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NEWS RELEASE

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FOR RELEASE

March 2, 2021

Auditor of State Rob Sand today released a report on a special investigation performed at the request of Iowa City Community School District (District) officials. District officials reported identifying bank accounts which were not established by the District but may have been associated with student activities. Guidance from the Department of Education prohibits the establishment of checking accounts separate from the District accounts for student activities. The special investigation was performed for the period January 1, 2011 through June 30, 2018.

Sand reported the special investigation determined the bank accounts identified by District officials were established and held by the District's former City High School volleyball coach, Craig Pitcher. The accounts were established in the name of "Craig Pitcher DBA Old Capitol League" and "Little Hawk Volleyball Club c/o Craig Pitcher." However, Sand also reported it would be reasonable for the public to expect the Old Capitol League and the Little Hawk Volleyball Club were affiliated with the City High School volleyball team because of the use of the District's logo, team name, and District facilities in addition to collecting registrations at the District's high school. In addition, the City High School volleyball coach was affiliated with the Old Capitol League and Little Hawk Volleyball Club. Sand also reported other information identified led to the conclusion the bank accounts established for the Old Capitol League and Little Hawk Volleyball Club did not include funds which should have been deposited with the District.

In addition, Sand reported the special investigation identified \$50,400.00 of uncollected facility usage fees from the Old Capitol League's use of the District's gymnasiums for its summer league and \$502.50 of improper disbursements of District funds for the purchase of t-shirts for the Old Capitol League. Sand also reported as a result of reviewing certain District disbursements, \$206.52 of improper and \$1,302.29 of unsupported disbursements were identified.

Sand reported testing procedures identified additional clubs which were established in a similar manner to the Little Hawk Volleyball Club. The District coaches participated in club activities and, in some instances, the clubs used the District's logo, team name, and District facilities. As a result, it would be reasonable for the public to expect these clubs were affiliated with the District. However, Sand also reported other information identified led to the conclusion the bank accounts established for these clubs did not include funds which should have been deposited with the District.

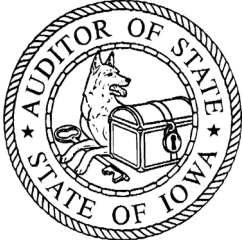
Copies of this report have been filed with the Johnson County Attorney's Office, the Attorney General's Office, and the Division of Criminal Investigation. A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**REPORT ON SPECIAL INVESTIGATION
OF THE
IOWA CITY COMMUNITY SCHOOL DISTRICT
FOR THE PERIOD
JANUARY 1, 2011 THROUGH JUNE 30, 2018**

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Auditor of State's Report

To the Members of the Board of Education of the
Iowa City Community School District:

As a result of concerns you identified and at your request, we conducted a special investigation of the bank accounts established for the Old Capitol League and the Little Hawk Volleyball Club by an employee of the Iowa City Community School District (District). The bank accounts were held separately from District accounts and appeared to District officials to be related to student activities. We have applied certain tests and procedures to these accounts as well as other accounts for the period January 1, 2011 through June 30, 2018. Based on a review of relevant information and discussions with District officials and personnel, we performed the following procedures.

- (1) Reviewed documentation compiled by District officials to obtain an understanding of concerns identified by District officials and subsequent actions.
- (2) Reviewed policies established by the Iowa City Board of Education, guidance from the Iowa Department of Education, and requirements established by the *Code of Iowa* to determine procedures and requirements regarding District funds.
- (3) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively.
- (4) Obtained and examined bank statements and related documents for the non-District bank accounts established by the former City High volleyball coach, Craig Pitcher, to determine if activity in the accounts was related to student activities. We also obtained and scanned bank statements for non-District bank accounts established for other various sports teams and clubs to determine if activity in the accounts was related to student activities.
- (5) Obtained and reviewed the articles of incorporation for the Old Capitol League, Little Hawk Volleyball Club, and various other feeder clubs identified by the District to determine their purpose.
- (6) Reviewed disbursement and receipt activity for the various District sports teams and clubs to determine propriety of the activity.
- (7) Obtained and reviewed Mr. Pitcher's personal bank statements to identify the source of certain deposits.
- (8) Interviewed Mr. Pitcher to obtain an understanding of the bank accounts he established and the types of transactions within the account.

