

Chapter 4

Department of Education and Early Childhood Development Administration of School Raised Funds

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Department of Education and Early Childhood Development

Administration of School Raised Funds

Introduction

4.1 School raised funds are funds raised to support student activities. An example of school raised funds activity for three schools for 2014/15 is shown in Exhibit 4.1 These funds are collected in every district and at virtually every school and classroom in the Province. As a result of our 2015 audit of the Province's public accounts, we estimated the annual amount of school raised funds is approximately \$27 million. Exhibit 4.2 indicates the number of districts, schools, students and teachers in the Province, all of which are, at some point, involved with school raised funds.

Exhibit 4.1 - Examples of various types of school raised funds in three large schools in the Province for 2014/15

Activity	School A	School B	School C
Student Fees	\$ 18,000	\$ 27,000	\$ 55,000
Basketball	-	8,000	54,000
Football	-	14,000	23,000
Hockey	-	20,000	116,000
Volleyball	14,000	9,000	35,000
Soccer	4,000	10,000	12,000
Athletic- General	2,000	16,000	50,000
Music	6,000	11,000	32,000
Drama and Production	5,000	-	39,000
Trips	65,000	13,000	-
Graduation Related Activities	-	58,000	114,000
Yearbook	2,000	9,000	10,000
Scholarships (Awards and Prizes)	1,000	7,000	15,000
General Fundraising	38,000	33,000	46,000
Other (Dances, Donations, Art, Technology etc.)	26,000	49,000	128,000
Total	\$ 181,000	\$ 284,000	\$ 729,000

Source: Information was provided by the Department and has not been audited

Exhibit 4.2 - Summary Statistics of Districts, Schools, Students and Teachers

Summary of Key Information			
	Anglophone Districts (4)	Francophone Districts (3)	Total School Districts (7)
NB Schools	220	94	314
NB Students	69,972	28,934	98,906
NB Regular Teachers	4,075	1,736	5,811
Percentage of Total Students	71 %	29 %	100 %

Source: Summary statistics, 2014-15 school year

Why we did this work

4.2 From our prior year audit work, we determined the Province has not been recording all school raised funds in its financial statements; only a small portion of the funds was being recorded by the Province. We noticed discrepancies between districts on how school raised funds were recorded. Given school raised funds are an important source of funding for schools (approximately \$27 million in revenues and expenses flow through school bank accounts each year), we

reviewed the policies and procedures governing school raised funds in the Department of Education and Early Childhood Development (the Department).

4.3 We also noted school raised funds are more susceptible to theft or mismanagement than other financial transactions as they are comprised of a high-volume of cash transactions with limited staff in schools trained to administer and manage the funds. Because of the inherent fraud risk in cash based transactions, we reviewed internal control procedures associated with school raised funds.

4.4 Also, school raised funds have been a long standing issue between the Department and the Office of the Comptroller. The issue was noted in the Office of the Comptroller's audit reports dated from 2006 to 2011. The Department never addressed the concerns of the Comptroller due to lack of resources and problems with agreement on the definition of school raised funds.

Impact of our work

4.5 As a result of our work, the Province is recording and reporting an additional \$14 million of revenue and expenses, as well as approximately \$10 million of assets relating to school raised funds in its financial statements for the first time.

Recommendations

4.6 In addition, we have made recommendations with regards to school raised funds. A summary of our recommendations can be found in Exhibit 4.3.

