CUMBERLAND COUNTY HIGH SCHOOL BAND BOOSTERS

Investigative Report
May 27, 2015

Justin P. Wilson, Comptroller

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
FINANCIAL AND COMPLIANCE INVESTIGATIONS

Justin P. Wilson **JAMES K. POLK STATE OFFICE BUILDING, SUITE 1600**
Comptroller of the Treasury **505 DEADERICK STREET**
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7907
FAX (615) 741-7667

May 27, 2015

Donald E. Andrews, Director of Schools
Cumberland County Board of Education
368 Fourth Street
Crossville, Tennessee 38555

Mr. Andrews:

We performed an investigation of selected records of the Cumberland County High School Band Boosters (band boosters) for the period July 1, 2013, through December 31, 2014. The band boosters are a school support organization at Cumberland County High School that supports the high school band.

Background

The band boosters are operated by parents for the purpose of helping offset student expenses associated with being in the high school band. As a school support organization, band boosters are 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 Cumberland County School District has guidelines that school support organizations are required to follow. The band boosters hold fundraising events, maintain a bank account, and manage their operations in accordance with adopted by-laws.

Findings and recommendations, as a result of our investigation, are presented below. These findings and recommendations were reviewed with Cumberland County School District officials and the current and former president of the band boosters to provide an opportunity for their response. Their responses are included in this report. These findings, recommendations, and management responses were reviewed with the district attorney general for the Thirteenth Judicial District.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 **THE TREASURER ISSUED CHECKS TOTALING $7,743.89 CONTAINING UNAUTHORIZED SIGNATURES**

The band boosters' treasurer issued checks totaling $7,743.89 containing the unauthorized signature of a former president. The band boosters require two authorizing signatures, usually from the president and the treasurer. The former president told investigators she did not sign twelve checks that reflected her signature, and she did not give permission to any individual to sign her name on checks. The treasurer told investigators that she maintained sole custody of checks during the period examined. Of the checks in question, we noted a check for $850 made payable to the treasurer; however, the check had no supporting documentation. We also noted a check for $1,800 made payable to cash with no supporting documentation. According to the treasurer's annual financial report, the band boosters used the $1,800 check for change at the football concession stand on August 23, 2013; the band boosters operated the football concession stand for fundraising. The remaining ten checks were written to individuals for expense reimbursements or to vendors, six of which had no supporting documentation. When checks contain unauthorized signatures, the organization is exposed to risks of unauthorized disbursements and misappropriated funds. The following table summarizes checks containing unauthorized signatures:

Check Date	Check Number	Check Total	Supporting Documentation On File
8/2/2013	1261	$ 850.00	No
8/23/2013	1266	1,800.00	No
9/7/2013	1273	168.68	Yes
9/21/2013	1283	250.00	No
10/11/2013	1293	60.00	No
10/16/2013	1294	175.07	No
10/23/2013	1299	1,850.66	Yes
10/28/2013	1302	726.50	No
12/14/2013	1304	250.00	No
1/9/2014	1305	500.00	No
1/9/2014	1306	250.00	Yes
1/15/2014	1315	862.98	Yes
Total		$ 7,743.89	

RECOMMENDATION

Only authorized personnel should sign checks. Designated persons should strengthen internal controls by reviewing the bank statements, canceled checks, and supporting documentation. Officials should review the twelve checks with unauthorized signatures and determine whether the checks were written for authorized expenditures.

MANAGEMENT'S RESPONSE—DONALD ANDREWS, DIRECTOR OF SCHOOLS

All booster club officers will be trained in proper accounting procedures, as outlined in the *Model Financial Policy for School Support Organizations*, by an employee of the Cumberland County School System. This training will be mandatory for all booster clubs. It will be emphasized that no one may sign another person's name to a check. We hope the Cumberland County School System can develop common forms for all booster clubs to use.

As to the checks in question:

1. 8-2-13 1261—We do not know what this check was written for.
2. 8-23-13 1266—We believe this was written for a concession stand change fund prior to a football game.
3. 9-21-13 1283—We have no knowledge of who this person is.
4. 10-11-13 1293—We have no knowledge of who this person is.
5. 10-16-13 1294—We believe this was to pay for product sold in the concession stand.
6. 10-28-13 1302—We believe this was for the use of a trailer to haul equipment.
7. 12-14-13 1304—We believe this was for food for the band members.
8. 1-9-14 1305—We believe this was for music, instruments, or other band supplies.

The other checks in question all had supporting documentation and we feel the funds were used correctly.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

FINDING 2 THE CUMBERLAND COUNTY HIGH SCHOOL BAND BOOSTERS HAD OPERATING DEFICIENCIES

The band boosters had multiple operating deficiencies that exposed the organization to risks of collections not being recorded, disbursements not being authorized, and funds being misappropriated. We noted the following deficiencies resulting from a lack of oversight by the Cumberland County School District and the Cumberland County High School administrations:

A. The band boosters failed to issue prenumbered receipts for collections as required by the *Model Financial Policy for School Support Organizations*. Therefore, we were unable to verify the amount of collections and whether all collections were properly deposited with the bank.

