



COMPTROLLER'S INVESTIGATIVE REPORT

Clinton High School Baseball Boosters

April 15, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

April 15, 2021

Anderson County Board of Education
101 South Main Street
Clinton, TN 37716

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Clinton High School Baseball Boosters, 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 7th 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", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Clinton High School Baseball Boosters

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Clinton High School Baseball Boosters. The investigation was limited to selected records for the period July 2017 through June 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 7th Judicial District.

BACKGROUND



Founded in 1903, Clinton High School is operated by the Anderson County Board of Education and is a four-year public high school located in Clinton. Clinton High School offers a baseball program for eligible students. The Clinton High School Baseball Boosters (Boosters) was established to provide financial support and serve the Clinton High School baseball program. The Boosters are a nonprofit corporation managed by a Board of Directors and undertake various fundraising activities to support their mission.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Officers of the Boosters, like all other officers of school support organizations, are required to ensure funds and property of their organizations are safeguarded and used only for purposes related to the goals and objectives of their organizations. To assist such officers in discharging their duties, the Comptroller, pursuant to *Tennessee Code Annotated*, Section 49-2-610, published the “Model Financial Policy for School Support Organizations (Procedures Manual)” (Model Financial Policy) in 2008 and revised in 2020, which prescribes a set of accounting controls to ensure funds are used to further the organization’s goals and objectives. Our investigation revealed the following deficiencies in internal control and compliance:

Deficiency 1: The Boosters failed to comply with the Tennessee Nonprofit Gaming Law when operating raffles.

The Boosters did not comply with the Tennessee Nonprofit Gaming Law when they held beef raffles in 2017, 2018, and 2019. Raffles are games of chance in Tennessee and are therefore prohibited under Tennessee Law. Certain charitable organizations, however, may have a game of chance yearly if that event is conducted in accordance with the Tennessee Nonprofit Gaming Law, codified in *Tennessee Code Annotated*, Section 3-17-101, et seq. The Nonprofit Gaming Law requires “A nonprofit organization seeking to operate an annual event for the benefit of that organization located in this state shall submit an annual event application to the [Secretary of

State].” Furthermore, the Tennessee Nonprofit Gaming Law requires all applicants to be an Internal Revenue Service recognized 501(c)(3) or a 501(c)(19) nonprofit. Investigators determined the Boosters did not receive approval from the Secretary of State and was not a nonprofit as recognized by the Internal Revenue Service. Boosters officials should follow all requirements of the Tennessee Nonprofit Gaming Law if they decide to hold future raffles.

Deficiency 2: The Boosters failed to receive Anderson County Director of Schools approval for numerous fundraising activities

The Boosters failed to receive Anderson County Director of Schools approval for numerous fundraising activities. *Tennessee Code Annotated*, Section 49-2-604, requires local school boards to adopt a policy that must include provisions requiring school support organizations to obtain the approval of the director of schools prior to scheduling any fundraising activity. Anderson County Board of Education policy 2.4.04, School Support Organizations, fulfills this requirement. The Boosters operated 11 fundraisers from July 2018 through June 2020. Investigators determined the Boosters operated seven fundraisers in which they did not receive approval from Anderson County Director of Schools. The Boosters officials should ensure they comply with all Anderson County Board of Education policies and state laws that govern fundraisers.

Deficiency 3: The Boosters failed to adequately account for fundraising and other collection activities

The Boosters failed to oversee, document, or account adequately for fundraising and other collection activities. *Tennessee Code Annotated*, Section 49-2-604(e), requires Boosters officials to ensure funds and property of their organization are safeguarded and used only for purposes related to the goals and objectives of the organization. The Boosters used tally sheets to document the amount of concession proceeds from baseball games; however, investigators determined the Boosters did not consistently retain these tally sheets. Furthermore, the Boosters did not have documentation verifying they required, prepared, or reviewed profit analyses for applicable activities as required by the Model Financial Policy. Providing adequate accountability and oversight of collections and inventory reduces the risk of errors or misappropriation.

Booster officials indicated that they have corrected these deficiencies.