Exhibit 4.3 – Summary of Recommendations

Recommendations	Department's response	Target date for implementation
<p>4.25 We recommend the Department, in consultation with the Comptroller, establish a process for recording school raised funds in the Province's financial statements.</p>	<p><i>The Department agrees with the recommendation. In conjunction with the Office of the Comptroller and through specific reference of school raised funds in existing school district financial responsibilities policy, EECD will establish a process for recording school raised funds in the Province's financial statements.</i></p>	<p><i>Immediate and ongoing with target completion of April 2017</i></p>
<p>4.37 We recommend the Department ensure a consistent policy be completed and implemented for school raised funds. The policy should:</p> <ul style="list-style-type: none"> • include roles and responsibilities for all involved parties including DECs, superintendents, principals, school staff and fund raisers, and • contain a comprehensive definition of school raised funds which should be communicated to all districts to aid in the consistency of recording and reporting school raised fund accounts. 	<p><i>The Department does agree that a high level, comprehensive definition of school raised funds should be incorporated into existing policies. The Department views roles and responsibilities as being adequately outlined in existing policies (Policy 132, 101, Education Act).</i></p>	<p><i>Immediate and ongoing with target completion of April 2017</i></p>
<p>4.38 We recommend the Department evaluate the current use of online revenue collection and the use of the school cash computerized system. As part of this process, the Department should determine the optimal online cash handling process. A consistent Province-wide system should be implemented.</p>	<p><i>The Department will consult with its Information System Services branch as to the feasibility and cost-benefit of a consistent provincial system including on-line revenue collection. The Department believes that reference to Policy AD-6305 would adequately cover internal control guidance over cash handling.</i></p>	<p><i>Immediate and ongoing</i></p>
<p>4.45 We recommend the Department finalize departmental policies regarding recording and reporting school raised funds.</p>	<p><i>The Department agrees with this recommendation.</i></p>	<p><i>Immediate and ongoing with target completion of April 2017</i></p>

Exhibit 4.3 – Summary of Recommendations (continued)

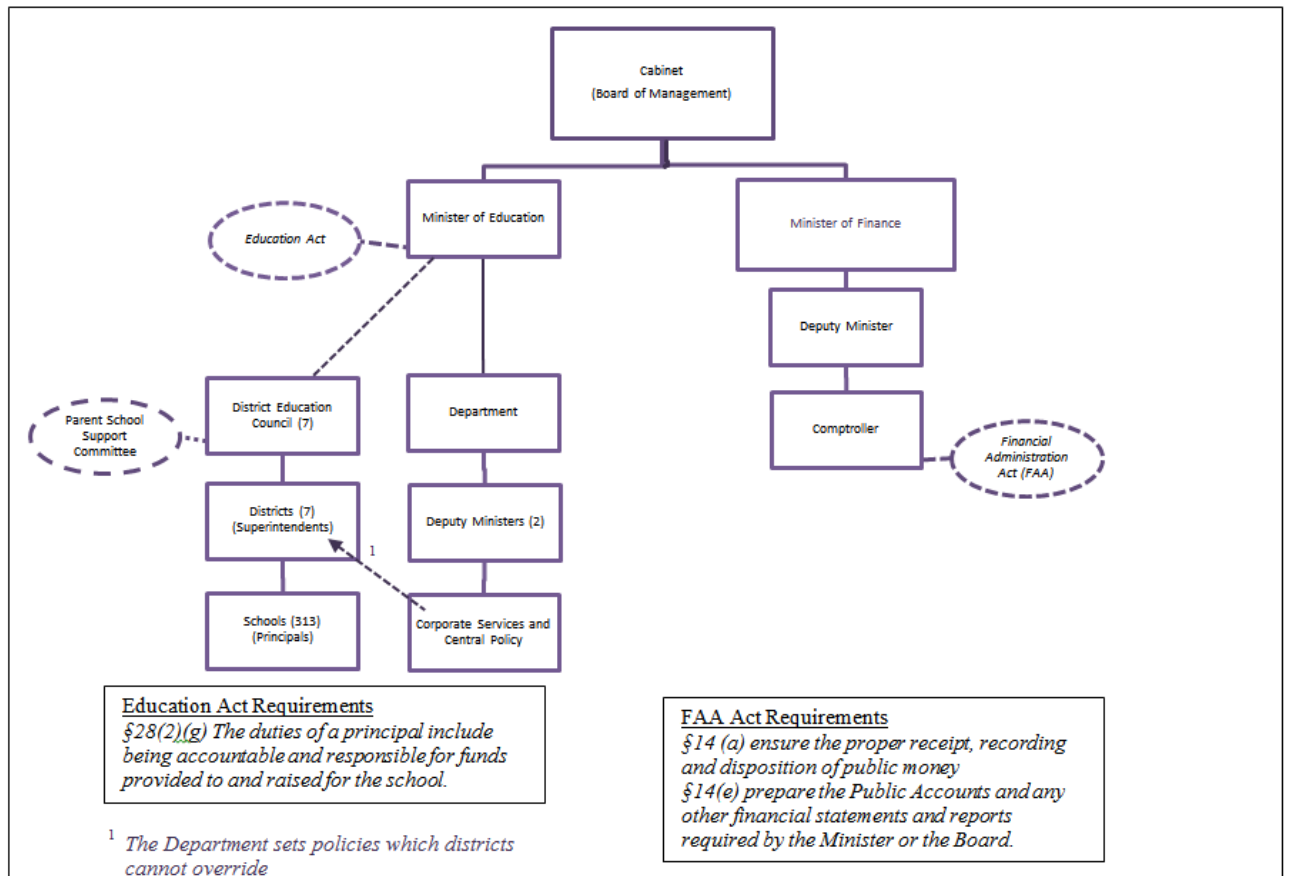
Recommendations	Department's response	Target date for implementation
<p>4.46 We recommend the Department ensure public reporting at the school level (e.g. communication to parents or posting within the school) is available as part of the online system to increase transparency and accountability.</p>	<p><i>The Department, in consultation with school districts will explore options for increasing transparency and accountability of school raised funds.</i></p>	<p><i>Immediate and ongoing</i></p>
<p>4.47 We recommend the Department ensure the Province-wide online system has the ability to produce school raised funds reports at both the school and district levels. The Department should require schools and districts make these reports publically available.</p>	<p><i>See response to recommendations 4.38 and 4.46</i></p>	<p><i>N/A</i></p>
<p>4.48 We recommend the Department policy on school raised funds require periodic onsite review and testing of school procedures for collecting, accounting and spending school raised funds. Evidence of this process should be retained for audit.</p>	<p><i>The Department will consult with school districts to assess the necessary resource requirements in order to implement the recommendation.</i></p>	<p><i>Immediate and ongoing</i></p>