B. The band boosters failed to count and record total collections received at all fundraising events as required by the *Model Financial Policy for School Support*

Organizations. Requirements for collections from certain events or mass collections (e.g., concessions, parking, car washes, candy sales) are as follows:

- Individuals who collect money must create a record of the total collections each day.

- Two individuals should count the collections and prepare a count sheet signed by both individuals.

- When the collections are remitted to the treasurer, the treasurer and the two individuals should recount the collections, and the treasurer should then immediately issue a receipt to the individuals.

- The treasurer should retain and file the count sheet.

For the period examined, the treasurer did not issue any receipts for mass collections. We were unable to locate cash count sheets to support mass collections for the period, with the exception of home football concession collections in 2014. The treasurer was responsible for counting cash, preparing deposits, and making deposits for all home football concession collections in 2013. Combined collections from concessions for the final three home football games in 2013 totaled $543.02. The least amount of collections from concessions for any other single home football game in 2013 or 2014 was $1,107.80. Due to the lack of supporting documentation for mass collections, noncompliance with requirements, and inconsistencies in amounts deposited for home football concession collections, it is possible mass collections were not fully deposited or recorded.

C. The band boosters did not always deposit collections intact to the official bank account on a timely basis. The treasurer brought some collections home and held the collections as long as fifteen days before being deposited. The band boosters often separated and deposited football concession collections over several days. The *Model Financial Policy for School Support Organizations* requires collections be deposited in the bank timely. Collections should be properly secured and deposited intact on a timely basis.

D. The band boosters made certain purchases with cash withheld from football concession collections. In addition, the band boosters often pre-signed blank checks for other purchases. The *Model Financial Policy for School Support Organizations* states, "All bills should be paid by check, never cash. Presigning blank checks should be prohibited." We were unable to locate supporting documentation for the purchases made with cash from football concession collections.

E. The band boosters did not properly maintain and file supporting documentation for check disbursements. Of ninety eight check disbursements reviewed, which totaled $70,938.99, forty three checks ($31,188.20) had insufficient or no supporting documentation on file. The *Model Financial Policy for School Support*

Organizations states, "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."

F. The band boosters did not adequately segregate duties among officers and members. The treasurer signed checks, prepared accounting records, reconciled bank statements, received collections, counted collections, brought collections to her home, 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."

G. The treasurer did not always provide a monthly signed summary of collections and disbursements to officers and members. In addition, board minutes did not include bank statements and canceled checks, and the treasurer did not always make them available for review. The *Model Financial Policy for School Support Organizations* requires the treasurer to provide a signed summary of collections and disbursements to organization officers on a monthly basis, and copies of bank statements and imaged checks must be included with board minutes. Due to the lack of financial reports and documentation, officers and members did not know the organization's monthly financial position, including the occurrence of two bank overdrafts that occurred during the period, which resulted in $59.70 in overdraft fees.

H. The band boosters have not adopted a written policy which specifies reasonable procedures for accounting and controlling and safeguarding money, materials, property, or securities collected or disbursed by it as required by the *Model Financial Policy for School Support Organizations*. Due to the lack of a written policy, the organization is exposed to risks that collections may not be accounted for properly or funds misappropriated.

I. The band boosters did not approve a budget prior to the school year as required by their by-laws. The by-laws state, "Disbursements shall be upon approval of the association and upon the recommendation of the band directors as indicated through an approved budget set prior to the school year."

RECOMMENDATION

The band boosters should adopt a written policy which specifies reasonable procedures for accounting and controlling and safeguarding any money, materials, property, or securities collected or disbursed by it, as required by the *Model Financial Policy for School Support Organizations*. These policies should specifically address the operating deficiencies noted above. To comply with their by-laws, the band boosters should approve a budget prior to the school year to provide authorization for all disbursements.

MANAGEMENT'S RESPONSE—DONALD ANDREWS, DIRECTOR OF SCHOOLS

All booster club officers will be trained in proper accounting procedures, as outlined in the *Model Financial Policy for School Support Organizations*, by an employee of the Cumberland County School System. This training will be mandatory for all booster clubs. We hope the Cumberland County School System can develop common forms for all booster clubs to use.

The Cumberland County Band Boosters will develop and approve a budget for the 2015-16 school year. This will be done by August 2015. They will also develop written policies and procedures about accounting and financial practices. These will be in line with the *Model Financial Policy for School Support Organizations*.

Finally, while there were instances of poor accounting, I do not believe that the persons involved had any intentions of misuse of funds collected. Many times parents are thrown into positions for which they have had no training. We will correct this issue moving forward.

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

Sincerely,

Justin P. Wilson
Comptroller of the Treasury

JPW/kbh

CC: Members of the Cumberland County Board of Education