



# Pasco County Schools

Kurt S. Browning, Superintendent of Schools  
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## Internal Audit

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DATE: January 17, 2017

TO: Kurt Browning, Superintendent of Schools

FROM: Mary Tillman, Director of Internal Audit

RE: Review of Sunlake High School Athletic Booster Club – Final Report

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### Executive Summary

*This report is the result of many months of audit work related to the Sun Lake High School Athletic Booster Club (SLHSABC). There are references to an Interim Report and Follow Up Findings. To clarify, the Interim Report was dated October 18, 2015, the final report was submitted to the principal on July 27, 2016. During the latter part of the 2015-16 school year, the SLHSABC operated within the internal accounts of the school. As of the 2016-17 school year the SLHSABC is not operating at all.*

*The issues included in this report came to our attention during a regular internal accounts audit at Sun Lake High School in May 2015. There were several issues such as the Support Organization agreement not being signed and quarterly reports not being turned in. As the auditor did more research, more issues came to light. At approximately the same time I received two reports through the ethics hotline concerning the operations of the SLHSABC. Therefore we determined that a more thorough audit of the SLHSABC was needed.*

*A brief summary of the most significant findings are as follows:*

- We found that generally deposits were not documented, were not made in a timely manner and did not correspond to apparent collections, for example: football games where the SLHSABC ran the concession stand.*
- Just based on the collection documents prepared by the SLHSABC Treasurer, collections in the amount of \$7,185 did not appear to be deposited.*
- Comparisons to prior years when the concessions were managed by school or district staff showed significant differences with change funds (much higher) and sales amounts (lower).*
- The SLHSABC's 501(c)3 exemption was terminated by the Internal Revenue Service in 2012.*
- The SLHSABC used the District's sales tax exemption certificate in violation of state law.*

Executive Summary (continued)

- *There was missing information and significant errors on many documents supporting collections or disbursements. In one case, a collection document had a math error of \$4,440 even though two people signed the form and the total deposit was only \$1, 480.*
- *In two other instances at football games, cash purchases were deducted from the collections from concessions, however in both cases, the receipt date for the purchases were 4 days and 27 days after the date of the collections. Also, the reported collections from concessions for those two football games including Homecoming and a game against Land O Lakes High, were unreasonably low.*
- *The SLHSABC held a raffle for a TV that cost \$460.09. Only \$365 was reported as collected for raffle tickets.*
- *Many cash purchases were made from collections without proper documentation.*
- *SLHSABC's expenditures from August 2014-December 2015 were as follows:*
  - *33% of total expenditures were for concession food and supplies*
  - *23% were for the Girls Basketball team*
  - *17% were for the Volleyball team*
  - *3% for Softball*
  - *3% for Girls Weightlifting*
  - *3% for Boys Basketball*
  - *1% for Swimming*
  - *5% for items for resale*
  - *2% for small equipment for the concession stand*
  - *2% for scholarships*
  - *8% for other expenditures (some of the purchases in this category could not be associated with a specific team due to lack of information).*

*It appears inconsistent that no expenditures were made for the Football team since most of the concessions sales would have been associated with football.*

- *A Volleyball Camp hosted by SLHS Volleyball (according to the flyer) took place at SLHS on June 22-24, 2015 but the camp fees were made payable to SLHSABC. This camp was not formally approved by the school principal or the Board as required by District policy.*
- *The SLHSABC held a pre-season Volleyball Tournament at SLHS on 8/20-8/21/2015 through FHSAA. The event was not formally approved by the school principal or Board for this event. Gate receipts and team participation fees were collected by the SLHSABC for this event although the school had paid FHSAA the \$275 sanction fee on behalf of SLHSABC. Comparing gate receipts to concession sales, concession sales appear to be low.*

**AUDITOR'S REPORT**

Internal Audit Staff requested financial records of the Sunlake High School Athletic Booster Club (SLHSABC) on May 2015 as part of the FY 2013-2014 Internal Accounts audit at Sunlake High School (SLHS). Due to the poor quality of the documents provided and several reports on the Ethics Hotline, the review of SLHSABC was expanded to include FY 2014-2015 and into FY 2015-2016.

The SLHSABC internal auditors' interim report was issued on October 19, 2015. Multiple requests and emails had to be sent to SLHSABC to obtain the additional records needed to finalize this review which included the period of August 2014-December 2015. The September and October 2015 bank statements and carbon copies of checks written from September 4, 2015-November 10, 2015 were not provided to the auditor until November 17, 2015. The November 2015-January 2016 bank statements were not provided to the auditor until February 22, 2016. As of the end of our fieldwork, supporting documentation is still incomplete or missing, questions about financial transactions remain unanswered, discrepancies between reported collections (collections for which supporting documentation was prepared and provided by the SLHSABC Treasurer) and expected collections based on attendance at events and historical collections remain unexplained, discrepancies between reported collections and collections deposited remain unexplained, and many of the audit issues discussed on the interim report remain a concern.

