



*"Making a Positive Difference"*

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### 2011-2012 Outside Support Organization – Compliance Review

Audit Number: 2012 - 001

Report Date: April 16, 2012

Period Covered: 2011 – 2012 School year

Fieldwork Dates: October 1, 2011 – March 31, 2012

We have completed our review of the Outside Support Organizations for the Escambia County School District for the 2011-2012 school year. This report contains the results and recommendations of our review.

#### **EXECUTIVE SUMMARY**

The Escambia County School District (the District) supports and endorses its citizens to form Outside Support Organizations (OSOs). These organizations support individual schools or activities at a school. To assure proper accounting of funds and to protect volunteers, OSOs agree to comply with the provisions of the policies outlined in the District's Guidelines for Outside Support Organizations handbook (OSO Guidelines).

It is the responsibility of the school's principal to provide oversight by obtaining required documentation, as outlined in the OSO Guidelines. It is the OSO's responsibility to provide timely and adequate documentation to the principal. The objective of this review was to ensure the principal obtained the required documentation for each OSO affiliated with their school, to assess the timeliness and adequacy of the documentation provided by each OSO, and to determine the amount of funds flowing through the OSOs.

We contacted 51 schools and identified 42 schools as having a total of 88 active PTAs and/or booster clubs. Principals were notified of our OSO review several weeks in advance, giving them sufficient time to secure the required documentation. During our review, we attempted to test the existence of required documentation as outlined in the OSO Guidelines. The required documents tested in this review included: Annual Authorization Form for each OSO, listing of OSO officers (identifying ECSD employees), meeting minutes, prior year audit, and current year budget. We examined the documentation provided by each OSO to determine its timeliness and adequacy. In addition, we compiled relevant financial information.

**During our initial visit, 27 schools (64.29%) did not have the required documentation on file and available for review. Additional time was given to these schools to secure the missing documents. By the end of our review, only one of the 42 (2.38%) schools failed to provide all of the required documentation for its OSOs. Schools should have on file the documents requested during this review on a current and on-going basis, regardless if the Office of Internal Auditing is conducting an audit or review. By obtaining and reviewing the documents throughout the year, principals are ensuring proper oversight of the OSOs.**

The required documentation is expected to be provided to the principal in a timely manner, allowing principal oversight of the OSO's activities and financial status. **As stated above, the OSOs affiliated with the 27 schools did not provide the required documentation to the school's principal until they were contacted several times during this review.**

The required documents outlined in the OSO Guidelines were examined to determine adequacy. **The majority of the OSOs' prior year audits were inconsistent with expected language. Specifically, wording such as "we have examined the books and find them to be correct/incomplete/substantially correct" or similar language was omitted from the prior year audits. All other required documentation was deemed adequate, both in form and substance.**

OSOs may operate either through or outside of school internal financial accounts. In an effort to determine the amount of OSO funds that flow outside school internal financial accounts annually, the OSOs' prior year audits were reviewed. The total of all OSOs' income and the total of all OSOs' expenses were compiled. **For OSOs that operate outside school internal financial accounts, we noted a total of \$1,718,670 in income and \$1,733,777 in expenses for 2010-2011 fiscal year. The financial activity for OSOs that utilize school internal financial accounts is included in the overall income and expenses of school internal financial accounts, as reported in the 2010-2011 District-Wide Audit of School Internal Accounts.**

## **DETAILED RESULTS**

### **Background**

The District supports and endorses its citizens to form Outside OSOs. These organizations support individual schools or activities at a school. Examples of such organizations include Parent Teacher Associations (PTA) and booster clubs (e.g. Quarterback Clubs, band boosters, etc...). Schools are encouraged to join the Escambia County Council of PTA's (ECCPTA). The activity of organizations may either operate through or outside of school internal financial accounts. The District has established certain guidelines for support organizations that operate outside of internal accounts, such as requiring the organizations: to obtain annual permission from school principals to use the name, logo, mascot or trademark of a school; to use sound accounting procedures and bookkeeping systems; and to provide for an annual audit of their records. These requirements are outlined in the OSO Guidelines. To assure proper accounting of funds and to protect volunteers, OSOs agree to comply with the provisions of the policies outlined in the OSO Guidelines.

To ensure proper oversight, the OSO Guidelines list specific documentation, which school principals should obtain from the OSOs affiliated with their school and have available for audit. These documents include: Annual Authorization Form for each OSO, listing of OSO officers (identifying ECSD employees), meeting minutes, prior year audit, and current year budget. These documents should be adequate and be provided in a timely manner.

### **Objective**

The objective of this review was to ensure the principal obtained the required documentation as outlined in the OSO Guidelines for each OSO affiliated with their school, to assess the timeliness and adequacy of the documentation provided by each OSO, and to document the amount of funds flowing through the OSOs.

