

**SPECIAL INVESTIGATION**

**CARTER HIGH SCHOOL**

**BAND BOOSTER CLUB**

**KNOX COUNTY, TENNESSEE**



**October 6, 2014**



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY**

**Justin P. Wilson  
Comptroller of the Treasury**

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October 6, 2014

President and Officers of the Carter County  
High School Band Boosters  
P. O. Box 367  
Strawberry Plains, TN 37871-1237

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the Carter High School Band Booster Club, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

Justin P. Wilson  
Comptroller of the Treasury

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## **SPECIAL INVESTIGATION**

# **CARTER HIGH SCHOOL BAND BOOSTER CLUB KNOX COUNTY, TENNESSEE**

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Carter High School Band Booster Club (the “club”). The special investigation revealed that the former club treasurer misappropriated booster club funds totaling at least \$33,700 and concealed her misappropriation by recording false entries in club records.

**These matters were referred to the local district attorney general. In September 2014, the Knox County Grand Jury indicted Amy Sherrod on one count of theft over \$10,000.**

### **INVESTIGATIVE RESULTS**

- **Former club treasurer misappropriated at least \$33,700 by issuing herself unauthorized booster club checks**

During the period January 2012 through September 2013, former band booster club treasurer Amy Sherrod issued unauthorized club checks totaling \$33,700 to herself and retained the proceeds for her personal benefit. Ms. Sherrod admitted to Comptroller investigators that she misappropriated band booster club funds and that she used the funds for personal family expenses.

- **Former booster club treasurer concealed her misappropriation by recording false and misleading entries in club records**

Ms. Sherrod recorded false and misleading entries in booster club records to conceal the unauthorized checks she wrote to herself. For instance, Ms. Sherrod issued check number 1261 payable to herself for \$2,742.12. [Refer to Exhibit 1 on the following page.]

