

**Follow-up Review of  
Fundraising Activities at  
John F. Kennedy Middle School**

**July 9, 2015**

**Report #2015-09**



### **MISSION STATEMENT**

The School Board of Palm Beach County is committed to providing a world class education with excellence and equity to empower each student to reach his or her highest potential with the most effective staff to foster the knowledge, skills, and ethics required for responsible citizenship and productive careers.

Robert M. Avossa, Ed.D.  
Superintendent of Schools

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**Follow-up Review of  
Fundraising Activities at  
John F. Kennedy Middle School**

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**Follow-Up Review of  
Fundraising Activities at  
John F. Kennedy Middle School  
EXECUTIVE SUMMARY**

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During the *Annual Internal Funds Audits* of John F. Kennedy Middle School for Fiscal Years 2013 and 2014, repeated noncompliance were noted in inventory controls and record keeping for certain fundraising activities. Pursuant to the *Office of Inspector General's (OIG) 2014-15 Work Plan*, a follow-up was performed to review the physical inventory and revenue collections at the school for selected fundraisers during July 1, 2014, through March 5, 2015. The primary objectives of this follow-up were to determine (1) the extent of corrective actions and (2) whether the revenues collected from fundraisers were properly accounted for. This follow-up review produced the following major conclusions.

**1. \$884 in Estimated Fundraiser Revenue Unaccounted For**

During the March 2, 2015, Unannounced Cash Count at the school, two fundraiser collections (handled by two sponsor teachers) kept in the drop-safe had a total cash shortage of \$367, when compared to the amounts indicated on the related *Monies Collected Reports* (MCR).

Due to the (1) noncompliance with fundraising procedures identified in two prior audits: Fiscal Years 2013 and 2014, and (2) discrepancies identified during the March 2, 2015, cash count, a follow-up was conducted to review three fundraisers handled by the above two sponsors. The OIG (1) observed the physical inventory on March 5, 2015, and (2) reviewed the purchasing and revenue collection records during July 1, 2014, through March 5, 2015. These three fundraisers should have generated a total estimated revenue of \$5,468. However, only \$4,584 in sales revenues was deposited into the Internal Funds. As a result, \$884 (16%) in estimated revenues was unaccounted for.

*Management's Response: The Principal concurred with the findings and recommendations. (Please see pages 5 and 6 for details.)*

**2. School Treasurer Misrepresented Information to the Auditor**

Upon OIG's follow-up inquiry of the cash shortages identified during the March 2, 2015, cash count, the school treasurer stated that the sponsors turned in additional money to cover the shortages. Subsequent interviews with the two activity sponsors revealed that they were not aware of the cash shortage, and did not turn in any additional monies.

OIG's conclusions were referred to the Professional Standards and School Police Departments for necessary actions. On June 3, 2015, School Police notified our office that its investigation has been concluded and the conclusions were forwarded to the State Attorney's Office for further actions.

*Management's Response from Chief Operating Officer: As the specific audit recommendations have already been addressed, I have nothing further to add. (Please see page 7.)*

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PALM BEACH COUNTY, FLORIDA

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LUNG CHIU, CIG, CPA  
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## MEMORANDUM

TO: Honorable Chair and Members of the School Board  
Robert M. Avossa, Ed.D., Superintendent of Schools  
Chair and Members of the Audit Committee

FROM: Lung Chiu, CPA, Inspector General

DATE: July 9, 2015

SUBJECT: Follow-up Review of Fundraising Activities at John F. Kennedy Middle School

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### PURPOSE AND AUTHORITY

During the *Annual Internal Funds Audits* of John F. Kennedy Middle School for Fiscal Years 2013 and 2014, we noted repeated noncompliance in inventory controls and record keeping for certain fundraising activities. Pursuant to the *Office of Inspector General's (OIG) 2014-15 Work Plan*, we performed a follow-up review of physical inventory and revenue collections at the school for selected fundraisers during July 1, 2014, through March 5, 2015. The primary objectives of this follow-up were to determine (1) the extent of corrective actions and (2) whether the revenues collected from fundraisers were properly accounted for.

### SCOPE AND METHODOLOGY

This follow-up review covered the period of July 1, 2014, through March 5, 2015, for three selected fundraisers. The follow-up review included:

- Reviewing Internal Funds General Ledger.
- Reviewing revenue collection and disbursement records for the sample fundraisers.
- Observing the physical inventory for the sample fundraisers on March 5, 2015.
- Interviewing school staff.

Draft findings were sent to the management for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the review. The final draft report was presented to the Audit Committee at its July 9, 2015, meeting.

## BACKGROUND

**No Sales and Inventory Records.** During the Audits of Internal Funds for both Fiscal Years 2013 and 2014, we noted that fundraiser sponsors (sponsors) did not complete the required *Ticket Sellers Reports* and *Sales Item Inventory Reports* for six sample fundraisers each year. In addition, the sponsors did not maintain inventory records. Without sales information and inventory records, there is no assurance that all fundraiser revenues are accounted for.

