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DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT

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August 24, 2011

Director of Schools and Members of the
Board of Education
Sevier County School System
226 Cedar Street
Sevierville, TN 37862

Director and Board Members:

We have concluded our investigative audit of selected records of the Pigeon Forge High School and Pigeon Forge Middle School, Sevier County School System. The investigative audit focused on the period January 1, 2008, through August 31, 2010. The investigative audit concentrated on the cheerleading accounts of both schools. However, when warranted, this scope was expanded.

Cheer Fees

Our investigative audit determined that the former cheerleading coach (who coached at both schools) failed to account for and turn over for deposit into school accounts at least \$11,950 in cheerleader fees she collected¹. This amount included collections for uniforms, cheer camp, camp wear, and shoes paid to the cheer coach by the team members or their parents. Auditors' analyses identified several members who confirmed paying the fees, but the records created by the cheer coach indicated that they had not paid. Auditors noted that the amount of cash the former cheer coach recorded and turned over to the schools' bookkeepers was not reasonable. Of the more than \$38,400 in expected high school cheer fees for the three years 2008, 2009, and 2010, the former cheer coach turned in **absolutely no cash** to the high school bookkeeper. Of the more than \$16,000 in expected middle school cheer fees for the years 2009 and 2010, the former cheer coach turned in **only \$200** in cash to the middle school bookkeeper. Discussions with and confirmations received from parents indicated the missing amounts identified by state auditors were paid in cash.

¹ High school cheer fees were \$850, \$875, and \$900 per participant for the years 2008, 2009, and 2010, respectively. Middle school cheer fees were \$500 and \$700 for 2009 and 2010, respectively.

Prospective cheerleaders paid a tryout fee of between \$20 and \$25 each. Auditors found that the former cheer coach failed to turn over at least \$700 in tryout fees she collected to the schools' bookkeepers.

The former cheer coach acknowledged to state auditors that she did receive the cheer fees; however, she claimed she turned over all collections to the schools' bookkeepers. Auditors could not find, and the former cheer coach could not provide, documentation or other evidence that supported her claim.

Fundraising Activities

Auditors discovered major deficiencies in the recordkeeping and accountability over cheerleading fundraising activities. The former cheer coach had a number of fundraising activities for the high school team. Auditors found that the funds turned over to the high school bookkeeper by the cheer coach for these various fundraising activities were consistently less than what parents and cheer members reported. For instance, the cheerleading team had a pancake breakfast at a local restaurant in October 2008. Based on what parents and team members told state auditors, the estimated collections should have been around \$1,700. However, the former cheer coach turned in only \$260 to the high school bookkeeper 45 days after the event. Also, the cheer team sold doughnuts in June 2010. Based on the number of doughnuts purchased and the collections that the cheer coach did turn in to the high school bookkeeper, there was a shortage of at least \$600. Auditors also found that the cheer team held a car wash and a peanut sale. The former cheer coach failed to turn in *any* money to the high school bookkeeper for these activities.

T-Shirt Advertising

In the summer of 2008, the cheer team sold advertisements to local businesses to be included on T-shirts that would be worn by the team members. The former cheer coach turned in more than \$4,500 in checks to the high school bookkeeper. One local business told state auditors that they had paid \$200 in cash for advertising. The former cheer coach did not turn any cash over to the high school bookkeeper for advertising. The former cheer coach insisted to state auditors that she had the t-shirts made and they were provided to the team members. However, according to some parents, cheerleaders, and businesses, the shirts were never distributed to the team members. In addition, auditors could not locate and the cheer coach did not provide any evidence that the t-shirts were ever purchased.

Use of Cheer Fee

The former cheer coach told state auditors that she calculated the high school cheer fee based on the estimated cost of cheer supplies and activities she was going to provide each member. She told state auditors that each member paid for a uniform, the Universal Cheerleaders Association cheer camp, shoes, and camp wear. However, state auditors determined team members did not receive the items/services for which they paid. In 2009, the former cheer coach did not provide team members with new uniforms or shoes.

These matters have been referred to the local district attorney general.

Other Issues

Our investigative audit revealed several areas in which the principals' failure to adhere to or enforce established policies directly contributed to the questionable activity referred to above.

The principal is directly responsible for the financial management of local schools. Section 49-2-110(d)(1), *Tennessee Code Annotated*, states, "The principal shall be liable to account for the safekeeping and handling of all funds of every character raised by student activities, school services and school events, irrespective of the sources of such funds, or the purpose for which they were raised."

- **Failure to properly account for fundraising activities**

The former cheer coach did not maintain documentation that she had received approval for fundraising activities. In addition, she failed to prepare and maintain fundraiser profit analysis reports and fundraiser summary reports for applicable fundraising activities. The *Internal School Uniform Accounting Policy Manual*, page 4–32, requires:

The principal must obtain written approval from the director of schools or designee for all fundraising activities that involve participation of the general student population in the marketing process of the fundraising effort. All other fundraising activities must have written approval from the principal. Authorizations should include the following information:

1. a list of the proposed fundraising activities;
2. purpose of the fundraising activity;

3. proposed uses of funds raised; and
4. expected student involvement in fundraising activity (school-wide or individual class or club).

The *Tennessee Internal School Uniform Accounting Policy Manual*, page 4-30, states:

For ongoing resale activities ... monthly profit analysis reports must be completed to document collections, expenses, and any losses of money or product.... The school must maintain detailed records to support all amounts recorded on these forms. If the profit analysis report indicates a shortage, an explanation must be given for the shortage. If no reasonable explanation can be given, each subsequent day's activities must be recorded and evaluated until the reason for the shortage has been identified and corrected. For ... activities that are not perpetual in nature, profit analysis reports may be completed at the conclusion of the activity.

Regarding fundraiser summary reports, page 4-32 of the manual also states:

To document that profits from school-sponsored fundraising activities conducted for designated purposes were expended for the purposes for which they were raised, a designated employee should prepare a fundraiser summary report. This report would include a summary of the expenditures showing how the profit was used. This form should be prepared and filed in the school office as close as possible to the time that the money is expended.

Page 5-3 of the manual states:

Teachers, assistants, volunteers, and support staff who handle money should be made aware of the requirement for maintaining accurate and systematic records of all cash collected.... At the beginning of each school year, the principal should ensure that all individuals responsible for school collections are informed of the required procedures and forms and the consequences for noncompliance with the required procedures.

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- **Failure to turn over collections promptly**

As noted above, the former cheer coach failed to turn in collections from a fundraiser for at least 45 days and failed to remit any collections for several fundraisers. The *Tennessee Internal School Uniform Accounting Policy Manual*, page 5-3 requires that “[a]ll collections by teachers/others should be remitted to the cashier daily or more frequently, if necessary.”

The principal, director of schools, and members of the board of education should take immediate action to ensure that any unresolved deficiencies are corrected.

If you have any questions concerning the above matter, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large, stylized initial "D" and "F".

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

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