Based on these procedures, we determined the Old Capitol League was a legally separate entity from the District and District funds were not deposited into the League's separately held bank account. As a result, we did not determine the propriety of the financial transactions associated with the account. However, we also determined the Old Capitol League was required by District policies to pay facility usage rent. For the period reviewed, the District did not collect \$50,400.00 of facility usage fees from the Old Capitol League. We also identified \$502.50 of improper disbursements by the District on behalf of the Old Capitol League, \$206.52 of other improper disbursements by the District and \$1,302.29 of unsupported disbursements.

Based on these procedures, we also determined the amounts deposited into the separately held bank accounts for the other various sports teams and clubs reviewed did not include funds which should have been deposited with the District. As a result, we did not determine the propriety of the financial transactions associated with the accounts. Our detailed findings and recommendations are presented in the Investigative Summary of this report.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Iowa City Community School District, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Johnson County Attorney's Office, the Attorney General's Office, and the Division of Criminal Investigation. We would like to acknowledge the assistance extended to us by officials and personnel of the Iowa City Community School District during the course of our investigation.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and cursive.

ROB SAND
Auditor of State

October 1, 2020

Iowa City Community School District
Investigative Summary

Background Information

The Iowa City Community School District (District) is located in Iowa City, Iowa and serves approximately 14,300 students in Johnson County, including the towns of Coralville, Iowa City, and North Liberty. The District is governed by a seven-member Board which meets on the second and fourth Tuesday of each month.

The District provides support to the sports, music, and arts programs for student participation in the District. Individual accounts are maintained within the District's accounting system for each activity. Each student activity is overseen by an adult sponsor. The sponsors may be District faculty members or other adults hired by the District.

Craig Pitcher began employment with the District as a physical education teacher and the head volleyball coach for the City High School volleyball team for the 2002-2003 school year. As the head volleyball coach, Mr. Pitcher was responsible for directing the City High 7th through 12th grade volleyball program, organizing practices, coaching games, and mentoring other coaches. He also held a summer volleyball camp at the District and took varsity players to other organizations' camps. In addition, Mr. Pitcher was involved with the Old Capitol League (League), which operated a summer volleyball league for students in the District and students from other Districts. He also was involved with the Little Hawk Volleyball Club (Club), which operated a youth volleyball organization for younger kids.

On April 26, 2018, the City High Athletic Director received a check from another high school for a League team registration. At the time of receipt, the Athletic Director was unsure about the purpose of the check and asked Mr. Pitcher about it. He was informed by Mr. Pitcher it was for a team registration fee for the League sent to the school by mistake and was to be deposited into the League's separate bank account. According to Mr. Pitcher, the Athletic Director reminded him coaches/sponsors were not to have outside bank accounts and subsequently shared his concerns with the District's Chief Financial Officer. Mr. Pitcher was directed to close the account and turn over the bank statements and debit card associated with the account to the Business Office.

The District's Chief Financial Officer contacted the Office of Auditor of State with concerns regarding separately maintained bank accounts held by Mr. Pitcher, specifically the bank accounts for the League and the Club. Mr. Pitcher was suspended from his coaching duties effective July 10, 2018 but remained employed as a physical education teacher with the District.

As a result of the concerns identified by District officials regarding the financial activity involving the League and the Club, we performed the procedures detailed in the Auditor of State's Report for the period January 1, 2011 through June 30, 2018.

Detailed Findings

Based on the procedures performed, we determined the Old Capitol League and the Little Hawk Volleyball Club were legally separate entities from the District and did not include funds which should have been deposited with the District. As a result, we did not determine the propriety of the financial transactions associated with the accounts established by Mr. Pitcher. We also identified \$50,400.00 of uncollected facility rent by the District from the League and \$502.50 of improper disbursements made by the District on behalf of the League.

We also determined the amounts deposited into the separately held bank accounts for the other various sports teams and clubs reviewed did not include funds which should have been deposited

with the District. As a result, we did not determine the propriety of the financial transactions associated with the accounts.

All findings are summarized in **Table 1** and a detailed explanation of each finding follows. As illustrated by the **Table**, in addition to the \$502.50 of District funds spent on behalf of the League, we also identified \$206.52 of other improper and \$1,302.29 of unsupported disbursements from the District’s City High volleyball student activity account.