Objective	<p>4.7 The objective of our work was to follow up on the recommendations made in our prior year management letter to the Department on the administration of school raised funds. Our 2014 recommendations centered on two issues:</p> <ul style="list-style-type: none"> • whether all school raised funds should be included in the financial statements of the Province, and • the lack of consistent policies and procedures between districts related to school raised funds.
Scope	<p>4.8 The majority of our work was conducted through interviews with departmental, district and school employees. We conducted visits to three district offices and two schools. Information was obtained from other districts via email or telephone conversations. As well, we reviewed the <i>Education Act, the Financial Administration Act</i>, departmental and district policies and manuals.</p> <p>4.9 Certain financial and statistical information presented in this report was compiled from information provided by the Department and districts. It has not been audited or otherwise verified. Readers are cautioned that this financial and statistical information may not be appropriate for their purposes.</p>
What we did not examine	<p>4.10 We did not examine school raised funds of \$10.6 million already recorded in the Province’s special purpose accounts. Nor did we review funds raised by affiliated parties such as home and school associations.</p>
Who is responsible	<p>4.11 The <i>Education Act</i> and related regulation specifies the responsibilities and authority of the Minister, the Department, the seven District Education Councils (DEC), superintendents, principals and teachers.</p> <p>4.12 School principals are specifically charged in the <i>Education Act</i> with administrative responsibility over school raised funds.</p> <p>4.13 The Minister of Education and the Department set out financial and other policies for the seven DECs to follow. The DECs may set their own policies as long as they do not contradict the departmental policies.</p> <p>4.14 Reporting of school raised funds financial information generally flows from the school and principal to the district superintendent. Departmental policy 132 – Contribution of</p>

Resources by Parents requires principals to provide school raised funds reports to parent school support committees. The districts provide financial reports to the Department quarterly and annually. The districts would provide reports on school raised funds to the Department if requested.

