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5 Smart Financial Controls



Avoid unnecessary headaches with these practices to keep your assets safe and your records clean and up to date.

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A few financial controls can make the treasurer's job much easier, keep the PTO's money safer, and ease a lot of stress. Here are five smart practices for any parent group, whether your budget is \$1,000 or more than \$100,000.

1. Require Two Signatures

Can you write a PTO check on your own? Do you need a second authorized signature? No? Then you are accepting an unnecessary risk and a big personal burden. Just one person has the power to spend the PTO's hard-earned money. Now is the time to consider tightening up your PTO's check-signing policy. Having two officers or, as in some PTOs, an officer and the principal, sign every check ensures that two leaders know—and accept the responsibility for—how the money is being spent.

Get together with your executive board to decide who should be the authorized signers. Then visit your bank. Update the account signature card, if necessary, to add the new authorized signers. The bank may also need to update your account record to reflect that two signatures are now required on your checks. The bank may allow you to start using a second signature with your current checks. In the future, when you need to reorder checks, you can request that the printer add a second signature line. In our PTO, the president, vice president, and treasurer are authorized to sign, though only two at once.

If you adopt this policy, it might be tempting to have an officer sign a few checks just in case. Don't do that. Never sign a blank check, and never ask another officer to do so. It's really bad practice. It means the officer is authorizing the expenditure of PTO funds without knowledge of the expense. This negates the dual signature control and places an unfair risk on the officer and an extra burden on you.

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2. Maintain a Paper Trail

Have you had a conversation like this one?

"Hey, PTO Treasurer! Oh, I'm so glad I caught you (as you're racing out of the grocery to get home in time for the bus). I've been carrying these receipts around from the fall festival for a while, and I've been meaning to drop them off to get reimbursed. They're in here somewhere. Here they are. Thanks!"

And you are handed a crumpled wad of receipts as your friend disappears into the produce section.

Here's a different ending to this conversation.

"I'll be glad to cut you a check. Just fill out a yellow Reimbursement Request Form and attach your receipts. I'll send a form home with your daughter tomorrow or you can pick one up at the school. After you turn it in, I'll mail you the check."

And now the responsibility is where it belongs, on the volunteer's shoulders until she can provide the proper information needed to back up the reimbursement.

Preparing a separate supporting document for each transaction might, at first, seem like overkill. After all, vendors provide paper invoices, and volunteers turn in paper receipts for reimbursement. Isn't that enough?

Look at your files for the answer. Can you easily retrieve the receipt that supports a particular check? Is it easy to figure out what activities generated the money in a certain large deposit? Are the receipts and deposit tickets scrawled with notes or stapled to little scraps of paper? Have you ever had trouble tracing transactions during your audit? If so, you can benefit from paving the paper trail with standard control forms.

A paper trail for each transaction ensures traceability and visibility of every PTO dollar, develops historical information that is useful for future planning, facilitates your annual audit, and keeps your files neat. Plus, the information on the control form can remind you of the steps to properly complete the transaction: secure two signatures, assign budget category, log transaction, mail reimbursement check, etc. Use control forms for a while and they will naturally become part of your standard operating procedures.

There are three major financial transactions for which you can design a unique control form. All the forms should have a place for treasurer approval, date, budget category, and a place to check off that the transaction has been logged. The rest of the information varies based on the type of transaction.

Reimbursement Request. Include the requesters name, phone number, and address if you plan to mail the check. Add a place for a second officer approval, the check number, the check date, the amount, and reason for reimbursement. Remind the volunteer to attach the receipt to the form.

Check Request. Use this form when a check is needed in advance of the transaction, such as for an assembly or mail order purchase. Check requests are similar to reimbursement requests, but your form should include the check payee name and address of the payee. A completed check request form is a reminder to watch for an invoice or receipt coming your way.

Cash Receipt. After a money-generating event, your volunteers use a cash receipt form to record the money collected. The form should have a tally area by bill and coin denomination, along with a place to record checks and the check total. You can staple the banks deposit ticket to the control form after the money is deposited.

I use control forms like these and find they work best for me when I copy each type onto a different color paper. If I see a yellow form in my treasurer binder, I know I have a reimbursement request to process. If there's a pink form, I need to prepare a check. And if I am carrying a green cash receipts form, I'm on my way to the bank.

I like the color forms for my own ease of filing and also so I can direct a volunteer to the proper form by color, not just by title. I use 25 to 50 of each type each year, and I just photocopy them at school.

3. Report Monthly

Every month, that's 12 in all, the treasurer should prepare a report of financial activity for the executive board and members. If activity is reported every month, it is less likely that a surprise will catch the PTO off guard or short of cash.

Robert's Rules of Order recommends a monthly report showing the balance at the beginning of the month, plus receipts (cash in), and less disbursements (checks out), with the ending balance at the bottom. If your parent group operates under a preapproved annual budget, your standard report might also include year-to-date performance against plan for each of your budget categories.

The completed report should be signed by the treasurer, presented at your regular meeting, and filed for future reference. If you keep your financial records in a computer-based system, you may be able to generate the report automatically from the system. Check your user manual or online help for advice.

4. Reconcile Monthly

If your PTO maintains a checking account, as most PTOs do, you should reconcile that account every month.

Occasionally, you may make a mistake when you record information in the checkbook. Banks also sometimes make mistakes. If you do not reconcile your checking account, you must rely solely on what the bank reports as your balance, even if that amount differs widely from what you think it should be. The longer an account goes unreconciled, the bigger the potential mess and the larger the risk to the PTO.

Reconciling is the mathematical process of verifying the balance in your account, based on the transactions posted against your account at the bank.

Reconciling by hand can take a little time and concentration, but it's not an overwhelming task if it's done promptly each month. Chances are, there's a worksheet for account reconciliation printed on the back of your monthly statement. Detailed instructions likely are included there, too. If you consistently use a computer-based system, monthly reconciliation can be reduced to just a couple of minutes, since the computer does all the computations for you.

What if your checking account hasn't been reconciled for months? You have two choices. You can find all the back statements and reconcile them month by month against the checkbook. Or if that is simply an impossible task, adjust the checkbook balance to match what the bank reports as of your last statement date. Be careful, though; you will need to re-record any transactions that you posted to your check register after that date, because those will not be reflected on the bank statement. From that point on, do the right thing and reconcile each month.

If you are really stuck, check with your bank. They may be willing to spend some time with you getting your checkbook to match their balance. You may also be able to recruit a volunteer with a head for numbers from your members. It is far better to ask for help and get the matter under control than to allow a financial mess to fester.

5. Conduct an Annual Audit

The annual audit is an independent verification of the PTO's financial practices. An audit can also highlight ideas for improvements in financial control and reporting. In the PTO world, an audit is a financial review, but the word does not refer to the legal opinion of a professional accounting firm, as is the case in the business world. PTO members, parent volunteers, or a paid professional can complete the PTO's audit.

Some PTOs define the make-up of their audit committee in their bylaws. Other groups recruit one parent volunteer. In any case, if you have consistently applied good financial controls, your audit should run smoothly and be completed quickly. Your auditors will appreciate organized files, balanced records, and complete data.

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