This final review consisted of following-up and reporting on open issues from the Interim Report (see below), providing an accounting of funds, reporting missing funds, summarizing the audit findings, and presenting audit recommendations. Several tables have been included to display the financial information discussed. The conclusions of this final review were based on supporting documentation provided to Internal Audit Staff and communications with coaches, Athletic Director, SLHSABC President, SLHSABC Treasurer, SLHS Bookkeeper, and SLHS Principal. In order to develop an accounting of the monies collected ("collections") and to quantify an estimate of the missing funds, the auditor entered all reported collections for the period on a worksheet titled "Comparison of Reported Collections to Bank Deposits" ("comparison worksheet"). The information for this comparison worksheet was obtained from supporting documentation including monthly transaction worksheets and team account worksheets prepared by the SLHSABC Treasurer (only August 2014-June 2015 provided), bank statements, and sporadically prepared collection forms. The comparison worksheet includes the time period of August 2014-December 2015 and it contains a daily accounting of money collected and money deposited by month with a description of the collection. At the end of each month, total reported collections were compared to total bank deposits and the difference was carried forward to the following month. The comparison worksheet includes the dates of athletic games and fundraising events as well as other activities for which money was collected such as donations, student payments for team purchases of merchandise and apparel, banner sales, etc. If no collection was reported for an event or activity, an estimate was entered on the comparison worksheet. The estimates used for the missing concessions were calculated by taking an average of the reported concessions for that team. The estimates used for the missing collections from fundraising and other activities were based on supporting documentation, information provided through communications with coaches, the athletic director, and SLHSABC officers, and events listed on the school calendar. At the end of December 2015, reported collections not deposited were estimated to be \$20,332. Please see the table on page 5 at the bottom of this section which summarizes the comparison between reported collections and collections deposited for the period reported on. The auditor considers this amount to be conservative for the following reasons:

➤ The significant and unexplained delays in depositing collections combined with the lack of detail provided for the bank deposits and the large amount of reported collections not deposited are patterns that suggest possible fraudulent behavior and support the idea that additional cash may have been collected and not reported or deposited. The volume of transactions at the school is high and is mostly cash-based. This scenario creates opportunities for the misappropriation of cash which are enhanced by other factors such as lax controls over cash, inadequate recordkeeping, and lack of accountability and transparency. Cash is collected throughout the month from concessions, fundraisers, donations, student payments, and other activities but is deposited on an irregular and infrequent basis and not in full. This is a major cause for concern. This practice violates every principle of good business practice and raises suspicion about the intention of the practice. There is concern over where the cash was being held, for what purpose, and why this practice was allowed by SLHSABC officers. Proper oversight of the accounting records and the practices followed by the person in charge of the records could have prevented this situation. The situation could also have been prevented had the SLHSABC followed the requirements of the support organization (SO) agreement which stipulate that “bank statements will be sent to the SO at the school’s address. A school staff member will open and review the SO’s bank statements”. The purpose of this requirement is to have an objective person review the bank statements to identify and report any unusual transactions or practices. The school bookkeeper could have been assigned to review the bank statements as this person is the most appropriate given her bookkeeping experience and the fact that she is an objective third-party not involved with SLHSABC. SLHSABC chose to bypass the school bookkeeper and school administration did not enforce the appropriate procedures. It is not clear whether any staff member verified the bank statements. The tables below show a comparison of the number of cash deposits per month to the number of reported cash collections per month from August 2014-December 2015.

# of Cash Deposits per Month \*

Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
2	5	1	13	1	1	2	0	15	0	6

\* = Multiple deposits made in the same day were counted separately. For example, in Sept-14, the 5 deposits were made on 4 separate days; in Nov-14, the 13 deposits were made on 2 separate days; in Apr-15, the 15 deposits were all made on the same day.

# of Reported Cash Collections per Month \*\*

Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
14	23	24	22	20	21	11	9	20	0	5

\*\* = The # of reported cash collections is the number of events/activities in the month where cash was collected such as fundraisers, concessions, donations, etc.

# of Cash Deposits per Month

Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
0	10	17	8	18	0

# of Reported Cash Collections per Month

Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
0	12	20	14	3	0

- Large number of collections reported but not deposited. (\$7,185)
- Large number of collections not reported and not deposited. (\$13,147). This number includes estimates of concessions sales not reported for certain home games. The estimate was based on an average of reported concessions for other home games of the same team. The number also includes collections from students for athletic gear for which supporting documentation was not provided but information about the collection was obtained.
- Inadequate recordkeeping including missing documentation, incomplete forms with missing dates or signatures, collection forms with errors in math, collection forms that only show the total collected and not the breakdown of the coins and bills received, no detailed listing or breakdown of bank deposits, and transactions not properly recorded. Article V of the SLHSABC By-Laws (amended 5/4/15) states that the Treasurer “shall keep an accurate record of receipts and expenditures”.
- The Treasurer is the cash custodian and bookkeeper. Having the same person perform the duties of custodian and bookkeeper constitutes a deficiency in the internal controls that creates an opportunity for misappropriation, especially if the custodian knows there is no system of accountability in place. This situation can be improved by using compensating controls.
- Major concern about how the change fund is used for concessions. The amount of the change fund seems excessive given that the concession stand is a cash-based business that generates its own cash that can be used to provide change. The amount of cash used for change by SLHSABC for football games ranged from \$150 to \$1,000. In FY 2015, SLHSABC used a change fund that ranged from \$150-\$300; in FY 2016 the change fund started at \$500 in August 2015 and incrementally increased to \$1,000 by mid-October 2015. Based on our review of the SLHS athletic collection records from FY 2015, the standard change fund for a football game is \$150-\$200. Of concern is the fact that the amount of cash used as the change fund is that there was no documentation that the fund was counted and verified by the parent volunteers in the concession stand prior to the event. This means that there is no way of knowing if the amount of cash claimed by SLHSABC to have been brought in for change was accurate. The auditor discovered that cash from the change fund is regularly used to pay for the pizzas sold at the concession stand. It appears that the cost of the pizzas is replenished at the end of the event when the change fund is returned in full to the Treasurer. The team is having to pay for the pizzas sold in its concession stand out of its gross sales and expected to provide parent volunteers to work at the concession stand, but SLHSABC keeps the profits. SLHSABC shares 10% of the profit with the sport. Another 10% of the profit is shared with the sport of the participating parent volunteers, if any. The rest of the profit is split 30% to the athletic director’s account and the remaining portion stayed with SLHSABC. On two football games, unreasonably high change funds and Sam’s Club receipts dated after the event and after the deposit of collections were deducted from the gross sales. See details below under bullet #5 in section A “Accountability over Collections and Expenditures”. This practice violates good business principles, does not make any kind of logical sense and certainly raises the question of possible misappropriation of cash.
- Major delays in providing requested documentation despite multiple requests. The documents were requested after year-end and should have been ready for inspection.
- Limited cooperation from SLHSABC officials involved.
- Lax handling of cash by SLHSABC.
- A detailed accounting of each team’s account balance should be readily available as well as documentation supporting how the balance was calculated. Based on the auditor’s interview with

