

To: Bridgette Wickard, South Middleton PTO Board President
From: Audit Committee
Cc: South Middleton PTO Board Members
Date: July 29, 2023
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 2022-2023 school year. The audit was completed by the four-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 2022-2023 school year. The committee noted that not all requested documents were able to be provided for various reasons. The missing documents did not prevent the committee from establishing an opinion but highlighted the need for better record retention. With the documentation provided a review was conducted to match the bank statements and the financial statements. The committee also reviewed each transaction 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 concern and areas that open the PTO to possible fraud. 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: Tracking of expenditures and providing proper verifications of approval.

Recommendation: A spreadsheet listing all expenditures and the event they relate to, as well as spots for required approval signatures, would simplify tracking and provide transparency of approvals. Receipts or invoices relating to the purchase would be kept with the spreadsheet as proof of purchase.

#2 Concern: The PTO's savings account is below the three months required balance per the bylaws. Also, procedures around when funds may be withdrawn from the savings account are unclear.

Recommendation: During the time the yearly budget is voted in, the approval to move the appropriate funding into the savings account should be done. The treasurer would then have 2 weeks to move the funds into the appropriate accounts. We also recommend that the bylaws be amended to state that funds may only be withdrawn from the savings account with the approval of the majority of the board.

#3 Concern: Teachers are provided \$50 to \$100 in funds at the start of the school year to help with expenditures.

Recommendation: To provide better transparency on the use of PTO funds, we recommend that each teacher provide receipts for the use of the funds. Also, the funds should be issued by check, no cash.

#4 Concern: Record Retention

Recommendation: Electronic monthly folders on the PTO's SharePoint site or a binder should be kept with all support. Everything in the folder should tie back to the monthly financial statement and bank records.

Cash:

#1 Concern: Procedures and safeguards around cash are inadequate and leave the organization susceptible to fraud.

Recommendation #1: 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.

Recommendation #2: 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 the treasurer's house for more than 48 hours.

Accounts Payable:

#1 Concern: Payments are at times made in cash to vendors and board members.

Recommendation: It should be required that all payments are made by checks. Only in the rarest circumstances, with approval of the majority of the board, may a cash payment be made. While cash payments may be easiest at large events and between board members, it provides opportunities for fraud and prevents transparency of expenses.

#2 Concern: Payments are not made in a timely matter to vendors

Recommendation: Treasurer should report out each month the open payable balance and required due date.