



EHS Softball Boosters, Inc.
Review – school year 2017-2018

Office of Internal Auditing
April 2018

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APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

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Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of Escambia High School staff and EHS Softball Boosters, Inc. board members. We did not encounter any restrictions to records or personnel, which would prohibit us from expressing an opinion or offering recommendations.

Any recommendations included in this engagement are designed to improve operations and serve as the basis for informed discussions related to policies and procedures.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the principal, school staff, and EHS Softball Boosters, Inc. board members for their cooperation and commitment. We look forward to reviewing their progress when we follow-up on our recommendations.



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Executive Summary

The principal expressed concerns regarding the softball booster club.

During late March, the principal at Escambia High School (EHS) contacted the district investigator to express concerns regarding the activity of the EHS Softball Boosters, Inc. (Booster Club) brought to his attention by the president of the Booster Club.

All concerns expressed by the principal and booster club president were investigated.

Due to the financial nature of the concerns, the district investigator requested assistance from the Office of Internal Auditing (OIA). We conducted interviews, gathered documentation, performed research, and conducted a reconciliation of the February 2018 bank statement.

Approximately \$700 of Capital One fraudulent charges are still pending.

During an interview with the principal and the Booster Club's president, 12 concerns (noted in italics below) were brought to our attention and the results of our fieldwork were as follows:

Bank Account

- *There was approximately \$900.00 of fraudulent charges withdrawn from the checking account.*
 - \$200.00 - AT&T charge has been reversed/honored
 - **\$696.99 – 4 Capital One charges are still pending**
- *The February ending bank balance for the checking account was reported as approximately \$10,000.00 on the treasurer's report; however, the bank statement showed approximately \$15,000.00 indicating a discrepancy of \$5,000.00.*
 - Our reconciliation between the treasurer's report and the bank statement did not indicate a \$5,000.00 discrepancy. It appears the wrong bank balance was quoted and compared to the treasurer's report.
- *The treasurer and vice president pre-signed checks, which were kept in the treasurer's car.*
 - There were **2 pre-signed checks** in the checkbook remitted to the OIA.
- *The president was not included as a signatory on the checking account.*
- *The principal "froze" the checking account and vendors needed to be paid.*

The checking account was closed and a new one opened.

In an effort to contain or resolve the above matters, **the checking account was closed and a new one opened.** The president is one of signatories on the new checking account and all outstanding invoices were paid.

Collections

- *Funds were not deposited timely.*

- There were 2 instances when fundraising collections were not deposited timely.
- *Money was kept in a safe and not remitted to the school as instructed.*
 - The money was deposited into the new checking account.
- *Money was kept at the president's house and not remitted to the school as instructed.*
 - The money was deposited into the new checking account.
- *Expenditures were paid out of cash collections.*
 - The president was advised that it is best business practice to pay expenditures utilizing a check.

Bookkeeping

- *The team members' account sheets contained errors.*
 - There were 5 instances where the account sheets did not agree with the summary sheet. It appears the records were not updated accordingly.

Other

- *Concerns exist that the coach handled booster money.*
 - The coach took up collections for the Booster Club.
- *A sign was purchased on behalf of the vice president for her grandson creating a conflict of interest.*
 - The principal stated he would handle this matter.

This report includes recommendations. The Executive Summary is intended to highlight the various aspects of the report. The full report should be read to understand the basis of our recommendations.

Background

The District has established guidelines for outside support organizations.

Outside Support Organizations

The District encourages its citizens to form outside support organizations (OSOs). These organizations support individual schools or activities at a school. Examples of such organizations include Parent Teacher Associations (PTAs) and booster clubs (e.g. Quarterback Clubs, band boosters, etc...). The activity of these organizations may either flow through the school's internal financial accounts or a separate bank account outside of the school. The District has established certain guidelines for outside support organizations that operate outside of internal accounts entitled Guidelines for Outside Support Organizations (OSO Guidelines), which is available on the District's website. To ensure proper accounting of funds, promote accountability, and protect

The District has established guidelines for fundraising events.

volunteers, OSOs agree to comply with the provisions of the policies outlined in the OSO Guidelines.