various Coaches and reports to the district ethics hotline, coaches had to repeatedly ask for their team account balances as this information was not readily available to them. Some coaches never received the information and others received the information verbally without being able to verify it. Again, there was no transparency with regards to the financial records. See details below under bullet #5 in section E "Violations of the Support Organization (SO) Agreement". Article V of the SLHSABC By-Laws (amended 5/4/15) states that the Treasurer "shall present a financial statement and Treasurer's report at every meeting". There were at least nine (9) SLHSABC meetings in the August 2014-December 2015 period where this information could have been presented and made available to coaches.

- Disregard by SLHSABC for how SLHS and the Pasco County School District ("District") might be perceived by parents, volunteers, students, teachers, coaches, and the community because of its lax controls, is not transparent in its reporting, and incorrectly asserts on the school's website that donations to the organization are tax deductible. The SLHSABC's 501 (C)3 status was revoked in 11/15/12, eliminating the tax deduction to donors for donations to SLHSABC. The misleading information on the website should have been corrected at that time. The SO agreement requires all SOs to have an active 501(c)3 status.
- No implementation of a system of internal controls. The SLHSABC President provided a written response to questions and issues presented by the auditor on an email dated 6/8/15 following a general review of the documentation provided by the SLHSABC Treasurer. The written response claimed that SLHSABC would be implementing a series of accounting policies effective immediately with the purpose of ensuring transparency within the SLHSABC organization. The accounting policies included requiring two signatures on checks, monies collected forms for fundraisers, concessions and teams; collections to be deposited immediately, fundraiser money not to be "commingled with any other fundraiser either on the same day or by the same team", and no checks to be written without appropriate approval or "legitimate receipt". None of these policies were implemented through the end of December 2015. The implementation of internal controls should be a priority because of their critical role in helping to prevent the misappropriation of funds that could detract the organization from fulfilling its mission "to enable the school to build programs and provide student athletes with needed support".
- At the direction of the principal, SLHSABC eventually closed their bank account. It was reported to the auditor that they were waiting until the last outstanding check cleared the bank. However, the final check cleared on 1/19/16, but the account was not closed until 2/22/16.

Sunlake Athletic Booster Club (SLHSABC)			
Comparison of Reported Collections to Collections Deposited			
August 2014-December 2015			
Month	Reported Collections *	Collections Deposited	Difference
Aug-14	\$6,803.10	\$4,390.25	\$2,412.85
Sep-14	\$9,677.25	\$9,410.83	\$266.42
Oct-14	\$7,900.33	\$3,751.93	\$4,148.40
Nov-14	\$10,428.92	\$9,577.18	\$851.74
Dec-14	\$6,293.07	\$2,847.20	\$3,445.87
Jan-15	\$4,910.89	\$1,624.87	\$3,286.02
Feb-15	\$3,407.06	\$3,967.56	(\$560.50)
Mar-15	\$1,204.24	\$22.24	\$1,182.00
Apr-15	\$3,588.46	\$3,276.46	\$312.00
May-15	\$19.00	\$19.00	\$0.00
Jun-15	\$5,631.00	\$5,882.50	(\$251.50)
Jul-15	\$0.00	\$0.00	\$0.00
Aug-15	\$8,562.78	\$9,608.69	(\$1,045.91)
Sep-15	\$15,106.59	\$9,231.55	\$5,875.04
Oct-15	\$6,494.64	\$5,073.77	\$1,420.87
Nov-15	\$8,669.60	\$9,680.57	(\$1,010.97)
Dec-15	\$0.00	\$0.00	\$0.00
<b>TOTALS</b>	<b>\$98,696.93</b>	<b>\$78,364.60</b>	<b>\$20,332.33</b>

\* = Reported collections include estimates.