Table 1

Description	Table/Page Number	Unbilled Collections	Disbursements		Total
			Improper	Unsupported	
Unbilled fees	Table 3	\$ 50,400.00	-	-	50,400.00
District disbursements*:					
League	Page 5	-	502.50	-	502.50
City High School volleyball team	Page 13	-	206.52	1,302.29	1,508.81
Total		\$ 50,400.00	709.02	1,302.29	52,411.31

* - All disbursements were made from the District’s student activity account established for City High Volleyball.

SEPARATELY MAINTAINED OUTSIDE BANK ACCOUNTS

In accordance with Iowa Administrative Code chapter 281-98.70, “Moneys collected through school activities are public funds that are the property of the school district and are under the financial control of the school board.” Iowa Administrative Code chapter 281-98.70 also states, “Prudent and proper accounting of all receipts and expenditures in these accounts is the responsibility of the board. School districts may maintain subsidiary records for student activities if those records are reconciled to the official records on a monthly basis; however, all official accounting records of the student activity fund shall be maintained within the school district’s chart of accounts pursuant to Uniform Financial Accounting for Iowa School District and Area Education Agencies.” Maintaining bank accounts and funds separate from District records does not allow proper review and approval of the collections and disbursements by the Board, as required by section 279.29 of the *Code of Iowa*.

The Iowa Department of Education (Department) has also issued guidance regarding the appropriate handling of student activity funds. Specifically, the Department updated the “Frequently Asked Questions (FAQs) Regarding the Student Activity Fund” on March 23, 2016. Page 3 of the FAQ document specifies:

“Question: May an athletic director, coaching staff, or other activity sponsors or staff establish separate checking accounts for fundraising or other activities related to district athletics? If so, is it okay to use the district’s taxpayer identification number?

Answer: No. An athletic director, coaching staff, or other activity sponsors or staff should not establish separate checking accounts for fundraising, or any other purpose, using the district’s taxpayer identification number or their own personal taxpayer identification number. These individuals should comply with the account procedures established by the district.

If a separate checking account is deemed necessary and appropriate, it should be opened and accounted for through the district’s business office rather than an individual. This allows the district to comply with section 291.6 of the *Code of Iowa* regarding the duties of the district secretary to “keep an accurate account of all expenses incurred by the corporation, and present the same to the board for audit and payment” pursuant to section 279.29 of the *Code of Iowa*. This also ensures that proper internal control procedures are

in place for compliance and accountability and allows legitimate use of the district's taxpayer identification number and sales tax exemption on purchases made from this account.

As a recommended practice where possible, districts are encouraged to annually request from banks all accounts which include the district's tax identification number."

Based on information provided by the Chief Financial Officer, it appeared the League and the Club met the characteristics of separate bank accounts as described in the Department's guidance and may have been required to be included in the District's accounting records. To determine the propriety of the separately maintained bank accounts, we performed the following procedures.

OLD CAPITOL LEAGUE

Interview with Mr. Pitcher – We interviewed Mr. Pitcher regarding the establishment and operation of the League. According to Mr. Pitcher, the League was a summer volleyball league for area high school teams to have an additional opportunity to play and enhance their skills during their offseason.

The League began play in the summer of 2003 and typically ran six to seven weeks each summer, usually beginning the first Sunday in June and ending in July. According to Mr. Pitcher, the League held open gym practices followed by 2 games each Sunday running from 5 pm to 9 pm. Mr. Pitcher stated he arrived 30 minutes before the games to set up the gymnasium and stayed 20 minutes after games were done to clean up and secure the building. Additionally, he stated the League was held at the City High gymnasium and used the volleyball equipment at the high school for League play.

Mr. Pitcher stated the League typically had eight to ten participating teams and registration was \$250.00 per team or \$400.00 if a school entered two teams. According to Mr. Pitcher, participating Districts mailed the checks to him at the high school where he taught. As previously stated, the League used District facilities and District equipment to run the League; so, the only expenses were for t-shirts for the winning team of the League. Mr. Pitcher stated he handled the financials of the League's bank activity but was not a skilled bookkeeper.

