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July 13, 2011

Officers of the Riverdale High School  
Quarterback Club  
2240 Southpark Boulevard  
Murfreesboro, TN 37128

Ladies and Gentlemen:

We have completed our investigative audit of selected records of the Riverdale High School Quarterback Club (Quarterback Club). The audit focused on the period January 1, 2008, through June 30, 2009. However, when warranted, we expanded the scope.

Section 49-2-601 et seq., *Tennessee Code Annotated*, known as the "School Support Organization Financial Accountability Act" (SSOFAA), sets forth requirements related to school support organizations. The General Assembly of the State of Tennessee stated its intent regarding this law in Section 602:

The general assembly recognizes the importance of school support organizations in providing financial support to help carry out academic, arts, athletic, and social programs to further educational opportunities for the children of this state. The general assembly also recognizes concerns that parents and other persons who support these organizations have in ensuring that money raised by these organizations is safeguarded by them and used to further the activities for which the money is raised. It is, therefore, the intent of the general assembly to ensure the continued support of academic, arts, athletic and social programs, which help to educate the children of this state, while also ensuring fiscal accountability of school support organizations (*T. C. A.*, § 49-2-602).

Section 609 of the SSOFAA states, "A school support organization ... that collects and raises money ... while representing itself to be a school support organization shall be subject to audit by the office of the comptroller of the treasury."

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The Rutherford County Board of Education has adopted Policy 2.404 that sets forth requirements for school support organizations that are affiliated with the district's schools. In addition to closely following the language and provisions of the "SSOFAA," Policy 2.404 states: "The director may enact procedures to **suspend or revoke the authorization of any school support organization for a failure to abide by the policies and procedures regarding school support organizations.**" [Emphasis added.]

**The officers of the Riverdale High School Quarterback Club refused to comply with requests for copies of documents, including canceled or imaged checks, that state law requires each school support organization to maintain. Although the SSOFAA provides no exceptions to the requirement that a school support organization is to retain copies of its transacted checks, Quarterback Club officers refused to obtain copies from their financial institution. It should be noted that the issuance of this report was extended beyond a normal time frame due in part to the lack of cooperation by the Quarterback Club officers. However, we believe the issues addressed to be pertinent and relevant to the future operations of the Riverdale High School Quarterback Club and to the operations of school support organizations throughout the State of Tennessee. Therefore, we consider it beneficial to publicly release this document, regardless of the delay.**

**Within this letter, references to Quarterback Club officers refer to the individuals who held those offices between January 1, 2008, and June 30, 2009, unless otherwise specified. It is the responsibility of current and future officers to implement the pertinent recommendations.**

### Findings and Internal Control Weaknesses

#### 1. **Direct payments to Rutherford County School Board employees**

Without the knowledge and approval of the Rutherford County Board of Education, the Riverdale High School Quarterback Club (Quarterback Club) paid at least \$7,000 directly to Riverdale High School (RHS) coaches, purportedly for football field maintenance. The payees included the athletic director, an assistant football coach, and a volunteer wrestling coach at Riverdale High School. The majority of the \$7,000 consisted of two cash payments, totaling \$4,000, paid to the athletic director. There is no record that the Quarterback Club issued IRS Form 1099 to any of the recipients.

The bylaws of the Tennessee Secondary School Athletic Association (TSSAA), Article 1, and Section 9(h) include the mandate that “Coaches must be paid entirely from funds approved by the board of education or the governing board of the school.”

Rutherford County Board of Education Policy 5.110, “Compensation Guides & Contracts” states:

Salaries of all employees, including supplemental pay, shall be paid by the Board. No payment to any employee for service performed on behalf of the school system shall be made from any source other than the Board.... Salaries and supplements may be paid from revenue derived from sources other than taxes, provided the revenue is deposited with and salaries paid through the Board. This includes donations or contributions from individual, civic or other non-school related sources of funds from individual school activity funds, such as gate receipts and concessions.

To comply with TSSAA and Rutherford County Schools’ policies, to prevent potential tax issues for the recipients, and to avoid other potential, unintended, negative consequences, the Quarterback Club should immediately cease making payments directly to board employees.

**2. Failure to prepare and maintain adequate documentation for concession operations as required by state law**

Although the Quarterback Club operated concession stands at football games during the 2008 season, as had been customary for many years, it did so without any written documentation of this arrangement. The Quarterback Club’s officers failed to prepare and submit copies of collection records, including documented counts of collections from each applicable athletic event as well as profit analysis reports, to the school office as required by state law.