#### INTERIM FINDINGS AND FOLLOW UP/FINAL COMMENTS

Our findings are as follows:

##### A. Accountability over Collections and Expenditures:

- INTERIM REPORT FINDING: \$6,848.00 from the internal Athletics Booster account earned by the previous SLHS (internal) Boosters Board was used by the current SLHSABC to purchase T-shirts for resale. The money generated by the sale of these T-shirts was deposited in the SLHSABC's external bank account and only \$630 has been repaid to the internal account of the school. SLHSABC President indicated to the auditor that the money from the school's internal account was intended as startup funds for the new external booster club and was not intended to be repaid. The auditor spoke with both the former principal and assistant principal (from when the transfer was made) and both stated that the amount was a loan and was intended to be paid back, although no written agreement was prepared.

FINAL COMMENTS: The SLHSABC President delivered 637 t-shirts to the school the day after the bank account was closed to help repay part of the money used to buy the t-shirts. No other developments or further request for funds were made since the SO was ordered by the Principal to function as an internal SO.

- INTERIM REPORT FINDING: The auditor compared the collections reported by the SLHSABC's Treasurer for each month in FY15 to the deposits on the bank statements and concluded that \$4,132 of reported collections were not deposited.  
FINAL COMMENTS: Based on a thorough review of all the information provided and communications with those involved the total reported collections (includes estimates) not deposited for the period of August 2014-December 2015 were determined to be \$20,332. As discussed above, the auditor considers this amount to be conservative for many reasons.
- INTERIM REPORT FINDING: SLHSABC took over the operations of the concession stands at SLHS in July 2014. The auditor compared the collections for all JV and Varsity football games in the 2013 fall season when concessions were operated by the school internally to the collections reported by SLHSABC for the 2014 fall season. Both the 2013 and the 2014 fall seasons had a total of four (4) home JV football games and six (6) home Varsity football games. Total collections for the ten (10) home games in the 2013 fall season was \$18,682.73 as compared to \$10,652.62 for the ten (10) home games in the 2014 Fall season. This is a 43% reduction in concessions sales from when the internal booster club ran the concessions to the SLHSABC running the concessions. This does not appear to be reasonable and we will continue to review.  
FINAL COMMENTS: It appears that one possible reason for this significant reduction in sales might be that in the 2013 fall season there was a system of accountability in place. A detailed inventory of the food/drinks available for sale was conducted right before the event and another detailed inventory was conducted right after the event in order to determine the number of items sold. If the number of items sold was known, then the amount of cash that should have been collected was also known. Any discrepancies would have been investigated at the time. There was no such accountability in the 2014 fall season. Another explanation for the significant reduction in sales might be that there was more control over the handling of cash by the people involved with concessions in the 2013 fall season as compared to the 2014 fall season. The auditor recommends that the inventory procedures be reinstated and that control procedures over cash be implemented and monitored for the concession stand.
- INTERIM REPORT FINDING: A football game against Land O Lakes High School took place at SLHS on September 18, 2015. Gate receipts for that game were \$12,110, meaning that over 2,400 people purchased a ticket for the game. This does not include senior citizens, children, school district employees and football players and coaches who do not have to purchase a ticket to attend the game. It was informally reported that only about \$3,000 was collected in concessions sales. This does not appear to be reasonable based on attendance. We will follow up on the collections for this event.  
FINAL COMMENTS: The records provided by SLHSABC show that the gross concession sales (gross sales) were \$3,803.65 for this game. A change fund of \$800 was deducted from the gross sales. Also deducted from the gross sales was an \$867.76 Sam's Club receipt for candy, soda, and other concession supplies paid for with cash. This receipt was dated twenty-seven (27) days after the football game. The fact that a receipt dated almost a



month after the event was deducted from the collections of the game is reasonable evidence that the financial records were manipulated and that money from the football game's concessions was possibly misappropriated. The first deposit after this game on 9/18/15, was \$414.15 deposited on 9/28/15. No other deposits were made until 10/16/15. A second similar incident occurred at the Homecoming football game on 10/16/15. At this game, both a \$1,000 change fund and a \$303.49 Sam's Club receipt dated four (4) days after the game and after the collections were deposited were deducted from the gross sales by SLHSABC. These incidents suggest that money may have been misappropriated. The auditor also noticed that, on the collection form for the football game on 9/18/15, a \$4,440 math error was made when calculating the amount of \$20 bills on hand: the collection form shows that 296 \$20 bills (\$5,920) were on hand at the end of the game but the amount written in and tallied on the collection form was \$1,480 which reduced the gross sales by \$4,440. Two people signed this collection form, but neither person reported the potential error.

- INTERIM REPORT FINDING: SLHSABC held a raffle for a TV in January 2015. The cost of the TV was \$460.09. Only one collection form for the TV raffle was reported and it showed that only \$365 was collected. The auditor verbally confirmed the amount collected with the Treasurer. Again, this does not appear to be reasonable and we will follow up on the details of this event.

FINAL COMMENTS: None of the additional records provided by SLHSABC included information about this issue. The auditor asked both the athletic director and the SLHSABC Treasurer about this raffle but was offered no explanation. Neither person provided information about the event or suggested the appropriate person to contact.

- INTERIM REPORT FINDING: The auditor reviewed the available documentation for expenditures made by SLHSABC. There were some purchases made on behalf of specific sports teams from the team's "share" of concession sales. However, most of the purchases were for concession supplies, T-shirts and other items for resale. An iPad was purchased for a coach; we will follow up to make sure that it was properly tagged. There were two T-Mobile payments and a payment to Rose Radiology in addition to other transactions that we will also investigate further.

