



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

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Comptroller of the Treasury

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March 13, 2014

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Forrest Rocket Baseball Diamond Club
P. O. Box 303
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Jackie Abernathy, Director of Schools
and Members of the Board of Education
Marshall County School System
700 Jones Circle
Lewisburg, TN 37091

Danny Morgan, Principal
Forrest School
310 North Horton Highway
Chapel Hill, TN 37034

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury performed a special investigation of selected records of the Forrest Rocket Baseball Diamond Club (club). The club is a school support organization associated with Forrest School, a middle school and high school in the Marshall County School System. The investigation focused on the period July 1, 2012, through August 31, 2013.

SUMMARY

Our special investigation disclosed the following deficiencies in the organization's internal controls:

- Although the school baseball coaches were "school representatives," they operated as the club treasurers in violation of state law.

- Financial duties were not separated adequately.
- The baseball coaches, who served as club treasurers, did not retain adequate supporting documentation for some disbursements.
- The baseball coaches, who served as club treasurers, issued Forrest Rocket Baseball Diamond Club checks with only one signature.

FINDINGS AND RECOMMENDATIONS

Presented below are the findings related to internal control and compliance deficiencies noted during the special investigation. The Forrest Rocket Baseball Diamond Club, representatives of the board of education, and the principal of Forrest School have all indicated they have corrected or intend to correct each of these deficiencies.

1. **FINDING: School baseball coaches served as treasurers of the club in violation of state law**

Although they did not hold the title, the baseball coaches effectively served as club treasurers in violation of state law. Forrest School's high school head baseball coach and middle school head baseball coach received and reviewed the club's bank statements, maintained the club's debit cards, and were signatories on the club's bank account. As a result, they made purchases using club funds with essentially no oversight. Section 49-2-603(3), *Tennessee Code Annotated*, includes in the definition of "school representative" the following:

(A) ... (ii)(e) 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;

(B) "School representative" shall specifically include, but shall not be limited to, coaches, assistant coaches, band directors, or any other school sponsor of a related club or activity;...

Section 49-2-604(g), *Tennessee Code Annotated*, states that "[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."

RECOMMENDATION:

To comply with state law, club officers should ensure that school representatives, as defined by statute, do not act as a treasurer or bookkeeper of the organization and do not sign club checks.

2. **FINDING: Financial duties were not separated adequately**

Financial duties were not separated adequately. The baseball coaches determined which expenses were to be paid, prepared and signed checks, and reviewed bank statements.

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, club board members should review the officers' and members' responsibilities to ensure that no individual has complete control over a financial transaction.

3. **FINDING: Inadequate supporting documentation**

The baseball coaches, who served as treasurers, did not retain adequate supporting documentation for disbursements. Some of the charges on the club's debit card had either no supporting documentation on file, or supporting documentation that was inadequate to determine if the charge 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.

4. **FINDING: Club required only one signature on checks**

The baseball coaches, who served as club treasurers, failed to require at least two signatures on checks issued by the Forrest Rocket Baseball Diamond Club. The transacted checks were usually signed by either the high school or the middle school coach. 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 that all checks 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 the checks.

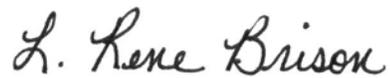
The Marshall County Board of Education has adopted Policy 2.404, which sets forth requirements for school support organizations affiliated with the district’s schools. In addition to closely following the language and provisions of the state statutes, Policy 2.404 states: “The director [of schools] may enact procedures to suspend or revoke the authorization of any school support organization for a failure to abide by the policies and procedures regarding school support organizations.”

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Club officers should ensure that the Forrest Rocket Baseball Diamond Club complies with all policies and procedures set forth in state law and in board policy. The director of schools and the school's principal should periodically obtain reasonable assurance that each recognized and authorized school support organization is abiding by the agreed upon policies and procedures.

If you have any questions or need additional information, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "L. Rene Brison".

L. Rene Brison, CPA, CFE, Assistant Director
Office of the Comptroller of the Treasury