



# Parent Teacher Organizations— Guide to Best Financial Practices

Malden Public School District

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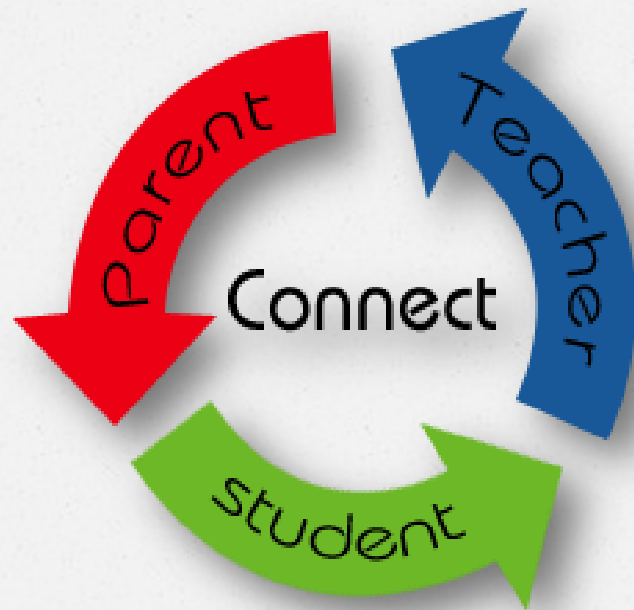
# Agenda

- Background
- Student Activities verses Parent Teacher Organization
- Getting Started
- Financial Best Practices
- Common Problems

# Background

- A parent teacher organization (PTO) is a formal organization that consists of parents, teachers, and school staff
- The mission of a PTO is to promote open communication and understanding between parents and staff to ultimately enhance and maximize the education of a District's students through co-curricular activities





# Background

- Typical objectives include
  - Sponsor assistance to teachers in classroom session
  - Hold fund raisers for supplemental educational materials and experiences
  - Support school and family social interaction
  - Provide unbiased forum for sharing information
  - Support educational goals of school thus extending those goals to the students

# Background

- Certain volunteers of PTOs typically handle receipts, maintain bank accounts and disburse funds
- Therefore an important aspect of this role is to provides responsible stewardship over the activities
- Important to have an adequate level of internal control and transparency
- This is the main purpose of today's discussion



# Student Activities Versus PTO

- Co-curricular activities may be administered as student activities or thru a PTO
- Student activities require School Committee approval
- Principal is legally responsible for Student Activities
- Once adopted must be followed

# Student Activities Versus PTO

- Deposits are made to a dedicated savings account at the City Treasurer's Office
- Disbursements are made by the School Principal from the school checking account, however these are reimbursed back from the Treasurer's savings account so strict controls are in place over disbursements
- Many regulations must be followed
- The District bears the burden of any improprieties or issues that arise when it chooses student activities



# Student Activities Versus PTO

- PTO is much less burden on the District
- This is an outside organization operated mainly by parents
- Mostly used in Elementary Schools as students are too young to make decisions
- Typically organized as a nonprofit
- PTO has its own Federal Identification #

# Student Activities Versus PTO

- PTO must file its own tax return
- PTO must elect its own officers
- PTO must manage itself and be responsible for its own actions

# Student Activities Versus PTO

## ➤ Despite autonomy PTO should:

- Respect the District and its goals and work with the District
- Make best efforts to conform to best practices in the administration of PTO activities
- Establish adequate internal controls
- Appoint individuals who are competent and qualified to perform their assigned tasks
- Provide the District with transparent reporting



# Getting Started

- Gather a small group of like minded parents
- Meet with the Principal and key teachers
- Formally organize the PTO (see separate slide)
- Develop a mission statement

# Getting Started

- Develop a list of benefits for the students
- Develop fund raising ideas and activities
- Adopt a fund raising policy
- Document this in writing

# Getting Started

- Two options for organizing
- One parent maintains a bank account in their own social security #; I strongly discourage this
- Formally organize the activity as a nonprofit organization; I strongly encourage this



# Getting Started

- Formal nonprofit steps
  - Apply for Federal Identification #
  - Articles of Incorporation
    - Acts as charter for the corporation
    - File with the Secretary of State
    - Includes effective date of incorporation
    - Lists incorporators and their signatures

# Getting Started

## ➤ Bylaws

- Purposes and powers of the PTO
- Rules and methods that PTO will follow
- Insures legality and productivity
- Spells out election process
- Spells out meeting manners
- Volunteer roles

# Getting Started

- Apply for tax-exempt status with IRS
  - Use IRS Form 1023 or 1023EZ
  - Usually quick turn-around on determination letter
  - Insures legality and productivity



# Getting Started

## ➤ Financial first steps

- Open checking account
  - Should use dual authorized signers
  - Treasurer and President signers
- Set up financial system
  - Quickbooks
  - Excel
- Purchase Director and Officer insurance
- Create policies and procedures

# Best Practices

- Maintain accurate records
  - Set up adequate financial system
    - Quickbooks – automated software
    - Excel (see next slide)
- Reconcile bank statement to accounting records on a monthly basis
- Prepare summary reports monthly (monthly and year to date) and bring to monthly Board of Director meetings
- Records should be maintained by an individual who possess the competency and qualifications to administer the records in an accurate manner

