

Audit of
Procedures For Fundraising Through Crowdfunding Platforms

April 16, 2021

Report #2021-03



MISSION STATEMENT

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EXECUTIVE SUMMARY

Pursuant to the *Office of Inspector General 2019-2020 Work Plan*, we have audited the Procedures For Fundraising Through Crowdfunding Platforms. The primary objectives of this audit were to (1) assess the adequacy of procedures for fundraising through crowdfunding platforms, and (2) determine the extent of compliance with *School Board Policy 2.16 – Fundraising Activities Related to Schools*. This audit produced the following major conclusions:

1. District-Approved Crowdfunding Platform

The District currently has one sanctioned crowdfunding platform, *Find It! Fund It!*, through a partnership with the Education Foundation of Palm Beach County (Foundation). Funds raised through this platform are periodically transferred to the District’s bank account and an account is established in the school’s budget to purchase project-related items. During the three-year period ending June 30, 2020, the District received a total of \$33,066 in donations for 17 schools raised through this site.

a. Designed Procedures for Principal Approval Appeared Adequate

Our review of the sample projects found that the procedures for principal authorization and recording of donation collections from the District-approved crowdfunding platform appeared adequate.

b. Principals’ Contact Information Needs Regular Updating

Principals approve *Find It! Fund It!* projects through email. One school’s project was delayed from launching because the request for approval was sent to the school’s previous principal five months after a change of leadership had occurred. Management should periodically send an updated list of contact information to the Foundation to avoid delays in approval communications and receipt of donations.

Management’s Response: Management concurs. (Please see page 15 for details.)

2. Non-District-Approved Crowdfunding Platforms

There is no simple method of identifying all District related crowdfunding campaigns on non-District-approved platforms. We have identified several major platforms; however, numerous less known platforms also exist. We surveyed three popular non-District-approved crowdfunding platforms. Based on the District’s Internal Funds deposit records for all schools

for the three-year period ending June 30, 2020, we identified 117 schools raised a total of \$1,418,238 in donations and requested items through 972 projects from the three crowdfunding platforms we surveyed.

Current School Board policy does not prohibit the use of non-District-approved crowdfunding platforms. However, the District should develop guidelines for all online crowdfunding that address documentation of initiation, review, approval, and monitoring of projects.

Management's Response: Management concurs. (Please see page 15 for details.)

3. Inconsistent Procedures for Using Non-District-Approved Crowdfunding Platforms

We selected 35 sample projects from the three popular non-District-approved crowdfunding platforms for detailed review. These projects were posted by 22 sponsors from 18 District schools. We examined the 35 sample projects posted on these websites for compliance with *School Board Policies* and District guidelines regarding use of school name and student images.

a. School Names Used in 34 of 35 Sample Projects

School Board Policy 2.16 does not prohibit the use of non-District-approved crowdfunding platforms but states the projects “shall not be construed to be conducted, funded, hosted or sponsored by the School Board or any District School.” Nineteen of the 22 sponsors completed the District’s required annual fundraising training which included specific instructions not to use the school’s name for projects on a non-District-approved platform. However, all of them used the school’s name in their project descriptions.

b. Funds and Requested Items Raised Through Crowdfunding Should Belong to the School District

Funds and requested items raised by projects, with the District’s or school’s names, through online crowdfunding platforms should belong to the School District. However, due to the lack of District guidelines, staff were unclear as to the ownership of the funds and requested items raised through crowdfunding projects.

c. Tangible Assets Not Added to School’s Asset Inventory

The *Capital Assets Policy & Procedures* requires that all assets with a value greater than \$1,000 (non-computer) and all computers be tagged with a District ownership tag, and recorded into the PeopleSoft System. At one school, sponsors obtained several items, both computer and non-computer, that exceeded the \$1,000 threshold. However, none of those items were tagged or recorded in the PeopleSoft System.

d. Computers Given to Students as Gifts

One sponsor posted multiple projects on *DonorsChoose* to obtain eight laptop computers and three printers with ink cartridges, with a total value of \$10,154 for graduating seniors in her program. The project description clearly stated the intended purpose for the requested equipment but also included the school's and District's names. The District does not have guidelines for gifting tangible property, such as computers, to students.

Management's Response: Management concurs. (Please see page 15 for details.)

4. Results of OIG Survey of School Principals

We reviewed 40 sample online crowdfunding projects during the audit: five from the District-approved platform and 35 from non-District-approved platforms. These 40 projects were initiated by 27 teacher sponsors at 22 schools. We also surveyed the 22 school principals¹ to determine their extent of awareness of the fundraisers and their approval. Responses were received from 20 principals; two principals did not respond. (Please see Table 4 on page 10)

a. Principals Unaware Staff Conducted Fundraising Activities Through Non-District-Approved Crowdfunding Platforms

Twelve (12) of the 20 responding principals indicated they were not aware of the 27 sample projects from their schools posted on non-District-approved websites. The remaining eight principals responded that they were aware of and had approved the 10 sample fundraisers at their schools using a *Fundraising Application/Recap Form*. Some principals did not believe that use of a non-District-approved platform was considered a fundraiser.

b. Project Wording Not Reviewed by Principals

Only one principal reviewed the wording of the project prior to posting on a non-District-approved platform in order to avoid controversies and misconceptions about the goals of the project.

c. Delay in Transferring Funds Raised Through the District-Approved Crowdfunding Platform

One principal commented it takes time to receive funds raised through District-approved Crowdfunding Platform, *Find It! Fund It*, administered by the Education Foundation. This can result in funds not being used for the intended students.

