

Report on Year-End Audit: FY2011-2012, Colfax PTO

I met with the 2012-13 (current) Colfax PTO Treasurer, Elizabeth Monaco, and the 2011-12 Treasurer and current co-President, Shannon Ewing, on October 11, 2012, to audit of the organization's practices and procedures for the fiscal year ending June 30, 2012. My review was not an accounting or financial review – I conducted a compliance review based on good practices and procedures suitable for an organization of the PTO's size and mission.

For my review, I used the Checklist of Nonprofit Organizational Indicators, an instrument originally developed by the Twin Cities United Way, with modifications to make it more suitable for the Colfax PTO. For example, I omitted the categories that were not relevant (e.g., Human Resources) or not within the scope of this audit (e.g., Governance). The original instrument, plus instructions and guidelines for non-profit management and compliance may be found at http://managementhelp.org/org_eval/uw_list.htm.

The checklist has three categories of compliance: Met, Needs Work, and N/A (Not Applicable). During my review, I found no items in the Needs Work category.

The notes to the audit checklist provide additional detail on how the organization meets the requirement and in some cases suggesting possible improvements. Such suggestions should not be considered deficiencies – instead, they are options for the organization to consider as ways to strengthen conformance with best practices for an organization of the Colfax PTO's size, mission, and level of expenditure.

I recommend that once it has been reviewed by the Executive Board, this report, or a summary of it, be posted on the PTO website and that the Treasurer and Secretary keep copies in their files.

Respectfully submitted,
Paul Foster
March 7, 2013

Report on Year-End Audit: FY2011-2012, Colfax PTO

Rating *	Legal Indicator	Met	Needs Work	N/A
E	1. All relevant filings to the Secretary of State are current. These filings might include: Annual Registration, Articles of Incorporation with all amendments, Change of Corporate Name, Change of Corporate Address. (The particular state office that processes these filings depends on which state you live in.)	X		
E	2. The organization is registered with and has filed its annual report with the Attorney General's Office. (The particular state office that processes these filings depends on which state you live in.)	X		
E	3. The organization has filed the IRS form 1023 (application for 501(c) status, if applicable) and has received a letter of determination. If the Form 1023 was either filed after 7/15/87 or was in the organization's possession on this date, it is made available for public inspection. (This requirement applies to tax-exempt organizations.)	X		
E	4. IRS form 990 and 990T (unrelated business income) if required, have been filed and copies of the 990 are available to the public. (This requirement applies to tax-exempt organizations.)	X		
E	5. Federal and state payroll tax withholding payments are current. (This requirement applies organizations with employees.)			X
E	6. Quarterly and annual payroll report filings are current. (This requirement applies organizations with employees.)			X
E	7. The organization has filed with the Minnesota Department of Economic Security and complies with all filing requirements of the Minnesota Unemployment Fund. (This requirement varies among states. Readers are encouraged to contact their Attorney General's or Secretary of State's office for any filing requirements in their state.)			X
E	8. If the organization has qualified employee health and welfare and retirement benefit plans, they meet with all the federal laws, including: COBRA; initial IRS registration; plan documents; annuals filings of the 5500 C/R with copies available to employees. (This requirement applies organizations with employees.)			X
E	9. Organization acknowledges and discloses to their board and auditor any lawsuits or pending legislation which may have a significant impact on the organization's finances and/or operating effectiveness.	X		
E	10. When the Board of Directors makes decisions, a quorum is present and minutes are maintained.	X#1		
E	11. If the organization is subject to sales tax, State and City filings and payments are current.			X
E	12. Organizations that participate in grassroots or direct lobbying have complied with all filings and government regulations.			X
E	13. Organizations that conduct charitable gambling have complied with government regulations.			X
E	14. Organizations with employees represented by a union must have copies of the union contracts on file.			X
E	15. Organizations that operate in a fiscal or host-organization relationship with another organization or social service group have a written agreement on file.	X		
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities.				