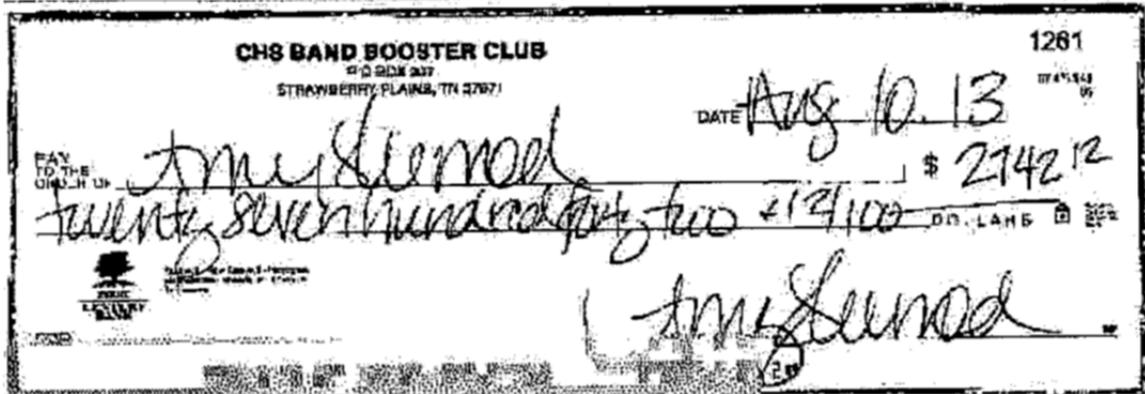


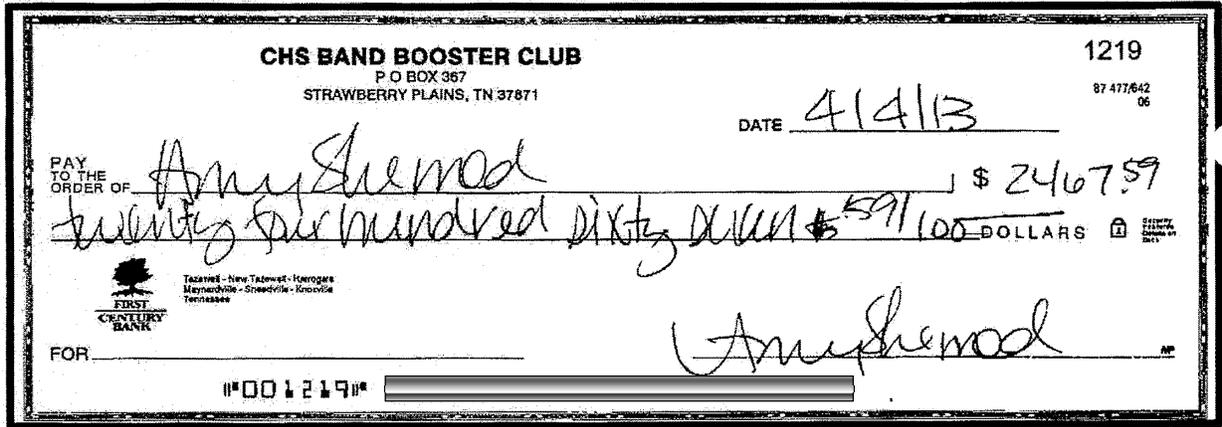
Exhibit 1

1261	BAL BROTFORD	93024 85
DATE <u>8/10/13</u>		
TO <u>Bus Co.</u>		
FOR <u>Paid for last yr</u>	TOTAL	
	THIS CHECK	2742.12
	OTHER TRANS. +/-	
TAX DEDUCTIBLE <input type="checkbox"/>	BALANCE	90882 73

When she recorded check number 1261 in the booster club checkbook, she indicated improperly that the payment was to a bus company. [Refer to Exhibit 2.]

Exhibit 2

Similarly, Ms. Sherrod issued check number 1219 payable to herself for \$2,467.59. [Refer to Exhibit 3.]



**CHS BAND BOOSTER CLUB**  
 P O BOX 367  
 STRAWBERRY PLAINS, TN 37871

1219  
 87 477 642 06

DATE 4/4/13

PAY TO THE ORDER OF Amy Sherrod \$ 2467.59  
twenty four hundred sixty seven and 59/100 DOLLARS

FOR \_\_\_\_\_ Amy Sherrod

FIRST CENTURY BANK  
 Tennessees - New Tennessees - Herogers  
 Meynardsville - Strawberry - Knoxville  
 Tennessee

⑈001219⑈

Exhibit 3

1219	BAL. BROT FORD	55300.39
DATE <u>4/4/13</u>		
TO <u>Rush's</u>	DEPOSITS	
FOR _____		
	TOTAL	
	THIS CHECK	2467.59
	OTHER TRANS. +/-	
TAX DEDUCTIBLE <input type="checkbox"/>	BALANCE	52832.80

Exhibit 4

She recorded check number 1219 in the booster club checkbook as a payment to Rush's, a local vendor specializing in school band instruments and uniforms. [Refer to Exhibit 4.] The vendor's records revealed that they had neither billed nor received this payment from Carter High School, from the band booster club, or from Ms. Sherrod.

## **ADDITIONAL ISSUES**

Presented below are other issues noted during the special investigation. The officers of the Carter High School Band Booster Club have indicated that they have corrected or that they intend to correct each of these deficiencies.

1. **ISSUE:**      **Financial duties were not separated adequately**

The booster club failed to separate incompatible financial duties. The former treasurer determined which expenses were to be paid, prepared and signed checks, received and deposited collections, and reviewed bank statements, with virtually no oversight 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.

**RECOMMENDATION:**

To decrease the risk of undetected errors and irregularities, the board should review the officers' and members' responsibilities to ensure that no individual has complete control over a financial transaction. The club's board should provide for increased oversight when appropriate.