Management's Response: Management concurs. (Please see page 16 for details.)

¹ The sample included one school (North Grade Elementary) with projects from both the District-approved and non-District-approved platforms.

5. Clarification of Crowdfunding Policy Needed

School sponsors have demonstrated that crowdfunding, as a means of fundraising large sums of money and classroom items, can be very successful. However, to ensure that all fundraising activities (including crowdfunding) are consistent with the School Board Mission and benefit students, fundraising activities (including crowdfunding) should be properly *approved*, *documented*, and *monitored* to help reduce the risks associated with crowdfunding. While *School Board Policy 2.16* does require principals to approve all fundraisers, it is unclear what the principal's approval affirms. Additional clarity and guidance could be achieved by adding industry best practices related to crowdfunding to the fundraising policy and would help principals provide better oversight and assurance that the raised funds and items are used to enhance student education.

Management's Response: Management concurs. (Please see page 16 for details.)

Management's Additional Comment: Management understands that Crowdfunding is extremely important now more than ever due to COVID, funding constraints, and the ever expanding needs of teachers. To that end, Management developed procedures and issued Bulletin #P 21-068 CFO to allow schools more flexibility to utilize various platforms. (Please see pages 15.)



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MEMORANDUM

TO: Honorable Chair and Members of the School Board
Donald E. Fennoy II, Ed.D., Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Teresa Michael, Inspector General

DATE: April 16, 2021

SUBJECT: Audit of Procedures for Fundraising Through Crowdfunding Platforms

PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2019-2020 Work Plan*, we have audited the Procedures For Fundraising Through Crowdfunding Platforms. The primary objectives of this audit were to (1) assess the adequacy of procedures for fundraising through crowdfunding platforms, and (2) determine the extent of compliance with *School Board Policy 2.16 – Fundraising Activities Related to Schools*.

SCOPE AND METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards*. 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 the evidence obtained provides a reasonable basis for our findings and conclusions.

The audit covered crowdfunding projects identified as active during July 1, 2018, through June 30, 2020, and included interviewing District staff and reviewing:

- *Florida Administrative Code, Section 6A-1.001* – District Financial Records
- *The Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools, Chapter 8, School Internal Funds*
- *School Board Policy 2.16* – Fundraising Activities Relating to Schools
- *Bulletin #P-14507-COO/P* – Purchasing Policy 6.14 Updated by School Board
- *Bulletin #P 20-004 CFO* – Internal Accounts Training for Principals Available in eLearning Management
- *Bulletin #P 20-005 CFO* – Mandatory Internal Accounts Training for Teachers and Account Sponsors Available in eLearning Management

- **Bulletin #P 21-068 CFO** – Online Platforms for Crowdfunding and Virtual Performances
- **Internal Accounts Manual, Chapter 19** – Fundraising
- **Capital Assets Policy & Procedures**
- “Fundraising” – Online training video for teachers,
https://hub.palmbeachschools.org/UserFiles/Servers/Server_7393764/File/Financial%20Mgmt/Accounting/Bookkeeper%20Taining/Fundraising-FY19-Final.pdf [Accessed April 21, 2020]

Draft audit findings were sent to the Financial Management Division for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by District Staff during the audit. The final draft report was presented to the Audit Committee at its April 16, 2021, meeting.

BACKGROUND

School Fundraising Activities. Fundraising represents an average of 12% of Internal Funds revenue for all schools (please see Table 1). School leaders and classroom teachers fundraise to provide students with additional educational experiences and materials not provided through regular school funding. Additionally, athletic activities receive no State or District funding and rely solely on student fees, game admissions, and fundraising for operations.

Table 1
Districtwide School Fundraising Revenue

	FY18	FY19	FY20 ²
<i>Total Fundraising Revenue (Transaction Code 9350)</i>	\$11,438,167	\$9,536,091	\$7,727,016
Total Annual Revenue	\$81,964,954	\$85,137,059	\$66,321,526
Fundraising as a Percent of Total Revenue	14%	11%	12%

Source: School Internal Funds Accounting System, (SchoolCashSuite),

Fundraising Through Online Crowdfunding Platforms. Crowdfunding is defined as “the practice of obtaining needed funding by soliciting contributions from a large number of people especially from the online community.”³ Third-party sites that host crowdfunding platforms recoup their overhead costs in a variety of ways, including requests for operational donations or retaining a percentage of the money raised.

