



BEARDEN HIGH SCHOOL LADY BULLDOGS SOFTBALL BOOSTERS

Investigative Report
April 7, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

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April 7, 2016

Dr. John Bartlett, Principal
Bearden High School
8352 Kingston Pike
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Dr. Bartlett:

We performed an investigation of selected records of the Bearden High School "Lady Bulldogs" Softball Booster Club (the booster club) for the period November 1, 2014, through May 31, 2015; however, we expanded the scope where necessary. The booster club supports the women's softball team at Bearden High School, which is located in Knoxville, Tennessee. Our investigation revealed the following deficiencies:

- The Knox County Board of Education allowed a nonprofit organization to construct a softball training facility on school property.
- The Bearden High School Softball Booster Club had operating deficiencies.

Background

The Bearden High School Softball Booster Club is organized for the charitable and educational purposes of the Bearden High School women's softball team. As a school support organization, the booster club is required to follow the *Model Financial Policy for School Support Organizations*, prescribed by the Tennessee Comptroller of the Treasury. This model policy provides minimum internal controls to assist members and officers in improving accountability over school support organization funds. In addition, the Knox County School District has guidelines that school support organizations are required to follow. The booster club holds fundraising events, maintains a bank account, and manages its operations in accordance with adopted bylaws.

Findings and recommendations, as a result of our investigation, are presented below. These findings and recommendations were reviewed with Bearden High School and booster club officials to provide an opportunity for their response. Their responses are paraphrased in this report. These findings, recommendations, and management responses were reviewed with the district attorney general for the Sixth Judicial District.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1

THE KNOX COUNTY BOARD OF EDUCATION ALLOWED A NONPROFIT ORGANIZATION TO CONSTRUCT A SOFTBALL TRAINING FACILITY ON SCHOOL PROPERTY



Bearden High School Softball Training Facility

The Knox County Board of Education allowed an athletic booster club to construct a softball training facility on school property using loan proceeds borrowed by the booster club instead of the Board of Education building the facility through its normal purchasing process. On November 24, 2014, the booster club obtained a five-year construction loan for \$40,000 for the building project. The booster club's president and treasurer signed the loan document as guarantors; therefore, the Board of Education is not liable for the

loan in the event of default. On December 3, 2014, the Board of Education approved the request from Bearden High School to construct the softball training facility for \$39,924, which was to be funded by the Lady Bulldogs Softball Booster Club. The booster club received quotes for the project totaling \$39,924, \$49,479, and \$51,569, and awarded the project for the lowest quote. However, the final project cost totaled \$71,614. The booster club has paid suppliers \$64,666, leaving an outstanding balance of \$6,948 because the booster club is out of funds. The cost overruns totaled \$31,690 and were related to the relocation of both electric lines/poles and the building itself. The Bearden High School principal and the booster club's board said the building had to be relocated after its original construction because the Knox County Fire Prevention Bureau determined the building was too far from a fire hydrant.

We noted the following deficiencies related to the construction project:

- A. The Knox County Board of Education approved the booster club's construction of the training facility on school property instead of building the facility through the board's normal purchasing process. Therefore, this arrangement may have exposed the county and the Board of Education to certain liability, funding, and construction issues.
- B. The booster club's president was a partner in the company that was awarded the low quote to construct the training facility. In addition, the Bearden High School softball coach submitted one of the three quotes on the project. The public could perceive these quotes to be conflicts of interest. Also, since the final project costs exceeded the awarded quote by \$31,690, we question the competitive process used by

the booster club. As a result, the best and lowest price may not have been obtained for the training facility.