### **Scope**

The scope of this review included all schools reporting OSOs. We acquired and reviewed various documents, including the District's Guidelines for Outside Support Organizations handbook. This review was applied to the period July 1, 2011 through March 31, 2012.

### **Methodology**

To determine our sample, we contacted 51 schools and requested each to provide our office the official names of all OSOs affiliated with their school. Of the 51 schools, 42 reported having one or more active PTAs and/or booster clubs. Nine schools reported no active OSOs. At the secondary grade level, we noted an average of seven OSOs per school for high schools. In all, 88 active OSOs were identified.

Schools with reported OSOs were notified of our OSO compliance review. The notification included a listing of the required documents expected to be available for review as outlined in the OSO Guidelines. Principals were notified several weeks in advance to allow them sufficient time to secure the required documentation.

We examined the following required documentation for existence, timeliness and adequacy:

1. Annual Authorization Form for each OSO
2. List of OSO officers (identifying ECSD employees)
3. Meeting minutes
4. Prior year audit
5. Current year budget

We compiled financial information from OSOs' prior year audits in an effort to determine the amount of funds that flow through OSOs annually.

### **Conclusions/Results**

*During our initial visits, 27 schools (64.29%) did not have the required documentation on file and available for our review. Principals had not obtained all required documentation from their OSOs in a timely manner, as well as, OSOs had not provided all required documentation requested by principals. Additional time was given to these schools to secure the missing documents. By the end of our review, only one of the 42 (2.38%) schools failed to provide all of the required documentation for its OSOs.*

The required documents outlined in the OSO Guidelines were examined to determine adequacy. *The majority of OSOs' prior year audits reviewed were inconsistent with expected language. Specifically, wording such as "we have examined the books and find them to be correct/incomplete/substantially correct" or similar language was omitted from the prior year audits. All other required documentation was deemed adequate, both in form and substance.*

In an effort to determine the amount of OSO funds that flow through outside school internal financial accounts annually, the OSOs' prior year audits were reviewed. The total of all OSOs' income and the total of all OSOs' expenses were compiled. *For OSOs that operate outside school internal financial accounts, we noted a total of \$1,718,670 in income and \$1,733,777 in expenses for 2010-2011 fiscal year.* The financial activity for OSOs that utilize school internal financial accounts is included in the overall income and expenses of school internal financial accounts, as reported in the 2010-2011 District-Wide Audit of School Internal Accounts.

### **Recommendations**

Schools should have on file the documents requested during this review on a current and on-going basis, regardless if the Office of Internal Auditing is conducting an audit or review. The Annual Authorization Form should be completed at the beginning of each school year. The listing of OSO officers, prior year audit, and the current year budget should be obtained at the beginning of each school year. OSO meeting minutes should be submitted throughout the year, as meetings occur.

We offer the following recommendations:

1. To ensure principals have an understanding of what required documentations they are to obtain from their OSOs, **we recommend the principals at each school review the District's Guidelines for Outside Support Organizations handbook.**
2. The current Outside Support Organizations handbook was developed in 1998-1999. It contains outdated guidance and obsolete technical references and forms. **We recommend the District establish a committee to review, update, and reissue the handbook.**

3. To ensure principals or their designees have complete documentation from all of the OSOs affiliated with their schools, **we recommend the principal establish a procedure to ensure they are obtaining all required documentation for all of the OSOs affiliated with their school (e.g. log sheet).**
4. To ensure OSOs have an understanding of what required documentation they are to provide to the school's principal, **we recommend OSOs affiliated with each school review the OSO Guidelines.**
5. In addition, **we recommend the principals notify all OSOs that do not provide the required documentation (or adequate documentation) the ramifications for noncompliance.** The OSO Guidelines state the following:
  - The Principal can revoke the OSO's authorization to use the school's name, logo, mascot, or trademark.
  - The Principal will notify the OSO, the Superintendent, and the ECCPTA (when applicable) in writing.
  - The OSO shall within three business days of the final decision deposit all of the funds in its possession into the school's internal funds account to be utilized for the benefit of the school.
  - The OSO shall amend its articles of incorporation and bylaws to change its name so as not to indicate any affiliation with the school. Thereafter, the OSO shall not use the name, logo, mascot, or trademark of the school in any of its fundraising or other activities.

A copy of the Guidelines for Outside Support Organizations is available on both the District Accounting Operations and Office of Internal Auditing websites.

#### **Noteworthy Accomplishments**

The District has established extensive guidelines and forms for schools to utilize with regard to Outside Support Organizations. We would like to recognize the efforts of many of the school principals/designees in obtaining the required documentation for our review.

#### **Statement on Auditing Standards**

This review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditing.



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