The District allows for fundraising activities to be conducted by the schools and/or associated booster clubs and has established certain guidelines titled the Fundraising Guidelines Handbook, which is also available on the District's website.

EHS Softball Boosters, Inc.

EHS has an Escambia Lady Gator Softball Program and an associated booster club, legally known as EHS Softball Boosters, Inc., (Booster Club) which is comprised of officers and parent volunteers. According to the softball packet given to team members' parents, the Booster Club's primary purpose is to support the softball program financially. According to the Booster Club's meeting minutes, new board members were elected on May 15, 2017 for the 2017-2018 school year. The vice president and treasurer were returning positions. The president, secretary, and fundraiser positions were newly- elected.

The treasurer position is responsible for handling the financial activity of the booster club. This includes, but is not limited to, verifying collections, depositing funds, paying vendors, recording the transactions, reconciling the bank statement, preparing the treasurer's report, and reporting the financial activity to the Booster Club board and general membership.

The Booster Club manages its funds outside of the school's internal accounts.

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EHS conducts softball tryouts during January for both the JV and Varsity teams. A softball packet is distributed to parents detailing the costs associated with being on the team, and the responsibilities for both players and parent.

The softball packet contained numerous documents:

- Player and Parent Information Form
- Escambia Softball Players Pack (cost of \$296)
- Option to purchase additional apparel
- Concessions Duties
- Player Cards (cost of \$20)
- Gate Duties
- Solicitation Letter
- Sponsorship Sign Form
- Softball Schedule
- Hotel Information for Panama City Tournament

Twelve concerns were expressed by the president.

Each individual team member is required to raise \$500, either through payments or a combination of payments and credits earned for participation in fundraising activities.

Monthly meetings were held and numerous fundraising events were conducted throughout the school year, including a fish fry held during our fieldwork on April 7, 2018.

A total of 12 concerns were expressed by the Booster Club president:

- Personal activity on bank statement
- Discrepancy between treasurer report and bank statement
- Pre-signed checks
- President not allowed as a signatory on the checking account
- Vendor invoices not paid
- Untimely deposits
- Money not remitted to the school as instructed, but kept in a safe
- Money not remitted to the school as instructed, but kept at president's house
- Expenditures were paid out of cash collections
- Discrepancies within team members' account sheets
- The Coach handled booster money
- Conflict of interest (regarding purchase of sign)

The principal sent a letter to the Booster Club's president requesting the surrender of all books and records. He also directed that all bank account (checking and savings) activity cease temporarily until these matters could be investigated and all future collections be remitted to the school for deposit through internal accounts.

In late March, the principal contacted the district investigator to express the above concerns. Due to the financial nature of the concerns, the district investigator requested assistance from the OIA.

Objective

The purpose of this review was to investigate the specific financial concerns expressed regarding the activity of the Booster Club, identify the discrepancy between the treasurer's report and the bank statement, ensure all outstanding invoices were paid, and determine if collections were handled properly.

Scope

The scope of this review included interviewing the principal and Booster Club president to obtain an understanding of the specific financial concerns expressed. We also interviewed the softball coach.

We obtained information concerning student accounts, bookkeeping practices, and financial reporting. We obtained financial records, bank records, and fundraising records for the 2017-2018 school year.

Methodology

We interviewed the principal, Booster Club president, and softball coach. We confirmed with the president our understanding of her concerns regarding the financial activity of the booster club for the 2017-2018 school year.

Bank statements, financial records, supporting documentation, and the checkbook were obtained from the Booster Club.

We performed a reconciliation of the February 2018 bank statement and treasurer's report in an attempt to identify the \$5,000.00 discrepancy mentioned by the president. We examined the checkbook and bank documents. We reviewed the individual team members' account sheets. In addition, we identified outstanding invoices.

