



"Making a Positive Difference"

Office of Internal Auditing

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Memorandum

TO: Cindy Gerhardt, President
Escambia County Council of PTAs

FROM: David J. Bryant, Director
Office of Internal Auditing

DATE: December 13, 2007

SUBJECT: C. A. Weis Elementary Parent Teacher Association (PTA)

We have concluded our analysis of the July 2006 – November 2007 financial records of C. A. Weis Elementary School's PTA.

The *Objective* of our analysis, as requested by the Escambia County Council of PTAs President, was to determine if the handling of PTA funds was free of misappropriation and the realm of transactions was consistent with that of a PTA. We also reconciled the month-end balances on the bank statements.

The *Scope* of review for the July 2006 – November 2007 period included examination of bank statements, cash receipts, cancelled checks, deposit slips, and other supporting documentation. Our review also included an analysis of the PTA's Secret Santa Shop inventory. In addition, we held discussions with C. A. Weis Elementary School's principal, Escambia County Council of PTAs President, and Weis PTA's Treasurer. For the time period reviewed, financial activity included 26 checks/withdrawals and 15 deposits.

The *Results* of our analysis are summarized as follows:

We reviewed and analyzed the Secret Santa Shop inventory to determine the inventory's potential cost basis. Our review included taking videos and photos of the inventory items, compiling a written list of all inventory items, and analyzing the potential cost of the inventory. The cost basis of inventory is typically derived from adding inventory dollar amounts listed on the initial purchase receipts. According to the supporting documentation reviewed by our office, checks totaling \$925.73 were written to various vendors and the Weis PTA President to purchase inventory items to be resold at the Secret Santa Shop fundraiser. Source documentation (receipts) provided to our office only substantiated \$466.42 of the \$925.73.

Our next step was to determine the validity of the unaccounted for dollars. According to C.A. Weis Elementary sales records, \$1,320 is the approximate selling price of the total inventory items. If indeed all \$925.73 was used to purchase Secret Santa inventory, that amount is approximately 66% of the selling price of the inventory. Based on our

review, estimates, and auditor judgment we believe the actual inventory cost is closer to 26% of sales, not 66%. Our estimate is based on an average of similar items that can be purchased online through various retailers and vendors. Based on our inventory review and cost analysis, we determined 26% of sales or approximately \$343 is a more accurate purchase price, not \$926. Consequently, the difference of approximately \$583 withdrawn from the PTA's bank account appears unaccounted for.

We attempted to vouch each transaction on the bank statements to supporting documentation. Deposits were verified to deposit slips that indicated the source of funds and the check register. Check amounts were verified to receipts which detailed items purchased. Of the 13 deposit slips sampled, only 3 (23%) deposit slips showed the source of funds. The source documentation provided to our office did not include the remaining 2 deposit slips. Therefore, we were unable to ascertain the source of funds for the final 2 deposits. Eighteen of 26 checks either did not have supporting receipts or the receipt did not document the detail of the expenditure.

Upon reviewing the 26 checks sampled, eight checks totaling \$932.64 appear to have the Treasurer's name on the signature line; however, the signature does not appear to be the actual true signature of the Treasurer. Of those eight checks, two (check #s 116 and 119) were made out to the PTA President totaling \$350 and one (check # 126) was made out to the PTA President's daughter totaling \$300. One day prior to check #126 being written, a deposit was made to the account in the amount of \$290. The timeliness and amount of the deposit raised our suspicions. This scenario is an indicator that the PTA checking account may have been used for personal use. It should also be noted that check #126 resulted in an overdraft on the checking account. Furthermore, supporting documentation for these three checks was not provided to our office.

During our analysis, auditor suspicions were raised concerning potential forgery. Consequently, we asked the Treasurer the following questions:

1. Do you believe that all of the checks written have your name in the signature line?

Answer: Yes.

2. Do you believe that Weis PTA President signed your name on the checks?

Answer: I don't know how to answer that. Some of the signatures do not look like mine.

3. Did you ever provide the PTA President with blank checks that you signed in advance?

Answer: Yes, I signed several blank checks. She would tell me that she needed supplies or items for the Secret Santa inventory.

