

August 2011

SCHOOL SUPPORT ORGANIZATIONS; INVESTIGATIVE AUDIT BY COMPTROLLER OF THE TREASURY

This Memo addresses some of the issues related to the School Support Organization Financial Accountability Act of 2007 and the recent investigative audit report of the Comptroller of the Treasury of the Riverdale High School Quarterback Club (copy attached). This Memo will attempt to summarize the findings and recommendations by the Comptroller of the Treasury and provide some practical guidance in this area.

The School Support Organization Financial Accountability Act (“SSOFAA”) was enacted by the Tennessee Legislature in 2007. The General Assembly recognized the importance of school support organizations in providing financial support and the concern that supporters have in ensuring that money raised is safeguarded and used to further the activities of the organization. As a result, the General Assembly enacted the SSOFAA to ensure fiscal accountability of school support organizations. T.C.A. § 49-2-602. This Memo does not address the basic filing requirements for school

support organizations, the guidelines for operation or the policies of the Local Education Association (“LEA”). Attached for reference are the *Frequently Asked Questions* and the *Model Financial Policy for School Support Organizations* issued by the Comptroller of the Treasury.

On July 13, 2011, the State of Tennessee, Comptroller of the Treasury, Department of Audit, Division of Municipal Audit issued a report regarding its investigative audit of the Riverdale High School Quarterback Club (copy attached). For the factual allegations of wrongdoing, I would refer the reader to the audit report.

In summary, the LEA and/or School Support Organization should take the following points from the investigative audit report:

1. All salary supplement and all payments of any type to school employees, including coaches, shall be approved by the LEA Board of Education and shall be paid through the LEA payroll department.
2. All school support organizations that operate and collect money for a concession stand or parking at a school related activity should have a written agreement with the LEA. Also, the school support organization shall provide the school with adequate collection records.



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3. All funds collected for ticket sales to school activities shall be deposited into school bank account.
4. All funds collected in fundraisers which involve coaches, school employees and/or school representatives shall be deposited into school bank account.
5. All fundraising activities by school support organizations shall be approved by the LEA.

Unapproved Salary Supplements and Payment to Employees and Voluntary Coaches.

The Bylaws of the Tennessee Secondary School Athletic Association (TSSAA), Article 1, Section 9(h), include the mandate that “coaches must be paid entirely from funds approved by the Board of Education or the governing board of the school.” The policies adopted by the Board of Education for the City of Tullahoma, Tennessee are almost identical to those adopted by the Rutherford County Board of Education and cited in the report of the Comptroller of the Treasury dated July 13, 2011. Most if not all LEA’s have adopted Policy 5.110, entitled “Compensation Guides and Contracts” provides in pertinent part as follows:

Salaries of all employees, including substitute and supplemental pay, shall be paid by the Board. No payment to any employee for service performed on behalf of the school system shall be made from any source other than the Board. . . . Salaries and supplements may be paid from revenue derived from sources other than taxes, provided the revenue is deposited with and salaries paid through the Board. This includes donations or contributions from individual, civic or other non-school related sources of funds from individual school activity funds, such as gate receipts and concessions.

In order to comply with the TSSAA Bylaws and the policy, the LEA should immediately instruct all school support organizations to cease making payments directly to school employees and coaches, unless specifically authorized by the Board of Education. In addition, the LEA should inform all employees and coaches of Board policies regarding supplemental pay and instruct such employees not to accept improper payments.

It is recommended that any school support organization that desires to pay a supplement to any school employee and/or coach submit to the LEA a list of the proposed supplements including the name of the school employee and/or coach along with the amount of the proposed supplement. This information should be supplied to the Board and voted upon at a regular meeting of the Board of Education. If the proposed payments are approved by the Board of Education, the school support organization should deposit the necessary funds with the LEA. The supplement will be paid through the normal payroll process of the LEA.



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Failure to Document Agreement for Concession Operation and to Insure Required Concession Collection Documentation.

TCA § 49-2-606, entitled “Student Activity and School Funds; Collection; Concessions; School Bookstore” provides in pertinent part as follows:

(b) a local board of education may grant the principal of a school the authority to enter into an agreement with a school support organization to operate and collect money for a concession stand or parking at a related school academic, arts, athletic, or social event on school property where any money collects or any portion designated by the agreement shall be considered as school support group funds and not as student activity funds; provided, that:

(1) the board has adopted a policy concerning school support organizations pursuant to § 49-2-604(b); and

(2) school support organization provides the school with the relevant collection documentation that would have been required pursuant to the provisions of the manual produced under § 49-2-110 for student activity funds.

Based upon the Comptroller of the Treasury’s interpretation of T.C.A. § 49-2-606, a principal shall have a written agreement with any school support organization that operates a concession at school events. The statute also requires that the principal ensure that the school support organization provides the school with adequate collection records. From a review of T.C.A. § 49-2-110 and the Internal School Uniform Accounting Policy Manual, the school support organization should complete the following documents from the Tennessee Internal School Uniform Accounting Policy Manual:

1. Exhibit 8, Count of Collections (copy attached)
2. Exhibit 3, Fundraiser Summary Report (copy attached)
3. Exhibit 2.a., Fundraiser Profit Analysis Report (copy attached)

Failure to Ensure Collection for Season Ticket Sales for Deposit into the School Bank Account.

T.C.A. § 49-2-603(6) defines “student activity funds” to include “all money received from any source from school sponsored student activities or school sponsored events held at or in connection with a school, and specifically include, but are not limited to, any money: (A) derived from a school sponsored academic, art, athletic, or social event involving students; . . .” The only allowable exceptions are collections for parking, concessions sales or book stores. The LEA must ensure that money collected from the sale of tickets to any school sponsored academic, art, athletic or social are deposited into the school bank account.



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Coaches Coordinated and Operating SSO Fundraisers.

T.C.A. § 49-2-603 provides that “student activity funds” include all money received from any source for school sponsored student activities or school sponsored events held at or in connection with a school, and specifically include, but are not limited to, any money: (c) raised by school sponsored fundraisers involving students who are under the supervision of a school employee. The Act also provides that all student activity funds must be deposited in the school account and cannot be deposited into the account of any school support organization. This point is also supported by the Internal School Uniform Accounting Policy Manual which provides that money received by a school employee acting in his or her official capacity becomes public money or property. The money is the property of the representative’s school and such money shall be managed and safeguarded by that school. The LEA shall ensure that all student activity fund collections, including fundraiser collections for which school employees, including coaches, are responsible, are recorded in the school’s accounting recorded and deposited in the school’s bank account.

School Support Organization Must Receive Documented Approval for all Fundraising Activities.

T.C.A. § 49-2-604 provides that the approval of the director of schools or the director’s designee shall be required before a school support organization under takes any fundraising activity to ensure that the scheduling of the fundraisers does not conflict with the school district’s or schools fundraising efforts and that the fundraising process is consistent with the goals admission of the school or school district. All school support organizations should submit a proposed fundraising report to the LEA for approval at the beginning of each school year or at such other time designated by the LEA. Such report should indicate the use of school property or the involvement of students for any fundraising activity. The Comptroller of the Treasury recommends that approval of all fundraisers should be documented before any fundraising activity commences.