Mr. Pitcher stated the League was not affiliated with the District, but that District officials, specifically the Athletic Director and building principal, were aware of the League as he had to coordinate with them to ensure the League was able to use the gymnasium on League nights. Mr. Pitcher added no one approached him to discuss an approval process or the need to pay facility rent or provide insurance coverage for the League.

The League was operated by Mr. Pitcher, who was the head coach of the City High volleyball team. Additionally, League practices and games were held at District facilities using District equipment and registration payments were mailed to City High School addressed to Mr. Pitcher. As a result of these characteristics, it would be reasonable for the public to expect the League was a District sponsored activity.

Bank Statements and Financial Activity – We obtained the bank statements for the account established at a local financial institution for the League. The account was established in 2003 by Mr. Pitcher with his social security number. The name of the account was "Craig Pitcher DBA Old Capitol League." We obtained copies of the account's monthly bank statements from April 7, 2011 through June 6, 2018, when the account was closed.

As previously stated, when the District became aware of the League, they requested Mr. Pitcher close the account and submit the related bank statements and any debit cards associated with the account. Mr. Pitcher closed the account and provided the bank statements to the District, who subsequently entered all the bank activity into QuickBooks. As a part of our procedures, we obtained a transaction report from QuickBooks and reviewed the deposit and withdrawal activity.

We determined deposits into the League bank account totaled \$18,301.86 for the period April 2011 through June 2018. As previously stated, the registration fees were \$250.00 for one team or

\$400.00 for two teams. Using a listing of schools which previously participated in the League obtained from Mr. Pitcher, we sent confirmations to the schools listed to confirm the years they participated as well as the amounts paid to the League for registrations. Based on the confirmation responses, we determined at least \$13,900.00 of the deposits into the League’s bank account was for team registrations. Because of a lack of supporting documentation, we were unable to determine the source of the remaining \$4,401.36 of deposits. We were also able to confirm there were no payments from the District to the League for the period reviewed.

According to Mr. Pitcher, he viewed this account as a separate account from the District and used it as a personal account as he was the head of the League. We scanned the bank statements for the League to identify any unusual transactions. During our review, we identified purchases from vendors that appear reasonable for a volleyball league and which were consistent with the type of disbursements Mr. Pitcher described. We identified no payments made to the District from the League account.

Conclusion Regarding Bank Account – Because the high school coach was closely affiliated with the League, League practices and games were held at District facilities using District equipment, and registrations were mailed to the District, it would be reasonable for the public to expect the League was associated with the District. However, based on the procedures performed, we determined the funds raised by the League and deposited into a bank account for the organization are not District funds. The following characteristics were considered in making this determination.

- District officials provided a listing of approved affiliated groups, and the League was not included.
- The primary funding source of the League was the team registrations to participate in the League. We determined there were no payments made to the League from the District.
- Activity in the League’s bank statements supports the minimal expenses to put on the League. The disbursements from the account were to support the League and purchases of a personal nature.

Because we determined the funds deposited to the League’s bank account were not District funds, we did not determine the propriety of the financial transactions.

Unbilled and Uncollected Facility Fees – According to discussions with District officials and review of District policies, we determined the League was considered a nonprofit non-school partner, which was required to pay an hourly rate for facility usage as well as a custodial fee for events occurring outside normal working hours. However, during our review of the disbursements from the League’s bank statements, we determined there were no payments made to the District.

District Policy 908.1 “Community Use of School Buildings and Grounds,” states the fee for gym rental is \$200.00 per hour and the custodian charge is \$40.00 per hour. As previously stated, the League ran on Sunday evenings from 5 pm to 9 pm with Mr. Pitcher arriving early and staying afterward for a total of approximately 5 hours. Additionally, because custodians typically do not work on Sunday evenings during the summer months, there would be a charge for a custodian to be on-site. **Table 2** illustrates the weekly facility cost that should have been collected from the League.

Fee	Rate	Hours	Subtotal
Gymnasium	\$ 200.00	5.0	\$ 1,000.00
Custodian	40.00	5.0	200.00
Total			<u>\$ 1,200.00</u>

As illustrated by the **Table**, the weekly facility usage fee that should have been charged to the League was \$1,200.00. As previously stated, the League ran for six weeks each summer, resulting in a total facility usage fee of \$7,200.00 for each season. During our procedures, we obtained bank statements for the League for the period April 7, 2011 through June 6, 2018. Review of the bank statements determined the League was cancelled for the 2018 season and the teams' registration fees were refunded. **Table 3** summarizes the total facility usage fees that should have been collected from the League but were not.

