

EXECUTIVE SUMMARY

The Office of Internal Audit reviewed the existing regulations and guidelines for conducting fundraising activities in Fairfax County Public Schools (FCPS) for completeness and to ensure compliance with better practices when compared with other jurisdictions. While the review found that there is a comprehensive framework of policy guidance available, there are several opportunities for enhancement:

- Fundraising activities are an essential component in providing a rewarding and enriching experience for FCPS students. Fundraising activities can be classified as either school-sponsored or non school-sponsored. This distinction is important as it determines which guidelines apply to the activity and whether FCPS carries liability for the risks associated with the activity. There is a conflict in the available documentation about how this distinction is drawn and there is a need for this issue to be clarified.
- * The primary guidance for fundraising is found in Regulation 1370 *Fundraising*; however there are numerous policies and regulations which are also relevant to fundraising activities. In some cases, there are conflicts between the documents which can be confusing and misleading. It would be beneficial to include reference to each of these documents in Regulation 1370 *Fundraising*, providing a one-stop resource for schools.
- Principals, or designee, are currently authorized to approve fundraising requests, providing certain criteria are met. A checklist document could be a convenient way of ensuring all fundraising activities comply with the relevant guidelines and regulations, in particular ensuring that risks to student safety are considered as a priority.
- It is difficult to quantify the amount of funds being receipted into Local School Activity Funds (LSAF) as a result of fundraising; however, a review of a sample of 2014 trial balances provides a conservative estimate of \$5.7 million across the school system. There is currently limited guidance on how these funds are recorded, making it difficult to get a true picture of fundraising amounts. Tighter controls over the accounting of these funds are considered important.

Other recommendations include providing a reference to the national nutritional standards, clarifying the allowable percentage of profit, removing the discretion to use funds raised for other purposes, providing region assistant superintendants with copies of annual fundraising plans, and re-designating the Department of Financial Services as the department with responsibility for Regulation 1370 *Fundraising*.

SCOPE AND OBJECTIVES

The review of fundraising was limited in scope to the documented guidelines and regulations and did not include testing of any fundraising activity in the school system. The review was conducted in accordance with generally accepted government auditing standards, except for peer review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on

our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives. The objectives of the review were as follows:

- document and evaluate the processes for management oversight, training, resources and expectations;
- document and evaluate the guidelines for recognizing booster clubs and PTAs, how to raise money, how to conduct themselves, and reporting requirements; and ✓
- determine if the documented processes provide an adequate control environment.

METHODOLOGY

The review involved the research, documentation, and analysis of available directives and guidance system-wide and the cross-comparison of content for consistency, completeness, and to determine if there was adequate oversight for the process. In addition, interviews were conducted with the Department of Communications and Community Outreach, the office of Risk Management, the Comptroller, and the Office of Safety and Security. Cross-jurisdictional comparisons were performed with other school districts to determine better practices in the area of fundraising. To obtain a better picture of the amount of funds raised across the Division, the trial balances for twenty schools were reviewed for fundraising data. The twenty schools comprised one high school, one middle school, and two elementary schools from each region.

The FCPS Office of Internal Audit is free from organizational impairments to independence in our reporting as defined by government auditing standards. The office reports directly to the School Board Audit Committee. We report the results of our audits to the Audit Committee and the reports are made available to the public.

BACKGROUND

Fundraising refers to the raising of non-appropriated money by students and others for the educational benefit of students and their schools. Fundraising is recognized as an important adjunct to the existing funding sources, providing students with an enhanced learning experience through the operation of special interest clubs and athletic activities. Fundraisers can be classified as school-sponsored, involving students and faculty, or non school-sponsored, usually involving the PTA or a booster club. All fundraising activities are to be approved at the school level by the principal and an annual fundraising plan is to be completed at each school. The question of whether a fundraising activity is school-sponsored is important, as it determines which guidelines apply to the activity, whether the funds are receipted directly to the school, and whether FCPS assumes any and all liability associated with the activity. PTAs and booster clubs are independent organizations and account for fundraising separately, although principals are still required to authorize these activities. ✓

There is no centralized monitoring of fundraising, with each school assuming responsibility for planning and managing these activities. A number of FCPS documents exist to provide guidance to schools in planning and conducting fundraisers to ensure that the interests of students and the community are protected. These include, but are not limited to:

- Regulation 1370 *Fundraising*;
- Regulation 5810 *School Activity Funds Management*;

- Regulation 8424 *Community Use*;
- Regulation 8420 *Community Use of School Facilities*;
- Regulation 8424 *Booster Club and PTA managed activities*;
- Office of Risk Management: fact sheets including parental authorizations, supervision of students, sponsorship of activities and events, prohibited student activities, and various activity-specific fact sheets;
- Regulation 1375 *Charity Drives*;
- Regulation 3014 *Book Fairs*; and
- New Guidelines on Snacks Sold in First 30 Minutes After School, a subsidiary of the USDA Smart Snacks in School Fundraisers Guidelines and National Nutritional Standards.