FINAL COMMENTS: The iPad purchased for one of the coaches was bought with money from earnings from his team's concession stand account. The iPad has been tagged and includes a secondary form of identification. The Bookkeeper locked it in the safe where it will remain through the summer until the next season. One of the T-mobile payments was reported by the SLHSABC Treasurer to be for a credit card reader used at concession stands. No information was obtained about the second T-mobile payment. The Rose Radiology invoice has a note that says "Paid per Coach XX". The auditor asked the coach (who is also the athletic director and the girls' basketball coach) and was told that the payment was for an injured student athlete. The auditor inquired further about the details of the circumstance but was offered no additional information. The auditor also contacted the SLHSABC Treasurer to find out why SLHSABC paid a medical bill on behalf of a student athlete but was told that she did not know what the invoice was for. Also the District has

athletic insurance with could have possibly paid for treatment of an athlete's injury. As far as expenditures, 33% of total expenditures were for concession food and supplies, 23% were for the Girls Basketball team, 17% were for the Volleyball team, 3% for Softball, 3% for Girls Weightlifting, 3% for Boys Basketball, 1% for Swimming, 5% for items for resale (does not include the \$6,848 of T-shirts purchased with funds from the internal account that were earned by the previous SLHSABC group), 2% for small equipment for the concession stand, 1% for scholarships and 7% for other expenditures (some of the purchases in this category could not be associated with a specific team due to lack of information).

- INTERIM REPORT FINDING: The husband of the SLHSABC's Treasurer was issued a bank credit card to make purchases. However, he is neither an authorized signer nor an officer of the SLHSABC. No further information

B. Violations of law:

- INTERIM REPORT FINDING: SLHSABC's federal tax-exempt status as a 501(C)3 organization was revoked by the Internal Revenue Service (IRS) in 11/15/2012 for failure to file the annual 990 Return three (3) years in a row. In order to get reinstated, SLHSABC will have to pay income taxes and penalties. Any donations to the organization since the revocation are not tax deductible to the donor.
- INTERIM REPORT FINDING: SLHSABC does not have an active sales tax number. It has used the District's sales tax number to purchase items for resale. This is a fraudulent use of the District's sales tax exemption which can result in penalties and violations with the Florida Department of Revenue. This situation could also expose the District to fines or penalties. FINAL COMMENTS: Two criteria must be met for an external SO to legally use the District's sales tax number. The SO must be classified as a 501(C)3 organization with active status and must give the money to the school to purchase the item(s) on its behalf rather than make the purchase directly from the vendor using the District's sales tax number. Since SLHSABC is an internal SO now, this finding is not an issue going forward.
- Coaches were paid by SLHSABC for working at sports camps held at the school. There is no evidence that these coaches, who are District employees, are being issued a Form 1099 as required by the IRS.

C. Violations of Good Business Practices:

- INTERIM REPORT FINDING: Many purchases were made by SLHSABC with cash rather than by check. It appears that some of the cash collected at fundraisers and concessions was not deposited in full at the bank and may have been used for various purchases. Good business practices require that all collections be deposited intact. There were some receipts to document some purchases but the records were not complete. All purchases, whether by cash or by check, should have adequate documentation. Each transaction should stand on its own and have an adequate audit trail.
- INTERIM REPORT FINDING: Change Fund Logs were not maintained to keep track of the cash used for change at the concession stands or fundraising events. A Change Fund Log is

a form of accountability that shows the event, date, amount, signature of person responsible for the cash, and the date the cash was deposited back in the bank.

- INTERIM REPORT FINDING: Good business practices require that two people be responsible for counting money and signing off the Collection/Deposit Report at the end of each fundraising or concession event to provide an accounting of the collections and an audit trail. It does not appear that the SLHSABC has been following this practice, therefore not providing proper accountability over collections.
- INTERIM REPORT FINDING: No bank reconciliations were provided to the school or to the auditor for review. Timely reconciliation of bank statements and review by another responsible person is a basic requirement of good business practices.

FINAL COMMENTS: No changes.

D. Violations of District Policies and Procedures:

- INTERIM REPORT FINDING: A Volleyball Camp hosted by SLHS Volleyball (according to the flyer) took place at SLHS on June 22-24, 2015 but the camp fees were made payable to SLHSABC. No Fee-Based Supported Camp Application or Use of Facility Form was submitted by SLHSABC. Therefore, this camp was not formally approved by the school principal or the Board as required by District policy.
- INTERIM REPORT FINDING: The SLHSABC held a pre-season Volleyball Tournament at SLHS on 8/20-8/21/2015 through FHSAA. No fundraising application or Use of Facility Form were submitted by the SLHSABC. Therefore, this event was not formally approved by the school principal or Board for this event. Entrance fees and team participation fees were collected by the SLHSABC for this event although the school had paid FHSAA the \$275 sanction fee on behalf of SLHSABC to hold this pre-season volleyball tournament. No accounting of the money collected from the tournament, including concessions, has been provided.
- FINAL COMMENTS: SLHSABC seems to be violating their own By-Laws which state that the club “functions within the policies of the School Board of Pasco County...”. Reported gate receipts for this volleyball tournament were \$1,152.23 and should have been deposited in the school account as per athletic procedures. Team participation fees were \$1,225 (\$175 X 7 teams). One of the team payments was deposited in the coach’s internal account. Fees paid by 4 of the 7 teams were reported on a collection form. Fees paid by 3 of the 7 teams were not reported, so the auditor added the amount of \$525 (\$175 X 3) to the reported collections as an estimate.
- INTERIM REPORT FINDING: The Harlem Wizards fundraising event that took place at SLHS on 9/28/2015 was organized by the athletic director with the ticket sales and concession proceeds from the event going to the SLHSABC. The athletic director signed the contract with the vendor even though this fundraiser was sponsored by SLHSABC. The District purchasing department denied the contract because of their concern that a school employee was signing on behalf of the external booster organization. If the contract had not been denied by the Purchasing Department, District would have been responsible for any liability from the event. SLHSABC submitted the Use of Facility form to the Purchasing