The Quarterback Club maintained virtually no records related to concession operations. Our analyses of available deposit records and cash payments, along with billing statements, invoices, and register receipts from concession suppliers, indicated that the net profit was significantly lower than expected. Including deposits for which the Quarterback Club’s officers failed to identify a source, the profit was only around \$5,400. Based upon all available information, the low-end total profit would be expected to range between \$9,400 and \$12,000.

Because records were inadequate, we were unable to determine whether the insufficient profit was the result of theft, collections being used for additional, presently unidentified cash payments, unaccounted for concession inventory, excessive cost of goods sold, or any combination of these issues. It should be noted that the Quarterback Club president, who was in charge of ordering product for the concession stand, was also the salesman for the company from which most concession products were purchased.

In addition to requiring approval of school support organization fundraising activities by the director of schools or the director's designee, the SSOFAA Section 606, states:

A local board of education may grant the principal of a school the authority to enter into an agreement with a school support organization to operate and collect money for a concession stand or parking at a related school ... athletic ... event ... on school property where any money it collects or any portion designated by the agreement shall be considered as school support group funds and not as student activity funds, provided, that: ... (2) The school support organization provides the school with the relevant collection documentation that would have been required pursuant to the provisions of the manual produced under § 49-2-110 for student activity funds.

Current Quarterback Club officers should ensure that required documents, including signed counts of collections, inventory reconciliations, and profit analyses are prepared and retained for concession operations. The treasurer should retain and safeguard all receipts and similar collection documents as well as all bank records and submit applicable collection documentation and profit analyses to the school. In addition, the Quarterback Club should designate responsibility to a member other than the person responsible for making bank deposits and preparing profit analyses to verify that the deposits include **all** concession amounts collected, that expected profit margins are achieved, and that any discrepancies are followed up. The Quarterback Club's officers and the school principal should document the agreement to operate the concession stand before sales begin each year.

### 3. **Inadequate documentation related to other fundraisers**

Quarterback Club officials failed to adequately account for fundraising activities and failed to obtain approval for the activities as required by state law. Club officers failed to ensure that collections were counted by event operators prior to being turned over for deposit and that the counts were documented. There is no evidence that the treasurer

prepared or issued receipts for **ANY** collections received during the period that we examined. In addition, the Quarterback Club failed to prepare and retain **ANY** profit analyses of fundraisers to document that expected profit margins were achieved. As noted below, records were insufficient in some instances to determine conclusively the amount of deposits related to most fundraising activities or that any deposits were made for at least two of the activities. As a result, we were unable to determine that all collections for fundraiser events held by the club were deposited into the club bank account.

The *Model Financial Policy for School Support Organizations* requires basic records be prepared and maintained to adequately document collections and disbursements and to help ensure that SSO funds are safeguarded and used only for appropriate purposes related to the goals and objectives of the organization.

The SSOFAA Section 604, states:

(b)(2) The approval of the director of schools or the director's designee shall be required before a school support organization undertakes any fundraising activity to assure that the scheduling of fundraisers does not conflict with the school district's or school's fundraising efforts and that the fundraising process is consistent with the goals and mission of the school or school district.

Current Quarterback Club officers should ensure that required documents are prepared and retained for all fundraising activities. The treasurer should retain and safeguard all receipts, count sheets, and similar collection documents as well as all bank records. In addition, a Quarterback Club board member other than the person responsible for making bank deposits and preparing profit analyses should verify that the deposits include **all** fundraiser amounts collected, that expected profit margins are achieved, and that any discrepancies are investigated.

#### 4. **Inadequate support for disbursements and inappropriate purchases**

For the audit period, the Quarterback Club's officers failed to provide **ANY** supporting documents for 25 disbursements and did not identify the payee on six of these disbursements. For other disbursements, supporting documentation that was provided was often inadequate to determine the payments were authorized, appropriate, and related to the goals and objectives of the Quarterback Club. On at least one occasion, a Quarterback Club debit card was used to purchase alcoholic beverages. Quarterback Club officers did not retain copies of canceled checks and refused to obtain and provide requested copies.

The SSOFAA Section 604, requires each school support organization's officers to "ensure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization." Section 608 of this act explicitly states that a school support organization may not:

Use school support organization funds for a purpose other than purposes related to the goals and objectives of the school support organization that relate to supporting a school district, school, school club or school academic, arts, athletic, or social activity.