In addition, the newly released School Finance Handbook contains some reference to fundraising activities. It is noted that, as at September 2014, Regulation 5810 *School Activity Funds Management* was under review. It is not considered that proposed revisions will have a material effect on the findings of this review.

AUDIT RESULTS, RECOMMENDATIONS, AND MANAGEMENT RESPONSE

The findings and recommendations of the review of fundraising processes are listed below in decreasing order of significance.

Note: *The majority of recommendations made in the body of this report have been implemented in the proposed revisions to Regulation 1370 Fundraising as a result of discussion with the relevant departments. The Office of Internal Audit will conduct a follow-up review to ensure compliance with recommendations once the proposed revisions have been approved.*

1. Inconsistency in definition of “school-sponsored” fundraising

FCPS has a robust framework of guidelines supporting fundraising activities. However, these guidelines can only be applied to fundraising activities that are defined as school-sponsored. Organizations such as PTAs and Booster Clubs are legally separate entities and cannot be compelled to comply with FCPS regulations. Further, if an activity is considered to be school-sponsored, FCPS assumes all legal risk and liability; therefore, it is important to ensure that the guidelines designed to promote student safety are complied with. School sponsored activities trigger the requirement for a range of additional measures such as:

- Parental authorizations (also known as permission slips)
- Supervision of students requirements (adult-student ratios)
- Oversight and presence of FCPS employee/s
- Advertisement of the purpose of the fundraising activity and how funds will be spent
- Cash control and documentation measures.

All funds raised through school-sponsored fundraising activities must be receipted into the local school activity funds.

Therefore, the distinction between school-sponsored and non-school-sponsored activities is important and should be clearly defined. However, there are inconsistencies in the guidelines about what is considered school-sponsored. Regulation 5810 *School Activity Funds Management* draws a distinction between activities that are supported by PTAs and booster groups and those that are sponsored by them. For the purposes of this review, it is assumed that the distinction is intended to represent the difference between school-sponsored and non school-sponsored. The inconsistency between Regulations 5810 *School Activity Funds Management* and 1370 *Fundraising* is represented at Table 1.

Table 1: Definition of school-sponsored activity

Regulation 5810	Regulation 1370
School-sponsored (PTA supported): to provide assistance ... without in any way controlling or directing any aspect of the activity.	School-sponsored: involvement of students
Non school-sponsored: to sponsor ... is to accept full responsibility for controlling and managing the activity, to include purchasing; selling; accounting; paying all obligations; and complying with all federal, state, and local laws and ordinances.	Non school-sponsored: no involvement of students.

This inconsistency results in uncertainty for school in determining who is the sponsor of a fundraising activity and could leave FCPS and/or students exposed to an unacceptable level of risk. It also provides uncertainty about the control of funds raised and whether they should be receipted directly to FCPS or at the discretion of the PTA/ booster club.

It is recommended that the Department of Financial Services clarify the definition of school-sponsored activities and update Regulation 5810 *School Activity Funds Management* and Regulation 1370 *Fundraising* accordingly.

Management Response: Management concurs and the proposed revisions to Regulation 1370 *Fundraising* address the recommendation.

2. Consolidation of guidance to a single regulation

There are a number of regulations and guideline documents providing a framework for schools seeking guidance on conducting fundraising activities. The primary guidance material can be found in Regulation 1370 *Fundraising*. However, compared with documentation available in other jurisdictions, Regulation 1370 *Fundraising* does not provide comprehensive coverage of all the issues that may impact on fundraising. Additionally, there are some areas of conflict between the various documents.

Specifically, the following are considered relevant for inclusion or clarification in the fundraising guidelines:

a. Risk Management and Student Safety

There is an emphasis on the fiscal impacts of fundraising, but little information about managing student safety. FCPS does, however, have a great deal of information surrounding the management and mitigation of risks to student safety. This information

is available in the form of fact sheets relating to specific activities, a listing of prohibited student activities, liability requirements for certain activities, and crowd management guidelines. It is not intended that Regulation 1370 *Fundraising* replicate the information contained in these resources, but should cross-reference these safety guidelines where applicable to provide more comprehensive and centralized fundraising guidance.

b. *Nutrition Standards*

The United States Department of Agriculture (USDA) has recently issued national nutrition standards for foods served in school. These standards are to be implemented commencing in the 2014-2015 school year. These standards cover all food available in schools during the school day up to thirty minutes after the conclusion of the school day, whether sold through Food and Nutrition Services, vending machines, or student activities. The USDA has also issued guidelines for conducting fundraising activities involving the sale of food.