4.15 Refer to Exhibit 4.4 for lines of financial reporting responsibilities.

Exhibit 4.4 – Lines of financial reporting responsibilities



Key Finding: Until this year, the majority of school raised funds have not been recorded in the Province’s financial statements

School raised funds amounts not recorded

4.16 At the start of our 2015 audit, the Province was not recording all school raised funds in the Province’s financial statements. From our work, we determined these amounts should be all recorded by the Province. Exhibit 4.4 outlines the reporting responsibilities and the requirements of the *Education and Financial Administration Acts*.

Rationale for recording school raised funds amounts in the Province’s financial statements

4.17 The *Education Act* grants authority to school principals for funds provided to and raised for the schools. School principals report to the district superintendent who reports to the DEC. Although the DEC’s operate independently, they are accountable to the Minister of Education and Early Childhood Development. The *Financial Administration Act* grants authority to the Comptroller for ensuring the proper receipt, recording and disposition of public money. Both the school principals and the Comptroller are accountable to the Cabinet through their respective Ministers. This accountability framework results in the Comptroller being ultimately responsible for recording and reporting school raised funds in the Province’s financial statements.

School raised funds under the control of principals should be recorded by the Province

4.18 Accounting standards provide guidance on when to record amounts in financial records. These standards require amounts to be recorded if they are under control of an organization. Draft policy 133, **School Raised Funds**, states: “For control to exist, a school principal or designate must have the authority to make decisions on when, how and on what the funds are to be spent.” This determination of control should be assessed for each type of school raised funds collected.¹ If control is determined, then the funds should be recorded and reported in the Province’s financial statements.

Position at the start of our work

4.19 At the start of our work, five of the seven districts had not recorded the majority of school raised funds in the Province’s financial accounts. The remaining two districts, however, informed us they had recorded these amounts in the

¹ Policy 133 (Draft), School Raised Funds, Department of Education. February 19, 2008.

Province's accounts.

Records are easily available for four of five school districts

4.20 The five districts who had not recorded all school raised funds in the Province's financial records provided information to us by either using their district-wide accounting systems or with some additional work. In one case, the district could only provide information for 26 of the 38 schools in the district.

Estimate supplied by districts

4.21 We asked district staff to provide an estimate of the school raised funds not recorded in the Province's financial statements. Exhibit 4.5 is based on district responses to our inquiries concerning school raised funds and have not been audited.

Exhibit 4.5 – Estimate of original unrecorded and subsequently recorded amounts for school raised funds by district

School Raised Funds by District (\$ millions)				
District	31-Mar-14 Opening Cash Balance	2015 Revenues	2015 Expenses	31-Mar-15 Closing Cash Balance
Anglophone				
South (74 schools)	2.80	5.60	5.40	3.00
West (75 schools)	3.40	7.40	7.10	3.70
East (37 schools)	1.90	3.60	3.70	1.80
North (34 schools)	1.10	1.70	1.80	1.00
Francophone				
South ¹ (36 schools)	1.13	3.50	3.50	1.13
North-west ¹ (19 schools)	0.88	1.83	1.71	1.00
North-east ² (38 schools) Information for 26 of 38 schools	0.90	2.88	2.94	0.84
Total school raised funds	12.11	26.51	26.15	12.47
Less: Amounts already recorded in the Province's financial statements	2.13	10.58	10.59	2.12
Original unrecorded amounts in Province's financial statements	9.98	15.93	15.56	10.35
Amounts recorded as a result of our work³	9.20	13.80	13.50	9.50
Remaining unrecorded amounts ³	0.78	2.13	2.06	0.85
<p>The above amounts are estimates derived from figures provided by school district staff. These amounts are not audited.</p> <p>The number of schools was obtained from the Department's "Summary Statistics – School Year 2014-2015".</p> <p>¹ All revenue and expense amounts for these districts are already recorded in the Province's financial records except for small amounts for emergency purposes</p> <p>² The district was only able to provide information for 26 of the 38 schools in the district. The information was provided on October 22, 2015 and was not included in the Province's financial statements.</p> <p>³ The Province's financial statements were adjusted for the unrecorded amounts noted above except for approximately \$2 million of revenue and expenses because of the timing of when information was received. See point² for more information.</p>				

Original position **4.22** From Exhibit 4.5, we note the amounts not recorded by the Province were approximately \$16 million of revenue and expenses in its financial statements, as well as year-end bank

balances of approximately \$10 million.