Table 3

Year	Annual Fees
2011	\$ 7,200.00
2012	7,200.00
2013	7,200.00
2014	7,200.00
2015	7,200.00
2016	7,200.00
2017	7,200.00
Total	\$ 50,400.00

Because the League was considered a nonprofit non-school partner and was using the District's facilities, District officials should have billed and collected the facility usage fees as established by the District's policies. The unbilled fees are included in **Table 1**.

Improper District Disbursements – As previously stated, Mr. Pitcher reported the only League expenses were for t-shirts for the winning team. According to Mr. Pitcher, there was at least one instance where the District paid for the League t-shirts. In the instance identified, the t-shirts were included in an invoice along with other items purchased for the City High volleyball team. Because Mr. Pitcher submitted the invoice for payment with District funds, the District improperly paid for the League's t-shirts.

We reviewed selected City High volleyball Activity Fund disbursements for the period July 1, 2013 through June 30, 2018. As a result, we identified two District purchases from a t-shirt vendor which also included t-shirts for the League. Specifically, we identified 30 shirts totaling \$225.00 purchased in August 2016 and 37 shirts totaling \$277.50 purchased in August 2017. Because the League was considered to be legally separate and a non-profit non-school partner, District funds should not have been used to pay for the \$502.50 of t-shirts purchased for the League. This amount is included in **Table 1** as improper disbursements.

LITTLE HAWK VOLLEYBALL CLUB

Interview with Mr. Pitcher – We interviewed Mr. Pitcher regarding the Club. According to Mr. Pitcher, the Club is a youth volleyball organization which serves as a feeder program to the City High volleyball team. Additionally, the Club uses City High School's "Little Hawk" name and sports logo.

The Club was established in 2008 as a way to build the sport and interest of younger kids on the east side of Iowa City to help grow the City High program. Each November there are tryouts for elementary and middle school-aged girls. Practice schedules are developed after teams are selected and based on the availability of gymnasiums. Practices are held twice each week for an hour and a half each at District gymnasiums as they are available. As a Club and not a school sponsored event, the Club's practices can be bumped for District activities if they coincide with the Club's practice times.

Additionally, as a non-profit organization serving students within the District, the Club is allowed to use District facilities at no cost to the Club. At the time of our testing, the Club had 9 teams that played in various tournaments and in matches against other clubs and feeder programs within the USA Volleyball system. The Club's season typically runs from November through the middle of April. According to Mr. Pitcher, the Club has its own uniforms and its own equipment, except for poles and referee stands. These are used from those available at the facility they are practicing and/or playing at.

Mr. Pitcher stated the Club receives funds from player registrations, uniform orders, and individual volleyball lessons for players. All funds were collected by Mr. Pitcher or his wife as she maintained the accounting records for the Club. Each player's registration fee is \$450.00 for a season. The Club's expenses include coaches' pay, uniforms, tournament registrations, and coach reimbursements. The Club pays each coach \$2,000.00 per team per season. Mr. Pitcher receives pay for coaching multiple teams in the Club.

Mr. Pitcher stated the Club is not affiliated with the District, other than the use of the "Little Hawk" name and logo. He also reported the District did not formally approve the Club's use of the name and it was selected by Mr. Pitcher and his wife. Mr. Pitcher added there was no requirement in the District's policies for the Club to provide financial information to the District. The only interaction the Club had with the City High volleyball team was the annual Club tournament hosted by the Club that allowed the City High team to run the concessions as a fundraiser for the District's team. Current high school players do not participate in the Club's activity.

The Club was operated by Mr. Pitcher, who was the head coach of the City High Volleyball team. Additionally, the Club practices and games were held at District facilities and used some District equipment. Also, as previously stated, the Club was established to build interest in younger kids to help grow the City High School program and the City High "Little Hawk" nickname and logo is used by the Club. As a result of these characteristics, it would be reasonable for the public to expect the Club was a District sponsored activity.