Department in September 2015. However, because of the issue with the signature on the contract, the form was not submitted to the Board for approval until October 6, 2015, after the event had occurred. It is not clear why the Use of Facilities form was submitted so late since the vendor was paid by SLHSABC in May 2015.

**FINAL COMMENTS:** This event, which was an “entertainment basketball exhibition game”, was highly advertised throughout the school and in neighboring schools. Attendance was between 800-1,500 people based on attendee observations and the seating capacity stated on the Harlem Wizards contract (the contract). The contract provided may not be the final executed contract as it was missing signatures and initials. The terms of the contract included payment of a minimum guaranteed fee of \$3,950 (45% of ticket sales or minimum guaranteed fee, whichever is greater), a \$250 travel fee, and accommodations for a minimum of 5 rooms at a business class hotel. The contract also required that SLHSABC provide a minimum of six (6) volunteers to sell souvenirs such as t-shirts, basketballs, shorts, jerseys, etc. at the event for which SLHSABC would receive 20% of the total sales. SLHSABC would receive 55% of ticket sales. The contract required that a non-refundable deposit of \$1,185 (part of the minimum guaranteed fee) be paid by 5/29/15. SLHSABC purchased \$698.18 in t-shirts for this event to give-away to teachers, administrators, and volunteers that participated and supported the event. Harlem Wizards set the ticket prices and required that 20-25 teachers volunteer to play in the game. SLHSABC reported receipt of \$3,230 from Harlem Wizards and \$5,330 of expenditures for a loss of at least \$2,100. SLHSABC was required by contract to provide Harlem Wizards with periodic and detailed reports of ticket sales up until the day of the event. The contract included a copy of the “Event Ticket Update Form” to be used for this purpose. The auditor made multiple requests for copies of these ticket forms and any other documentation provided to and received from the Harlem Wizards in order to determine an accounting of the event. No records were provided to the auditor for review.

E. Violations of the Support Organization (SO) Agreement:

- **INTERIM REPORT FINDING:** The FY14 and one of the FY15 SO Agreements were not signed by the Principal.
- **INTERIM REPORT FINDING:** Fundraising paperwork was not prepared for any of the fundraisers held by the SLHSABC as required to show that the fundraiser was properly authorized by the Principal.
- **INTERIM REPORT FINDING:** Checks written in FY14 and FY15 had only one signature. Two signatures are required by the SO Agreement for internal control purposes.
- **INTERIM REPORT FINDING:** The SLHSABC’s previous President was part of the audit committee that performed the FY14 Annual Audit while he was still president. The audit committee cannot include any of the current officers of the support organization in order to ensure objectivity in the audit.
- **INTERIM REPORT FINDING:** Written and approved profit sharing agreements are not available for concessions and fundraising sales as required by the SO Agreement. Each athletics team should know ahead of time how their share of the concessions and

fundraising proceeds will be calculated and how this share will be accounted for. Each Team balance should be available to each Coach for review at any time. Some concession deposits were not credited to Team accounts.

FINAL COMMENTS: Per the SLHSABC President, the profit share agreement was shared verbally with the coaches at the SLHSABC meetings. The profit share for concessions was reportedly as follows: 10% to the sport playing, 10% to the sport whose parents volunteer at the concession stand (if any), 30% to the athletic director's account, and 50% to SLHSABC. The team worksheets (the only ones provided were for FY 2015 and not for every participating sport) include the concession sales for each game and the % profit share is applied to the total concession sales for all games. Missing concession and/or fundraising sales not included on the worksheet were not credited to the team account unless the correction was made and the worksheet revised. The auditor did not get copies of any revised team worksheets. It appears that this issue was a problem for Boys Soccer, Girls Soccer, Softball, Boys Basketball, Girls Weightlifting, and Football which is all the teams for which worksheets were provided except for Girls Basketball. Also, it appears that the ending balance in the team accounts at the end of FY 2015 for Boys Soccer, Girls Soccer, Softball, and Football were not transferred to the respective coach's account. The Boys Basketball team received a \$1,000 donation in October 2014 and SLHSABC took a 10% share although that was not part of the verbal profit share agreement. Other teams that received donations during FY 2015 did not have to share their donation with SLHSABC. Many coaches interviewed by the auditor claimed that they asked multiple times for copies of their team worksheet but were not provided one. Many coaches did not know how much money was in their team account, whether they were credited the proper profit share from concessions to their team account, or whether any mistakes were made in the calculations of their team account. Coaches claimed they were "kept in the dark". Some coaches never got their worksheets or access to their team's money.