² On March 16, 2020, because of the COVID-19 pandemic, the School District suspended on-campus classes and moved to remote learning for the remainder of the school year. All revenue producing activities at schools were ceased at that time, accounting for the large reduction in annual revenues for Fiscal Year 2020.

³ “Crowdfunding.” *Merriam-Webster.com Dictionary*, Merriam-Webster, <https://www.merriam-webster.com/dictionary/crowdfunding>. [accessed March 17, 2020].

Crowdfunding has been used by classroom teachers for more than ten years without any District guidance regarding use of funds raised or ownership of products obtained through donations. Crowdfunding was allowed because there was no specific prohibition. Moreover, certain District actions appeared to condone this method of fundraising. For example, at the 2015 District Technology Conference, a workshop was offered on how to use *DonorsChoose* (a popular online crowdfunding platform) to create a fundraising project.

Crowdfunding presents new opportunities to efficiently generate funds for student activities but can pose risks, including issues of student privacy and harm to school reputation.

Update of **School Board Policy 2.16**. On July 26, 2017, the School Board revised **School Board Policy 2.16 – Fundraising Activities Related to Schools** to include crowdfunding as an acceptable fundraising method. Specifically, the amended policy states,

Section 2: “Acceptable methods of fundraising shall be either crowdfunding or school/classroom based.”

And,

*Section 2a: “Crowdfunding is raising small amounts of money from a large number of people or businesses via an online platform to support a project or activity. **Use of a District approved solution is strongly encouraged.** Online fundraising conducted by any other platform shall not be construed as being conducted, funded, hosted or sponsored by the School Board or any District School.” [Emphasis added.]*

Fundraising Training for Principals and Sponsors. The District provided annual online training for principals and fundraiser sponsors. The training materials include **School Board Policy 2.16** rules regarding online fundraising conducted on non-District-approved platforms. Specifically,

The principal’s training states,

*“Online fundraising conducted by any other platform shall not be construed as being conducted, funded, hosted or sponsored by the School Board or any District School, **and therefore cannot reference the school or District;**”* and

the sponsor’s training states,

*Use of other crowdfunding platforms **cannot** reference the School District or a District’s School Name since those monies raised are not controlled by the School or District until deposited to an Internal Account.*

Additional Guidance Issued. On December 14, 2020, in an effort to provide school principals improved guidance on fundraising through crowdfunding, the District issued **Bulletin #P 21-068 CFO – Online Platforms for Crowdfunding and Virtual Performances**. Reference is made to an online *Google Doc* containing a list of vetted online platforms and crowdfunding procedures required to be followed by sponsors and principals.

CONCLUSIONS

This audit produced the following major conclusions:

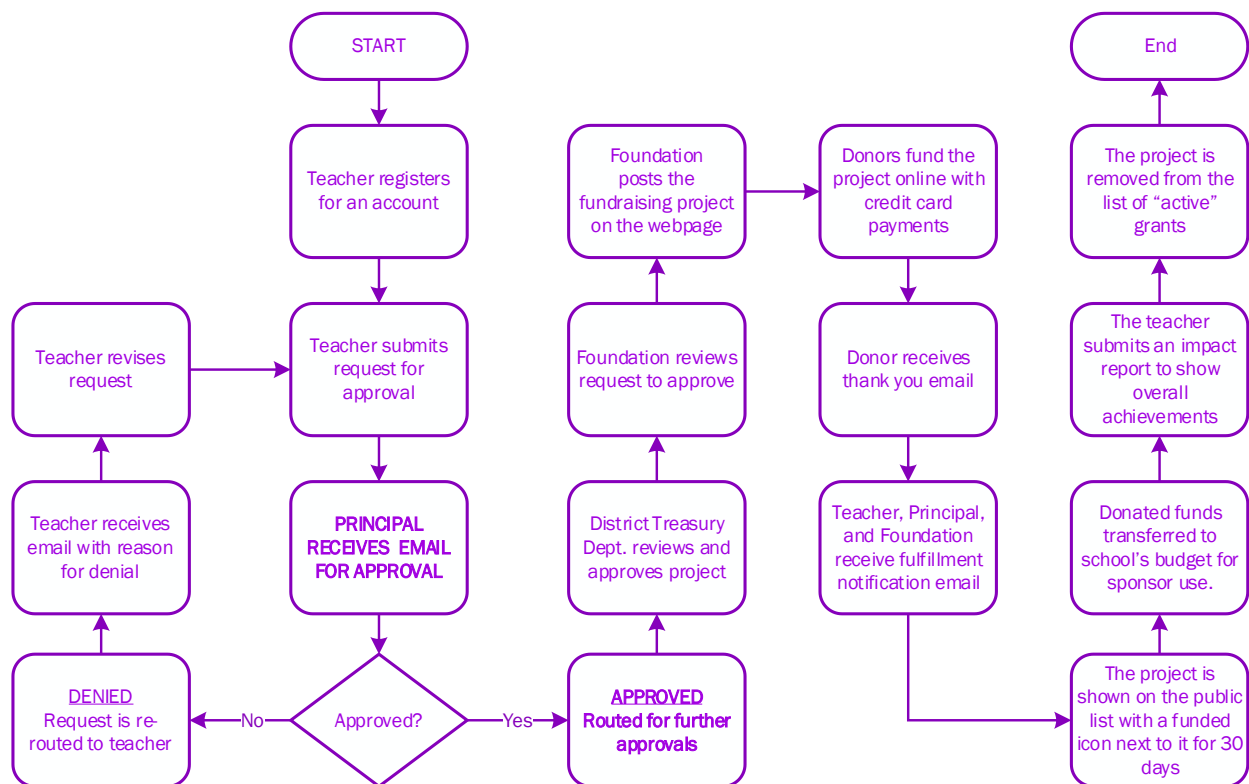
1. District-Approved Crowdfunding Platform