Bank Statements and Financial Activity – We obtained the bank statements for the account established at a local financial institution for the Club. The account was established in 2008 by Mr. Pitcher with his social security number. The name of the account was "Little Hawk Volleyball Club c/o Craig Pitcher." We obtained copies of the account's monthly bank statements from January 1, 2011 through June 29, 2018.

We determined deposits into the Club's bank account totaled \$323,435.90 for the period January 2011 through June 2018. As previously stated, the registration fees per player were \$450.00. Because of a lack of supporting documentation, we were unable to determine the source of the deposits made to the Club. However, we identified five checks totaling \$2,100.25 issued to the Club from the District's Activity Fund bank accounts for the purchase of concession supplies. As previously stated, the City High volleyball team operated the concession stand at the annual club tournament as a fundraiser for the City High team.

We scanned the bank statements for the Club to identify any unusual transactions. During our review, we identified purchases from vendors that appear reasonable for a youth volleyball organization and which were consistent with the type of disbursements Mr. Pitcher described.

Articles of Incorporation – We obtained the Articles of Incorporation for the Little Hawk Volleyball Club Inc. from the Iowa Secretary of State's website. Filing information found on the face of the Articles of Incorporation shows the document was filed with the Secretary of State on September 14, 2011 and Mr. Pitcher was the registered agent and a Director of the organization. The Articles of Incorporation for the nonprofit organization also illustrate the incorporator was Ryan J. Prahm of North Liberty, Iowa who signed the document on September 14, 2011. The document signed by Mr. Prahm also stated Little Hawk Volleyball Club Inc was "organized exclusively for charitable, religious, educational, and scientific purposes, including for such purposes, the making of distribution to organizations that qualify as exempt organizations under

section 501(c)(3) of the Internal Revenue Code.” The document does not indicate the Club was affiliated with or established to benefit the District or its students.

Conclusion – Because the High School coach was closely affiliated with the Club, the Club held practices and games at District facilities, and used the “Little Hawk” name and logo, it would be reasonable for the public to expect the Club was associated with the District. However, based on the procedures performed, we determined the funds raised by the Club and deposited into a bank account for the Club are not District funds. The following characteristics were considered in making this determination.

- The Club was formed as a non-profit organization, for which the stated purpose was to make distribution to other tax-exempt organizations. While the District would qualify as a tax-exempt organization, the articles of incorporation for the Little Hawk Volleyball Club Inc do not state it was established to benefit the District or its students.
- The primary funding source of the Club was the player registrations to participate in the Club, uniform orders, and individual volleyball lessons for players.
- Activity in the Club’s bank statements indicates the high school volleyball team was not the beneficiary of purchases made from the account.

Because we determined the funds deposited to the Club’s bank account were not District funds, we did not determine the propriety of the financial transactions.

AFFILIATED CLUBS IDENTIFIED BY THE DISTRICT

The District developed the Affiliate Organization Handbook, which is provided to the affiliated clubs identified by the District. In addition, the District hosts meetings which the affiliated clubs may participate in to review the handbook and answer any questions. According to Mr. Pitcher, the only guidance he received was a District policy regarding club rules and fees for use of District facilities.

As previously stated, District officials provided a listing of approved affiliated non-profit groups they were aware of which operate in a similar manner as the Club. A District official we spoke with stated he was unaware how the Club was different from the other affiliated groups. Using the listing of approved affiliated non-profit groups, we selected the groups listed in **Table 4** to perform additional procedures. For each of the groups listed in the **Table**, we applied testing procedures to determine if the groups’ financial transactions should have been handled by the District rather than in a separately established bank account.

Table 4

Group	Sport	School
Little Hawks Basketball	Basketball	City High
Little Hawk Baseball	Baseball	City High
Little Hawks Softball	Softball	City High
East Side Football	Football	City High
MatPac	Wrestling	City High
Trojan Volleyball	Volleyball	West High
Trojan Baseball	Baseball	West High
Trojan Wrestling	Wrestling	West High
Thunder Basketball	Basketball	West High
Johnson County Jaguars	Softball	West High
Iowa Dynasty Hoops	Basketball	West High
Liberty Lightning Volleyball	Volleyball	Liberty High
Liberty Wrestling	Wrestling	Liberty High

For each group listed in the **Table**, it is reasonable for the public to expect the group was a District sponsored activity based on the groups' names, involvement of high school coaches, and use of District facilities. However, based on the procedures performed, we determined the funds raised by each of these groups and deposited into the individual bank accounts for the organizations are not District funds. The following characteristics were considered in making this determination.

