



TO: Ehren Jarrett, Superintendent
Matt Vosberg, Deputy Superintendent
Earl Dotson, Chief of Communications

Cc: Michelle Jahr, Chief Financial Officer
Lori Hoadley, General Counsel

FROM: Roman Gray, Internal Auditor

DATE: January 29, 2019

SUBJECT: PTO Organizations: Administrative Relationship and Fundraising Concerns

It has recently been determined by Internal Audit that the Rockford School District is exposed to certain risks due to current procedures regarding Parent-Teacher Organizations and Booster Clubs, and their activities at District schools. Recognizing that these organizations provide an invaluable service to RPS, Internal Audit has prepared recommendations for improvements to the administrative procedures that authorize these groups to operate in cooperation with RPS teachers, students, and parents.

OVERVIEW

There are currently 33 active PTO/Booster Club groups at District schools. (This number fluctuates due to the periodic ebb and flow of parents and volunteers as the school years come and go.) These organizations are commonly involved in fundraising activities, raising funds in a myriad of ways for the benefit of students. Due to the fact that these are separate organizations, and are not operating under the authority of the RPS Board, they are not directly subject to the fundraising and cash-handling guidelines established by Board policies and administrative regulations. As a result, internal controls and safeguards over funds may not be existent in PTO/Booster Club activities: this potentially exposes District students and parents to the possibility of fundraising efforts where the resulting funds could be mishandled and exposed to theft or abuse. Although RPS is a separate entity and bears no responsibility for fraud, theft or abuse that might occur, the opinion of Internal Audit is that it is in the best interests of RPS to foster strong PTO/Booster Club organizations and reduce the risk of inappropriate activity where possible.

Board Policy 8.90 directly addresses PTO's, Booster Clubs, and Community Fundraising Organizations, establishing the administrative policy for their operation. RPS has strategically placed the Family and Teacher Engagement (FACE) department¹, in Communications Services, as the administrative liaison between RPS and the PTO/Booster Clubs.

¹ Formerly the PACE (Parent & Community Engagement) department.

Recently, an issue was brought to the attention of Internal Audit, concerning missing funds at Riverdahl Elementary School². This issue emerged due to a fundraiser that was conducted where there was significant confusion of whether the activity was under the school’s supervision, or under the oversight of the Parent/Teacher organization. Upon investigation, the activity appeared to be more characteristic of a school fundraiser; however, the Principal, teachers, staff, and Parent/Teacher organization were led to believe that it was a “PTO fundraiser”, and it was permitted to be conducted outside of the District’s fundraising guidelines. Approximately \$3,200 in cash was unaccounted for at the end of the activity. Furthermore, there are parents that are likely upset at the District and Riverdahl Elementary for the failure of the fundraiser. This activity (that was intended to increase the funds available for the benefit of the students) actually resulted in the expending of all available Parent/Teacher funds, in order to cover the items ordered from the fundraising company. There is a projected shortfall of several hundred dollars due to the fundraising company for orders that were placed and paid for by parents (or other payers), and as this exceeds the Parent/Teacher organization’s available funds, it is expected that the shortfall will have to be covered by Riverdahl’s school activity funds.

OBSERVATIONS

The volunteers that serve in PTO/Booster Clubs in leadership positions are likely to not have experience or expertise in business or financial matters. As a result, these groups may be susceptible to a higher risk for undesirable or inappropriate activity, such as fraud, theft or abuse of funds. For example, the following observations were made regarding the fundraiser at Riverdahl:

1. The Riverdahl PTC³ has recently re-organized and the documents and EIN that are on file are not renewed or updated under the new group. The FACE department was not informed of the changes or the lapsed status of the group.
2. The PTC at Riverdahl had no bank account at the time that the supposed fundraiser began; therefore, there was no place to deposit the funds.
3. There was no procedure established for receiving, handling, and safeguarding funds that were turned in after being collected by the students.
4. There was no process established for the PTC to supervise the handling of funds by the Parent Liaison (a District employee) that was managing the fundraiser.

At the time of this report, there are 33 active PTO/Booster Clubs at the District. The following additional observations were made by Internal Audit, based on the FACE department’s PTO/Booster Club listing:

1. The file for by-laws, as maintained in the FACE department, is not complete. Only 5 have by-laws on file that have been updated since 2015.
2. 11 of the PTO/Booster Clubs on file do not have an EIN (Employer Identification Number).
3. 7 of the active PTO/Booster Clubs listed do not have any by-laws on file.

² This issue was addressed in an internal audit report issued on 12/21/2018.

³ This organization has chosen to operate as a “PTC”, a Parent-Teacher Committee.

RECOMMENDATIONS

Internal Audit recommends the following improvements to the existing framework for administering the relationship between the District and its Parent/Teacher organizations:

1. The Superintendent's Office should not approve any PTO/Booster Clubs for operation at District schools before documents are closely scrutinized for acceptability under Board Policy 8.90. Prior to being presented to the Superintendent's office, the FACE department should review these documents, verify compliance and completeness, and recommend them for the Superintendent's approval.
2. Acceptable by-laws should be required to be complete and on file prior to granting Superintendent approval.
3. A standard for minimum officer requirements (president, treasurer, secretary, etc.) should be established and adhered to.
4. A date should be established at or near the beginning of each school year, when each PTO/Booster Club should be required to renew or re-certify its by-laws and other documents. This renewal should require re-approval by the Superintendent each year in order for the organization to operate in a District school.
5. The school cash-handling manual, issued by the Finance Department, states that PTO/Booster Club funds should not be stored in the school safe, and that District employees may not collect money for PTO/Booster Club activities on District time. Internal Audit recommends that this guideline be reviewed by the Superintendent and his cabinet for appropriateness.
 - a. The process for receiving funds should be established for fundraising activities. This should address the following:
 - i. How will funds be received at the schools, if applicable?
 - ii. How will funds be safeguarded if they are received on school property?
 - iii. How will fundraisers be officially authorized by a PTO/Booster Club? It is recommended that fundraisers be authorized at the organization or club's board meeting, and that meeting minutes be kept for all such meetings.
6. A PTO/Booster Club resource page should be established on the District website, with helpful information and links, so that individuals working with these organizations can find assistance when needed. This information should be in the form of "suggested best practices", as opposed to required procedures.
7. It is in the schools' best interests to facilitate strong relationships between parents, teachers, and schools. If a PTO/Booster Club cannot be established in a school, the school Principal and administration should devise methods for conducting fundraisers with the cooperation of parents and teachers where possible. In such cases, the fundraisers would be subject to the policies and Administrative Regulations that govern all District fundraising.

CONCLUSION

Amy Ekstrom, Parent & Community Liaison in the FACE department, has maintained a positive long-standing relationship with Internal Audit, and the insight and information that she provided for this audit report is appreciated. She is coordinating a training workshop for PTO leaders (and any interested school principals), and at her request, Internal Audit plans to provide some of the training for the event.

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