

FY2018 MCCPTA Financial Review Committee

School Year 2017-2018

Final Report

THE PTA FINANCIAL REVIEW

A financial review involves an examination of financial transactions and the procedures used to conduct those transactions. Its purpose is to assure both the membership and the Board of Directors that the funds of the PTA have been properly administered and that good financial practices have been followed.

Maryland PTA bylaws require that all PTAs submit a copy of the financial review to the Maryland PTA within 120 days of the close of the fiscal year. (Oct. 31)

The books and records must be reviewed annually at the end of the fiscal year or at any time there is a change in the position of treasurer or any other officer with financial signature authority. (Source: Cash Encounters Financial Management Guide. 2017-2018)

The 2018 Financial Review Committee, hereafter referred to as the “Committee”, consisted of Laura Mitchell, Chair; Brian Carter, and Sunil Dasgupta* (*replaced Oriole Saah). The Committee conducted a thorough review of the transactions and records of the MCCPTA for the period following March 31, 2017, the date of the last financial review, through June 30, 2018.

The Committee found that the recordation of the transactions for the examination period to be substantially correct with the following corrections.

FY 2018 Adjustments

Income	FROM	TO	EXPLANATION	AMOUNT
	4000 – Membership	4300 - Sponsorship	5/8/18 sponsorship deposit posted to membership in error.	2,800.00
	4000 – Membership	4600 - P & P Dinner Tickets	6/16/18 P&P Ticket deposit posted to membership in error.	515.48
	4000 – Membership	4300 - Sponsorship	6/16/18 sponsorship* deposit posted to membership in error. * Donation for Bowen Memorial; suggest new Income Account be added.	350.00

4000 - Membership	XXXX - Donations	12/10/17 Over payment of dues should be considered a donation.	0.80
Income Adjustment Total			\$3,666.28

Expenses	FROM	TO	EXPLANATION	AMOUNT
	2100 - Liabilities	5023 - Telephone	This (FY2017) expense was paid on 7/16/2017 and should be expensed in FY2018 (based on cash basis accounting).	265.01
Expense Adjustment Total				\$265.01

Other

Check # 1017 was replaced on 8/17/17 with ck# 1034. Ck 1017 must be voided in system, thereby reducing the 5203 - Awards & Honors expense total by \$436.20 as it was expensed in a prior year.

The Committee offers the following findings and recommendations:

- On the 6/30/17 Financial Review Report –
 - There were numerous figures handwritten in the margins that were only partially legible. All documents submitted to the Committee should be clearly legible.
 - The 6/30/2017 “Balance on Hand” - \$20,483.48 did not tie to the “Balance in Checking Acct” - \$19,882.59
 - The difference of \$600.96 consists of the \$600.89 book balance for the Savings Account and an additional \$0.07 in interest from June 2017 that was omitted. The Prior year Audit / Financial Review doesn’t “tie”.
 - Separate reconciliations should be done for each account or each account should be clearly noted on the Financial Review Report.
- Adjust the beginning book balance to match the beginning bank balance of \$63,639.50, an immaterial and unidentified difference of \$0.03.

- Use a strictly cash basis of accounting going forward. Only funds received or expended between July 1st and June 30th should be recorded, regardless of which fiscal year they result from. For instance, 2017-2018 dues received on July 15th would be recorded as revenue in the new fiscal year for the 2018-2019 year. Likewise, bills received for June 2018 received in July 2018, would be paid and charged to the new year, FY2019. This will simplify the bookkeeping and the financial review.
 - Strict cash basis accounting requires that good membership records be kept separately from the treasurer. The membership records must clearly identify prior year paid in the current year and subsequent year dues paid in the following year. But this membership record should not interfere with the treasurer's strict cash records, which only register checks deposited during the fiscal year. Whatever variance there is between the membership and treasurer's figures for membership dues numbers must be reconciled at the end of the year using prior year and subsequent year dues provided by the membership chair. The Committee has prepared a spreadsheet for Membership to use that will help accomplish this goal.
- Software: implement accounting software that can print additional reports, such as budget (to include original, adjusted, actual and variance budget figures) and detailed check register (to include cleared, canceled and outstanding checks) directly from the software to reduce errors inherent to manual transfers of data. The system should produce computer printed, 3-part checks to eliminate the use of handwritten checks.
- Gross PayPal revenues should be recorded in the appropriate revenue account and fees should be recorded as Bank Fees. Cross reference the transactional connections in the notes for both posts.
- Develop and follow strict written guidelines for handling incoming payments that provides adequate separation of duties for cash/checks.
- Include the account that transactions will be posted to on the disbursement request form to provide an extra level of review that should minimize posting errors.
- Add a "year to date" field on the PTA dues remittance form so that local PTAs can confirm, with each submission, the total paid to that point in the year. Errors and omissions can be identified and corrected throughout the year if that information differs from the records of either the Treasurer or the Membership Chair.
- Fully utilize the "Notes" fields when posting related transactions in part or in different accounts. For example, reimbursement checks that are posted to multiple expense categories/accounts should note the check date & check number.
- Treatment of \$5,000 loan to Green Castle ES recorded as an Expense rather than a loan recorded as an Accounts Receivable item.
 - Treasurer reported: since there was considerable uncertainty as to whether the \$5,000 would/could be repaid, it was viewed as an expense. The collective opinion of the Committee is that it should be recorded as a loan in the Accounts Receivable. It could be written off as bad debt in the future if it became evident that it would not be returned. During the review period, the Committee learned that the loan would be returned. The correcting entry should be made in the prior year to avoid overstating

