



COMPTROLLER'S INVESTIGATIVE REPORT

Jonesborough School Athletic Booster Club

March 28, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

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Washington County Board of Education
405 West College Street
Jonesborough, TN 37659

Washington County Board of Education Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Jonesborough School Athletic Booster Club, 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 1st Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink that reads "JEM".

Jason E. Mumpower
Comptroller of the Treasury

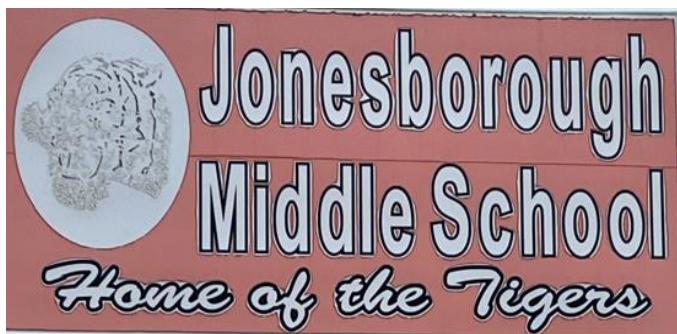
JEM/MLC

INVESTIGATIVE REPORT

Jonesborough School Athletic Booster Club

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Jonesborough School Athletic Booster Club. The investigation was limited to selected records for the period July 1, 2022, through July 31, 2023. The results of the investigation were communicated to the Office of the District Attorney General of the 1st Judicial District.

BACKGROUND



The Jonesborough School Athletic Booster Club (JSAB) is a school support organization formed on September 16, 2022, and replaced the Tiger Pride Athletic Booster Club (TPABC), which officially dissolved on February 11, 2023. JSAB supported the athletic activities of both Jonesborough Middle School (JMS) and Jonesborough Elementary School (JES)

until December 15, 2023, when JMS closed and JES began serving students in grades kindergarten through 8. For the purpose of this report, “club” refers to both the TPABC and the JSAB, which operated as one organization during the period reviewed.

The club is an approved school support organization (SSO) governed by a board whose officers consist of a president, vice-president, secretary, and treasurer. The club’s primary funding included fundraisers, donations, and concession sales at athletic events.

The School Support Organization Financial Accountability Act codified at Tenn. Code Ann. § 49-2-601 et. seq. provides that officers of the club, like officers of all other SSOs, are required to ensure the funds and property of their organization are safeguarded and used only for purposes related to the goals and objectives of the organization. To assist such officers in discharging their duties, the Comptroller, pursuant to Tenn. Code Ann. § 49-2-610 published the *Model Financial Policy for School Support Organizations (Model Financial Policy)*, which prescribes a set of accounting controls to ensure the funds are used to further the organization’s goals and objectives.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance related to club operations. These deficiencies included:

Deficiency 1: Club officers did not properly safeguard and maintain accurate records

For most of the period reviewed, club officers did not maintain bylaws, financial policies, meeting minutes, bank reconciliations, imaged deposit slips and checks, or documentation for collections, including profit analysis. The club created bylaws and began taking meeting minutes in June 2023. Due to the lack of supporting documentation, investigators could not determine if collections, including fundraiser proceeds and concession sales, were deposited in full, if all cash withdrawals and disbursements were for purposes related to the goals and objectives of the club, or if events were profitable. According to the *Model Financial Policy*, bylaws, financial policies, and official minutes of all club meetings are “considered permanent records as long as the SSO exists and shall be maintained for at least four years after dissolution of the SSO.” In addition, “All collection and disbursement records, bank statements, imaged checks, receipts/invoices for disbursements...shall be organized and maintained by the treasurer or bookkeeper by fiscal year. These records must be maintained for at least four years.” Finally, regarding fundraisers, “...monthly profit analysis reports must be completed to document collections, expenses, and any profit or losses of money or product.” The lack of club organizational and financial records greatly increases the risk that fraud, waste, and abuse will occur without prompt detection.

Deficiency 2: Club officers failed to implement adequate segregation of duties

Club officers failed to segregate their duties adequately. The club treasurer was responsible for fundraising, concession operations, and financial duties, including recordkeeping, making purchases, writing checks, receipting collections, and depositing funds. The *Model Financial Policy* states, “Duties shall be segregated between officers and members of the SSO. No one person within the SSO shall be in control of a transaction from inception to recording.” Allowing one individual exclusive control over all financial duties increases the risk of fraud without prompt detection.

Deficiency 3: Club officers failed to deposit funds within three days of collection and used cash from concessions collections to make purchases

For the period reviewed, club officers failed to ensure that club funds, including concession sale collections, were deposited within three days of collection as required by the *Model Financial Policy*. In addition, club officers stated they occasionally used cash from concession sale collections to purchase pizza and other items to sell at the concession stand. According to the *Model Financial Policy*, bills should never be paid in cash. The delay in depositing funds and using cash from collections for purchases weakens internal controls over collections and increases the risk of fraud and misappropriation.

Deficiency 4: Club officers did not require two signatures on checks

Club officers did not require two signatures on checks. The *Model Financial Policy* recommends, “Official prenumbered checks should require two signatures.” Checks having two signatures provide an increased degree of control by indicating that both authorized signers agree that the payment is proper and reasonable.

Deficiency 5: Club officers did not pay sales tax on some purchases

Club officers did not pay sales tax on some purchases. Per the *Model Financial Policy*, “...in order to be exempted from state sales tax, an SSO must separately apply with the Tennessee Department of Revenue and be accepted by the IRS (Internal Revenue Service) as a 26 U.S.C. § 501(c)(3) corporation.” The club did not meet either requirement to be exempted from state sales tax. To avoid liabilities for sales tax due to the state and any related penalties, the club must comply with state sales tax statutes.

Club officers indicated that they have corrected or intend to correct these deficiencies.