We feel we have performed sufficient work to support our conclusions and provide recommendations.

Detailed Results

Prior to the OIA's involvement, the principal directed the Booster Club to cease all bank activity until further notice. Booster Club records were provided to our office.

BANK ACCOUNT

Personal Activity on Bank Statement

The president stated there were charges found on the bank statements that did not belong to the Booster Club and were personal charges.

Review of the bank statements for the Booster Club's checking account indicated 5 suspicious transactions:

1. AT&T payment - \$200.00 payment, 2/20/18, 986-403-1005, Individual Name "Jayla Brown"
2. Capital One online payment - \$284.87, 3/6/18, Individual Name "Brian Shelton"
3. Capital One online payment - \$168.87, 3/9/18, Individual Name "Marc Averhart"
4. Capital One online payment - \$59.90, 3/12/18, Individual Name "Marc Averhart"
5. Capital One online payment - \$183.35, 3/12/18, Individual Name "Brian Shelton"

The president stated the Booster Club does not have any cell phones and that none of these names were Booster Club members. She also stated they contacted the bank about the fraudulent charges.

Further review of the bank statements indicated the \$200.00 AT&T payment was reversed and honored. The 4 Capital One payments were reversed, but later voided due to the company not honoring the reversals.

There are \$696.99 of fraudulent Capitol One charges pending.

The \$696.99 of fraudulent Capital One charges remain pending.

We contacted the financial institution to determine what actions needed to be taken in order for the account to be made whole for the Capital One charges. **A representative of the bank stated they are still pursuing this matter on behalf of the Booster Club.**

See comment at Bank Account – Resolution below.

Discrepancy Between Treasurer’s Report and Bank Statement

The president stated the treasurer reported the checking account balance for February was approximately \$10,000.00, but she saw the bank statement, which showed \$15,000.00+ and expressed concern about the \$5,000.00 difference. She also stated the treasurer did not attend the last three meetings when this discrepancy was discussed.

A review of the February treasurer’s report indicated an ending balance of \$9,152.71. The February bank statement indicated an ending balance of \$9,928.30. Upon further review of the bank statement, we noted that the beginning balance was \$15,969.00. It is possible there was a misunderstanding concerning which balance (beginning or ending) was communicated to the board members.

Discrepancy of \$5,000.00 does not exist.

We performed a reconciliation between the February treasurer’s report and the bank statement and were able to identify all outstanding items except for \$20.59. **Our reconciliation did not indicate a discrepancy of \$5,000.00 between the ending bank balance and the treasurer’s report.**

The president stated no funds were missing.

We discussed our results with the president and the possibility of misunderstanding which balance was communicated to the board members, which she agreed. When asked, the president stated she did not think any funds were missing.

See comment at Bank Account – Resolution below.

There were 2 pre-signed checks in the checkbook.

Pre-signed Checks

The president stated she was told by the treasurer they would pre-sign checks for convenience and the checkbook was kept in the treasurer’s car.

Upon examination of the checkbook, **we found 2 checks still attached in the register, which were pre-signed.** Check numbers 2604 and 2605 included the signatures of the treasurer and vice president.

We discussed with the president that checks should never be pre-signed due to the risk they could be lost or taken and used for unintended purposes.

See comment at Bank Account – Resolution below.

The president was not a bank signatory.

President Not a Bank Signatory

The president stated when she was elected, the past president told her to go to the bank with the treasurer to be added to the checking account as a signatory. The president stated she approached the treasurer numerous times about being added to the checking account, but it “never happened.” The president stated because definitive plans were never made, she felt that the treasurer was avoiding having her added to the account.

Release Authorization Forms were signed by the proper parties allowing the OIA access to bank information. We obtained copies of the bank signature card for the checking account. The signatories for the checking account included the treasurer and vice-president, but not the president.

