



Office of Internal Audit

Report to the Principal, Serra
Senior High School

January 2015

SERRA SENIOR HIGH SCHOOL

Review of the Financial
Operations of the Serra
Football Booster and
Related Hotline Allegation

7 January 2014

Dr. Vincent Mays
Principal
Serra Senior High School
5156 Santos Road

At your request, the Office of Internal Audit (OIA) performed a review of the financial operations and accounting of the Serra Football Booster (Booster) for the period 1 April 2013 through 14 October 2014. Further on 29 October 2014, OIA received a complaint through the San Diego Unified School District's (SDUSD's or District's) Hotline regarding the improper financial operation of the Booster and the purchase of "spirit packages" for the members of the Serra Senior High School (SSHS) football team. This report summarizes both our financial review and review of the Hotline allegation.

Background

The Booster is a separate and independent organization and operates independently from SSHS and its football program. Responsibility for the financial, and acquisition operations rests with the Booster, solely.

The Booster is affiliated with the Parent Booster USA, Inc. The Internal Revenue Service determined that Parent Booster USA may operate as a tax-exempt not for profit entity under Internal Revenue Code section 501(c)(3) [26 USC § 501 (c)(3)]. This determination also applies to the Parent Booster USA affiliates, of which the Booster is an affiliate.

OIA performed this review under the auspices of SDUSD Administrative Procedure (AP) 9325, *Fund Raising Activities by Nondistrict Organizations (PTAs, PTOs, Foundations, Booster Clubs, and Other Organizations)*. AP 9325 subsections D.1h, l, and j require that the non-district organization provide the school principal with explanations of the activities planned by the organization, the school principal is to receive schedules of receipts and disbursements for all fund raisers conducted by the organization on behalf of the school and its programs and activities, and allows the Board of Education the right to audit their financial records at any time by the SDUSD internal auditors or an independent public accountant.

Results in Brief

The Booster failed to establish a system of internal controls and financial records that were sufficient to support their activities. Further, they failed to safeguard the documentation necessary to support their receipts and disbursements. As a result, the Booster may have jeopardized their tax-exempt status, increased the risk of misappropriation and conversion of assets, fraud, and abuse.

The absence of financial records and supporting documentation required that OIA reconstruct the cash receipts, cash disbursements, and other financial records from the existing documentation. We cannot opine on the accuracy and completeness of the information presented as we may not have received all of the financial records and supporting documentation.

The hotline allegations included that: (1) funds were raised by various members of the Booster without the SSHS principal's approval; (2) cash from the fund raisers was diverted to pay for adult meals; (3) members of the football team did not receive the "spirit packages" they purchased or fund raised for; and (4) the Booster have been suspended as a charitable organization by the State of California. Our review of the allegations found that (1) was substantiated, (2) could not be determined due to absence of records; (3) was substantiated in part; and (4) was substantiated.

Objectives and Scope

The review's objectives were to:

- Determine whether the Booster's system of internal control over its financial operations were sufficient to:
 - Safeguard the assets and cash held by the organization;
 - Identify the sources of funds raised and collected by the organization; and
 - Account for the funds disbursed including whether the disbursement was appropriate and met the intent of the organization or its donors; and
- Comply with the applicable laws, regulations, and SDUSD policies.

The SSHS Principal originally requested that our work include the period 1 October 2012 through 14 October 2014. Due to the absence of financial records and documentation, we

adjusted the period covered by the review to 1 April 2013 through 14 October 2014.

The audit procedures applied to the financial data provided to us were not sufficient to constitute an audit in accordance with generally accepted government auditing standards. The scope of our work was not sufficient to express, and we do not express, an opinion on the completeness and accuracy of the data presented by the Booster. Had we conducted an audit in accordance with generally accepted government auditing standards other matters may have come to our attention that we would have reported to you.

Absence of a System of Internal Controls and Financial Records

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity, in this case the Booster, will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories:

- Operations – Effectiveness and efficiency of operations
- Reporting – Reliability of reporting for internal and external use
- Compliance – Compliance with applicable laws, regulations, and policies.

The management of the entity, the president and officers, is responsible for assuring that a system of internal controls is present, meeting the organization's needs, and functional.

Our review of the financial records and discussions with personnel from SSHS and Booster found the complete absence of a system of internal controls. Booster appeared to solely rely on the treasurer to control the financial records, deposit funds into the organization's bank account, write checks, employ a debit card, and prepare financial reports. The other Booster officers and members did not provide oversight of the financial functions effectively allowing the treasurer to have sole control over the financial operations of the organization. We believe this was one of the contributing factors to the absence of financial records for the organization.

Source of the Majority of the Cash Receipts Not Identified

Due to the absence of identification for the sources of funds received, and the absence of documentation to support the receipts the Booster increased its vulnerability to embezzlement and misappropriation of the funds received.

OIA's testing identified that of the \$42,458 in receipts deposited in the account \$36,907 (87 percent) did not identify the source of the funding. We were unable to reasonably identify the source(s) of the funds and the amounts attributable to fund raising on behalf of SSHS football program and other activities.

Without providing the sources for the funds and the programs events that they applied to various fund raisers, Booster would be unable to prepare accurate and reliable schedules receipts of fund raising income required by AP 9325 § D.1.i.

Disbursements Not Documented

Booster did not have processes and controls in place to ensure that all disbursements were properly accounted for and documented. Our review, of the available records and documentation, found that 73 percent of the \$40,144 disbursed (\$ 28,954) was not adequately documented. In addition to providing support for the payment of an invoice or other item, documentation provides support that the item was paid in compliance with Booster's intent or the direction and intent of a donor of funds.

