



## COMPTROLLER'S INVESTIGATIVE REPORT

### Swiss Memorial Elementary School

*April 3, 2019*

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



**DIVISION OF INVESTIGATIONS**



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

April 3, 2019

Director of Schools and School Board Members  
Grundy County Board of Education  
1376 Main Street  
Altamont, TN 37301

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Swiss Memorial Elementary School, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 12th Judicial District, 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", is written over a light gray rectangular background.

Justin P. Wilson  
Comptroller of the Treasury

JPW/MLC

# INVESTIGATIVE REPORT

## SWISS MEMORIAL ELEMENTARY SCHOOL

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to collections from fundraising activities for the Swiss Memorial Elementary School boys' basketball team. This investigation was limited to selected records for the period September 1, 2017 through October 3, 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 12<sup>th</sup> Judicial District.

### BACKGROUND



Swiss Memorial Elementary School is in Gruetli-Laager, Tennessee, and is one of six elementary schools operated by the Grundy County Board of Education.

*Tennessee Code Annotated*, Section 49-2-110, provides for student activity funds and establishes responsibility for those funds. This section requires local school systems to adopt the *Tennessee Internal School Uniform Accounting Policy Manual* and to maintain all activity funds and records in accordance with the requirements noted in the manual.

*Tennessee Internal School Uniform Accounting Policy Manual*, Section 4, Title 8, sets forth required procedures for fundraising and resale activities. The manual provides that fundraising authorization must be in written form and include the following information: a list of proposed fundraising activities; purpose of fundraising activities; proposed uses of funds raised; and expected student involvement in fundraising activities (school-wide or individual class or club). The manual further states that “Accurate and systematic records of all cash collected should be maintained” and “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.”

## RESULTS OF INVESTIGATION

- **DEFICIENCIES WERE NOTED IN FUNDRAISING ACTIVITIES**

Investigators reviewed the accounting records, bank statements, and supporting documentation for the period September 1, 2017 through October 3, 2018, and noted deficiencies related to collecting, depositing, and disbursing collections from fundraising activities by the former boys' basketball coach. This coach was not an employee of the Board of Education, but was paid a coaching supplement in exchange for the duties he performed.

A. Investigators determined that the following fundraising items were unaccounted: 36 T-shirts sold for \$10 to \$13 per shirt, and 43 Sonic restaurant coupon cards valued at \$10 each. Investigators calculated the number of unaccounted T-shirts and Sonic cards based on the physical count of shirts and cards purchased and donated, number sold, and number remitted to the school as unsold on September 20, 2018. (**Refer to Exhibits 1 and 2.**) The former coach advised that some shirts and cards were given away; however, he could not provide documentation as support.

### Summary of Unaccounted Sonic Cards

**Exhibit 1**

Fundraiser Cards	Number	Value
Donated	70	\$ 700.00
Reported Sold	(12)	(120.00)
Turned in to the School	<u>(15)</u>	<u>(150.00)</u>
Unaccounted Cards	<u>43</u>	<u>\$ 430.00</u>

### Summary of Unaccounted T-Shirts

**Exhibit 2**

T-Shirts	Amount
Shirts Purchased	208
Less Reported as Sold	(168)
Subtotal	40
Less Shirts Returned	<u>(4)</u>
Unaccounted T-Shirts	<u>36</u>

- B. The former coach failed to maintain adequate documentation of collections from fundraising activities. Furthermore, the former coach did not properly remit fundraising collections to the Swiss Memorial Elementary School but instead deposited the funds into his personal bank account. The former coach provided investigators a bank statement indicating a total deposit amount of \$1,737 for three fundraising activities with no supporting documentation. Without documentation, investigators could not determine if all fundraising collections were deposited.
- C. Investigators noted in at least one instance, the former coach used cash collections totaling \$956.22 from fundraising activities to purchase T-shirts. The *Tennessee Internal School Uniform Accounting Policy Manual*, Section 5, Title 2, states, "Using daily collections for cashing checks or making purchases is prohibited."
- D. Disbursements of fundraising collections were made by the former coach from his personal bank account rather than through the approved school purchasing procedure which requires approval and a receipt/invoice prior to purchase with an official school check. Not using the school purchasing procedures, including their tax exempt status, resulted in the payment of at least \$118.56 in sales tax. Furthermore, the former coach did not provide adequate supporting documentation to account for the use of fundraising collections. The former coach only provided one invoice totaling \$1,400.55 for basketball shoes. Therefore, we could not determine if the former coach used the remaining \$336.45 in fundraising collections deposited in this personal bank account for the boys' basketball team.
- E. School personnel failed to comply with requirements of the *Tennessee Internal School Uniform Accounting Policy Manual* related to fundraising activities. We were unable to locate documentation that a roadblock fundraiser was properly authorized by the school. The former coach advised that this was a parent organized fundraising activity that did not promote any affiliation with the school or the basketball team. However, the coach included the roadblock collections, along with proceeds from two approved fundraising activities, in a deposit into his personal bank account.
- F. School personnel failed to ensure that responsible staff maintained adequate records of collections, purchases, sales, and inventory. Also, collections were not analyzed to determine if expected collection amounts were received and deposited. Investigators were provided documentation by school personnel and signed by the former coach that he would follow Grundy County Board of Education policies including correct procedures for purchasing, completing fundraiser requests, collections, and remittances of fundraising monies. School personnel requested all fundraising documentation from the former coach be provided by the end of business on January 29, 2018, four months after the fundraising activities; however, the former coach failed to provide the requested documentation. The lack of timely oversight contributed to collections not being deposited into the school's bank account. As noted previously, the former coach failed to deposit into the school's bank account at least \$2,693.22 collected through fundraising activities (\$1,737 deposited into coach's personal bank account (see Item B.) plus \$956.22 cash purchase of T-shirts (see Item C.)).

- G. School personnel failed to require the former coach to prepare a fundraiser summary report to show that proceeds were used for the intended purpose of the fundraisers. According to the *Tennessee Internal School Uniform Accounting Policy Manual*, Section 4, Title 8, fundraising activities conducted for designated purposes require a summary report to be prepared and filed in the school office as close as possible to the time that the money is expended and should include a summary of expenditures showing how the profit was used.

School officials indicated that they have corrected or intend to correct these deficiencies.