

Outside Support Organizations

Barricade your Booster Bucks from Being Bamboozled

Auditing and Property Records Department

Pinellas County Schools

Introductions

Pinellas County Schools

Auditing and Property Records Department

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Outside Support Organizations

- ▶ Also referred to as Booster Clubs, Parent Teacher Organizations
- ▶ Parent associations and booster clubs are organizations established to support school programs or student groups
- ▶ School districts typically embrace these organizations and appreciate the time, effort, and financial support that they provide to our students
- ▶ District policies regarding OSOs vary widely

Why is Oversight Necessary

- ▶ A quick online search for news articles about theft from a school PTO, booster club or other fundraising group results in dozens of cases each year. These reports do not include the thousands of other incidents that are settled quietly by the payment of restitution (Parent Boosters USA)
- ▶ 95% of embezzlers have no prior criminal conviction (Klein)
- ▶ When motivation meets opportunity, money goes missing
- ▶ The community expects the schools to supervise funds donated to benefit the children
- ▶ The schools' reputations are vulnerable
- ▶ The Embezzler Next Door
https://2preventtheft.org/index.php#video_doc

General Recommendations

- ▶ Standardize an OSO agreement that includes district policy and details all expectations
- ▶ Require written permission to OSOs to use the name, logo, mascot, or trademark of their school as part of the OSO's name or in its fundraising or other activities
- ▶ All activities to be approved in advance
- ▶ Adequate, auditable financial records must be maintained at all times
- ▶ Fiscal Reporting period must be July 1st through June 30th
- ▶ Only one bank account permitted
- ▶ Monthly bank statements must be sent to the school's address

Pre-School Planning

- ▶ Review and discuss the district policy and sign an agreement
- ▶ Coordinate activities and fundraisers with the school calendar
- ▶ Remind OSO leadership of the IRS rules and federal laws about fundraising for the group
- ▶ Discuss budget, profits, projects to be funded
- ▶ Collect documents:
 - Budget
 - Uniform Business Report, Bylaws, and Articles of Incorporation
 - List of Officers - indicating check signers
 - Proof of Insurance Coverage for the school year
 - Federal Tax ID number
 - Certificate of Exemption from Sales Tax (if applicable)
 - Financial Statement, completed audit report, and supporting documentation from prior year

Monthly Oversight

- ▶ Collect the following documents:
 - Bank Statement
 - Treasurer's Report
 - Bank Reconciliation
- ▶ Review financial activities for:
 - If any debit card activity or cash withdrawals, check for pre-approval paperwork
 - Overdraft fees
 - Excessive checks for even dollar amounts
 - Transfers to other bank accounts or PayPal use
 - Fundraiser deposits if there is an active fundraiser
 - Compare Bank Statement/Treasurer's Report/Bank Reconciliation to confirm financial accuracy

OSO Employees

- ▶ OSOs who hire individuals to perform services must comply with IRS rules and file required documents
- ▶ Check district policy regarding OSO employment of School Board Employees
- ▶ Request copies of W2s and 1099 Miscellaneous Income after they are filed

Volunteers and School Employees

- ▶ All officers and volunteers of the OSO should be registered volunteers. Background checks should be conducted to the level that your school board and state statutes require.
- ▶ An employee of the school should not be authorized to sign checks drawn on the bank account of an OSO operating at that school
- ▶ Two (2) signatures should be required on all OSO checks/disbursements. Persons authorized to sign may not be related nor live in the same household
- ▶ While on duty, School Board employees should not be permitted to handle money that is collected for a fund-raising activity of an OSO at the school in which they are employed during normal working hours. Normal working hours also includes hours worked and paid by a supplement

Red Flags - Types of Activity that Warrant a Closer Look

▶ Cash Collections:

- Lack of dual controls. Funds should never be counted by one person alone
- Cash should not be taken home for counting. Funds should be verified by two people and turned over to the person making the deposit. Receipting documents should be used
- Transfer of custody, noting amount of deposit, should be adequately documented
- Fundraising activity should seem reasonable. Deposits on the bank statement and monthly Treasurer's report should reflect activity

Red Flags - Types of Activity that Warrant a Closer Look

► General Red Flags

- Officers who no longer have students at, or ties to, the school
- Several individuals from the same family leading the OSO
- Documentation not turned in or turned in late
- Bank Statement and Treasurer's report not reconciled or not reviewed by a non-signer
- Leadership out of contact for unusual periods of time
- Deposits not consistent with activities
- Excessive payments to individuals rather than vendors
- Be aware of changes to OSOs income collected for regular events

Recommendations for School Oversight

- ▶ Request with Annual Paperwork:
 - Articles of Incorporation and Bylaws
 - OSO Board of Directors to sign Statement of Ethics
 - Comprehensive OSO Agreement
- ▶ Request with monthly paperwork:
 - Bank Reconciliation completed and signed by two officers
 - Statement of receipts and disbursements
 - Copies of all receipting and disbursement back up documentation
 - Outstanding receipts, expenditures, contractual obligations

Recommendations for OSOs

- ▶ Create procedures for financial activities
- ▶ Standardize documentation for collections, disbursements, and inventory tracking
- ▶ Require invoices for all disbursements and receipts for all reimbursement requests
- ▶ Have “Two Signatures Required” printed on OSO checks
- ▶ Discourage the use of Debit/Credit cards, use only with preauthorization documentation
- ▶ Do not issue checks to school board personnel without confirmation that the correct process is being followed
- ▶ Conduct regular inventories and compare with OSO purchases and collections/sales

Revoking an OSOs Authorization

- ▶ Suggested Process should be included in agreement
- ▶ The principal may revoke the authorization to use the school's name, logo, mascot, or trademark if the principal determines that the OSO has failed to comply with the terms of this policy
- ▶ In the event an OSO's authorization to use the school's name, logo, mascot, or trademark is revoked, within three (3) business days of the final decision the OSO should deposit all of the funds in its possession into the school's internal funds account to be utilized by the school for the benefit of the school
- ▶ The OSO should amend its articles of incorporation and bylaws to change its name so as to not indicate any affiliation with the school, or file the appropriate documentation to dissolve the corporation with the Florida Department of Corporations.

References

- ▶ Klein, R. (2012, May 30). How to Avoid Employee Theft (Part 1 of 2). Retrieved January 30, 2018, from <http://www.scblaw.com/blog/news/post/how-to-avoid-employee-theft-part-1-of-2>
- ▶ National Booster Club Training Council . Retrieved February 06, 2018, from <http://www.training.boosterclubs.org/index.htm>
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