In Fiscal Year 2018, the District partnered with the Education Foundation of Palm Beach County (Foundation) to provide an automated crowdfunding process to sponsors through the Foundation-operated crowdfunding website, *Find It! Fund It!*, for creating projects with online funding requests and receiving principal approval.

a. Designed Procedures for Principal Approval Appeared Adequate

Exhibit 1 provides an overview of the automated process from project submission to funding completion.

Exhibit 1
Find It! Fund It! Automated Process



Source: *Find It! Fund It! Guide*, Education Foundation of Palm Beach County
<https://educationfoundationpbc.org/Find-It-Fund-It> [accessed April 17, 2020]

To initiate a crowdfunding project, the teacher is required to complete an online project application, which is electronically routed to the principal for review and approval. If approved, the application is then routed to the Treasury Department for further approval⁴ and returned to the Foundation for posting on the *Find It! Fund It!* website for donors to access.

Funds raised through donations to *Find It! Fund It!* are periodically transferred to the District's bank account by the Foundation. A unique program number is assigned for each project under Fund #1002 in the District's PeopleSoft System to account for the funds raised and received from *Find It! Fund It!*. Teachers are notified when funds are available to purchase items for their project.

The procedures for teacher initiating a crowdfunding project, principal approving the project, and recording of donation collections through the District-approved crowdfunding platform appeared adequate.

b. Principals' Contact Information Needs Regular Updating

During July 1, 2017, through June 30, 2020, the District received a total of \$33,066 in donations raised through *Find It! Fund It!*, which included \$15,965 for nine fully-funded projects and \$17,101 for 29 partially funded projects at 17 schools. We randomly selected five projects from FY2020, which received some funding for detailed review. A questionnaire was emailed to each sponsor's principal to verify the extent of principals' knowledge and approval of each project.

All sampled projects from the District-approved fundraising platform were approved by the respective principals through emails in accordance with the designed procedures. However, at one school (Spanish River High), the approval of a project was delayed because the Foundation's database of principals' contact information had not been updated to reflect current principal assignments. The project application was submitted by the teacher on November 14, 2019. Although the current principal had been in place since July 24, 2019, emails for approval of the project were sent to the prior principal. Additionally, once the principal's contact information was corrected by the Foundation on December 2, 2019, the resent email was delivered to the principal's spam box by the District's email filtering system, which further delayed the approval. The fundraising project was subsequently approved by the current principal on December 3, 2019.

Recommendation

Management should periodically send an updated list of contact information to the Foundation to avoid delays in approval communications and receipt of donations.

⁴ Based on the planned project, Treasury notifies Purchasing and other departments to make them aware of what the school is planning so that departments can proactively advise the schools of any requirements or rules to be followed.

Management's Response: Management concurs. Effective 2/1/2021, the Director of Programs and Grants at the Education Foundation now has access to the updated Principal list. Before any application is routed for approval the workflow will be verified.

(Please see page 15.)

2. Non-District-Approved Crowdfunding Platforms

Limitations in Identifying School Fundraisers through Non-District-Approved Platforms. There is no simple method of identifying all District related crowdfunding campaigns. We have identified several major platforms; however, numerous less known platforms also exist. Each platform has a different method of cataloging active and archived campaigns. Some only provide a direct link to be shared by the group's members to potential donors and are not searchable. As a result, each platform must be searched individually to identify campaigns related to the District's schools and teachers.

Subsequent to our audit fieldwork, on December 14, 2020, **District Bulletin #P 21-068 CFO** – Online Platforms for Crowdfunding and Virtual Performances was issued which included additional platforms that were not part of our research.

OIG Survey of Three Popular Non-District-Approved Crowdfunding Platforms. Most of the platforms are not indexed or searchable making it difficult to identify projects that are started or to determine the amount of money and items raised and received by District schools. One platform, *DonorsChoose*, offers District management access to monthly emailed reports providing a list of products purchased through donations and shipped to the schools.⁵ The schools' principals are notified by email when a product is shipped.

Based on the District's Internal Funds deposit records for all schools during July 1, 2017, through June 30, 2020, the OIG conducted an online search of three popular crowdfunding websites to locate projects initiated by District schools. Our research identified 117 schools raised a total of \$1,474,149 in donations and requested items through 972 projects from the three crowdfunding platforms we surveyed. (Please see Table 2.)

