

Crescent Elementary School PTO Financial Audit Report

Period of Time Covered: July 2011 thru June 2012

Date Conducted: August 1, 2012

Audited By: David Hollberg
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Reason for Audit: Kerry Cross, PTO President, asked me to join the PTO Audit Committee and we agreed that the audit should be done prior to the start of the 2012-2013 school year.

Summary: Kelly Smith has continued to perform well for the Crescent Elementary School PTO in his capacity as Treasurer. He has provided me with the financial documents (generated by or available to him) in order to accomplish this audit. He has kept accurate records and no transactions appear to be out of the ordinary.

Notes: I am listing my comments in no particular order or importance. Should the IRS ever audit the PTO, comments in this document or revisions to this document may be referred to.

As an organization comprised of people of varying backgrounds, we must realize that we are in the learning stages. As a committee, we are interacting with numerous individuals who may not understand the revenue and/or the expenses. We must be mindful and be the best stewards of the PTO finances.

The Crescent Elementary School Parent/Teacher Organization will be referred to as simply PTO for the remainder of this document.

1. **PTO Audit Documents** – The following is a complete list of documents required for the audit. It is known that some of these are not available; therefore, the 2012-2013 school year will be the origination period. Some documents may be available, but not provided at the time of this audit.
 - **Current bylaws** – The Bylaws are available.
 - **Last year's audit report** – No audit was conducted last year.
 - **Bank statements and deposit receipts** – Period documents have been provided.
 - **Check request forms** – Not available at the time of this audit.
 - **Adopted budget and any amendments that were approved by the membership during the year** – Not available at the time of this audit.
 - **Copies of board, executive committee and associated minutes** – Not Available.
 - **PTA Audit/Financial Review Form and PTA Audit Checklist** – Not available.
 - **Ledger Book** – Provided and accurate.
 - **Annual Financial Report** – Provided and accurate.
 - **All Treasurer reports** – Provided and accurate.
 - **Checkbook and cancelled checks** – Provided and accurate.
 - **Itemized statements and receipts of bills paid** – Provided and accurate.

- Budget** – An annual budget should be discussed and generated by the PTO Executive Committee during their first meeting of the school year. Once events are planned during the school year, revisions should be made immediately.

Approved Items: A budget should be discussed and approved prior to disbursement of funds. Meeting minutes are needed to document the approval. Any item in the budget does not need further approval prior to funds being disbursed.

Items not in Budget: Items not in the approved budget must be approved by the majority of the PTO Executive Committee prior to disbursement of funds. No one should ever ask the Treasurer to issue a check for non-budgeted items.

After reviewing the financial documents, there may not have been a predetermined budget for PTO activities. The financials reviewed do not show a “spending plan” or “projected income” for PTO activities. It is difficult to analyze history or the future without a plan. **New Comment:** *Has there been a budget for individual events or past years?*

Producing special events can be one of the most expensive ways to raise funds. Spending 50 or 60 percent of the income from an event to pay for costs is common. Printing, advertising, food, awards, miscellaneous items, and entertainment all cost money. Also, special events are labor intensive. The Fundraising Chair should ask questions, draw on the experience from past leaders/teacher/administrators, call for pricing, availability, and be prepared to present a plan to the PTO Executive Committee for approval. The plan should not be set in stone, but a guide. I believe that setting a maximum dollar amount for purchases not approved in the budget is acceptable. Maybe set the limit at \$100 per event. We need volunteers, discretion, and their creative energy. That may require personal funds to be used. We do not want to stifle enthusiasm or limit growth.

Note: It certainly helps to set goals for fundraising events. WHAT are the objectives?

- Reimbursement Forms** – A standard form should be created and available for download from the PTO website. Anyone requesting reimbursement for an expense should complete the form, attach receipt(s), request a PTO committee member sign the form, and then that member will present the request to the Treasurer. No payments should be made based upon verbal communication.

Deadline: Reimbursements should be presented no later than 30 calendar days after the date of the event (not date of the expense). It is my belief that people who do not request reimbursement are instead making a “donation” and may request documentation.

Note: It is not acceptable to hand the Treasurer the receipt with a name scribbled on it or to present the receipt without a Reimbursement Form. This will help reduce the number of unauthorized reimbursements.

Direct Request to Treasurer: Should the Treasurer receive a request directly, the Executive Committee needs an email vote, a time deadline to respond, and majority decision. Lacking majority, the PTO President will be counted twice. If approved, the Treasurer should complete the Reimbursement Form, include a copy of each person’s vote in the event file, and issue the check if approved. If denied, PTO President should notify the person(s) requesting reimbursement and the reason why. The request can be presented and reevaluated at the next scheduled PTO committee meeting. If denied, the purchase may qualify as a “donation” and the appropriate form should be sent to the originator of the request.