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Rating *	Financial Indicator	Met	Needs Work	N/A
E	1. The organization follows accounting practices which conform to accepted standards.	X#2		
E	2. The organization has systems in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill Internal Revenue Service requirements.	X		
R	3. The organization prepares timely financial statements including the Statement of Financial Position and Statement of Financial Activities which are clearly stated and useful for the board and staff.	X		
R	4. The organization prepares financial statements on a budget versus actual and/or comparative basis to achieve a better understanding of their finances.	X		
E	5. The organization develops an annual comprehensive operating budget which includes costs for all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board of Directors.	X		
R	6. The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses and use of a process for allocation of management and general and fundraising expenses.			X
E	7. The organization prepares cash flow projections.	X		
R	8. The organization periodically forecasts year-end revenues and expenses to assist in making sound management decisions during the year.	X		
E	9. The organization reconciles all cash accounts monthly.	X#3		
E	10. The organization has a review process to monitor that they are receiving appropriate and accurate financial information whether from a contracted service or internal processing.	X		
E	11. If the organization has billable contracts or other service income, procedures are established for the periodic billing, follow-up and collection of all accounts, and has the documentation that substantiates all billings.			X
E	12. Government contracts, purchase of service agreements and grant agreements are in writing and are reviewed by a staff member of the organization to monitor compliance with all stated conditions.			X
E	13. Payroll is prepared following appropriate State and Federal regulations and organizational policy.			X
E	14. Persons employed on a contract basis meet all Federal requirements for this form of employment. Disbursement records are kept so 1099's can be issued at year end.			X
E	15. Organizations that purchase and sell merchandise take periodic inventories.			X
R	16. The organization has a fiscal policy and procedures manual and follows it.	X #3		
E	17. The organization has documented a set of internal controls, including the handling of cash and deposits, approval over spending and disbursements.	X		
E	18. The organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified dollar amounts.	X #4		
E	19. All expenses of the organization are approved by a designated person before payment is made.	X #5		
R	20. The organization has a written policy related to investments.			X #6
R	21. Capital needs are reviewed at least annually and priorities established.	X #7		
R	22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding.	X #7		
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R	23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses.	X #7		
E	24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverages are in place.	X #8		
E	25. Employees, board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets.			X
E	26. The organization files IRS form 990 in a timely basis within prescribed time lines.	X		
R	27. The organization reviews income annually to determine and report unrelated business income to the IRS.			X
R	28. The organization has an annual, independent audit of their financial statements, prepared by a certified public accountant.			X #9
R	29. In addition to the audit, the CPA prepares a management letter containing recommendations for improvements in the financial operations of the organization.			X #9
R	30. The Board of Directors or an appropriate committee, is responsible for soliciting bids, interviewing auditors and hiring an auditor for the organization.			X #9
R	31. The Board of Directors, or an appropriate committee, reviews and approves the audit report and management letter and with staff input and support, institutes any necessary changes.			X #9
E	32. The audit, or an organization prepared annual report which includes financial statements, is made available to service recipients, volunteers, contributors, funders and other interested parties.	X		
A	33. Training is made available for board and appropriate staff on relevant accounting topics and all appropriate persons are encouraged to participate in various training opportunities.	X #10		
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Rating *	Policies & Procedures Indicator	Met	Needs Work	N/A
E	1. The organization's budget is approved annually and is documented in organization's minutes.	X		
E	2. All expenditures which are not in the approved budget are approved at board meetings and documented in the organization's minutes.	X		
R	3. The organization's budget and minutes are kept either in an archive file available for public inspection or on the organization's web site.	X, #11		
R	4. Expense reimbursement is via signed expense form and is approved either by a Board member or a designated committee chair accountable to a board member.	X		
E	5. The organization has a policy that ensures the timeliness of reimbursement requests.	X		
R	6. The organization records all gifts received and issues a receipt or letter to the donor.	X		
E	7. Where possible, all vendors and suppliers are paid by check, and written invoices are kept as documentation. Verbal invoices are not accepted.	X		
R	8. In the rare case where a cash disbursement to a vendor is necessary (e.g., pizza), a receipt is obtained for documentation.	X		
E	9. All checks are signed either by the Treasurer or President, plus one other Board member.	X #4		
E	10. Only the Treasurer handles cash deposits.	X, #12		
E	11. No deposits are made without the prior knowledge and approval of the treasurer.	X#12		
E	12. All cash receipts are counted by two people, preferably by the Treasurer and a Board member, who sign a deposit notice documenting the amount of cash received.	X#12		
E	13. Cash receipts are stored in a locked safe or deposit box prior to deposit.	X		
E	14. Leftover inventory is accounted for by a Board member or committee chair and reported to the Treasurer and Board.	X		
E	15. Where e-mail is used for documenting expenditures or invoices, the Treasurer maintains a paper copy of the e-mail as written documentation.	X		
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Category & Item #	NOTES
Legal Item 10 (p. 2)	1. The Executive Board, per the organization's By-Laws, debates and approves expenditures via e-mail, a record of which is kept by the Treasurer and posted on the organization's website.
Financial Item 1 (p. 3)	2. Current practices conform. When a question arises, the Treasurer seeks guidance from a parent who has professional experience maintaining the accounts of a non-profit organization.
Financial Item 9 (p. 3)	3. In addition, the current Treasurer is instituting a practice of getting all cash reconciliation forms initialed by the responsible parties. This and other organizational procedures are documented via e-mail, and the organization maintains an account (treasurer.colfaxpto@gmail.com) which documents all current practices as well as treasurer correspondence.
Financial Item 18 (p. 4)	4. Two signatures (one the Treasurer or President, the other an Executive Board member) are required on all checks, regardless of amount. A spot check sampling 4 separate months of cleared checks revealed all checks in compliance. In addition, the current Treasurer is instituting a practice to obtain two independent signatures for checks to herself.
Financial Item 19 (p. 4)	5. This is done via the Check Request and Reimbursement Request forms.
Financial Item 20 (p. 4)	6. The PTO keeps a savings account in addition to its checking account.
Financial Items 21, 22, 23 (p. 4)	7. These issues are discussed by the Executive Board and annually at the PTO spring budget meeting. In addition, there is a parent committee that investigates new fundraising ideas.
Financial Item 24 (p. 4)	8. A blanket liability policy is renewed annually.
Financial Items 28, 29, 30, 31 (p. 4)	9. The organization's level of activity fell below the threshold requiring a financial audit. In the past, when audit services were required, the PTO engaged the CPA Firm Buckler McKenney & Nadzadi in Monroeville.
Financial Item 33 (p.4)	10. In the past, new Executive Board members have received an orientation on Conflict-of-Interest rules in Pennsylvania. As board turnover continues, it is recommended this orientation occur annually.
P&P Item 10, 11, 12 (p.5)	11. My review found that, for all of the months in which meetings were held, minutes were available at the PTO website. For clarity, it would be helpful to continue the practice from previous years of noting those months during the school year in which meetings were not held (e.g., June 2012).
P&P Item 13 (p.5)	12. The PTO has recently instituted the office of Assistant Treasurer, an improvement which has greatly eased the level of effort needed to comply with this rule. In ordinary circumstances, the Assistant Treasurer eventually becomes the Treasurer of the organization.