⁵ *DonorsChoose* does not send donations collected to the sponsor or school. Instead, they purchase the requested items with the donations and ship the requested items directly to the school.

Table 2
Identified Extent of Use of Sample Non-District Approved Platforms

Platform	FY2018	FY2019	FY2020
Snap! Raise			
Revenue Deposited	\$576,197	\$427,101	\$239,896
Number of Schools <i>(See Note a)</i>	23	22	16
Number of Projects	191	141	52
DonorsChoose <i>(See Note b)</i>			
Value of Products Received	<i>(See Note c)</i>	\$56,201	\$163,594
Number of Schools <i>(See Note a)</i>		57	97
Number of Projects		133	445
Ready Set Fund			
Revenue Deposited	\$0	\$1,510	\$9,650
Number of Schools <i>(See Note a)</i>	0	3	6
Number of Projects		4	6

Sources: SchoolCashSuite and various platform websites and reports.

Notes: (a) Some schools conducted fundraising projects on multiple platforms in multiple years.

(b) Retail value. Only products are delivered to the school, no cash sent.

(c) Data not available for FY2018.

Widespread Use of Non-District-Approved Crowdfunding Platforms. During the three year period ending June 30, 2020, there was extensive use of non-District-approved crowdfunding platforms. In comparison, during that same period, the District-approved crowdfunding platform, *Find It! Fund It!*, generated a total of \$33,066 in donations through 38 projects, while \$1,474,149 in donations and requested items was raised through 972 projects via the three non-District-approved popular platforms we surveyed.

Recommendation

Although the current School Board policy does not prohibit the use of non-District-approved crowdfunding platforms, the District does not have procedures and guidelines for fundraising through online crowdfunding. The District should develop procedures and guidelines for all online crowdfunding that address documentation of initiation, review, approval, and monitoring of projects.

Management’s Response: *Management concurs. As stated in the Scope and Methodology Section of the report, management now has crowdfunding procedures detailed through Bulletin #P 21-068 CFO with a coupled Google Doc which is continually updated with approved crowdfunding platforms and procedures. FY22 required teacher/sponsor and principal training will be updated to include the new procedures for crowdfunding activities.*

(Please see page 15.)

3. Inconsistent Procedures for Using Non-District-Approved Crowdfunding Platforms

Based on the dollar values / items raised, and the request of a Principal, we selected 35 sample projects from the three popular non-District-approved crowdfunding platforms for detailed review. These projects were posted by 22 sponsors from 18 District schools.

Table 3
Sampled Non-District-Approved Crowdfunding Platforms

Crowdfunding Website	# of Schools	# of Sponsors	# of Projects	Total Donations
<i>Snap! Raise</i>	5	7	7	\$79,495
<i>DonorsChoose</i>	8	9	22	\$19,119
<i>Ready, Set, Fund</i>	6	6	6	\$9,650
All Platforms	18	22	35	\$108,264

Note: One sponsor worked and sponsored projects at two different schools.

We examined the 35 sample projects posted on these websites for compliance with *School Board Policies* and District guidelines regarding use of school name and student images. Additionally, a survey questionnaire was sent to the schools’ Principals to verify their extent of knowledge and approval for each project.

a. School Names Used in 34 of 35 Sample Projects

School Board Policy 2.16 (2a) states,

“Crowdfunding ... use of a District approved solution is strongly encouraged. Online fundraising conducted via any other platform shall not be construed to be conducted, funded, hosted or sponsored by the School Board or any District School.”

Our review noted that 34 of the 35 sample projects included the schools’ names in the projects’ descriptions, and one project used only the school’s initials in the description.

Although *School Board Policy 2.16* does not prohibit the use of non-District-approved crowdfunding platforms, the widespread use of District school names on non-District-approved platform websites gives the appearance that the District endorses the use of these sites for fundraising purposes.

Sponsors Received Training But Did Not Follow Guidelines. The eLearning Fundraiser training included specific instructions not to use the school’s name for projects on a non-District-approved platform. Five of the 22 sponsors did not complete the District required Annual eLearning Fundraiser online training. Although the remaining 17 sponsors did complete the required annual training, all of them used the school’s name in their project descriptions.

b. Funds and Requested Items Raised Through Crowdfunding Should Belong to the School District

Teachers using non-District-approved platforms (e.g., *Snap!Raise, Ready, Set, Fund*) potentially receive donated dollars directly, not the school. *DonorsChoose* notifies the Principals by email of the requested items being sent to the school in advance of shipping.

The *DonorsChoose* Materials Ownership Policy states,

*“Materials funded through DonorsChoose generally **belong to the public school ... at which the teacher is employed** when resources are shipped.”*

The Department of Education’s Financial and Program Cost Accounting and Reporting for Florida Schools, Chapter 8, School Internal Funds, Section I, states:

- **Subsection 3:** *“... 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. ...”*
- **Subsection 7:** *“The objective of fundraising activities by the school, by any group within the school, or **in the name of the school** shall not conflict with programs as administered by the district school board.”*
- **Subsection 8:** *“Funds collected shall be expended to benefit those students in school unless the funds are being collected for a specific documented purpose...”*

[Emphasis added.]

