To: Bridgette Wickard, South Middleton PTO Board President

From: Audit Committee

Cc: South Middleton PTO Board Members

Date: October 15, 2024

Re: Audit of South Middleton PTO Financial Records

In accordance with the South Middleton PTO bylaws (article eight, section four), the audit committee conducted an audit of the financial records for the 2023-2024 school year. The audit was completed by the three-member committee with the support of both treasurers. The audit was conducted to obtain reasonable assurance about whether the financial statements presented by the treasurer are free of material misstatement, whether due to error or fraud. Extra attention was paid to the policies and procedures that are the basis of the financial statement to ensure they follow proper financial safeguards and provide transparency to the PTO.

**Audit Procedures:**

Audit committee requested all financial records for the 2023-2024 school year. With the documentation provided, a review was conducted to match the bank statements and the financial statements. The committee also reviewed various transactions to ensure proper procedures were followed on cash disbursements and expenditures.

**Audit Findings:**

The committee found the financial statements were free of financial misstatement and no signs of fraud were discovered. A review of the policies and procedures discovered several areas of that the PTO could improve upon. In the following appendix, the committee provides recommendations to improve the policy and procedures and bolster transparency. The committee is committed to providing templates and examples to help improve these areas.

**Appendix A**

**General Recommendations:**

#1 Concern: Being a nonprofit with cash flows coming through at various times through the year, a monthly cash flow statement and trend would be beneficial for understanding of the varying ins and outs of cash throughout the year.

Recommendation: A statement of cash flows should be developed to present cash inflow and outflows for the month as well as an annual projection – this would be done YTD, so all actuals through a current month and projection for the rest of the year. In doing this, it will allow the board and school principals to see the timing of cash coming in and when it is expected to be used. There was a question of what to do with excess cash at the end of the year – a recommendation is that with the cash flow statement being monitored monthly, a projection of surplus or deficit can be projected earlier in the year. At that time, it can be determined if there are other items that can be covered by the PTO for the school or other events budgets increased and the overages covered by the cash surplus. It would be recommended that this cash be moved to the separate surplus account (interest bearing account) and then withdrawn as needed.

#2 Concern: For the annual book fair events, it doesn’t appear that tracking of starting cash, daily ending cash, and reconciliation of sales are occurring.

Recommendation: During the book fair, we recommend that a daily count and deposit of cash occurs at the end of each day. This count of cash should also include a reconciliation back to the end of day sales for the day from each register with credit card sales.

#3 Concern: 990 tax filing

Recommendation: In accordance with the IRS, organizations with less generally less than $50,000 gross receipts annually are to file a 990-N (postcard), which the SMPTO has previously filed. After review of the financials, it appears that income was netted down by expenses. Per the IRS, gross receipts are total amounts received from all sources, without subtracting any costs or expenses. We recommend that a form 990ez is completed annually to comply with the tax filing regulations moving forward, while continuing to maintain an annual review of gross receipts.

**Cash:**

#1 Concern: Procedures and safeguards around cash are inadequate and leave the organization susceptible to fraud. This was implemented at Spring Fling, but aim to continue this and add to any event where there is cash exchanging hands.

Recommendation: Cash should be counted by two members of the board that are not responsible for depositing the cash. The amount of the cash that was counted should be kept separate and matched with the amount deposited to ensure it matches. The PTO should engage its bank, FNB, to inquiry if night deposits could be made so that cash does not have to be kept at a board members house for more than 24-48 hours. If FNB doesn’t seem to support this, we recommend reaching out to other banks who may offer this service in addition to a nonprofit interest-bearing checking or savings account.

**Accounts Payable:**

#1 Concern: Payments are not tracked and sometimes made in a timely matter to vendors.

Recommendation: Treasurer should report out each month the open payable balance and required due date. Maintain a spreadsheet with all vendor payments due and date paid to ensure what could be missing (issues with invoices going to personal emails instead of PTO email, etc).