



COMPTROLLER'S INVESTIGATIVE REPORT

Northview Athletic Sideline Club

July 23, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

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Sevier County School System
226 Cedar Street
Sevierville, Tennessee 37862

Sevier County School System Management:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Northview Athletic Sideline 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 4th 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, appearing to read "Jason E. Mumpower", is written over a faint, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Northview Athletic Sideline Club

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Northview Athletic Sideline Club. The investigation was initiated after Sevier County School System officials reported questionable processes and transactions. The investigation was limited to selected records for the period April 2022 through December 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 4th Judicial District.

BACKGROUND



The Northview Athletic Sideline Club (NASC) is a school support organization (SSO) formed in 2022 by parents and other volunteers to support and promote the athletic programs at Northview Junior and Senior Academies (schools) in Kodak, Tennessee. The schools are part of the Sevier County School System (district) and serve students in grades 7 through 12. Students may participate in athletic programs, including baseball, bowling, basketball, cheer, dance, football, golf, volleyball, soccer, softball, swimming, track and field, tennis, and wrestling. For the period

reviewed, the NASC was governed by three officers who were never formally given titles and did not form a board of directors. In addition, the NASC owned a bank account, collected money from the public through the sale of concessions at school athletic events, and used the money to support school athletic programs.

The School Support Organization Financial Accountability Act (Act), codified in Tenn. Code Ann. § 49-2-601 *et seq.* provides that SSOs are “a booster club, foundation, parent teacher association, parent teacher organization, parent teacher support association, or any nongovernmental organization or group of persons whose primary purpose is to support a school district, school, school club, or academic, arts, athletic or social activities related to a school, that collects or receives money, materials, property, or securities from students, parents or members of the general public.” Pursuant to the Act, NASC officers, 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.

RESULTS OF INVESTIGATION

1. FORMER NORTHVIEW ATHLETIC SIDELINE CLUB OFFICERS MADE QUESTIONABLE CASH WITHDRAWALS TOTALING \$20,920

From June 2023 through November 2023, former NASC officers made five questionable cash withdrawals totaling \$20,920. Former NASC officers indicated they used the cash withdrawn to purchase items for an auction fundraiser; however, they did not retain supporting documentation for the expenditures. Without supporting documentation for these expenditures, investigators could not determine if the cash withdrawn was used for authorized purposes or exclusively for the benefit of NASC.

2. FORMER NORTHVIEW ATHLETIC SIDELINE CLUB OFFICERS DID NOT SECURE AND DEPOSIT CASH COLLECTED FROM CONCESSIONS

From August 2023 through December 2023, investigators determined that former NASC officers did not properly secure or deposit cash collected from the sale of concessions. Former NASC officers stated they kept cash collected from concessions in an unlocked plastic container within the concession stand and used some of the cash for gate change at sporting events and to purchase concessions and athletic items. Investigators were unable to determine if the concession stand was locked or who had access to the concession stand during the period reviewed. Officers should ensure cash is always secure and only accessible by authorized individuals. According to the *Model Financial Policy*, all collections should be deposited within three business days, and bills should never be paid in cash. The failure to secure cash, the delay in depositing funds, and the use of cash from collections to make purchases weakens internal controls over collections and increases the risk of fraud and misappropriation.

3. FORMER NORTHVIEW ATHLETIC SIDELINE CLUB OFFICERS DIRECTLY PAID A SALARY SUPPLEMENT TO A COACH EMPLOYED BY THE DISTRICT

Former NASC officers wrote three checks as a salary supplement to a coach employed by the district during the period reviewed totaling \$2,500. The *Model Financial Policy* states, “Payments for salary supplements must not be made directly to the coaches, assistant coaches, or other employees (e.g., teachers, principals) of the Board of Education. Salary supplements for Board employees must be paid through the Board of Education. The SSO must make donations to the Board for this purpose rather than paying Board employees directly.” Failure to make salary supplements through the district increases the risk that employee benefits, tax withholdings, and other required deductions will not be properly accounted for.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance:

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

Former NASC officers did not provide investigators with bylaws, financial policies, meeting minutes, bank reconciliations, imaged deposit slips and checks, documentation for collections, or documentation for cash withdrawals. The NASC records only included documentation for some disbursements and deposits. Due to the lack of supporting documentation, investigators could not determine if concessions and other collections were deposited in full; the former NASC officers stated cash collected from concessions was often not deposited and was used for NASC purchases. According to the *Model Financial Policy*, bylaws, financial policies, and official minutes of all 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.” The lack of NASC organizational and financial records greatly increases the risk that fraud, waste, and abuse will occur without prompt detection.

Deficiency 2: Former NASC officers failed to document officer responsibilities and accounting and internal control policies and procedures

Former NASC officers failed to document officer responsibilities and formal written accounting and internal control policies and procedures for NASC operations. *Sevier County Schools Policy 822* requires SSOs to “maintain a copy of its charter, bylaws, minutes, and documentation of its recognition as a nonprofit group.” Furthermore, the *Model Financial Policy* states, “Accounting and internal control policies and procedures must be designed and implemented to ensure compliance with laws and regulations...Accounting and internal control policies and procedures must be documented and approved by the officers and/or board of directors at a regular meeting.” Former NASC officers did not establish a charter and bylaws that defined officer responsibilities or document proper accounting and internal controls such as bank reconciliations, collections procedures, purchasing procedures, etc. Establishing and documenting officer responsibilities and sound internal controls ensures that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

Deficiency 3: Former NASC officers failed to register as a nonprofit with the Tennessee Secretary of State or as an SSO with the district

Former NASC officers failed to register as a nonprofit with the Tennessee Secretary of State or as an SSO with the district. Therefore, the district was not aware of the NASC’s existence until December 2023. According to the *Model Financial Policy* and district policy 822 *School Support Organizations*, the SSO must register with the Tennessee Secretary of State’s office and must annually confirm its status as a nonprofit. District policy further requires that SSOs be recognized by the district and provide the district with annual financial information. The NASC’s lack of

recognition by the state and district as a nonprofit SSO greatly increases liability risks and the risk that fraud, waste, and abuse will occur without prompt detection.

Deficiency 4: Former NASC officers failed to implement adequate segregation of duties

Former NASC officers failed to segregate their duties adequately. A single officer was responsible for concession operations, depositing concession collections, and making purchases with undeposited cash from concessions collections. 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 5: Former NASC officers did not require two signatures on checks

Former NASC officers did not require two signatures on checks. The *Model Financial Policy* recommends that “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 6: Former NASC officers failed to submit proper fundraiser approval forms

Former NASC officers failed to complete and submit fundraiser approval forms for an auction fundraiser during fiscal year 2023. The *Model Financial Policy* states, “The SSO must obtain approval of the director of schools or the director’s designee before undertaking any fundraising activity. The SSO shall maintain documentation to demonstrate the approval of the director of schools.”

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