See comment at Bank Account – Resolution below.

Outstanding invoices exist.

Vendors Not Paid

The president stated due to the principal putting a halt on banking activity, there were numerous outstanding vendors’ invoices that needed to be paid.

With the president’s assistance, the outstanding invoices were identified.

See comment at Bank Account – Resolution below.

BANK ACCOUNT - RESOLUTION

We informed the principal that there was no discrepancy between the bank statement and the treasurer's report, and that it appeared the wrong balance was communicated by the president. We also informed him that the president did not believe any funds were missing and there were outstanding invoices that needed to be paid.

In an effort to contain and resolve the matters listed above, **the principal contacted the treasurer and gave instructions to close the checking account and open a new one that included the president as a signatory, and to resume bank activity as needed.**

We obtained copies of the activity to close the checking account and open a new checking account. We obtained copies of the bank signature card for the new account, which included the president as a signatory. All outstanding invoices were paid utilizing the new checking account.

COLLECTIONS

Funds Not Deposited Timely

The president stated September collections were not deposited until November, as well as funds from bagging groceries in November were not deposited until January.

Review of the records indicated there were no fundraising activities conducting during September. There was a fish fry/yard sale conducted on October 14 and a haunted house fundraiser conducted on October 28 and 29. Funds from both fundraising events were deposited on November 2, 2017.

According to best business practices, funds should be deposited no later than 5 business days after collection. The funds from the haunted house were deposited timely. **The funds from the fish fry/yard sale were not deposited until 2 weeks after the event, which is not considered timely.**

In addition, review of the records indicated a notation of "Nov. Bagging" on the January treasurer's report. Review of the bank statements indicated funds from **November's bagging of groceries were not deposited until January 18, 2018, which is not considered timely.**

Money in Safe

The president stated there was approximately \$1,000.00 of funds in a safe located on the school campus.

The president stated the \$1,000.00 included a \$200.00 change fund. When asked why the money was not remitted to the school for deposit through internal accounts as directed by the principal, the president

The checking account was closed and a new one opened with the president included as a signatory.

All invoices were paid.

Fish fry/yard sale collections were not deposited timely.

Bagging groceries collections were not deposited timely.

Money was kept in a safe and not remitted to the school.

Booster board members and the coach knew the combination.

stated she retained possession of the funds because she had a meeting scheduled with the OIA the very next day.

The president stated the money was held in a safe, which was a combination safe. She stated herself, the vice president, treasurer, secretary, secretary's husband (who oversees the concessions), and the coach all knew the combination.

We advised the president to remit these funds immediately to the school for deposit.

Money stored in the safe was deposited.

During fieldwork, the principal directed a new checking account be open and the money stored in the safe was deposited into the new account.

We contacted the coach who confirmed he had this specific safe's combination written down. He stated although he had access to the safe, he did not use the safe because it was used by the Booster Club.

See further comment at section below regarding the coach handling booster club money.

Money at President's House

The president stated there was approximately \$1,600.00 of collections at her house held for safekeeping.

Collections were kept at the president's house and not remitted to the school.

The president stated these collections were from the fish fry ticket sales and she held onto these collections due to the financial concerns she had. As mentioned above, the president did not remit the collections to the school as directed by the principal because she had a meeting scheduled with the OIA.

We advised the president to remit these collections to the school immediately for deposit.

Money stored at president's house was deposited.

During fieldwork, the principal directed a new checking account be open and the money kept at the president's house was deposited into the new account.

Expenditures Paid Out of Cash Collections

The president stated expenditures were paid out of cash collections.

Expenditures were paid out of cash collections.

The president stated they paid expenses with cash several times. The latest example was when they were holding funds because the principal "froze" the checking account. She stated they took \$170.00 out of the cash collections to pay a vendor for a sign.

The OSO Guidelines states, "Cash expenditures should not be made except through a properly established petty cash fund." Although we understand the circumstances surrounding this specific payout, we discussed with the president that since they do not have a petty cash fund, it is best business practice to pay expenditures utilizing a check to ensure a good audit trail.