4. How did the PTA President gain access to the unsigned checks?

Answer: The PTA President had custody of the checkbook, so she would just hand me a blank check to sign.

The *Comments* of our analysis are as stated below:

- A. It appears that 8 of 26 (30%) checks drafted on Weis PTA's bank account were endorsed by someone other than the Treasurer. Those checks have the Treasurer's name on the signature line; however, the signature does not appear to match the Treasurer's true signature. In addition,

custody of the checkbook was held by a District employee who does not have check signing privileges (Weis PTA President), not the Treasurer.

- B. Only one signature appears on all 26 of the checks drafted on Weis PTA's bank account.
- C. Overall, it appears the inventory items purchased with PTA funds for Secret Santa Shop were generally consistent with those necessary for this type of fundraiser. However, in our opinion, the value of the Secret Santa Shop inventory is significantly less than the amount of money withdrawn by Weis' PTA President for this fundraiser. As a result, approximately \$569 withdrawn from the Weis PTA bank account appears unaccounted for.
- D. Concern is warranted in the fact that supporting paperwork was rarely provided for all transactions tested between the months, July 2006 – November 2007.
- E. It appears that reconciliations of the bank statements were *not* being performed on a monthly basis.
- F. Concern is also warranted in that no specific controls are in place to ensure proper receipt of the items reportedly purchased by the PTA for C.A. Weis Elementary. Although school items may have been purchased by the PTA, we were unable to determine if the stated items were actually received by C.A. Weis Elementary school.
- G. It appears a check register was not being utilized.
- H. After reviewing the files, we determine that the treasurer was *not* providing a monthly treasurer's report to the president of the PTA, Board of Directors, or principal. In addition, board meeting minutes were only provided for one board meeting held October 2, 2007. We were unable to ascertain whether or not board meetings were held prior to the October 2007 meeting.

The *Recommendations* of our analysis are as indicated below:

- A. To mitigate the potential for check forgery the PTA Treasurer or a PTA officer with check signing authority should maintain strict control over access to the checkbook. PTA officers without check signing privileges should never have custody of the checkbook. We recommend the District, C.A. Weis PTA, & ECCPTA continue to cooperate with law enforcement into the future investigation of what appears to be forgery.
- B. Weis PTA should require two signatures on every check.
- C. To mitigate the potential for misuse of unaccounted inventory or dollars used to purchase inventory, checks written and cash withdrawn from the PTA's checking account should always have supporting documentation, such as detailed itemized receipts. In addition, a deposit transaction should always show the source of the funds and an itemization.

- D. Similar to the recommendation above, when a check is written or cash withdrawn from the PTA's checking account for any reason, a detailed receipt should be obtained. In addition, a deposit transaction should always show the source of the funds and a detailed itemization.
- E. We recommend that the current treasurer implement the practice of performing bank reconciliations immediately to ensure discrepancies are located and resolved in a timely manner. We further recommend funds within the checking account *not* be used for personal reasons at anytime. All monies spent and received should be in accordance with the bylaws of the organization. In addition, cash withdrawals should be avoided whenever possible. If cash withdrawals are unavoidable, detailed receipts of purchases must accompany the withdrawal receipt.
- F. We also recommend that one employee at C. A. Weis Elementary, such as the principal, be appointed as the PTA liaison to receive items from the PTA. This individual should initial or sign for receipt of the items.
- G. All transactions should be recorded individually in a check register, on the appropriate date, and with a detailed description. Consistent record keeping will make reconciling the monthly bank statement a more fluid function.
- H. Finally, according to Article VII, Section 5 of the PTA's bylaws, "The treasurer shall present a financial statement at every meeting of the association and at other times when requested by the executive board and shall make a full report at the annual meeting." Another responsibility of the treasurer, as outlined in Florida PTA's Dollars and Sense Treasurer's Manual, is to prepare a treasurer's report every month and submit copies to the secretary, president, principal, and retain a copy for the treasurer's records. Whenever possible, the monthly treasurer's report should provide a comparison of actual to budgeted revenues and expenditures. As outlined in The School District of Escambia County Guidelines for Outside Support Organizations (OSO), we recommend the PTA provide the Principal and her designee with copies of all the approved Treasurer's reports and minutes in a timely manner.



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