

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

Section 1001.453(2)(b), Florida Statutes

A district school board shall:

- Prescribe by rule conditions with which a district school board direct-support organization must comply in order to use property, facilities, or personal services of the district.
- The rules shall provide for budget and audit review and oversight by the district school board and the department.

Why is Oversight Necessary

Red Book Chapter 8 Section I - Principals

- All organizations of the school, or organizations operating in the name of the school, that obtain money from the public shall be accountable to the board for receipt and expenditure of those funds in the manner prescribed by the board.
- If approved by the district school board, a school-based, direct-support organization as defined under Section 1001.453, Florida Statutes (F.S.), may have all financial transactions accounted for in school internal funds.

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 the OSO to obtain written permission from the school for the OSO to use the name, logo, mascot, or trademark of the school as part of the OSO's name and in its fundraising/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 regarding self inurement. Fair-share and buy-out options violate federal laws regarding fundraising for a non-profit group
- ▶ Discuss budget, profits, projects to be funded

Oversight

- ▶ Collect and review the following 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)

Monthly Oversight

- ▶ Collect and review the following documents on a timely basis:
 - Monthly Bank Statement
 - Monthly Financial Statement/General Ledger/Transaction List - including total receipts, total disbursements and cash balance.
 - Monthly Bank Reconciliation
 - Annual Treasurer's Report
 - Annual completed Audit Report

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.
- ▶ OSO checks should be designed so that two (2) signatures are 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.

Actual Industry Case Study

- ▶ A district employee was treasurer of all sport OSOs at the school for many years
- ▶ One bank account/one check register was used for all sport OSOs
- ▶ **Provided to Auditing:**
 - Bank statements for the period
 - Check register for the period
 - Individual transaction ledgers for most of the ten sport OSOs for the period
 - A folder of disbursement documents
 - A folder of receipting documents
 - Four invoices for large amounts which had not been paid

Results from audit review

- ▶ The check register did not match the bank statements and bank reconciliations were not provided.
- ▶ The combined total of all the individual ledgers did not match the check register and some sport ledgers were missing.
- ▶ The four invoices presented totaled \$10,000 and the cash in the bank totaled \$25.
- ▶ The combined total of the balances that each sport thought they had in their individual accounts was \$30,000.
- ▶ The organizations did not have insurance.
- ▶ Receipting and disbursement documentation was incomplete.

What Happened

► Receipts

- Many collections were comprised of checks and cash. The treasurer pocketed the cash and deposited the checks.
- Receipting documentation was modified, incomplete, not relevant or did not exist - paver sale, donation form.
- Receipts listed in the check register were recorded by gross deposit with very brief descriptions. Receipts in the individual sport ledgers were sporadic with insufficient identification and missing dates. The two documents could not be reconciled.
- Funds were receipted to the bank from Paypal, however the timing of collection did not match the timing of the transfer from Paypal.

What Happened

▶ Disbursements

- Cash was withdrawn from the ATM with no explanation or receipt of purchase.
- Checks were written for cash with no explanation or receipt of purchase.
- Checks were written to individuals to purchase items for the OSO, however there was no record of excess cash being returned or deposited.

Red Flags - Types of Activity that Warrant a Closer Look

- Officers without ties to the school or retain office for a significant period of time
- Officers/leaders from the same family
- Missing, late or incomplete documentation
- Inappropriate documentation
- Bank Statement and Treasurer's report which do not reconcile
- Deposits not consistent with activities, expected revenue
- Excessive payments to individuals rather than vendors
- Decreases in OSO income collected for reoccurring events
- Cash withdrawals or checks written for cash

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, record of insurance, and budget
- ▶ Request with monthly paperwork:
 - Bank Reconciliation completed, signed by two officers, matches bank statement and matches the GL.
 - Statement of receipts and disbursements, which is accurately totaled and matches the bank reconciliation.
 - Copies of all receipting and disbursement documentation, which matches the activity on the GL and is signed by donor or two individuals receipting the money.
 - Outstanding receipts, expenditures, contractual obligations, which should be reasonable.

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>
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