c. *Profit*

Regulation 5810 *School Activity Funds Management* provides that the sales price of items sold to students shall be set to avoid losses or excessive profits. As an example, Policy 5830 *School Stores* provides that profits should not exceed 25%. For consistency, it is considered that the fundraising guidelines should reference a similar restriction to avoid excessive profiteering at the expense of students.

d. *Spending of funds raised*

There is currently an inconsistency between Regulation 5810 *School Activity Funds Management* and Regulation 1370 *Fundraising* in relation to spending funds raised in accordance with the advertised purpose of the fundraising activity. Regulation 5810 provides that:

- Specific revenue ... obtained from a one-time approved project or event that is considered conducted by and for a specific purpose or a specified group of students ... should be applied only for the benefit of the student organizations concerned or for the specific purpose for which the revenue was obtained; and
- The intended purpose of fund-raiser proceeds shall be clearly defined to the public before the onset of the fund-raising activities.

Regulation 1370 *Fundraising* provides: "All funds raised in the name of the school and accounted for in the school activity fund records become the property of the school ... in cases in which funds are raised for a specific purpose and the funds subsequently are not used for this purpose ... an alternative use for the funds shall be determined by the principal".

It is considered that there should be consistency between the regulations on this point and Regulation 1370 *Fundraising* should be updated to require funds be spent in accordance with the purpose for which they were raised.

The fundraising regulation is the central document providing guidance on fundraising activity and it is considered that it would provide a greater degree of clarity if it contained reference to all sources of information that impact on fundraising issues.

It is recommended that the Department of Financial Services update Regulation 1370 *Fundraising* to include references to the various complementary regulations and guidelines.

AND

It is recommended that the Department of Financial Services update Regulation 1370 *Fundraising* to address inconsistencies relating to spending funds raised for a specific purpose.

Management Response: Management concurs and the proposed revisions to Regulation 1370 *Fundraising* address the recommendation.

3. Standardized approval form

The documented fundraising framework requires a number of issues to be taken into consideration before a principal approves any request for a fundraising activity, whether it be school or non school-sponsored. It may be helpful for fund sponsors to complete a standardized approval form, documenting the required information. For guidance purposes only, a draft Fundraising Approval Checklist form has been developed for consideration (see Attachment A). Attachment A is provided as an illustration only and does not form part of the recommendation. Such a form would provide assurance to the principal that appropriate consideration has been given to relevant risk factors and budget issues.

It is recommended that the Department of Financial Services develop and implement a standardized approval form for fundraising activities.

Management Response: Management concurs and the proposed revisions to Regulation 1370 *Fundraising* address the recommendation.

4. Consistency in recording funds received from fundraising activities

Funds raised through the use school-sponsored fundraisers are required to be receipted into local school activity funds. However, there is no additional guidance on where in the chart of accounts the funds are to be recorded. As part of this review, trial balances for twenty schools, representing approximately 10% of the division were reviewed as follows:

- One high school from each of the five FCPS regions;
- One middle school from each region; and
- Two elementary schools from each region.

To ensure appropriate coverage within regions, schools were selected from different pyramids within each region. The review revealed a degree of inconsistency in how the funds are recorded.

There is also a wide variation in the amount of funds raised. To provide a framework for the discussion on this point, the total amount of fundraising funds recorded across the selected schools was \$566,442.70. This figure represents amounts recorded in accounts with a xxxxx-xx-45 structure. If this is extrapolated across the division, fundraising provides approximately \$5.7 million of revenue to local school activity funds. However, this is considered to be a very conservative estimate as there is no requirement for schools to use

a particular account to record fundraising income. Some schools use a single account to record fundraising monies, others use a separate account for each activity (for example, band, athletics, etc...), while it is unclear in others where the funds are receipted. Given the significant amount of funds provided through fundraising activities, it is considered that requiring schools to channel all funds through a general fundraising account would allow greater transparency in revealing the amount and source of revenue for individual schools. Schools could then transfer funds to the relevant activity fund.

This is consistent with the advice provided in the recently released School Finance Handbook which recommends that schools use the General Fund Raising Account 35300-00-45 for fundraising activities with profits to be transferred to the relevant activity fund on completion.

It is recommended that the Department of Financial Services update Regulation 1370 *Fundraising* to require all fundraising revenue be receipted into the general fundraising account at each school.

Management Response: Management concurs and proposes to address the recommendation when the existing automated accounting system is updated and a new chart of accounts developed.