- All the groups listed in the **Table** have their own individual student activity fund by school within the District's accounting system. The clubs' bank accounts were not set up to process student activity.
- Nine of the groups were formed as non-profit organizations, for which the stated purpose was to make distribution to other tax-exempt organizations. Two of the groups were formed as limited liability corporations, for which the purpose was any lawful purpose. We were unable to locate any documents for the remaining two groups on the Secretary of State's website; however, they had similar characteristics as the other registered groups.
- Activity in the groups' bank statements indicates the accounts were primarily used to support the Club and for purchases of a personal nature.

Because we determined the funds deposited to the groups' bank accounts were not District funds, we did not determine the propriety of the financial transactions.

DISTRICT PAYMENTS TO AFFILIATED GROUPS

As previously stated, the District has established individual student activity funds for each of the sports teams/clubs at each of the District's three high schools. We obtained copies of the District's student activity fund reports by sport/club by high school for the period July 1, 2016 through June 30, 2018. Additionally, we obtained copies of the City High Volleyball student activity fund reports for the period July 1, 2013 through June 30, 2018.

Using available supporting documentation and based on discussions with District officials, we scanned all District student activity fund reports for payments made to outside affiliated groups. Based on our review, we identified 11 checks totaling \$4,901.33 issued from the District to an affiliated group, including the five checks previously identified for the Little Hawk Volleyball Club.

Table 5 summarizes the 11 checks from District activity fund accounts to affiliated groups.

Check Date	Check Number	Payee	Description	Amount
04/01/14	55267	Little Hawks Club	VB Tourn Concessions Reimb	\$ 362.90
05/24/16	63281	Little Hawks Club	Concessions	306.75
12/06/16	65041	Little Hawks Club	VB Concessions	683.20
03/04/17	66091	Trojan Wrestling Club	Hospitality Room Returns	49.44
04/25/17	66400	Johnson County Jaguars	Concession Stand Spls	543.23
05/09/17	66541	Johnson County Jaguars	Reim Concession Spls	233.41
06/20/17	67091	Little Hawks Club	Reim Concessions	624.00
08/29/17	67571	Little Hawks Club	Strength & Speed	25.00
09/26/17	67942	Little Hawks Baseball Club	Trosky Clinic	1,500.00
03/06/18	69679	Little Hawks Softball Club	West High Reg Fee	450.00
04/24/18	70126	Little Hawks Volleyball Club	Reim Concessions Spls	123.40
Total				\$ 4,901.33

Table 4 illustrates the high school teams' relationship to the outside affiliated clubs and the mutual benefit to both. Based on the descriptions of the payments, the majority were for the outside clubs working concessions stands at District sporting events as a way for the clubs to raise money. Because the District established individual activity funds for each sport and the disbursements to the affiliated clubs do not appear to be for student activity, the disbursements listed in **Table 5** are considered reasonable.

CITY HIGH VOLLEYBALL ACTIVITY FUND

As previously stated, the District established individual student activity funds for each of the sports teams/clubs at each of the District's three high schools. Because of initial concerns City High volleyball activity may have potentially been processed through outside bank accounts, we obtained copies of the City High volleyball team's student activity fund reports for the period July 1, 2013 through June 30, 2018.

The City High volleyball team collects money from gate receipts, entry fees, state volleyball reimbursements, sale of team merchandise to players and parents, concession sales, and fees for holding an annual camp for area youth. The Business Office collects the funds, records them in the District's accounting system, and deposits the funds into the District's bank account.

Using available supporting documentation and based on discussions with District officials, we reviewed selected deposit postings made to the City High volleyball activity fund to determine if collections were properly recorded, deposited, and accounted for. For the period July 1, 2013 through June 30, 2018, we identified four deposits for which the District did not have sufficient supporting documentation. As a result, we were unable to determine if all receipts were properly collected and deposited into the District's bank account.