The *Model Financial Policy for School Support Organizations* sets forth required procedures for disbursements and details documents required for adequate support, including invoices/receipts, bank statements, and canceled checks. The policy requires that these records be maintained for at least four years.

Quarterback Club officers should ensure that checks are not issued without adequate supporting documentation as required by state law. The Quarterback Club should restrict the use of its funds to disbursements that are consistent with its stated purpose. For checks, both signators should verify the reason for and appropriateness of each disbursement as well as the availability of funds before signing. If the organization intends to use debit cards, the authorized users **should be prohibited from using them for anything but club business**. The Quarterback Club should immediately demand repayment for inappropriate purchases.

#### 5. **Some collections used for cash disbursements**

The Quarterback Club's records included invoices, cash register receipts, and internal memoranda for 16 disbursements, totaling \$6,541, paid with cash collected from fundraising activities, including football concession collections. As noted in Finding 1, some of these cash payments were to coaches. During an interview, the treasurer mentioned several additional cash purchases, which may have been made within the audit scope, for which no records were located. Due to inadequate records, we were unable to determine that all disbursements were identified and that all disbursements were appropriate and for the benefit of the RHS football program.

The *Model Financial Policy for School Support Organizations*, required control number 8, mandates that "[a]ll bills should be paid by check, never cash."

The Quarterback Club should not pay cash for goods or services nor should any member issue a Quarterback Club check made payable to cash.

**6. Quarterback Club received and deposited collections from season ticket sales**

Contrary to state law, the Quarterback Club received and deposited money collected from the sale of football season passes/tickets to its own bank account during the period covered by this audit. State law requires that student activity funds, including money received for school-sponsored athletic events, be deposited into the school bank account. Section 603 of the SSOFAA states:

(6) "Student activity funds" include all money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school, and specifically include, but are not limited to, any money: (A) Derived from a school-sponsored academic, art, athletic, or social event involving students;...

The only allowable exceptions under the statute are collections for parking, concessions, and bookstores, with the authorization of both the board of education and the school principal and with specific recordkeeping and reporting requirements.

Quarterback Club members must remit all school collections, including collections from season pass/ticket sales to the school cashier.

**7. Refusal to comply with SSOFAA information request**

The officers of Quarterback Club refused to fully comply with two requests by the Office of the Comptroller of the Treasury, State of Tennessee, for copies of documents that each school support organization is required to keep, including canceled or imaged checks. Although the SSOFAA provides no exceptions to the requirement that a school support organization is to retain copies of its transacted checks, Quarterback Club officers refused to obtain copies from their financial institution.

The SSOFAA Section 604(f), mandates that "[a] school support organization shall provide, upon request, to officials of the local school board, local school principal or auditors of the office of the comptroller of the treasury access to all books, records and bank account information for the organization."

The *Model Financial Policy for School Support Organizations (Procedures Manual)*, Required Control Number 17 specifies that “[a]ll collection records, bank statements, canceled checks and invoices, along with copies of the monthly treasurer’s report, should be organized and maintained by the treasurer by fiscal year. Records should be maintained for at least four years.”

**8. Coaches coordinated and operated SSO fundraisers**

In violation of state law, members of the RHS coaching staff coordinated and operated Quarterback Club fundraisers. According to representatives of the Quarterback Club, during the audit period, members of the coaching staff conducted a magazine sale and a Papa John’s Pizza card sale for which money was turned in for deposit into the Quarterback Club’s bank account.

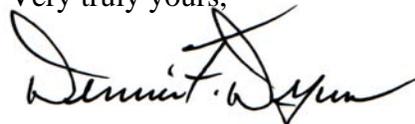
Page 1-6 of the *Internal School Uniform Accounting Policy Manual*, states:

Money or property received by a school official, employee, or volunteer, acting in his or her official capacity, becomes public money or property. The money is the property of the respective school. Such money must be appropriately managed and safeguarded by the school.

Club officials should ensure that money belonging to RHS is not deposited into the Quarterback Club’s bank account. All collections belonging to RHS, including collections for which football coaches are responsible, should be remitted to the school’s cashier.

Current Quarterback Club officers should take immediate action to correct these deficiencies and ensure the Club operates in compliance with the “SSOFAA.” If you have any questions or need additional information, please contact me.

Very truly yours,



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Division of Municipal Audit