5. Oversight at the regional level

There is currently no central monitoring of fundraising activities, with all responsibility devolved to individual school principals. The principal is appropriately positioned to determine the individual needs of students within the school community and the associated fundraising requirements. However, in five out of eight of the other school districts reviewed, responsibility for approval of fundraising activity occurred at a higher level. The rationale for this varies across jurisdictions, but it appears better practice to provide a higher level oversight, given the amount of funds involved and the impact on the community. Regulation 5810 *School Activity Funds Management* requires principals to prepare an annual fundraising plan and consult with the principals of neighboring schools to minimize the impact on the community of multiple fundraising drives.

The review of a sample of school trial balances also revealed a significant difference within and across regions in terms of fundraising activities and elevation of the information to a higher level allows a greater understanding of inequities within a region. Submission of annual fundraising plans to the region assistant superintendent, for information, will provide for greater oversight of fundraising activities. Some school divisions require an annual fundraising plan to be submitted to central office at the commencement of the year with an updated version submitted in January with amendments. This ensures that the fundraising efforts are spread across the division and the community is not inundated with drives at the same time of year.

It is recommended that the Department of Financial Services update Regulation 1370 *Fundraising* to require school principals to submit an annual fundraising plan to the relevant region assistant superintendent with a revised plan to be submitted in January if required.

Management Response: Currently this is not addressed in the proposed revisions to Regulation 1370 *Fundraising*. However, revisions to Regulation 1370 now require that all fund-raising activities conducted online are reviewed by the regional assistant superintendent. The Office of the Comptroller will schedule a meeting with region assistant superintendents and a principal focus group to discuss and develop feasible best practices for fundraiser approval levels.

6. Door-to-door solicitations

There are numerous fact sheets available to maximize student safety during activities, including fundraising. However, a review of other school districts identified a potential gap in relation to door-to-door solicitation. Regulation 1370 *Fundraising* provides that elementary school students are prohibited from conducting door-to-door solicitation, and middle and high schools are limited to two school-wide school-sponsored door-to-door solicitation activities each year. However, individual activity clubs may conduct as many door-to-door solicitations as is approved by the principal. The rationale for other jurisdictions restricting or prohibiting these activities is that solicitations represent an unacceptable risk to student safety.

It should be noted that if the fundraiser involves students, it is considered school-sponsored and organizers are required to obtain permission slips from parents and the student-adult supervision requirements come into effect. However, additional restrictions may be appropriate to be in line with better practice identified in other jurisdictions. These include requiring a buddy system to ensure that students are never alone, a responsible adult maintaining a visual on students at all times, and prohibiting solicitations after sunset.

A risk assessment of door-to-door solicitation should be performed to determine whether the risk to student safety is acceptable and whether any restrictions may be appropriate to reduce that risk to an acceptable level.

It is recommended that the Office of Risk Management and the Office of Safety and Security collaborate to perform a risk assessment of door-to-door solicitations and either add to the list of prohibited student activities or develop a fact sheet outlining mitigation strategies.

Management Response: Management concurs and the proposed revisions to Regulation 1370 *Fundraising* address the recommendation, incorporating recommendations made by the Offices of Risk Management and Security and Safety.

7. Designation of responsible department for fundraising guidelines

Regulation 1370 *Fundraising* currently designates the Department of Communications and Community Outreach as having responsibility for the management of the regulation. However, the department's responsibilities do not encompass fundraising activities. It is considered that the Department of Financial Services is the most appropriate department to have responsibility for the administration of the regulation as staff in that department have primary responsibility for both the fiscal and risk management aspects of fundraising activities. It is anticipated that there be some collaboration with the Office of Safety and Security for some of the issues pertaining to fundraising.

It is recommended that the Department of Financial Services update Regulation 1370 *Fundraising* to designate the Department of Financial Services as the responsible department.

Management Response: Management concurs and the proposed revisions to Regulation 1370 *Fundraising* address the recommendation.

Attachment A: Example Fundraising Approval Form

Note: provided for illustrative purposes only, is not intended to form part of a recommendation

FUNDRAISING – REQUEST FOR APPROVAL

Name of Activity Fund: _____

Name of Sponsor: _____

Proposed fundraising Activity: (provide all details, including expected involvement of students)

Proposed Date: _____

Sponsored by: School Other (Specify) _____

Is a fundraising organization to be contracted:

- No
 Yes

NOTE: If not using an approved vendor, please contact Procurement Services
If contract contains indemnity clauses, please contact Office of Risk Management
Full disclosure to parents is required regarding contract

Budget Information

Expected Expenses: _____ Expected Proceeds: _____

Fund sponsor declaration:

I have read and agree to comply with the guidelines contained within Regulation 1370 *Fundraising*.

I have reviewed risk management fact sheets where relevant:

- Yes No Not relevant

Parental permission slips will be obtained:

- Yes No Not required

Activity complies with National Nutrition Standards:

- Yes No Not relevant

Signature of Fund Sponsor: _____

Date: _____

Principal Approval: Yes Rejected (Reason) _____

Signature and Date: _____ / /