



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

Justin P. Wilson
Comptroller of the Treasury

**BANK OF AMERICA PLAZA
414 UNION STREET, SUITE 1100
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 532-4460
FAX (615) 532-4499**

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

June 27, 2012

Officers of the Warren County High School
Pioneer Band Boosters
2548 Morrison Street
McMinnville, TN 37110-3617

Ladies and Gentlemen:

We have completed our investigative audit of selected records of the Warren County High School Pioneer Band Boosters (band boosters). The audit focused on the period July 1, 2009, through July 31, 2010. However, when warranted, we expanded the scope.

Summary

Our investigative audit revealed the following:

- Jennifer Fisher, a former color guard instructor at Warren County High School, apparently misappropriated band booster funds totaling at least \$3,465 through unauthorized personal cash withdrawals and personal purchases.
- At least \$1,898 collected during summer 2009 fundraisers, could not be accounted for.
- Deposited collections from concession stand operations during the fall of 2009 were \$5,798 less than expected collections based on profit analyses.
- In violation of state laws, collections belonging to Warren County High School were deposited into band booster accounts, and "school representatives" were authorized to handle booster club funds.

- Band booster officers failed to provide adequate oversight to ensure proper accountability of booster funds. The audit revealed inadequate separation of financial and accounting duties, deficiencies in collection and disbursement procedures, lack of required documentation for a significant number of collection and disbursement transactions and numerous cash payments.

Investigative Finding

1. **Finding:** **Apparent misappropriation of color guard money totaling at least \$3,465**

From August 25, 2009, through July 31, 2010, Jennifer Fisher, a former instructor of the WCHS Band Color Guard, withdrew and/or disbursed \$3,465 from a band booster bank account apparently for her own personal benefit. Ms. Fisher initiated these transactions, which included ATM withdrawals, a cash withdrawal, and debit card purchases, without the knowledge or consent of band booster officers and membership.

Unauthorized Transactions from Band Booster Account Apparently for Personal Benefit of Former Instructor	
15 ATM Withdrawals	\$2,340
Cash Withdrawal at Branch	500
13 Point of Sale Debit Card Transactions	<u>625</u>
	<u>\$3,465</u>

We referred this matter to the local district attorney general. On May 11, 2012, a Warren County Grand Jury indicted Jennifer Fisher on one count of Theft over \$1,000.

Within this document, references to officers by position pertain to the individuals who held those positions within the period covered by this audit. One individual, who held the office of treasurer, resigned during November 2009; she is described using the term “former treasurer.” The term “treasurer” refers to her successor.

Internal Control and Compliance Deficiencies
Findings and Recommendations

1. **Finding:** **\$1,898 shortage in deposit of fundraising collections**

As shown below, total collections deposited into the booster club’s bank account by the former treasurer from two fundraisers held during the summer of 2009 were \$1,898 less than documented collections shown in business records prepared by the former treasurer.

Unaccounted for General Fund Collections July 1, 2009, through November 30, 2009			
Source of Collection	Amount Collected Per Former Treasurer’s Records	Amount Deposited Per Former Treasurer’s Records	Missing Collections
2009 Dr. Pepper Sale	\$7,560	\$6,006	\$1,554
Band Booster Booths at Main Street Live Concerts	790	446	344
Documented Shortage			<u>\$1,898</u>

The former treasurer stated that she was unaware of the shortages and had no explanation for them.

Recommendation:

To reduce the risk of unexplained shortages and potential misappropriations, the officers of the Warren County High School Pioneer Booster Club should ensure that profit analyses comparing amounts collected and deposited with expected collections are prepared for each fundraiser involving resale items. Each profit analysis should be conducted by someone other than the treasurer. Discrepancies should be immediately reported and followed up.

2. **Finding:** **Student activity funds deposited into a school support organization's bank accounts**

As a condition for participating in the school band and color guard, the members and/or their parents were required to pay monthly fees (or dues) to the band booster club. This practice is contrary to state law which requires school-related fees to be deposited into the school's bank account. In addition, the former color guard instructor, while acting in her official capacity as an employee of Warren County Schools, routinely prepared and deposited color guard collections into a band booster bank account instead of remitting them to the school cashier for deposit into the school's account.

Section 49-2-603(6), *Tennessee Code Annotated*, specifies that

“Student activity funds” include all money received from any source for school-sponsored activities ... and specifically include, but are not limited to, any money... (F) Raised from fees charged students....

According to the *Tennessee Internal School Uniform Accounting Policy Manual*, page 1-6:

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.

Recommendation:

Band booster officers should immediately discontinue the practice of retaining collections that are, by law, school property. Any and all fees collected from students should be remitted to the school cashier for deposit into the school's bank account.

Individuals who, under the definitions set forth in the School Support Organization Financial Accountability Act (Section 49-2-601 et al, *Tennessee Code Annotated*) are considered “school representatives,” should not be allowed to handle band booster collections, unless the collections are remitted in sealed envelopes and meet the limiting criteria specified in Section 49-2-606(e), *Tennessee Code Annotated*.

3. **Finding: School representatives withdrew and disbursed funds of a school support organization**

In violation of state law, the former treasurer of the band boosters opened a separate checking account for the color guard and designated the former color guard instructor an authorized signatory on the account. The former color guard instructor signed every check that was issued from the color guard checking account. She also used a debit card that was linked to the color guard checking account to make purchases and to withdraw cash from ATMs. As explained in the Investigative Finding, many of the transactions appeared to have been for the former color guard instructor's personal benefit.

In addition, on at least two occasions, the treasurer allowed the band director to use the band boosters' debit card to pay for band-related travel expenses.