BOOKKEEPING

Discrepancy with Team Account Sheets

The president stated she found discrepancies within the team members' account sheets.

The treasurer kept an individual accounting for each team member that listed their deposits (payments) and credits (earned), as well as an overall summary sheet for all players. Upon further discussion, the president stated the discrepancies appear to be mathematical errors and/or poor bookkeeping practices. **She also stated she did not think that any money was missing.**

We reviewed the account sheets and the summary sheet for mathematical errors, but none were indicated. We compared the individual sheets to the summary sheet to test if they agreed. We noted there was 1 instance where the balance listed on the summary sheet was greater than the balance listed on the individual account sheet and 4 instances where the balance listed on the summary sheet was less than the balance listed on the individual account sheets. **These instances appear to be due to carelessness or that the summary sheet was updated without updating the individual account sheets and vice versa.**

OTHER

Coach Handled Booster Club Money

The president stated the softball coach handled Booster Club money "all the time."

Upon further discussion with the president, one example was described when the coach took up collections from the players at the beginning of practice and remitted the money to either the president or the treasurer upon their arrival to the ballfield.

According to the OSO Guidelines, "While on duty, District employees cannot handle money that is collected at an OSO initiative or fundraiser at the school in which they are employed during normal working hours. Normal working hours also includes hours worked and paid by a supplement. *For example, a coach working on behalf of an OSO during an after-hours school sporting event.*"

There were 5 instances where the summary sheet did not agree with the individual account sheets.

The coach confirmed he handled Booster Club money.

We discussed District policy with the coach.

Expenditures were paid out of cash collections.

The principal will handle conflict of interest regarding purchase of sign.

We contacted **the coach** and he **confirmed that he took up collections from tickets sales for a fish fry fundraising event**. He stated some of the money was in envelopes and some was not, and he remitted the money to the president upon her arrival to the ballfield. He described himself as acting as a “go-between.” We discussed District policy with the coach and he understood as a District employee he should not handle any collections belonging to the Booster Club, which includes taking up of collections.

We informed the coach that we recommended to the Booster Club president that they purchase a lock box to house their collections for safekeeping until the funds could be retrieved by a Booster Club member.

The coach stated he was not aware of the scenario mentioned above regarding the payout of \$170.00 out of cash collections, but it would have happened due to the checkbook having been relinquished to the principal. The coach recalled another occasion when an expenditure was paid using cash collections instead of utilizing a check. This appeared to be an isolated incident.

Conflict of Interest

The president expressed her concern regarding the purchase of a sign at the Myrtle Grove little league ballfield by the Booster Club for the vice president to help her grandson reach his goal. The president said she never saw the sign at that ballfield.

We informed the principal of this event. He stated he did not see the sign either and would handle this matter.

Recommendations

Monitor pending fraudulent charges.

No pre-signed checks.

Collections should be deposited timely.

In an effort to ensure the Booster Club is made whole, **we recommend the president and/or treasurer continue to monitor the pending Capital One fraudulent charges.**

In an effort to implement stronger internal controls, **we recommend the president instruct the treasurer and vice president not to pre-sign checks.**

In an effort to ensure collections are deposited timely, **we recommend the president instruct the treasurer to ensure funds are deposited no later than 5 business days after collection.**

In an effort to promote better record keeping and stronger internal controls, **we recommend the president communicate to members**

Expenditures should not be paid out of cash collections, except through a petty cash fund.

involved with collections that expenditures should not be paid out of the cash collections, but rather with a check. We also recommend a petty cash fund be considered for small purchases utilizing petty cash vouchers.

Purchase a lock box.

In an effort to ensure Booster Club collections are not handled by a District employee and to ensure a place for the safekeeping of collections, we recommend the Booster Club purchase a lock box and have it installed at the school.

Management Response