Changes as a result of our work

4.23 As a result of our work, the Province recorded approximately \$14 million of revenue and expenses, as well as approximately \$10 million of assets relating to school raised funds in its financial statements. A retroactive adjustment also was made to update prior year amounts.

Conclusion

4.24 The Province should continue to record and report school raised funds in its financial statements and gather information from the school districts who were not recording amounts in the Province's records.

Recommendation

4.25 We recommend the Department, in consultation with the Comptroller, establish a process for recording school raised funds in the Province's financial statements.

Key Findings: Lack of Consistent Policies, Procedures and Systems Between Districts

Disagreement on Definition for School Raised Funds

Why consistent policies and procedures are needed

4.26 Because of the extensive number of transactions, the number of districts and schools involved and a lack of oversight at the departmental level, the Department must set clear policies and procedures in order to promote consistency in reporting between districts and schools. In general, districts may set their own policies as long as they do not contradict or over-ride the departmental policies. If the Department does not set policies for the districts, then it will be difficult to achieve consistency between districts in recording and reporting school raised funds.

Current policy definition

4.27 From our work, we noted departmental policy 101 – **Financial Responsibilities of School Districts** defines school raised funds as, “monies that are raised within the school by various groups, from or in support of, extra-curricular activities, or pupil activities (i.e. monies raised from school-wide projects such as dances or concerts, student council activities, classroom sponsored hot lunch programs, athletic group events, or other group fund-raising events, such as magazine sales, car washes).”

Incomplete departmental policy

4.28 The districts informed us they were expecting more guidance from the Department on school raised funds. We noted in policy 101 a section titled *School Raised Funds* has never been completed. The policy states, “This section is currently under construction.” This policy has been in place since August 1981 with various updates as recent as July 2012.

Draft policy not implemented

4.29 We also noted the Department has a draft policy 133- **School Raised Funds** which addresses many issues relating to school raised funds and establishes standards for the safeguarding, controlling and reporting of school raised funds. This draft policy, dated February 2008, however, has never been finalized.

Disagreement on definition

4.30 The Department indicated the main barrier in implementing the new policy relates to formulating a comprehensive definition as to what was included in school raised funds. We were told the Department has intended to create a comprehensive definition so as to remove the potential inconsistency from the districts. Agreement could not be reached on a definition, however, and the project has been stalled since 2008.

Different approaches by different districts

4.31 In the case of school raised funds, different schools and districts sometimes use different systems to track and record school raised funds. This may be part of the reason districts account for the funds in different ways.

No overall provincial systems and procedures

4.32 As well, the seven districts had various approaches to the administration of school raised funds. In general the Anglophone districts allowed each school to raise, keep and spend school raised funds without involvement by the district. Oversight by the districts was carried out by district staff through the use of a district-wide computer system, “school cash.” In the Francophone districts, in general, amounts were deposited in the school account and transferred to the district on a regular basis. There was no Province-wide computer system. In general, we noted some districts had difficulty providing us with very basic details on school raised funds numbers.

School Cash System in Anglophone Districts

4.33 Currently most of the Anglophone school districts are using a cash handling system known as “school cash”. The system can be used to account for a multitude of different fund raising activities in a transparent and timely basis. The school cash system encourages online, real time monitoring of the school cash process, consistency of process and the possibility of using an interactive online purchase / fee collection module for parents.

Standard Province-wide system beneficial

4.34 Further, it would seem beneficial to promote the use of online cash payment systems for parents and students. This would reduce the risk of cash loss, administrative burden for teachers and make it easier for parents to provide funds. Because the scope of the school cash collection process is Province-wide and literally affects thousands of administrators, parents, students and teachers, the effect of moving to an online cash collection process would be significant.

