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DIVISION OF MUNICIPAL AUDIT**

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July 12, 2010

Unicoi County Band Booster Association  
700 South Mohawk Drive  
Erwin, TN 37650

President and Board Members:

We have completed our investigative audit of selected records of the Unicoi County Band Boosters Association. The investigation was performed in conjunction with the Erwin Police Department. The audit focused on the period July 1, 2007, through June 30, 2010. However, when warranted we expanded the scope.

Our investigative audit revealed that Brad Williams, the Unicoi High School band instructor, improperly and without authority charged more than \$10,000 in personal expenses and fees to a credit card account in the name of the booster club. In 2006, Mr. Williams opened a business credit card account as "Unicoi Co Band Boosters, Brad Williams."<sup>1</sup> The account was used to purchase items for the booster club, including concession supplies. However, Mr. Williams also charged personal items totaling over \$10,000 to the booster account, including several cash advances, airline tickets, and a rental car. During the period December 2006 through April 2010, Mr. Williams made payments on this account with personal funds of only \$1,233. During that same period, he directed the booster club to make payments of over \$25,500 that included paying for his personal charges. Mr. Williams told state auditors that booster officers and members were not aware he was charging personal items on the booster account. He also stated that he had planned to only temporarily finance some of his personal charges, and he had not realized that he still owed the booster club. Mr. Williams told state auditors that he never intended to hurt either the booster parents or the students. Shortly after discussions with state auditors, Mr. Williams repaid \$6,330<sup>2</sup> to the booster club.

This matter was referred to the local district attorney general. On July 1, 2010, Brad Williams was arrested on one count of Theft over \$1,000.

Our investigative audit also identified \$3,900 in cash collections from an October 3, 2009, Apple Festival parking lot fundraiser that were not deposited until May 10, 2010.

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<sup>1</sup> Until April 2010, the mailing address was the high school.

<sup>2</sup> As of April 2010, the card carried an outstanding balance of around \$3,600. Mr. Williams told auditors that he was assuming responsibility for balance on the credit card.

According to the band director, the cash had been placed in his closet and forgotten about for seven months.

Our investigative audit disclosed several deficiencies in the organization's internal controls that allowed the discrepancies noted above to occur and not be detected timely. Those deficiencies include:

1. Although he did not hold the title, the band director acted as treasurer and bookkeeper for the band boosters. He maintained the accounting records and made virtually all financial decisions. *Tennessee Code Annotated* §49-2-604(g), states, "A school representative may not act as a treasurer or bookkeeper for a school support organization."
2. The band director determined which expenses were to be paid, prepared checks, recorded collections, prepared and made deposits, and reconciled the bank statements. This lack of an adequate separation of duties allowed the band director's unauthorized charges and payments, as well as the undeposited collection noted above to go undetected by the board.

The *Model Financial Policy for School Support Organizations*, page 3, states:

Financial responsibilities should be separated whenever possible. One person should not have complete control of the organization's finances. Periodic review of bank statements and other documentation by other officers or members helps detect errors and enhances the integrity of financial information.

To decrease the risk of undetected errors and irregularities, the board should review the officers' and members' responsibilities to ensure that no individual has control over a complete transaction.

3. The band booster members participated in several fundraising activities, including concession sales and collection of parking lot fees during the Apple Festival. However, members did not prepare count sheets or other collection records to document and account for these activities. The *School Support Organization Financial Accountability Act (SSOFAA)*<sup>3</sup> requires each school support organization's officers to "[e]nsure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization (*TCA* §49-2-604(e))."

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<sup>3</sup>*Tennessee Code Annotated* §49-2-601, et seq.

The *Model Financial Policy for School Support Organizations*, required control number 11, states:

A receipt should be issued any time, and at the time, cash is turned over to or collected by the treasurer acting in his/her official capacity as treasurer of the school support organization. The receipts should be prenumbered and kept in a bound book. One copy should be maintained in the receipt book.

Control number 12 requires:

For certain events or mass collections (e.g., concession, parking, car wash, candy sale), a record of the total collections each day must be created. Two individuals should count the collections and prepare a count sheet, signed by both counters. When the collections are turned over to the treasurer, he/she and the individuals should recount the collections. The treasurer should then immediately issue a receipt to the individuals. The count sheet should be filed by the treasurer.

The booster club president and board members should take immediate corrective actions to resolve these issues. If you have any questions or need additional information, please contact me.

Very truly yours,



Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

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