**MANAGEMENT'S RESPONSE:**

**Club Officers of the Carter High School Booster Club:**

We concur. The booster club has locked all financial information in the Carter High School (CHS) Band Office. Two or more booster officers process all financial activities. No one person has access to records at any time. Financial actions are listed in an electronic checkbook register, which is saved in Dropbox [accounting software], and booster financial officers (president, past-president, vice president, and treasurer) have access to this information. At end-of-month, two of these financial officers meet and reconcile the bank statement to the electronic checkbook register and sign off. A copy of this electronic statement is then emailed and presented to all booster members at the monthly meeting.

2. **ISSUE:**        **Inadequate supporting documentation for disbursements**

The booster club failed to retain adequate supporting documentation for disbursements. Some of the disbursements either had no supporting documentation on file, or had supporting documentation that was inadequate to determine if the purchase was for a valid club purpose. Section 49-2-604(e), *Tennessee Code Annotated*, requires that school support organization officers:

... ensure that school support organization funds are safeguarded and are spent only for purposes related to the goals and objectives of the organization. The organization shall adopt and maintain a written policy that specifies reasonable procedures for accounting, controlling and safeguarding any money, materials, property or securities collected or disbursed by it.

According to the *Model Financial Policy for School Support Organizations*, page 2, 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.

**RECOMMENDATION:**

To document that all disbursements are for a valid club purpose, club officers should ensure that an invoice, purchase receipt, or other adequate supporting documentation for each disbursement is obtained and filed.

**MANAGEMENT'S RESPONSE:**

**Club Officers of the Carter High School Booster Club:**

We concur. Purchases made by the CHS Booster Club must now contain the proper documentation in order to have a check issued. Invoices for payment are filed each month with the check number indicated on each paid invoice. Reimbursement receipts are filed with explanation and check number indicated on each. All reimbursements that are outside the annual approved band booster budget will have accompanying approval documentation attached and must follow the approval procedures as listed in the CHS Band Booster By-Laws. ALL [emphasis added by management] purchases, files, and related documentation are on file in the CHS Band Office.

3. **ISSUE:**      **Club required only one signature on checks**

Booster club officers required only one signature on checks issued by the Carter High School Band Booster Club. All of the unauthorized checks issued to Ms. Sherrod, as noted in the investigative results, bore only her signature. The *Model Financial Policy for School Support Organizations*, page 2, required control number 9, states that “[f]or disbursements, prenumbered bank checks should be used that require two signatures.”

**RECOMMENDATION:**

To decrease the risk that unauthorized or inappropriate disbursements will be made and not detected promptly, club officers should require all checks to be signed by at least two authorized signers prior to being transacted. Check signers should review invoices, cash tickets, or other adequate supporting documentation prior to signing checks.

**MANAGEMENT’S RESPONSE:**

**Club Officers of the Carter High School Booster Club:**

We concur. The CHS Band Booster Club will require a two-person, check-writing system for all checks written. The booster club checkbook will remain in the CHS Band Office where all checks will be written in the presence of at least two financial officers once ALL [emphasis added by management] accompanying approval documentation has been presented.

4. **ISSUE:**      **Inadequate documentation related to collections**

Booster club officials failed to account adequately for all fundraising and collection 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 to be prepared and maintained to document adequately 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.

**RECOMMENDATION:**

Booster club officers should ensure that required documents are prepared and retained for all fundraising activities. A receipt should be issued any time cash is turned over to or collected by the treasurer acting in his/her official capacity as treasurer. The treasurer should retain and safeguard all receipts, count sheets, and similar collection documents as well as all bank records. In addition, a booster 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.

**MANAGEMENT'S RESPONSE:**

**Club Officers of the Carter High School Booster Club:**

We concur. Fundraising summaries and reports will be immediately completed and filed during the fundraising collection period by the fundraiser chair. Throughout and at the end of every fundraiser, two or more financial officers will count and log all money collected and complete the deposit verification form. No funds are to be taken home with any booster members at any time. Deposits will be taken directly to the bank following the deposit verification and placed in the night deposit box. At the completion of the fundraiser, a final report indicating income, expense, and profit will be filed in the CHS Band Office. These procedures will be followed for any activity in which the booster club collects funds (i.e., concessions fundraising, parking lot, etc.).