- C. On January 15, 2015, and January 30, 2015, the booster club approved change orders totaling \$22,000 and \$7,000, respectively. These change orders materially altered the original construction contract from \$39,924 to \$68,924. Each booster club board member stated that they approved the change orders; however, minutes of the booster club's board meetings did not document these approvals. It would appear that discussions about doubling the cost of the original project should have been documented in the board's minutes.
- D. On August 27, 2015, we interviewed the president of the booster club regarding the construction project. He advised us that the project was now complete, and the booster club owed the construction company approximately \$6,948. In addition, the president advised us that he and the booster club's treasurer had been personally making the monthly note payments of \$746.87 because the booster club was out of funds. As of September 2, 2015, the booster club's bank balance was \$40.84. The outstanding loan balance at October 20, 2015, was \$33,885.

RECOMMENDATION

- A. The Knox County Board of Education should refrain from allowing other entities to construct facilities on school property, but could accept donations from these entities to go toward board-constructed facilities. All building projects on property owned by the Board of Education should be supervised by the Board of Education.
- B. Booster club officers and members should not have a personal financial interest in club projects to avoid the appearance of a conflict of interest. Sound business practices dictate that formal competitive bids, not quotes, should be publicly solicited for club projects.
- C. Documentation indicating the Board of Education's approval of construction project change orders should be recorded in the minutes of the booster club board.
- D. The booster club should have sufficient funding on hand or a predetermined plan to meet its obligations.

MANAGEMENT'S RESPONSE – KNOX COUNTY BOARD OF EDUCATION

Knox County schools' staff followed Board of Education policy regarding Permanent Structures on School Grounds (Policy FCA). Policy FCA requires that permanent structures, which enhance the educational and physical experiences of students and community, may be placed on school grounds with board permission. All structures are required to meet applicable codes and board standards and shall be reviewed and approved by the board's facilities department before any work begins. In addition to the aforementioned requirements, projects financed by sources outside the school system must contain a detailed plan for funding before the request is submitted to the board for final approval. Upon completion of the project, the structure(s) on school property become the sole possession of the Knox County Board of Education.

unable to verify the amount of collections and whether all collections were deposited in the bank.

- B. During the period examined, the booster club issued 27 checks. These checks were signed only by the treasurer because the club required just one signature. The *Model Financial Policy for School Support Organizations* states, “For disbursements, prenumbered bank checks should be used that require two signatures.”
- C. Booster club bylaws provide that any check written for an amount exceeding \$500 must have full approval by the club’s board of directors. During the period under examination, the booster club issued 18 checks and had 6 transfers that exceeded \$500. We were unable to ascertain whether all of these disbursements were approved by the board of directors.
- D. The booster club’s board of directors did not meet during the period examined. The club’s bylaws provide that “The Board of Directors shall meet at least once each quarter for the purpose of administering the affairs of the Booster Club.” The board has not had an official meeting since November 11, 2014.
- E. The booster club did not segregate duties adequately among officers and members. The treasurer signed checks, reconciled bank statements, received collections, and made deposits. The *Model Financial Policy for School Support Organizations* states, “Financial responsibilities should be separated whenever possible. One person should not have complete control of the organization’s finances. Officers or members periodically reviewing bank statements and other documentation helps detect errors and enhances the integrity of financial information.”
- F. The treasurer did not provide a signed summary of collections and disbursements to officers on a monthly basis. The *Model Financial Policy for School Support Organizations* requires the treasurer to provide a signed summary of collections and disbursements to organization officers monthly.
- G. Collections were not always deposited to the official bank account timely as required by the *Model Financial Policy for School Support Organizations*. The delay in depositing funds increases the risks of fraud and misappropriation.
- H. In some instances, deposit slips were not itemized. The *Model Financial Policy for School Support Organizations* provides that deposit slips should include an itemized list of checks.
- I. Booster club officials failed to properly account for funds from the sale of banners. As a result, we were unable to determine that all collections from the fundraiser were deposited in the club’s bank account. The *Model Financial Policy for School Support Organizations* requires organizations to prepare and maintain basic records that not only adequately document collections and disbursements but also help ensure that the organization’s funds are safeguarded and used only for appropriate purposes related to the goals and objectives of the organization. On April 9, 2015,

the booster club ordered 14 banners; however, the treasurer was only able to produce four banner order forms. In addition, the booster club incurred late fees totaling \$31.74 for nonpayment of the initial banner purchase totaling \$1,050. The booster club's president said the club has no funds to pay the bill right now, and the initial plan was to liquidate the bill with funds generated from a softball camp in June 2015; however, the club was unable to have the camp since the team did not have a softball coach.