Section 49-2-604(g), *Tennessee Code Annotated*, states:

A school representative may not act as a treasurer or bookkeeper for a school support organization. A school representative may not be a signatory on the checks of a school support organization. A majority of the voting members of any school support organization board should not be composed of school representatives.

According to Section 49-2-603, *Tennessee Code Annotated*, a "school representative" is "Any individual who works for the school system and who as part of the individual's employment by the school system is charged with directing or assisting in directing the related school club or activity."

Recommendation:

Band booster officers should never authorize school representatives to act as treasurer or bookkeeper for any club activities or to disburse band booster money. Payments or reimbursements of school representatives' expenses should be made in accordance with applicable policies and laws and only after submission of adequate supporting documentation.

4. **Finding: Inadequate separation of duties and presigned checks**

As noted below, band booster officials failed to adequately separate financial and accounting duties:

- The former color guard instructor had nearly complete control of all transactions, both collections and disbursements, related to the color guard. As a result, band booster club officers did not become aware of cash withdrawals and purchases that appeared to be for the former instructor's personal benefit, as described in the Investigative Finding, for nearly one year.
- The signature card and accompanying accountholder agreements for the color guard account indicated that two signatures were required for each withdrawal. However, both the former color guard instructor and the former treasurer stated that for convenience, the former treasurer routinely presigned color guard account checks¹.
- The former treasurer exercised nearly complete control of the other band booster bank accounts without adequate oversight. As a result, she issued a refund check in the amount of \$1,400 to one student for overpayment of dues when the correct surplus amount, based on original documentation, was only \$400. The band booster president reportedly presigned a number of checks, including the check that the former treasurer issued on this occasion. These funds have not been recovered.
- The former treasurer stated that she and other officers often deposited band collections without a second individual counting the collections and without comparing the amount deposited to the amount expected to be on hand, as described in Finding 1.
- There was no oversight of color guard fundraising and other collections.

According to the *Model Financial Policy for School Support Organizations (Procedures Manual)*, other recommendations number 2:

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.

Required control number 8 prohibits presigning checks and number 9 requires that disbursements be made with prenumbered bank checks requiring two signatures.

¹ The reader should be aware that the issuance of a debit card and/or ATM card effectively nullified any benefit that a dual-signature control could have provided, even if checks had not been presigned.

Recommendation:

The band boosters should ensure that no individual is in a position to completely control any financial transaction. One or more members should be designated to periodically review bank statements, required reports of receipts and disbursements, and supporting documentation. Disbursements should be made by prenumbered checks that require two signatures. The presence of a second signature should indicate that another officer has reviewed the payee, amount, and supporting documentation and understands that the information is correct and that the disbursement is consistent with the band boosters' mission. Band booster officials should attempt to recover the refund overpayment.

5. **Finding: Inadequate documentation for disbursements**

Disbursements totaling over \$12,000 had no supporting documentation in the band booster financial records. As described in the Investigative Finding, three of these disbursements, all of which were transacted with a debit card, appeared to be for the former color guard instructor's personal benefit.

As set forth in Section 49-2-604, *Tennessee Code Annotated*, the "School Support Organization Financial Accountability Act" (SSOFAA) 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."

According to the *Model Financial Policy for School Support Organizations*, required control number 10:

Each check written should have a receipt or invoice filed by check number. The treasurer should write the check number and date paid on the invoice or receipt. When a receipt or invoice is not available, a written document, signed by the treasurer, describing the expenditure and explaining why no other documentation is provided, should be created and filed.

Control number 17 adds:

All 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.

Recommendation:

The band boosters should not issue any checks without adequate supporting documentation, as required by the *Model Financial Policy for School Support Organizations*. All supporting documents should be retained for at least four years.

6. **Finding: Inadequate collection records and unexplained shortage in expected concession profit**

We were unable to locate any original collection documents related to the color guard checking account. In addition, the former treasurer failed to prepare adequate collection records for apparel and equipment sales to band members.

Neither the treasurer nor the former treasurer documented concession collections with dual-signed cash counts, nor did they provide copies of concession collection records to Warren County High School as required by state law. In addition, concession inventory was not properly accounted for and profit analyses of concession operations were not performed. Due to the absence of required recordkeeping and accountability, we were unable to determine the reason that combined concession profits from football games and from the Warren County Fair were \$5,798 less than the targeted, expected amount. The former treasurer stated that she was unaware of the shortage and could not explain it. Unfavorable variances in concessions profits could be caused by theft of cash, undocumented cash disbursements, theft of product, excessive amounts of product given away, and over-ordering.

In addition, although the principal was clearly aware that the band boosters operated concession stands at school events and allowed them to do so, there was no written agreement setting forth this arrangement.

The SSOFAA 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 49-2-606, *Tennessee Code Annotated*, 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 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.

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.

Control number 17 adds:

All 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.

Recommendation:

The band boosters should immediately begin preparing required documents for all collections. In addition, a board member other than the individual who makes bank deposits should verify that the deposits include all amounts collected, plus any amounts used for making change, when applicable. The treasurer should retain and safeguard all receipts, count sheets, and similar collection documents as well as all bank records, as specified in the *Model Financial Policy for School Support Organizations*. The band

boosters should provide copies of required collection records prepared for concession operations at school events to the school. In addition, all agreements to operate concession stands at school events should be documented in writing before the first event of a season.

7. **Finding:** **Purchases made with cash**

Band booster records indicated that throughout the school year, cash from change and/or collections was used for purchases instead of being deposited. The majority of the purchases identified were used to operate concession stands. The *Model Financial Policy for School Support Organizations*, required control number 8, mandates that “[a]ll bills should be paid by check, never cash.”

Recommendation:

The members and officers of the band booster club should discontinue the practice of using cash collections for purchasing.

The officers of the Warren County High School Pioneer Band Boosters should take immediate corrective action 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

DFD/RAD