4.35 Schools in the Francophone districts do not use the “school cash” system. As previously mentioned, we understand in two of the three Francophone districts school raised funds are transferred to the district office monthly and are then deposited into the district bank accounts. Funds are then reported in the Province’s financial records. We understand the third district does not do this. Using different systems at the school and district levels make administration of school raised funds in the New Brunswick education system less efficient. Although there are different size schools, seven districts and dual language requirements, the underlying situations, challenges and risks relating to school raised funds are generally the same throughout

New Brunswick.

Conclusion

4.36 The *Education Act* and the Department's policies are the common thread holding the overall management of the system together. Together they should ensure basic standards for accounting, oversight and reporting are in place. The current policies and definitions need to be supplemented to provide further direction to districts and ultimately to schools.

Recommendations

4.37 We recommend the Department ensure a consistent policy be completed and implemented for school raised funds. The policy should:

- include roles and responsibilities for all involved parties including the DECs, superintendents, principals, school staff and fund raisers, and
- contain a comprehensive definition of school raised funds which should be communicated to all districts to aid in the consistency of recording and reporting school raised fund amounts.

4.38 We recommend the Department evaluate the current use of online revenue collection and the use of the school cash computerized system. As part of this process, the Department should determine the optimal online cash handling process. A consistent Province-wide system should be implemented.

Key finding: Lack of Public Reporting and Oversight by the Department

Mandatory reporting not required by policy

4.39 In the course of our work we noted the expectations for reporting on school raised funds are not clear:

- Draft policy 133 - **School Raised Funds** requires schools to maintain financial records and prepare reports for review by the superintendent or the Office of the Comptroller if requested. The draft policy indicates proper reporting processes should be in place and proper financial disclosure must be provided to parents of children directly involved in the school raised fund activity if requested.
- Departmental policy 132 – **Contribution of Resources by Parents** requires school principals to provide to the parent school support committee a report on school raised funds as part of the school performance report. The policy does not require this information to be publically reported.
- Departmental policy 101 – **Financial Responsibilities of School Districts** requires school districts to submit quarterly and annual financial reports to the Department. It also notes school districts are to submit other statements and reports as required. These reports may include reports on school funds.

No reporting required by the DEC

4.40 As part of our work, we reviewed the generic DEC Member Handbook provided to us by the Department. This document is dated June 2012 and is still draft. We did not note any section specifically relating to reporting school raised funds.

District not providing school raised fund reports to the Department

4.41 The districts are required to provide the Department with various reports and schedules at year end if requested. We are not aware of the districts providing any reports or schedules for school raised funds in the past few years.

No independent review of financial information

4.42 In past years, school districts were audited by the Office of the Comptroller. After the Comptroller audits were discontinued, we understand that no other extra level of oversight was provided by the Department through the quality assurance, internal audit or any other branch.

**Public reporting
not required**

4.43 From our policy review, we did not see any requirement for school raised funds to be publically reported. Since there is no audit function in place, mandatory reporting of school raised funds to the district, the Department and parents would highlight any unusual financial errors or irregularities and help improve accountability.

**Inconsistent
district oversight
processes**

4.44 We are not aware of any departmental oversight being carried out in regards to school raised funds. All the districts we visited, however, had oversight programs. The amount of oversight varied between districts. Some districts' oversight was limited to reviewing accounting records sent in or available online. Others periodically viewed and tested the processes in place at schools to collect/spend funds. Departmental policy should require districts to periodically visit and test school processes to ensure proper controls are in place for collecting, recording and reporting school raised funds. It should also require the Department to periodically monitor the district oversight process to ensure it is functioning properly.

Recommendations

4.45 We recommend the Department finalize departmental policies regarding recording and reporting school raised funds.

4.46 We recommend the Department ensure public reporting at the school level (e.g. communication to parents or posting within the school) is available as part of the online system to increase transparency and accountability.

4.47 We recommend the Department ensure the Province-wide online system has the ability to produce school raised funds reports at both the school and district levels. The Department should require schools and districts make these reports publically available.

4.48 We recommend the Department policy on school raised funds require periodic onsite review and testing of school procedures for collecting, accounting and spending school raised funds. Evidence of this process should be retained for audit.