Booster could not provide us with a reasonable assurance that the disbursements were appropriate and met the requirements and intent of any donor.

Absence of Base Level Accounting Records and Reports

Not for profit organizations generally maintain "books of account" and other basic accounting records to support the reports that they provide to management and oversight entities. The books of account and records provide summaries of data on revenues, expenses, assets, liabilities, and other financial data necessary to operate the organization and support the reports of activities provided to management.

OIA requested from Booster the books of account, general and subsidiary ledgers and records, and the organization's balance sheet, income and expense summary for the organization. We were told that these were unavailable and Booster's president provided the available invoices, bank deposit slips and a "Treasurer's Report". The information provided did not contain sufficient detail for us to determine the financial position of the organization and reliably determine its revenues and expenses. Additionally, in order to attempt to determine the extent of Booster's receipts and disbursements we reconstructed the financial records.

Review of the Hotline Allegation

On 29 October 2014, OIA received an allegation of potentially inappropriate activity by Booster in regard to the fund raising efforts they were undertaking for the SSHS football program. The balance of this section outlines OIA's review of this allegation.

Allegation 1 – Absence of Principal Approval for Fund Raising

SUBSTANTIATED. Booster and the former SSHS Principal were unable to provide us with the completed forms or other documentation providing evidence of approval for the fund raising activities.

AP 9325 § D.2.a requires that Booster complete a form titled *Request for Approval of Fund Raising Activity by a Nondistrict Organization*, prior to the activity, and submit the completed form to the principal for review and approval/rejection. Similarly, § D.2.b requires the principal evaluate the fundraising request, and either approve or reject the request based on the requirements outlined in AP 9325.

Allegation 2 – Cash from Fundraisers Diverted to Pay for Adult Meals

COULD NOT BE DETERMINED. The condition of Booster's financial records and lack of fund raising records prevented us from determining whether any cash was diverted and the amount, if any.

The absence of financial systems and controls directly contributed to our inability to determine if any diversions occurred.

Allegation 3 – Members of the Football Team Did not Receive "Spirit Packages"

SUBSTANTIATED IN PART. Booster through various e-mails and discussions with OIA staff admitted that the varsity football team did not receive the items they had either fund raised for or purchased. This was due according to Booster, to a default by the vendor they had selected to provide the items.

After the close of our fieldwork for this report, the SSHS Principal and Booster's president informed us that the Booster reimbursed all the members of the football team the amount they paid for the "spirit packages".

Allegation 4 – State of California Suspended the Booster as a Not for Profit Organization

SUBSTANTIATED. The California Office of the Attorney General suspended a prior version of Booster for failing to file the required forms and copies of Internal Revenue Service’s determination of its not for profit status.

The current Booster is not registered with the State of California as a not for profit entity. Booster reported to us that they have filed the required information return with the Internal Revenue Service. Booster operates as an affiliate of Parent Booster USA, Inc. We were able to determine that this organization filed an informational return in 2013. We were not able to determine in which state the Parent Booster established its not for profit status.

Recommendations

OIA recommends that the SSHS Principal take the following actions:

1. Comply with the requirements of AP 9325 and obtain the required requests from all non-student groups¹ for proposed fund raisers. Requests for non-student fund raisers should be submitted at least 21 days prior to the proposed date to allow for appropriate review and response. This includes ensuring that the non-student groups provide financial results of the fund raiser timely.
2. Prior to the Booster conducting any fund raisers, for the benefit of the school or football team, require that they provide evidence that the Booster have established a system of internal control, books of account and subsidiary accounting records and can prepare reliable financial statements and fund raising schedules. Using a series of randomly selected transactions the Booster should be able to provide sufficient, reliable and complete evidence supporting the selected cash receipts and disbursements, at the time the transactions are selected.
3. Ensure that all of the SSHS’ parents are informed of any proposed and approved fund raising by non-student organizations. This notification should meet the requirements of AP 9325 §§ 2.b (2), (3), (4) and (6).

¹ Fund raisers and solicitations by students are covered in the Associated Student Body policies and procedures.

Response to Recommendations


The SSHS Principal in an e-mail message to OIA replied that he concurred with the recommendations and would work with the Booster president and board to ensure that they understand the requirements of Administrative Procedure 9325. This training is expected to be completed by 30 March 2015. The complete response is included as Attachment I. In OIA's opinion this response meets the intent of the recommendations.

Contributors

Jaime Buensuceso an Operations Auditor was the principal auditor for this report

Copies of this report will be provided to the Board of Education; the Audit Committee; the Superintendent; Chief of Staff; the General Counsel; the Area Superintendent for Area 1, and the Executive Director, Quality Assurance Office. An electronic copy of this report will be provided on our webpage, <http://www.sandi.net/Domain/44>.

Should you or your staff have any questions please contact me at jcashman@sandi.net or 619.725.5696 or Jaime Buensuceso at jbuensuceso@sandi.net or at 619.725.5694.



John M. Cashmon
Director, Internal Audit

Cashman John

From: Mays Vincent
Sent: Friday, December 19, 2014 12:06 PM
To: Cashman John
Subject: Football Boosters Report
Attachments: NoReply@sandi.net_20141219_113514.pdf

Mr. Cashman,

I agree with the report and I will work with the new football booster president. I will make sure that Administrative Procedure 9325 is understood by their entire board. I will have all training completed by or before March 30, 2015. Again, thank you for your assistance with this matter.