Funds and requested items obtained through projects identifying the District’s or school’s names using online crowdfunding platforms should belong to the School District. However, due to the lack of District guidelines, staff were unclear as to the ownership of the funds and requested items obtained through crowdfunding projects.

c. Tangible Assets Not Added to School’s Asset Inventory

The *Capital Assets Policy & Procedures* place responsibility on schools to tag all asset items greater than \$1,000 (non-computer) with a District ownership tag and record the asset into the PeopleSoft System. All computers must be tagged with a barcode regardless of whether or not they meet the \$1,000 threshold. At one school (Lake Worth High), sponsors obtained several items, both computer and non-computer, that exceeded the \$1,000 threshold. However, none of those items were tagged with a District ownership tag/barcode nor recorded in the PeopleSoft System. The non-computer items were located on campus.

d. Computers Given to Students as Gifts

A sponsor at one school (Lake Worth High) posted multiple projects on *DonorsChoose* to obtain laptop computers, printers, and ink for graduating seniors in her program. The project description clearly stated the intended purpose for the requested equipment. However, both the school's and District's names were posted on these projects and implied approval by the District. The principal was unaware of these fundraisers until he received the shipping notification from *DonorsChoose*. All equipment was received by the intended students.

Our research identified eight computers and three printers with ink cartridges were raised through *DonorsChoose* during March 27 through June 11, 2020. These items had a market value ranging from \$1,006.44 to \$1,530.69, with a total value of \$10,203.52.

District Bulletin #P 18-002 CFO – Credit Cards and Gift Cards states that “*Gift Cards may be purchased for STUDENTS ONLY.*” ... “*maximum amount of gift card cannot exceed \$100.*” However, the District does not have guidelines for gifting tangible property, such as computers to students.

Recommendations

To protect the best interests of the District and ensure fiscal accountability, the District should:

- Update the fundraising procedures with additional guidelines for online crowdfunding projects, including (1) initiation and approval of projects, (2) use of District's and school's names, (3) use and protection of student information, and (4) ownership and accounting of funds and requested items obtained through crowdfunding projects.
- Ensure all tangible assets are recorded in the PeopleSoft System and tagged in accordance with the District's *Capital Asset Policies and Procedures*.
- Develop guidelines for gifting tangible property to students raised through fundraising activities.

Management's Response: *Management concurs. As stated in the Scope and Methodology Section of the report, management now has crowdfunding procedures detailed through Bulletin #P 21-068 CFO with a coupled Google Doc which is continually updated with approved crowdfunding platforms and procedures. The procedures currently cover many of the recommendations and Management will incorporate additional IG suggestions. Crowdfunding should always clearly identify the purpose of the funds, and gifting of tangible property to students (if identified on platform) will be school based decision with Principal approval.*

(Please see page 15.)

4. Results of OIG Survey of School Principals

We reviewed 40 sample online crowdfunding projects during the audit: five from the District-approved platform and 35 from non-District-approved platforms. These 40 projects were initiated by 27 teacher-sponsors at 22 schools⁶. We also surveyed the 22 school principals to determine their extent of awareness of the fundraisers and their approval. Responses were received from 20 principals, two principals did not respond. Table 4 provides a summary of the principals' responses.

**Table 4
Summary of Principals' Responses to OIG Questionnaire**

Question	District-Approved Platform (4 responses)			Non-District-Approved Platforms (17 responses)			All Crowdfunding Platforms		
	Yes	NO	N/A	Yes	NO	N/A	Yes	NO	N/A
1. Were you aware of the listed fundraiser(s) being posted the platform's website?	4	0	0	5	12	0	9	12	0
If Answer to Question #1 is NO, skip #2 through #6									
2. Did you document your approval in writing, perhaps using the <i>Fundraising Application/Recap Form</i> or through email?	4	0	0	5	3	9	9	3	9
3. Did you have an opportunity to review and approve the wording of the project description before it was posted?	4	0	0	1	16	0	5	16	0
4. Were the images and identities of students obscured on the platform website? If not, did you receive parental permission to use students' identities and images?	0	0	4	12	6	0	12	6	4
5. Was a follow-up performed to determine that money donations received were deposited into the Internal Accounts?	1	2	1	5	6	6	6	8	7
6. If an item received was a computer or had a value that exceeded \$1,000, was a District ownership tag placed on item?	0	0	4	1	3	13	1	3	17

a. Principals Unaware Staff Conducted Fundraising Activities Through Non-District-Approved Crowdfunding Platforms

Twelve (12) of the 20 responding principals indicated they were not aware of the 27 sample projects from their schools posted on non-District-approved websites. The remaining eight

⁶ The sample included one school (North Grade Elementary) with projects from both the District-approved and non-District-approved platforms.

principals responded that they were aware of and had approved the 10 sample fundraisers at their schools using a *Fundraising Application/Recap Form*.

