



Report to Area Superintendent

2014-2015

ALLEGATION OF MISHANDLING OF PARENT TEACHER ASSOCIATION FUNDS BY MOYE ES PRINCIPAL

Campus Accounting
advised principal on
how to account for a
separate entity's
funds

Abbreviations List

CAM	Campus Accounting Manual
ES	Elementary School
FY	Fiscal Year
POG	Parent Organization Guidelines
PTA	Parent Teacher Association

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Audit Report Findings

Background

Internal Audit received an allegation that the Moye ES principal mishandled PTA funds when she closed out Moye's PTA bank account and transferred the funds (\$1,766.82) to a Wells Fargo account on 1/22/2014. The caller was unsure whether the Wells Fargo account belonged to Moye ES. The caller also stated she questioned who had closed out the account so the funds could be returned to the PTA. The PTA received a check dated 12/10/2014 for \$1,766.82 from Moye ES.

According to the principal and the EPISD Council of PTAs' president, the Moye ES PTA had been inactive for school years 2011-2012, 2012-2013, and 2013-2014. In addition, according to the EPISD Council of PTAs' president, the PTA did not follow the required procedures to dissolve a local PTA.

Objective(s) and Scope

The objective of the investigation was to determine the validity of the allegation and our scope included transactions to/from Moye ES checking account related to the PTA funds and their corresponding supporting documentation.

Limitations

Parent organizations are separate entities from the District; therefore, the District is not responsible over their functions or records. Parent organizations are required to maintain a separate bank account, accounting system, and financial records/reports. Therefore, access to the PTA documentation is limited.

Methodology

We interviewed the Moye ES principal. We also spoke to Campus Accounting personnel and the EPISD Council of PTAs' president. We reviewed documentation provided by the principal and by the EPISD Council of PTAs' president related to the PTA funds and the PTA officers. We also reviewed relevant policies and procedures such as the Parent Organization Guidelines (POG) developed by EPISD and revised on 9/7/2012.

Finding (01)

Condition	<p>The Campus Accounting Department made recommendations to the principal on how to handle funds of an entity (i.e. a PTA) separate from the District instead of referring any questions to the EPISD Council of PTAs.</p> <ul style="list-style-type: none">• According to the principal, the bank where PTA funds were held called Moye ES to tell them that the PTA bank account was inactive and the bank could either (1) give the funds to Moye ES if the principal would write a letter requesting them or (2) send the PTA funds to the state. The internal auditor of the bank where the PTA funds were located confirmed the following:<ul style="list-style-type: none">○ A bank account becomes dormant after three years of inactivity.○ If nobody claims the account, the bank uses the information they have on hand for that account to contact the account owners. During our investigation, we noted the PTA bank statements had Moye ES as their mailing address.○ The internal auditor also confirmed the bank sends unclaimed funds to the state.
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	<ul style="list-style-type: none"> • According to Campus Accounting, the principal's secretary contacted their department for guidance on whether to request the funds from the bank and how it should be recorded in the accounting system. Based on our inquiries with Campus Accounting and the principal, we found the following: <ul style="list-style-type: none"> ○ The principal wrote a memo to request the funds from the bank and the bank issued a check for \$1,766.82 to Moye ES from the PTA account. We verified the check was deposited into the Moye ES campus checking account. ○ The principal's secretary classified the funds as Designated Funds (account 169.2141) in the District's accounting system. According to the principal, Campus Accounting advised her that the PTA funds could not be spent for three years and had to be returned to the PTA if it became active. If there was no active PTA for three years, the campus could then move the money to the campus' general fund account. ○ According to Campus Accounting, they based their recommendation regarding holding the monies in a designated account for three years based on the guidelines the District has for handling similar instances with campus club funds. ○ The principal informed us a new PTA formed for this school year (2014-2015) and a check in the amount of \$1,766.82 was issued from the Moye ES checking account to the PTA. Internal Audit confirmed this information. • The principal or any other District employee cannot use the District's accounting system to hold monies in aid of any individual or in this case the PTA.
Criteria	<p>The EPISD POG state, "The parent organization works cooperatively with the campus; however, is a separate entity. To establish a line of separation between the District and the parent organization, the parent organization shall... Not commingle their funds with school activity funds"</p> <p>The CAM Section 15A: PTA & PTSA states, "Performance of the following activities by EPISD personnel (during work hours) on behalf of outside organizations is not in accordance with District guidelines... c. Collecting, receipting and/or depositing cash."</p> <p>The BOARD Policy CE (LEGAL) states: "The District shall not lend its credit or gratuitously grant public money or things of value in aid of any individual, association, or corporation." This policy prohibits donations of district funds, services, personal property or things of value to individuals, associations, or corporations.</p>
Cause	<p>The EPISD Parent Organization Guidelines or District policies and local guidance do not address the process to distribute parent organization funds when the parent organization is inactive and their bank account has become dormant.</p>
Recommendation	<p>Campus Accounting should refrain from providing accounting advice and/or services on issues involving the funds of separate entities (e.g. PTAs and boosters) because the District does not monitor their functions and is not responsible for their financial condition.</p> <p>Campus Accounting in conjunction with the EPISD Council of PTAs should meet to discuss, develop, and document a process to address distribution of parent organization funds when there is no active PTA and the PTA bank account has become dormant (inactive). The EPISD POG and the CAM shall be revised to include the process. Furthermore, the aforementioned documents shall include guidance on who to contact whenever there are issues involving a campus and/or its employees and a parent organization.</p>

Finding (02)

Condition	The principal indicated most of the 2014-2015 PTA officers were employees. The EPISD Council of PTAs' president provided the names of the 2014-2015 PTA officers and four of them are currently employees of Moye ES.
Criteria	<p>The EPISD POG state, "The parent organization works cooperatively with the campus; however, is a separate entity. To establish a line of separation between the District and the parent organization, the parent organization shall... Not have District employees working in a financial capacity..." and "A District employee may not be an authorized signer."</p> <p>The CAM Section 15A: PTA & PTSA states, "District employees shall not participate in administrative positions, which deal with the handling of money (especially president, treasurer, ways and means) with any EPISD PTA."</p>
Recommendation	The Area 3 Superintendent shall ensure the Moye ES PTA officers, who are District employees, are not serving in a financial capacity and/or are not authorized signers in the PTA bank account. If they are, the employees shall cease their participation as PTA officers with financial capacity.

General Recommendations

The principal shall read the EPISD Parent Organization Guidelines, ensure the guidelines are followed at the campus, and confirm this, in writing, to the Area 3 Superintendent.

Conclusion(s)

We verified a deposit of \$1,766.82 was made into the Moye ES campus checking account and was recorded in the District's accounting system. We also verified a check for the same amount was issued to the PTA. The principal followed recommendations from the Campus Accounting Department on how to account for the funds. However, the Campus Accounting Department should not have made recommendations related to handling the funds of a separate entity such as the PTA.