RECOMMENDATION

The Bearden High School Softball Booster Club should follow their bylaws and the *Model Financial Policy for School Support Organizations*, as prescribed by the Tennessee Comptroller of the Treasury, to include the following guidelines:

- A. Prenumbered receipts should be issued for collections.
- B. Checks should require two authorizing signatures.
- C. Disbursements exceeding \$500 should have board approval.
- D. The board of directors should meet quarterly.
- E. Duties should be segregated to the extent possible.
- F. The treasurer should provide a signed summary of collections and disbursements to club officers monthly.
- G. Collections should be deposited with the bank timely.
- H. Bank deposit slips should include an itemized list of checks.
- I. Fundraisers should be accounted for adequately. Invoices should be paid timely to avoid late fees.

MANAGEMENT'S RESPONSE – LADY BULLDOG SOFTBALL BOOSTER CLUB

A – H: Every one of these deficiencies could have been avoided had the principal, athletic director, or someone from the Bearden administration given the booster club guidance on proper booster club procedures or given the booster club a copy of the *Model Financial Policy for School Support Organizations*. Every booster club officer was new to this type of organization and had no experience in running such an entity. Without proper guidance, the booster club officers had to guess at the proper procedures and documentation.

I: The booster club had the funds to pay for the banners that were sold. However, the booster club wrote a check to Bearden High School for \$1,000 to help cover the expenses associated with going to the state championship in Murfreesboro. The booster club had not ever received a bill for the banners. Our summer fundraising would have generated \$2,500 to \$4,000 to cover the banner expense as well as the loan payments. The principal and athletic director effectively killed all fundraising when they unjustly fired the head coach

and were unable to replace him until school started in August. Without a coach there is no team. Without a team there are no booster club members. Without a booster club there is no fundraising.

The Lady Bulldog Softball Booster Club was newly formed around November 17, 2014. The purpose for reinstating the booster club was to secure funds for building an indoor hitting facility. The principal and athletic director instructed the booster club that these funds must be in place to get approval from the Board of Education (BOE) before the construction could start. The booster club was formed, and the funds were secured by a loan that was guaranteed by the booster club's president and treasurer.

The principal and athletic director were solely responsible for the approval of the construction for this facility by the BOE. At no time did the principal or athletic director tell us this process was incorrect. They were aware that the facility had to be relocated and that the cost to build this facility would increase. At no time did they instruct us to follow different procedures or protocol.

While the total construction increased over \$30,000, fundraising by the booster club covered almost all of the additional costs, with the exception of the loan that is being paid by the booster club's president and treasurer, as well as approximately \$7,000 that the booster club's president is owed in outstanding receipts.

While there were several deficiencies noted in this report, all of them could have been avoided had the principal and athletic director provided the appropriate and correct information about both the construction of the facility on Knox County property as well as running a booster club properly. Any deficiencies in funds by the booster club are directly related to their mishandling of the Bearden High School head coaching situation and effectively destroying the softball program and booster club. The payments for the loan for this facility should be taken over by Bearden High School and/or Knox County schools as both were responsible for the approval of the facility without due diligence and use of appropriate protocol.

MANAGEMENT'S RESPONSE – BEARDEN PRINCIPAL

The school provided all pertinent information for the formation and structure of the booster club to the officers of the softball parents through the athletic director. The resignation of the coach did not in any way preclude the operation of the booster club to continue to operate. The school reached out to the booster club's officers in an effort to continue their involvement with the softball program, and they chose not to continue to play an active role with Bearden softball and Bearden High School athletics.

If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh

CC: Dr. James McIntyre, Jr., Superintendent, Knox County Schools
Members of the Knox County Board of Education