits were made timely for the concession stand for the period August 10, 2022, through November 14, 2022. Part of the former band booster treasurer's job was to ensure the cash box was provided to the volunteers in the concession stand at the beginning of the game and collected at the end of the game with each completed cash document. Investigators found that on several occasions, the former band booster treasurer's spouse, who was not affiliated with the band booster, would drop off or collect the cash box when the former bank booster treasurer was unavailable. After parent volunteers signed their names, ensuring that documents were completed, the former band booster treasurer oversaw depositing the profits from each game. A total of \$4,166.70 from the profits of 10 out of the 18 events' concession sales were deposited more than three days after the concession events occurred in violation of the *Model Financial Policy*. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

Deficiency 3: SSMS personnel and the band booster did not comply with the Tennessee Nonprofit Gaming Law when operating raffles

SSMS personnel and the band booster did not comply with the Tennessee Nonprofit Gaming Law when it held a raffle in December 2022. Raffles are considered games of chance in Tennessee and are therefore prohibited under Tenn. Code Ann. § 39-17-501, et seq. However, specific charitable organizations are authorized to operate an annual event involving a game of chance if that event is conducted in accordance with the Tennessee Nonprofit Gaming Law, codified in Tenn. Code Ann. § 3-17-101, et seq., which states, "A nonprofit organization seeking to operate an annual event for the benefit of that organization located in this state shall submit an annual event application to the [Secretary of State]." The Tennessee Secretary of State publishes a list of approved gaming events for each state fiscal year. Investigators reviewed these lists and determined that SSMS nor the band booster had received approval from the Secretary of State for their December 2022 Holiday Marketplace fundraiser door prize raffle.

Deficiency 4: The band booster did not follow "best practices" for disbursements

The *Model Financial Policy* requires that official prenumbered checks for disbursements be preferred over other disbursement methods such as debit cards, credit cards, and other listed methods. Moreover, the *Model Financial Policy* states that bills should never be paid in cash. Official prenumbered checks should require two signatures. Twelve reimbursements were paid in cash from concession collections, and two checks paid from the band booster's account were signed with only one signature. The twelve cash reimbursements reflect compliance issues with the *Model Financial Policy* because it states that all collections should be deposited intact (total amount collected in the form it was collected) within three business days. The deposits were no longer intact because these reimbursements were made in cash from the collections. Requiring two signatures on completed checks verifies that both signatories agree that the payment is proper and reasonable.

Deficiency 5: The band booster failed to implement adequate segregation of financial duties

The *Model Financial Policy* suggests that cash should be deposited in the bank by a separate individual (someone other than the treasurer or bookkeeper) who returns the bank deposit receipt to the treasurer or bookkeeper. The former band booster treasurer performed the duty of counting the collections from concession stands and then depositing collections to the band booster's bank account. The *Model Financial Policy* sets forth the required segregation of duties regarding receipting money, reconciling cash to receipts, depositing the cash, reconciling the bank statement, and recording receipts to the accounting records. The former band booster treasurer alone was responsible for all financial tasks. Failure to properly segregate financial duties decreases transparency and increases the risk that errors or misappropriations will occur without prompt detection.

Deficiency 6: SSMS school personnel and the band booster did not maintain proper documentation for collections

Tenn. Code Ann. § 49-2-604(c) requires that an SSO maintain, at a minimum, detailed statements of receipts and disbursements for at least four years and be available for request by any member of the organization, principal, director of schools, or the director's designee, or the Office of the Comptroller of the Treasury. Moreover, the *Model Financial Policy* requires SSOs to obtain and file invoices for all disbursements to document that funds were used appropriately.

- A. The former band booster treasurer maintained an income-expense document of the concert band, drumline, and color guard. While reviewing the entries for each source of income from concessions profits, investigators found several discrepancies for each month from August 2022 through November 2022. After reviewing the former band booster treasurer's complete document with notes attached, investigators determined that while records were kept, the records were incomplete.
- B. A third-party outside the band booster collected the Holiday Marketplace fundraiser booth fees and then turned them over to the SSMS band director to give to the former band booster treasurer for deposit. The band director, a SSMS employee, collected 58 checks for the Holiday Marketplace fundraiser at different times from the third-party organizer. A document of the checks was never provided to investigators and assumed by the band director to have been tracked by the third party, but it was never confirmed. A stack of nine booth fee checks was forgotten and left on the band director's desk and remained undeposited for an average of 60 days, ranging from 43 to 75 days.

The *Model Financial Policy* states that any money collected by a school employee acting in his or her official capacity is considered school money and should be deposited into the school's account.

Deficiency 7: Band booster board members did not review and reconcile bank statements

From the time of the band booster's inception in February 2022 through the end of the former band booster treasurer's tenure in November 2022, reconciliations of the bank statements were not completed or shared with the board. The *Model Financial Policy* requires that bank accounts must

be reconciled promptly at the end of each month. It states that the bank reconciliation should be performed by someone who does not have signature authority over the account. It also states that a school support organization board must review all receipt and disbursement transactions and supporting documentation at least monthly. Boards must examine bank statements to verify appropriate transactions and bank reconciliations for monthly accuracy.

Booster club board members indicated they have corrected or intend to correct these deficiencies.