DonorsChoose. There were mixed responses to the survey questions related to projects posted on *DonorsChoose*. Because this platform sends products (i.e. classroom supplies, computers, furniture, etc.) and not the actual monetary donations, there was confusion amongst the schools as to whether these projects should be classified as fundraisers.

- One principal (Boca Raton High) stated that school treasurers were told by the Accounting Department that a *Fundraiser Application/Recap Form* for *DonorsChoose* projects is not needed.
- Another principal (Greenacres Elementary) replied that although she was unaware of the *DonorsChoose* project, she did not consider the project to be a fundraiser.

Snap! Raise. Similar confusion occurred with projects posted on *Snap! Raise*. One principal (Jupiter High) surveyed about their three projects on this platform stated she was aware of the projects but did not believe it was a form of crowdfunding. As a result, fundraising documentation was not maintained. One sponsor at this school was told by a representative of *Snap! Raise* that there was an agreement between the company and the District. We have been unable to confirm any such agreement.

Ready, Set, Fund. Some crowdfunding projects posted on *Ready, Set, Fund* were add-ons to fundraisers for traditional products sales at schools, such as cookie dough. One principal (Woodlands Middle) was aware of and had approved the cookie dough sale. However, the principal was not informed that an online donation request on the *Ready, Set, Fund* crowdfunding website was included as part of the fundraiser.

b. Project Wording Not Reviewed by Principals

Only one principal reviewed the wording of the project description before it was posted to a non-District-approved platform website. By reviewing the wording of a project before it is posted, principals can avoid controversies and misconceptions. For example, at one school (Palm Beach Central High), the sponsor wrote, “*Imagine being told that the only way to get your reading level up is to read, but when you get to class there are no more materials or supplies.*” The implication that adequate teaching materials are not being provided is potentially damaging to the District’s reputation.

c. Delay in Transferring Funds Raised Through the District-Approved Crowdfunding Platform

One principal commented it takes time for donations received by the Foundation to be transferred to the school’s budget for the sponsor to use. As a result, the items purchased may not be used for the intended students. For example, money collected to purchase soccer uniforms was not received at one school until after the soccer season had ended.

Recommendation

The District should develop procedures for schools to follow when using crowdfunding websites. Consideration should be given to prior authorization, review of project wording, and timely follow-up of donation deposits.

Management's Response: *Management concurs. Bulletin #P 21-068 CFO outlines the procedures for crowdfunding activities and the Google Sheet procedures and FY22 eLM Training will be updated to include items given away to students and tangible property received on campus.*

(Please see page 16.)

5. Clarification of Crowdfunding Policy Needed

School sponsors have demonstrated that crowdfunding, as a means of fundraising large sums of money and classroom items, can be very successful. However, to ensure that all fundraising activities (including crowdfunding) are consistent with the School Board Mission and benefit students, fundraisers should be properly **approved, documented, and monitored**. Adhering to these three basic control principles will minimize the inherent risks of fraud and misappropriation associated with decentralized money collections commonly encountered with fundraising activities and limit exposure to various legal and ethical consequences arising from crowdfunding. These controls also help to ensure that program objectives are being met and that donations raised by student organizations are secure and available for the benefit of those student organizations.

Conflict in Policy. *School Board Policy 2.16 “strongly encourages”* using the District approved solution. Currently the only District approved platform is *Find It! Fund It!*. However, the School Board policy does not prohibit the use of other non-District-approved crowdfunding platforms.

Existing Board policy prohibits the use of non-District-approved platforms for fundraising in any way that would be construed as being “...conducted, funded, hosted, or sponsored by the School Board or any District School.”⁷ This prohibition conflicts with the requirement that school principals approve *all* fundraising activities for the school.⁸ The principals’ approval of fundraisers via non-District-approved crowdfunding platforms could reasonably be construed as being conducted, funded, hosted, or sponsored by the School Board or any District School.

This policy conflict was further compounded by the release of *District Bulletin #P 21-068 CFO* which directed sponsors and principals to a *Google Doc* containing a list of “vetted” crowdfunding platforms and procedures to follow if the name of the District or School is to be used. However, the Bulletin was ambiguous as to whether the list of platforms constituted a reliable list of District approved solutions for crowdfunding. Ultimately, the decision of which platform to use was left to the sponsor and Principal.

⁷ *School Board Policy 2.16, 2(a)*

⁸ *School Board Policy 2.16, 3*

Industry Best Practices. Several journal articles and blogs have been written about the pitfalls of uncontrolled school fundraising through crowdfunding and the associated risks to schools. Numerous policy recommendations revolving around internal controls are referenced throughout these articles. Common recommendations found in research addressing crowdfunding through policy included:

- Involving those sponsors with past crowdfunding success to help write guidelines regarding crowdfunding.
- Requiring that the principal review all crowdfunding proposals before they are launched.
- Directing principals to affirm that the proposed project does not violate any federal or state law, especially those related to student confidentiality.
- Mandating that projects be registered in the name of the school.
- Requiring that checks for donation proceeds be written in the name of the school.
- Establishing that donations are the property of the District and should be sent directly to the school. Monies should be promptly recorded in the accounting system and deposited into the bank. Purchases of items meeting capital asset thresholds should be recorded in the property inventory system.
- Requiring donations be used for the purposes stated in the crowdfunding project description.