4. **Vendor/Suppliers/Reimbursements** – No one should be paid from the cash box at an event. There must be a paper trail. It is recommended vendors/suppliers must present a quote prior to any event or an invoice upon delivery for service or items provided to an event. Those requiring reimbursement should submit the appropriate form.
5. **Donations** – Committee chairs should place a monetary value on service or items donated. Two reasons: This will assist in accurate budget guidance for future years when the item(s) may not be donated. Also, as a 501(c)3 organization, The PTO can provide a receipt that the provider can use for an income tax deduction.
6. **Meeting Minutes** – An IRS audit may involve meeting minutes. Past meeting minutes are beyond the scope of this audit and I did not ask to review them. At a minimum, I believe that an archived reproducible copy of them should be available from the PTO website. Should a signed hard copy be kept on file? Meeting minutes should be presented for approval at the following meeting. Who will be responsible for preparing and posting of the meeting minutes?
7. **Bylaws** – The Bylaws should specifically state when the annual audit should be conducted and for what period. Ex: 1 July 20 __ thru 30 June 20__ of the next calendar year. The lag time between the end of the previous school year and the beginning of the following school year will allow the bank statement(s) to be reconciled and the completion of the audit.
8. **Supplies** – How are supplies purchased? By one or more committee members, teachers, and/or parents. One person could be assigned to purchase these items and store them at a centralized location. Preferably not at their home. ***New Comment:*** *Would this make it too difficult regarding coordination?*
9. **Checkbook Payment & Deposit Register** – The current register is full and it is recommended that a new one be started.
10. **Bank Statements & Other Documents** – It is recommended that each binder only contain information pertaining to that year (July – June). Locating information for review will be much easier.
11. **General Ledger** – A General Ledger for the entire year should be included with the P&L Statement.
12. **Cash** – Cash should be collected and counted by no less than two people during an event. Deposit slips filled out and a copy presented to the President and/or the Treasurer. Other cash collected on behalf of the PTO should have a total attached to the money and signed by the collector. All cash collected must be presented to the Treasurer within 48 hours after collection.
13. **Miscellaneous** – Should leftover prizes, food, drinks, etc... be saved, used at the next event, or given away? Excessive prizes and multiple receipts for prizes indicate the need for more coordination, effective communication, and better planning.
14. **Public Relations / Community Building Effort** – The Family Nights and Yard Sale fall more into this category. One of the three Family Nights was financially successful and the Yard Sale was the most successful of all activities if based solely upon Return On Investment and not cash generated. Please refer to next page.

15. 2011/2012 School Year Events – The 2012-2013 events should also include a spending plan, projected income, and objectives. We might want to consider focusing on events that produce a higher Return On Investment (ROI) so that we can assist more with our efforts. I have included the ROI from the individual events.

$$\text{ROI} = (\text{Gain} - \text{Cost}) / \text{Cost} \times 100\%$$

Event	Income (Gain)	Expenses (Cost)	ROI
Back to School Bash	1,678.85	293.84	471 %
Family Night			
October	1,175.00	920.88	28 %
December	713.00	725.37	- 2 %
April	756.00	740.05	2 %
Investments, Short-term CD	16.87		
Mardis Gras	2,727.00	2,312.89	18 %
Math Madness	715.11	394.24	81 %
Miscellaneous	65.00	2,039.85	
Program Income			
Cougar Chase	4,307.00	1,970.84	119 %
Membership Dues	1,490.00		
Silent Auction (See Below #16)	0.00	600.00	- 100 %
Used Book Sale	860.19		
Walk-A-Thon	11,526.40	2,740.58	321 %
Yard Sale	608.50	50.00	1117 %
5 th Grade Frolics		159.70	
5 th Grade Graduation		181.08	
A/R Incentives		977.29	
Awards Day		1,000.00	
Copiers – Rentals & Masters		3,562.92	
Field Trip Scholarships		227.91	
Kindergarten Graduation		250.00	
Operations		26.40	
Pre K Supplies / Field Trip		500.00	
PTO Projects		11,195.44	
Retirement Receptions		585.40	
School Agendas		924.60	
Staff Development		1,000.00	
Student Appreciation		994.00	
Teacher Appreciation		999.71	
Teacher Supplies		2,950.00	
TOTAL	26,638.92	38,322.99	

16. Silent Auction – The Silent Auction expense was an odd situation. We did not have the silent auction last year. In the spring of 2011, a vacation package was offered and purchased. The person who offered the property was not the owner. The winner of the package had a difficult time communicating with the owner and scheduling a vacation, and the person who offered the property was no longer involved and could not help resolve the situation. The PTO board decided to refund the money to the winner at that point.

17. PTO Financial Review Form

Dates covered: 1 July 2011 – 30 June 2012

1. Balance on Hand (31 July 2011).....	\$	26,388.32
- used the register balance as of 31 July 2011		
2. Receipts (from last audit to date of this audit).....	\$	26,638.92
3. Total Cash (add lines 1 & 2 together).....	\$	53,027.24
4. Disbursements (from last audit to date of this audit).....	\$	38,322.99
5. Balance on Hand		
a. (subtract line 4 from line 3).....	\$	14,704.25
b. (checkbook register says).....	\$	15,006.62
6. Bank Statement Balance as of 29 June 2012.....	\$	15,048.34
7. Checks Outstanding (list check number, payee and amount)		
Check #1267 Teresa Copeland \$29.72		
8. Total Outstanding Checks.....	\$	29.72
9. Balance in Checking Account (subtract line 8 from line 6).....	\$	15,018.62

Conclusion and Recommendations:

- The amounts on line 5 and 9 should be the same. They are not. I was unable to determine the underlying cause between lines 5a/5b and 9 discrepancies. A resolution is presented below.
- The handwritten checkbook register may not be the best way to maintain accurate records. Evidenced by the following.
 - o Line 5a shows: \$ 14,704.25
 - o Line 5b shows: \$ 15,006.62
 - o Line 9 shows: \$ 15,018.62
- Each month, the checkbook balance should be reconciled using the worksheet found on the back of the monthly statement issued by the bank, signed by the treasurer and another person not authorized to sign checks.
- And... Continue to maintain a handwritten checkbook register with a starting balance from Line 9 above, reconciling each month, and entering checks, deposits and interest as they are paid, received and earned.
- Or... Start monthly reconciliation using a computer program such as QuickBooks. It appears that the data is being entered into a computer, so why not reconcile every time the end-of-month bank statement is received? This would eliminate the time consuming process of a handwritten register, reduce errors, and place transactions in the appropriate chronological order.