Expenses. When the funds are received, they should reduce the Accounts Receivable line and Increase the Cash line but should not be recorded as Income in FY2018.

To facilitate the financial review in the future, the Committee offers the following recommendations:

- Close the fiscal year books on June 30th, with no further payments or deposits for that period. All transactions after that date should be recorded in the subsequent fiscal year.
- Deliver the all documents to the Committee as soon as the final bank statements are reconciled, but not later than the 15th of the first month following the end of the period or fiscal year to be reviewed.
- Provide a copy of the current Cash Encounters Financial Management Guide to the Committee and all documents required therein, along with clear expectations of the scope of work and time line for the review from the Board of Directors’.
- Provide all documents suggested in the Cash Encounters Financial Management Guide including:
 - A copy of the last financial review
 - Checkbook and canceled checks
 - Bank statements and duplicate deposit slips
 - Annual Financial Report
 - Income Ledger
 - Expense Ledger
 - Treasurer's reports
 - Copies of all bills, invoices, or receipts
 - Copies of general membership and Board of Directors minutes, which would include an adopted budget as well as any amendments, approved during the year
 - Check requests/vouchers
 - Current bylaws and standing rules
 - Other material or information requested by the financial review committee
 - The Committee suggests the following additional documents:
 - Provide a complete and accurate list of memberships paid during the review period, as certified by the Membership Chair and reconciled by the Treasurer.
 - Provide the Committee with signed Board of Directors meeting minutes that indicate the adoption of the budget and any subsequent adopted budget amendments during the period under review.
 - Provide a Budget Report generated directly from the accounting software in use. The report should include original, adjusted, actual and variance budget figures.
 - Provide a draft Financial Review Report completed by the Treasurer. This will help identify errors and ensure that the book and bank balances are in

agreement, to the satisfaction of the Treasurer, prior to submission of the records for review.

- Provide a complete Chart of Accounts listing.
- Provide current contact information for the Treasurer, Membership Chair and President in case questions arise.
- Provide current contact information for all members of the Committee for the current and prior year (if available).

Financial Review Actions Performed:

Checks/ Disbursements

- Verified checks over \$250 had 2 Signatures and written to vendor noted on supporting documents
- Found no checks written to “Cash”

Deposits / Receipts

- Performed a random sampling of 10 – 15, all reviewed had the deposit ticket copy of checks and other supporting documents as applicable (i.e. MCCTA Membership payment coupon)

Checking Account

- Reviewed Bank Statements – Confirmed all 12 months present and confirmed that they “rolled forward” (i.e. Ending Balance is Beginning Balance on subsequent statement)
 - Verified that 2 or more officers signed the 1st page of the Bank Statements – a couple of months only had 1 signer
 - Recommend that 2nd officer sign 1st page of Bank Statements for:
 - * July 2017
 - * Sept 2017
 - * Oct 2017
 - * Jan 2018
 - * March 2018 (Nd Cheryl)
 - * May 2018
 - * June 2018
 - * July 2018

Savings Account

- Reviewed Bank Statements - Confirmed / reviewed four quarterly statements and confirmed that they “rolled forward” (i.e. Ending Bal is Beg Bal on subsequent month) –
- Only Cheryl signed 1st page of each quarterly Statement
 - A second officer should sign each statement.

Membership

- Membership Dues revenue account reconciled to the list maintained by the Membership Chair

Financial Statements

- Reviewed Financial reports provided – Sent questions to Cheryl and requested additional documents not previously provided. Requested Items:
 - Balance Sheet
 - List of Disbursements that ties to “Annual Financial Report FY2018”
 - List of Receipts / Deposits that ties to “Annual Financial Report FY2018”
 - Membership report to verify Membership revenue

- Notable Items
 - Treatment of \$5,000 loan to Green Castle ES recorded as an Expense rather than a loan recorded as an Accounts Receivable item.
 - Response: since there was considerable uncertainty as to whether the \$5,000 would/could be repaid, it was viewed as an expense. The collective opinion of the Committee is that it should be recorded as a loan in the Accounts Receivable. It could be written off as bad debt in the future if it became evident that it would not be returned. During the review period, the Committee learned that the loan would be returned. The correcting entry should be made in the prior year to avoid overstating Expenses. When the funds are received, they should reduce the Accounts Receivable line and Increase the Cash line but should not be recorded as Income in FY2018.
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