# Best Practices

Ferryway School  
Year Ended June 30, 2016

Date	Check #	Description	Field Trips	Yearbook	Photos	Box Tops	Ice Cream Social	Book Fair	Total
1/1/2016		Carryover balance	1,250.00	550.00	862.00	325.76	1,459.32	1,022.44	5,469.52
1/7/2016		Museum of Science deposits	750.00						750.00
1/11/2016		Year book collections		1,250.00					1,250.00
1/17/2016		Ice Cream Social receipts					750.00		750.00
1/21/2016	1212	Bus charges - museum of science	(575.00)						(575.00)
1/24/2016	1213	Stop and Shop - Ice Cream Social					(359.00)		(359.00)
1/31/2016		Book Fair receipts						1,250.00	1,250.00
1/31/2016	1214	Scholastic Books - Book Fair						(750.00)	(750.00)
1/31/2016	1215	Admission - museum of science	(600.00)						(600.00)
1/31/2016		End of month balance - January	<u>825.00</u>	<u>1,800.00</u>	<u>862.00</u>	<u>325.76</u>	<u>1,850.32</u>	<u>1,522.44</u>	<u>7,185.52</u>



# Best Practices

Ferryway School  
Month of January Reporting

	Field			Box	Ice Cream	Book	
	Trips	Yearbook	Photos	Tops	Social	Fair	Total
Beginning balance	1,250.00	550.00	862.00	325.76	1,459.32	1,022.44	5,469.52
Receipts	750.00	1,250.00	-	-	750.00	1,250.00	4,000.00
Disbursements	(1,175.00)	-	-	-	(359.00)	(750.00)	(2,284.00)
Ending balance	<u>825.00</u>	<u>1,800.00</u>	<u>862.00</u>	<u>325.76</u>	<u>1,850.32</u>	<u>1,522.44</u>	<u>7,185.52</u>

# Best Practices

Ferryway School  
January 2016  
Bank Reconciliation

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Bank Statement balance	7,285.52
Deposits in transit	1,250.00
Outstanding check #1214	(750.00)
Outstanding check #1215	<u>(600.00)</u>
Book Balance	<u><u>7,185.52</u></u>

# Best Practices

## ➤ Purchasing

- No purchases will be made without prior approval of PTO President
- Up fronting of money should be avoided whenever possible. If unavoidable, approval should be received from the PTO President
- Individuals involved in purchasing shall not in any way benefit personally from the purchases (i.e. credit card rewards points)
- PTO funds shall not be used for any purpose unrelated to PTO activities
- Personnel expenses may not be charged to PTO funds



# Best Practices

## ➤ Disbursements

- All expenditures shall be made by check
- No check shall be written payable to cash
- Checks shall be signed only after they are prepared; no blank checks should have a signature on them
- All checks shall require an original signature of the PTO Treasurer
- Dual signatures (i.e. President and Treasurer) shall be required if over \$500 (subject to lower or higher depending on school)

# Best Practices

## ➤ Disbursements

- No checks shall be issued without an invoice or other supporting document
- A record of all checks issued shall be made (including void checks)
- A payment request form should be completed for all disbursements. The form shall have attached, the original invoice and also include whom the check is payable to, reason for payment, amount of check and activity to charge;
- Sales tax should be avoided by using the PTO tax exempt number

# Best Practices

## ➤ Cash Receipts

- Only PTO members and School staff should be allowed to collect cash/checks
- Funds collected should be turned over to the PTO Treasurer within 24 hours or the next business day
- Taking funds home should be avoided
- All funds should be deposited in a timely manner by the PTO Treasurer
- Undeposited funds should be kept in a locked safe or other secure location



# Best Practices

## ➤ Cash Receipts

- Pre-numbered receipts should be used whenever possible
- Attendance logs should be maintained for field trips
- A reconciliation between cash collected and pre-numbered receipts and attendance logs should be prepared
- When a cash register is used; a reconciliation of the cash collected to the register tape should be prepared at close out
- The cash counts should be performed by two people evidence of which is a sign-off sheet

# Best Practices

## ➤ Cash Receipts

- Cash on hand should not be used to pay any bills it must be deposited and then a check written for bills
- Deposit slips should be filed chronologically and agreed to the bank statement when the statement is received

# Best Practices

- Develop a policy and procedure manual
- Annual Audit
  - The PTO activities should be audited annually by someone independent of the activities
  - This provides a level of comfort to the volunteers and to the public that records have been reviewed
  - Audits also provide a means by which recommendations and improvements can be made
  - The School Business office could audit the activities; with every third year an audit conducted by an outside professional audit firm



# Common Problems

- Volunteers not possessing the qualifications to maintain bank reconciliations and accurate recordkeeping
- Cash reconciliations not completed
- Reconciliations with unidentified variances
- Lack of reporting to the Board of Directors
- Disbursements lacking supporting documentation

# Common Problems

- Deposits not made timely
- Lack of authorization on disbursements
- Lack of adequate recordkeeping
- Cash receipts not reconciled
- Cash receipts unaccounted for
- Cash on hand used to pay bills
- Blank checks signed
- Individuals benefitting from PTO activities

# Questions