**\$376.35 Cash Shortage.** During our March 2, 2015, Unannounced Cash Count at the school, we noted that five collections for fundraisers in the drop-safe had a net cash shortage of \$376.35, compared to the amounts indicated on the related *Monies Collected Reports* (MCR). Of these five collections, two (handled by two sponsor teachers) of them accounted for \$367 (or 98%) of the \$376.35 shortage.

## CONCLUSIONS

### 1. \$884 in Estimated Fundraiser Revenue Unaccounted For

Due to the (1) noncompliance with fundraising procedures identified during Fiscal Years 2013 and 2014, and (2) discrepancies identified during our March 2, 2015, cash count, we conducted a follow-up review of three additional fundraisers handled by the above two sponsors.

During this follow-up review, we (1) observed the physical inventory on March 5, 2015, and (2) reviewed the purchasing and revenue collection records during July 1, 2014, through March 5, 2015. Based on the school's purchasing records and our observation of physical inventory, these three fundraisers should have generated a total estimated revenue of \$5,468. The review concluded that only \$4,584 in sales revenues was deposited into the Internal Funds, and the other \$884 (or 16%) in estimated revenues was unaccounted for.

Fundraiser		Quantity				Unit Selling Price	Estimated Revenue	Revenue Collected <sup>(4)</sup>	Estimated Revenue Unaccounted For
Name	Sponsor	Purchases <sup>(1)</sup>	Items Given Away <sup>(2)</sup>	Inventory On Hand <sup>(3)</sup>	Sold				
PE Uniforms	Sponsor #1	300	3	21	276	\$10	\$2,760	\$2,380	\$380
Backpacks	Sponsor #1	100	0	0	100	20	2,000	1,700	300
T-Shirts	Sponsor #2	159	0	100	59	12	708	504	204
<b>Total</b>							<b>\$5,468</b>	<b>\$4,584</b>	<b>\$884</b>

(1) Based on the school's purchasing records during July 1, 2014, through March 5, 2015.

(2) Based on interviews with the activity sponsors.

(3) Based on our examination of physical inventory on March 5, 2015.

(4) Sales revenues deposited into the school's Internal Funds.

## Recommendation

Fundraisers should be administered in accordance with ***School Board Policy 2.16*** and the related District guidelines. Specifically,

- Fundraisers should be pre-approved by the Principal and documented in the *Fundraising Application/Recap Form*.

- To ensure proper accountability for all the revenues, District’s ***Internal Accounts Manual, Chapter 19 – Fundraising***, requires that *Sales Item Inventory Report* be completed by the fundraiser sponsor; and *Ticket Sellers Report* and *Master Ticket Sellers Report* be completed if the fundraiser includes ticket sales.
- Both *Reports* should be completed with accurate information for each fundraiser. Based on this critical information, the school can ensure actual collections approximate estimated revenues for fundraiser events.
- *Sales Item Inventory Report* should be approved by the Principal to confirm the legitimacy for any items that were given-away free-of-charge, or missing. Items purchased with school funds and provided free-of-charge to students, staff members or the community should follow similar requirements as specified in District’s ***Bulletin #P-12690-CAO/COO/P*** for gift cards, which states “schools must maintain documentation of all recipients of gift cards.”

***Management’s Response from Principal:*** *I concur with the findings and recommendations above. Listed below are the changes that will be made ensuring that Fundraisers completed correctly in the future.*

- *Any staff member that organizes a fundraiser will have to complete the district fundraiser training online with a passing score.*
- *All fundraiser sponsors will have to complete additional training with a passing score that is applicable to fundraising fidelity.*
  - *Ticket Sellers Reports*
  - *Sales Item Inventory Reports*
  - *Master Ticket Sellers Reports*
- *All fundraisers will be presented and approved only by the Principal.*
- *The new treasurer will also be trained by the Accounting Department on how to properly complete school Fundraisers.*
- *Fundraiser closeouts will be overseen by the Principal.*

*(Please see pages 9 and 10.)*

## **2. School Treasurer Misrepresented Information to the Auditor**

**Staff Turned-In Additional \$367.05 Cash.** Upon our follow-up inquiry of the cash shortages identified during our March 2, 2015, cash count, the school treasurer stated that the sponsors turned in an additional \$367.05 in cash and she had deposited the money into the Internal Funds on March 5, 2015, three days after our cash count. Subsequently, our interviews with the two activity sponsors indicated that they were not aware of the cash shortage, and did not turn in any additional monies.