Recommendation

School Board Policy 2.16 does include many industry best-practices and does require that all fundraisers be approved by the principal. But it is unclear what the principal's approval is affirming. Additional clarity and guidance in the fundraising policy would help principals provide better oversight and assure that donations are used to enhance student education.

Management's Response: *Bulletin #P 21-068 CFO's linked Google Doc outlines procedures to be followed to ensure Principals are aware of fundraisers involving sponsors at their school. Note that crowdfunding procedures follow current school based Fundraising procedures (with minor adjustments). Management will update and require new FY22 Sponsor and Principal eLM training for Fundraising, the updated eLM will include the newly approved Crowdfunding procedures as well as IG recommendations.*

(Please see page 16.)

Management's Additional Comments: *Management understands that Crowdfunding is extremely important now more than ever due to COVID, funding constraints, and the ever expanding needs of teachers. To that end, Management developed procedures and issued Bulletin #P 21-068 CFO to allow schools more flexibility to utilize various platforms.*

(Please see page 15.)

– End of Report –

Management's Response
Office of the CFO



THE SCHOOL DISTRICT OF
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RECEIVED
FEB 12 2021

INSPECTOR GENERAL

MEMORANDUM

TO: Teresa Michael, Inspector General

FROM: Michael J. Burke, Chief Financial Officer *MJB*

DATE: February 12, 2021

SUBJECT: Response Audit of Procedures for Fundraising through Crowdfunding Platforms

Management understands that Crowdfunding is extremely important now more than ever due to COVID, funding constraints, and the ever expanding needs of teachers. To that end, Management developed procedures and issued Bulletin #P 21-068 CFO to allow schools more flexibility to utilize various platforms.

Management reviewed the Audit of Procedures for Fundraising through Crowdfunding Platforms and has the following responses to recommendations.

- 1) Management should periodically send an updated list of contact information to the Foundation to avoid delays in approval communications and receipt of donations.

Management Concurs - Effective 2/1/2021, the Director of Programs and Grants at the Education Foundation now has access to the updated Principal list. Before any application is routed for approval the workflow will be verified.

- 2) District should develop procedures and guidelines for all online crowdfunding that address documentation of initiation, review, approval, and monitoring of projects.

Management Concurs - As stated in the Scope and Methodology Section of the report, management now has crowdfunding procedures detailed through Bulletin # P 21-068 CFO with a coupled Google Doc which is continually updated with approved crowdfunding platforms and procedures. FY22 required teacher/sponsor and principal training will be updated to include the new procedures for crowdfunding activities.

- 3) To protect the best interests of the District and ensure fiscal accountability, the District should:
 - a. Update the fundraising procedures with additional guidelines for online crowdfunding projects, including (1) initiation and approval of projects, (2) use of District's and school's names, (3) use and protection of student information, and (4) ownership and accounting of funds and requested items obtained through crowdfunding projects.
 - b. Ensure all tangible assets are recorded in the PeopleSoft System and tagged in accordance with the District's Capital Asset Policies and Procedures.
 - c. Develop guidelines for gifting tangible property to students raised through fundraising activities.

The School Board of Palm Beach County, Florida
A Top High Performing A-Rated School District
An Equal Education Opportunity Provider and Employer

JK

Management's Response
Office of the CFO

Management Concur – As stated in the Scope and Methodology Section of the report, management now has crowdfunding procedures detailed through Bulletin # P 21-068 CFO with a coupled Google Doc which is continually updated with approved crowdfunding platforms and procedures. The procedures currently cover many of the recommendations and Management will incorporate additional IG suggestions. Crowdfunding should always clearly identify the purpose of the funds, and gifting of tangible property to students (if identified on platform) will be a school based decision with Principal approval.

- 4) The District should develop procedures for schools to follow when using crowdfunding websites. Consideration should be given to prior authorization, review of project wording, and timely follow-up of donation deposits.

Management Concur – Bulletin #P 21-068 CFO outlines the procedures for crowdfunding activities and the Google Sheet procedures and FY22 eLM Training will be updated to include items given away to students and tangible property received on campus.

- 5) School Board Policy 2.16 does include many industry best-practices and does require that all fundraisers be approved by the principal. But it is unclear what the principal's approval is affirming. Additional clarity and guidance in the fundraising policy would help principals provide better oversight and assure that donations are used to enhance student education.

Bulletin #P 21-068 CFO's linked Google Doc outlines procedures to be followed to ensure Principals are aware of fundraisers involving sponsors at their school. Note that crowdfunding procedures follow current school based Fundraising procedures (with minor adjustments). Management will update and require new FY22 Sponsor and Principal eLM training for Fundraising, the updated eLM will include the newly approved Crowdfunding procedures as well as IG recommendations.

MJB/NS