



COMPTROLLER'S INVESTIGATIVE REPORT

Farragut Dugout Club

September 13, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

September 13, 2024

Knox County Schools
400 W. Summit Hill Drive
Knoxville, TN 37902

Knox County Schools Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Farragut Dugout 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 6th 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

Farragut Dugout Club

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Farragut Dugout Club. The investigation was initiated after Knox County School System officials reported questionable transactions using Farragut Dugout Club funds. The investigation was limited to selected records for the period July 2022 through July 2024. The results of the investigation were communicated with the Office of the District Attorney General of the 6th Judicial District.

BACKGROUND



Farragut High School (FHS), located in Farragut, Tennessee, is part of the Knox County School System (KCS) and serves students in grades 9 through 12. The FHS baseball team is a nationally recognized baseball team with 13 state titles. The Farragut Dugout Club (club) is a school support organization (SSO) led by parents and other volunteers to support and promote the FHS baseball team.

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.

RESULTS OF INVESTIGATION

1. FARRAGUT DUGOUT CLUB OFFICERS IMPROPERLY PAID SALARY SUPPLEMENTS TO FARRAGUT HIGH SCHOOL BASEBALL COACHES WITHOUT KNOX COUNTY SCHOOL SYSTEM APPROVAL TOTALING \$3,550

For the period reviewed, club officers improperly wrote 15 checks directly to FHS baseball coaches without KCS approval totaling \$3,550. According to club officers and check memo lines, the payments were bonuses or “thank you” gifts to the coaches at the end of the 2023 and 2024 school years for successful baseball seasons. Salary supplements are additional payments made to

an employee outside of their regular wages and include bonuses and awards. KCS administrators told investigators they did not approve and were not aware of the club’s direct payments to the coaches.

According to the *2023-2024 Tennessee Secondary School Athletic Association (TSSAA) Handbook, Section 9*:

“...Coaches must be paid entirely from funds approved by either the board of education, governing board of the school, Director of Schools, or the Principal of the school.”

In addition, *KCS Administrative Procedure AP-G-290-2 Hiring Athletic Coaches* states:

“...All coaches, including additional coaches, must be paid through Knox County Schools.”

Finally, four of the coaches who received payments directly from the club are KCS employees. 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 pay salary supplements through KCS increases the risk that coaches’ benefits, tax withholdings, and other required deductions will not be handled and accounted for properly. Failure to obtain approval from KCS for coaches’ salary supplements increases risks of TSSAA and KCS policy non-compliance, potentially leading to unfair competition.

The following table summarizes salary supplements paid by the club directly to coaches without KCS knowledge or approval during 2023 and 2024:

Summary of Improper Salary Supplements			
<u>KCS Employees</u>	<u>2023</u>	<u>2024</u>	<u>Total</u>
Head Coach	\$ 250.00	\$ 500.00	\$ 750.00
Assistant Coach	\$ 100.00	\$ 250.00	\$ 350.00
Assistant Coach	\$ 100.00	\$ 250.00	\$ 350.00
Assistant Coach	\$ 100.00	\$ 250.00	\$ 350.00
<u>Other Coaches</u>			
Assistant Coach	\$ 750.00	\$ 150.00	\$ 900.00
Assistant Coach	\$ 100.00	\$ 250.00	\$ 350.00
Assistant Coach	\$ 100.00	\$ 150.00	\$ 250.00
Assistant Coach	\$ -	\$ 250.00	\$ 250.00
Total	\$ 1,500.00	\$ 2,050.00	\$ 3,550.00

2. FARRAGUT DUGOUT CLUB OFFICERS USED CLUB FUNDS TO BUY QUESTIONABLE GIFTS FOR COACHES AND THEMSELVES TOTALING AT LEAST \$495.63

Club officers used club funds to buy questionable gifts for coaches and themselves totaling at least \$495.63. In May 2024, club officers used club funds to buy cigars and a bottle of wine (**Refer to Exhibit 1**) for baseball coaches. Also, in May 2024, club officers purchased a \$100 gift card, a gold necklace, and other items as gifts for club officers. The *Model Financial Policy* states, “All SSO funds must be used in support of the SSO’s goals and objectives as related to supporting a school district, school, school club, or school academic, arts, athletic, or social activity.” SSO funds should only be spent on students as authorized by KCS regarding the purpose of the SSO and of individual fundraisers.

Exhibit 1



Left is a 5/24/2024 receipt for cigars purchased by the club. Right is a 5/18/2024 receipt for a bottle of wine purchased by the club.

3. FARRAGUT DUGOUT CLUB OFFICERS CHARGED FEES TO PLAYERS THAT WERE NOT ACCOUNTED FOR AS STUDENT ACTIVITY FUNDS

Club officers charged \$600 “operational” fees to players in August and September of 2022 and 2023, and the funds were maintained in the club account. The *Model Financial Policy* states, “SSOs must not charge fees to students to participate in school-sponsored activities or events.

Tenn. Code Ann. § 49-2-603(6)(f) defines fees charged to students for school sponsored ... events as student activity funds. As such, they must be accounted for by the school and deposited in the school bank account.”

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

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

Deficiency 1: Farragut Dugout Club officers failed to document accounting and internal control policies and procedures

Club officers failed to document formal written accounting and internal control policies and procedures for club operations. 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.” Establishing sound accounting and internal control policies and procedures ensures that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

Deficiency 2: Farragut Dugout Club officers did not properly safeguard and maintain accurate records

Club officers did not provide investigators with all supporting documentation for collections and disbursements. According to the *Model Financial Policy*, “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 supporting documentation for collections and disbursements increases the risk that fraud, waste, and abuse will occur without prompt detection.

Deficiency 3: Farragut Dugout Club officers failed to implement adequate segregation of duties

Club officers failed to segregate their duties adequately. The club treasurer was responsible for receipting collections, making deposits, writing checks, and bookkeeping. 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 4: Farragut Dugout 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: Farragut Dugout Club officers failed to submit proper fundraiser approval forms

Club officers failed to complete and submit fundraiser approval forms during the 2023 and 2024 school years. Unapproved fundraisers included field advertisement signs, pancake breakfasts, auctions, golf tournaments, wreath sales, apparel sales, and others. The club’s bylaws state, “The Support Group agrees that at least thirty days in advance of any fundraising activity the Support Group will obtain written approval by the School principal and the Director of Schools, or the Director's designee, for the fundraising activity.” Furthermore, the *Model Financial Policy* requires, “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.”

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