- INTERIM REPORT FINDING: Supporting documentation for FY14 and FY15 (receipts, copies of checks, and a break-down of each deposit) was incomplete. The SO Agreement requires that adequate, auditable financial records be maintained by the SO. Each transaction should have an audit trail.

FINAL COMMENTS: Supporting documentation for FY16 is also incomplete.

- INTERIM REPORT FINDING: SLHSABC has had two bank accounts since before FY14. The SO Agreement requires the use of a single bank account.
- INTERIM REPORT FINDING: SLHSABC uses a calendar year reporting period rather than a fiscal year as required by the SO Agreement.

#### F. Other Concerns:

- INTERIM REPORT FINDING: The first three issues listed below were reported by various SLHS staff in person to the auditor and by anonymous reporters via the Ethics Hotline. We have only verified these issues as described in the preceding paragraphs. We include this information in part, to provide a description of the climate of the school.

- Several of the Coaches that spoke in confidence with the auditor shared concerns about how SLHSABC operates, their lack of recordkeeping and transparency about their finances and the finances of each Team account, their lack of support for the Coaches, the lack of communication with the Coaches, and the sense of competition rather than cooperation that has developed within the Athletics Department. -We also received reports through the Ethics Hotline with these same concerns.
- One of SLHS's coaches and several other school clubs submitted fundraising paperwork and obtained approval to sell T-shirts for their teams at the August 2015 new school year registration. SLHSABC also sold T-shirts at registration but did so without submitting the required fundraising application to the school principal for approval. Coaches and club sponsors reported that they felt that the SLHSABC was allowed to compete against the sports teams and clubs for sales without having to follow the same rules. Also the coaches reported that they were not notified that the SLHSABC would be selling T-shirts at registration at a meeting that was held with the athletic director just before registration. If the coaches had that information in advance, they would have had the opportunity to reduce the amount of inventory purchased.
- Another Coach reported that a vendor approached him about selling Kona ice at football games. The Coach met with the vendor and completed all the required fundraising paperwork but reported that he was told by the athletic director that he could not pursue this as a fundraising venue for his team because SLHSABC was going to be selling Kona ice at the games. No approved fundraising application was provided by the SLHSABC to the auditor for review. Again, this situation underscores the lack of communication and cooperation between the athletic department, the coaches, and SLHSABC.
- INTERIM REPORT FINDING: The SLHSABC's President told the auditor that he had directed SLHSABC officers not to communicate or deal with the SLHS Bookkeeper but rather to follow his "chain of command". The SLHSABC's President only dealt with the athletic director, the Assistant Principal in charge of Athletics, and the Principal. Internal Audit is uncomfortable with the SLHSABC President's decision and apparent ability to successfully bypass the SLHS Bookkeeper in school communications as she is an integral part of the business operations of the school. Whatever issues are causing the discord should be resolved by the school administration rather than allowing the SLHSABC to avoid the normal operating procedures.
- INTERIM REPORT FINDING: When the SLHSABC Treasurer met the auditor at the school to finally deliver some of the financial records that had been requested over a month prior, she was clearly upset and made several statements that raise concerns. She stated that she was done with the SLHSABC. She also stated that she was not comfortable leaving the financial records with the auditor because they were original documents. She also stated that she did not trust anyone at the school or the SLHSABC except for the athletic director. She finally agreed to leave the records with the athletic director who would control access to the records. It is not clear why it took so long for the treasurer

to turn over the financial records for review, especially considering their poor condition. It is also disturbing that she would make those particular statements in the presence of the auditor and the SLHSABC President. Considering the many concerns raised above and the possible missing deposits, this is certainly an area that we will continue to review. FINAL COMMENTS: Per the SLHSABC President, the SLHSABC Treasurer and he have not communicated since this incident occurred.

G. Our Most Immediate Recommendations are as follows:

- INTERIM RECOMMENDATION: SLHSABC must reinstate their 501(C)3 federal tax exempt status with the IRS to avoid further tax penalties, to be in compliance with IRS requirements, and to allow individual and business donors to deduct their contributions to SLHSABC on their tax returns.  
FINAL COMMENTS: Even though the SLHSABC is currently operating as an internal SO, SLHSABC should contact the IRS to rectify this situation in order to avoid any legal repercussions that may compromise the District.
- INTERIM RECOMMENDATION: SLHSABC must reactivate its sales tax number with the Florida Department of Revenue (FLDOR) to be in compliance with Florida sales tax law and to avoid any penalties and the inappropriate use of the District's sales tax number by having coaches order items from vendors using the District's sales tax exemption. This practice constitutes fraudulent avoidance of sales tax.  
FINAL COMMENTS: Given that the SLHSABC is currently operating as an internal SO, reactivation of the sales tax number is no longer an issue.
- INTERIM RECOMMENDATION: SLHSABC must comply with all the requirements of the annual SO agreement. The SO agreement must be signed by both the Principal and the SO President at the beginning of each fiscal year.  
FINAL COMMENTS: Although SLHSABC currently operates inside the internal accounts, the SO agreement must be signed by both the Principal and the SO President.
- INTERIM RECOMMENDATION: SLHSABC must provide a proper accounting and deposit of the funds that appear to be missing.  
FINAL COMMENTS: The calculated total of reported collections not deposited at the end of December 2015 is \$20,332.
- INTERIM RECOMMENDATION: SLHSABC must develop and put in place effective controls over cash handling with regards to the operation of the concession stands and fundraising activities to reduce the exposure to inadequate practices that might result in the misappropriation of cash.
- INTERIM RECOMMENDATION: Activities of the SLHSABC must be closely monitored by school staff to ensure the activities benefit the athletic teams and the students, the SLHSABC complies with District policies and procedures, and the relationship between the school and the SLHSABC is positive and transparent.  
FINAL COMMENTS: The SLHS Principal or designee should consider attending SLHSABC meetings to stay informed about fundraising activities and events, to mediate any issues