MCR <sup>(1)</sup> Date	Remitter / Sponsor	Account/Description	MCR \$ (A)	Auditor's Observation <sup>(2)</sup> (B)	Difference (B-A)	General Ledger <sup>(3)</sup> (C)	Difference (C - A)
2/17/2015	Sponsor #1	Basketball Concession	\$310.00	\$68.00	(\$242.00)	\$310.00	-
2/23/2015	Sponsor #2	Basketball Concession	330.00	205.00	(125.00)	330.05	\$0.05
<b>Total</b>			<b>\$640.00</b>	<b>\$273.00</b>	<b>(\$367.00)</b>	<b>\$640.05</b>	<b>\$0.05</b>

Notes: (1) MCR denotes Monies Collected Report.

(2) Based on our cash count performed on March 2, 2015.

(3) The collections were recorded in the General Ledger on March 5, 2015.

Further Action. Due to the cash shortages identified during the unannounced cash count and the school treasurer's misrepresentation of information to the auditor, we performed a separate review of the school's monies collection records for the period July 1, 2014, through April 21, 2015, to determine if all the monies were unaccounted for. The conclusions for the special review of monies collection records are presented in a separate report.

Referral. Our conclusions were referred to the Professional Standards and School Police Departments for necessary actions. On June 3, 2015, School Police notified our office that its investigation has been concluded and the conclusions were forwarded to the State Attorney's Office for further actions.

***Management's Response from Chief Operating Officer:*** *As the specific audit recommendations have already been addressed, I have nothing further to add. (Please see page 7.)*

– End of Report –

**Management's Response**  
**Principal of John F. Kennedy Middle School**

RECEIVED  
JUN 10 2015

INSPECTOR GENERAL

6/5/2015

Mr. Law,

Listed below are the responses of the Audit Findings for the follow-up of Fundraising Activities at JFK Middle School.

**Recommendations: Fundraisers**

Fundraisers should be administered in accordance with School Board Policy 2.16 and the related District guidelines. Specifically,

- To ensure that fundraising activities are consistent with the School Board Mission, fundraisers should be pre-approved by the Principal and documented in the *Fundraising Application/Recap Form*.
- To ensure proper accountability for all the revenues, *District's Internal Accounts Manual, Chapter 19 – Fundraising*, requires that Sales Item Inventory Report be completed by the fundraiser sponsor; and Ticket Sellers Report and Master Ticket Sellers Report be completed if the fundraiser includes ticket sales.
- Both Reports should be completed with accurate information for each fundraiser. Based on this critical information, the school can ensure actual collections approximate estimated revenues for fundraiser events.
- Sales Item Inventory Report should be approved by the Principal to confirm the legitimacy for any items that were given-away free-of-charge, or missing. Items purchased with school funds and provided free-of-charge to students, staff members or the community should follow similar requirements as specified in *District's Bulletin #P-12690-CAO/COO/P* for gift cards, which states "schools must maintain documentation of all recipients of gift cards."

**Management's Response:**

I concur with the findings and recommendations above. Listed below are the changes that will be made ensuring that Fundraisers completed correctly in the future.

- Any staff member that organizes a fundraiser will have to complete the district fundraiser training online with a passing score.
- All fundraiser sponsors will have to complete additional training with a passing score that is applicable to fundraising fidelity.
  - *Ticket Sellers Reports*
  - *Sales Item Inventory Reports*
  - *Master Ticket Sellers Reports*
- All fundraisers will be presented and approved only by the Principal.

**Management's Response**  
***Principal of John F. Kennedy Middle School***

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- The new treasurer will also be trained by the Accounting Department on how to properly complete school Fundraisers.
- Fundraiser closeouts will be overseen by the Principal.

Target Completion Date: 6/5/2015

Principal Signature: Craig Brooks

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**Management's Response**  
*Chief Operating Officer*



**THE SCHOOL DISTRICT OF  
PALM BEACH COUNTY, FL**

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**MEMORANDUM**

**TO:** Lung Chiu  
Inspector General

**FROM:** Michael J. Burke *MJB*  
Chief Operating Officer

**DATE:** June 30, 2015

**SUBJECT: TWO SPECIAL REVIEWS OF JOHN F. KENNEDY MIDDLE SCHOOL:  
(1) SPECIAL REVIEW OF MISSING MONIES  
(2) FOLLOW-UP REVIEW OF FUNDRAISING ACTIVITIES**

**RECEIVED**  
JUN 30 2015

INSPECTOR GENERAL

I have reviewed the following special reviews:

- (1) Special Review of Missing Monies of John F. Kennedy Middle School for the period July 1, 2014 through April 21, 2015, and management response provided by Corey Brooks, Principal of John F. Kennedy Middle School.
- (2) Follow-up Review of Fundraising Activities for the period July 1, 2014 through March 5, 2015, and management response provided by Corey Brooks, Principal of John F. Kennedy Middle School.

As the specific audit recommendations have already been addressed, I have nothing further to add. An electronic version of management's response will also be emailed to your attention.

If you should have any questions or require additional information, please do not hesitate to contact me at PX48584.

MJB/ac

*MJB*