The City High volleyball team's disbursements were made in one of the following ways:

- a requisition form submitted to the Athletic Director for review. The Athletic Director signs and dates the form before submitting it to the Business Office, who prepares a check and mails it to the vendor,
- use of the building credit card, or
- submission of a preapproved employee reimbursement report form to the Business Office.

We also reviewed selected City High volleyball activity fund disbursements for the period July 1, 2013 through June 30, 2018. Using available supporting documentation; discussions with District officials; and the vendor, frequency, and amount of the payments, we classified payments as improper, unsupported, or reasonable.

Disbursements were classified as improper if they were personal in nature or not necessary or reasonable for operations of the City High volleyball team. Disbursements were classified as unsupported if appropriate documentation was not available or it was not possible to determine if disbursements were related to City High volleyball or personal in nature.

We identified \$206.52 of improper disbursements from the City High volleyball activity fund which included the following transactions:

- A \$152.28 check dated December 3, 2013 issued to Mr. Pitcher with "VB Equipment" on the memo line. The reimbursement was supported by a receipt from JC Penny and documented six mink sherpa throw blankets were purchased as "senior gifts." According to the Department of Education's Student Activity Funds FAQ dated March 23, 2016, it is not proper for a District to pay for gifts.
- A \$75.39 check dated December 10, 2013 issued to Mr. Pitcher with "VB Banquet Meal" on the memo line. A receipt from a North Liberty restaurant was provided to the District

as support which documents three adult meals and a kid's meal were purchased. It appears this was reimbursement of his family's meal for the volleyball banquet. It is only reasonable for the District to reimburse Mr. Pitcher's meal and not that of his family. To be conservative, the most expensive meal is considered reasonable and the remaining \$53.94 is considered improper.

We also identified \$1,302.29 of unsupported disbursement from the City High volleyball activity fund for which supporting documentation was not available. The unsupported disbursements include the following transactions:

- A \$1,274.00 check dated June 18, 2013 issued to Monticello Sports with "CH Volleyball Jackets" on the memo line. While Monticello Sports is a vendor previously used by the District for athletic uniforms, we were unable to determine what items were purchased and for what organization.
- A \$28.89 check dated August 30, 2016 issued to Mr. Pitcher with "Reim VB Spls" on the memo line. A receipt from Lowe's was provided to the District as support; however, the receipt is unreadable, and we were unable to determine what items were purchased.

The \$206.52 and \$1,302.29 are included in **Table 1** as improper and unsupported disbursements, respectively.

Recommended Control Procedures

As part of our investigation, we reviewed various procedures and controls implemented by the Iowa City Community School District. An important aspect of internal control is to establish procedures which provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be identified within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the District's internal controls.

- A. Guidance to Affiliated Organizations – According to an opinion of the Iowa Attorney General dated September 1, 1983, “Iowa law does not require school districts to maintain funds raised by outside organizations in the school activity account. A school district board may regulate fundraising activity during school and school sponsored events, and it may regulate the use of funds derived from those sources.”

The District developed the Affiliate Organization Handbook, which is provided to the affiliated groups identified by the District. Although meetings are hosted to review the handbook, participation is voluntary. As a result, the District cannot ensure the Handbook has been received and reviewed by the affiliated groups. According to Mr. Pitcher, the only guidance he received was the District policy regarding club rules and fees for use of District facilities.

Recommendation – The District should review the listing of affiliated groups on an annual basis and continue to provide the Affiliate Organization Handbook to all affiliated groups identified. In addition, the District should require the affiliated groups provide a signed acknowledgment that the Handbook has been received and reviewed.

- B. Supporting Documentation – District Activity Funds – The District did not always maintain adequate supporting documentation for activity fund purchases from vendors or activity fund receipts from individuals or events sponsored by the District for student activities.


Recommendation – The District should ensure their policies are adhered to and require supporting documentation to be maintained both for disbursements of District funds as well as monies received by the District. Disbursements should not be paid without sufficient supporting documentation.

Prenumbered receipts should be issued for all collections at the time of collection to provide additional control over the proper collection and recording of all money received. In addition, someone independent of the collection, recording, and depositing duties should periodically compare the collection records to the bank deposits to ensure all collections are properly deposited. Documentation of receipts should be maintained.

Report on Special Investigation of the
Iowa City Community School District
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