that come up, and to ensure compliance with District policies and procedures. There were at least 9 SLHSABC meetings during the period included in this report.

- INTERIM RECOMMENDATION: School administrators must ensure that SLHSABC maintains proper business records that provide a clear audit trail. Proper business records include detailed supporting documentation for each transaction, a documented business purpose, and evidence of approval. This practice can be monitored by reviewing the documents that the SLHSABC is required to submit as described below.
- INTERIM RECOMMENDATION: School administrators must consider the working relationship between the SLHSABC and the SLHS Bookkeeper. In order to ensure that all reporting requirements of the SO agreement are met, the SLHSABC must work with a school staff member on a regular basis. The school bookkeeper is the most reasonable person because of the finance issues involved. The reporting requirements include all required fundraising, Fee-Supported Camp, and Use of Facility forms, Quarterly Financial Reports, Annual Financial Audit Report, written profit sharing agreements, supporting documentation, annual SLHSABC budget, copy of updates to the by-laws, and monthly reconciled bank statements.
- INTERIM RECOMMENDATION: The SLHSABC should repay the \$6,868 used to purchase T-shirts for resale, at the discretion of the principal. Going forward, any transactions of this type must be documented by a written agreement. The \$6,868 should be used to benefit the athletic program and the students rather than an external organization. The money that was generated by the sale of these T-shirts was not shared with the school.  
FINAL COMMENTS: The SLHSABC President delivered 637 t-shirts to the school the day after the SLHSABC bank account was closed to help repay part of the money used to buy the t-shirts. No other developments or further request for funds were made since the SO was ordered by the Principal to function as an internal SO.
- INTERIM RECOMMENDATION: School administration and the athletic director should ensure that there is no appearance of a conflict of interest between any staff member and the SLHSABC. The SLHSABC is a separate, outside organization whose interests should be subordinate to the interests of the District and whose purpose of existence is to support the school and the District.  
FINAL COMMENTS: Even though SLHSABC is currently operating as an internal SO, this finding applies.
- INTERIM RECOMMENDATION: Based on the findings included in this interim report, the principal should consider shutting down the SLHSABC immediately and all cash and other assets be turned over to the school. This action will not preclude further investigation into possible missing funds.  
FINAL COMMENTS: On 11/16/15, the SLHS Principal held a meeting at the school to announce that SLHSABC was not allowed to operate as an external SO effective immediately. On 11/20/15, a check for the account balance less outstanding checks was delivered to the school for deposit in the internal account. On 1/19/16 the last outstanding check cleared the bank, and on 2/22/16 the account was closed. A check was delivered to



the school with the remaining balance for deposit in the internal account. As an internal SO, SLHSABC must operate within the requirements of the SO agreement.

- FINAL RECOMMENDATION:

Based on the major concerns and issues discussed in this report, the Internal Audit Department recommends that these findings be shared with local law enforcement for investigation and resolution as mandated by the law.

**Principal's Response:** Michael Cloyd was appointed Principal of Sunlake High School on May 6, 2015 and had no control over the procedures agreed to between the SLHSABC and the prior school administration. The SLHSABC did not complete a new Support Organization Agreement for the 2016-2017 school year, so it does not have permission to operate at all at this time, nor does it have permission to use the school logo. Principal Cloyd has directed the school web master to remove all references to the Sunlake High School Athletic Booster Club and SLHSABC from the school website. During the fall of 2015, Principal Cloyd directed the organization to operate as an internal organization in order to make sure that district policies and procedures were followed. That act addressed many of the interim recommendations. Responses to the final comments in the report are addressed below.

The principal directed the school's business manager to control the concession stands, so inventory procedures have been reinstated and control procedures over cash have been implemented. Similarly, now that the business manager controls the concession stands, the principal can monitor the equitable distribution of the proceeds and address athletic program needs.

SLHS follows the district procedures for fee-based camps, which addresses the payment of coaches who hold camps on campus and addresses the finding related to the volleyball camp.

As for the section on violations of good business practices, moving the organization internal was intended to rectify these violations, and the school will follow appropriate practices.

Under the section on violations of district policies and procedures, the principal acknowledges that those problems occurred and will make sure applicable district fundraising policies and procedures will be followed.

Under the section on violations of the Support Organization Agreement, the principal acknowledges the interim findings. The SLHSABC external accounts have been closed, with the proceeds deposited internally.

Under Section F Other Concerns, when the Internal Audit Department shares its findings with law enforcement, the principal will cooperate with the investigation. If the SLHSABC seeks to establish a Support Organization Agreement for FY17, the principal will seek district support on how to address potential IRS issues and will monitor the organization's compliance with district policies and procedures.