



Public Schools of the City of Ann Arbor

MITCHELL ELEMENTARY PTO

Plante Moran Scope of Services

Plante Moran (“PM”) was engaged to provide certain consulting services as it relates to the Mitchell Elementary PTO organization (“PTO”), including, but not limited to the following:

- Hold discussions with PTO officers regarding fundraising activities where significant purchases are made requiring materials to be held in inventory; through these discussions obtain an understanding of the nature and frequency of purchases, inventory tracking/safeguarding procedures, and documentation retained to support purchase.
- Obtain supporting documentation related to revenues/cash receipts from the fundraising activities where materials purchased in bullet above have been subsequently sold.
- Obtain past 12 months of bank statements; ascertain the extent to which bank reconciliations are performed, and the extent to which supporting documentation is retained.
- Select 1-3 withdrawals and 1-3 deposits per month and trace to supporting documentation.

Discussions and Evidence obtained

PM held discussions with both current and former PTO Board members, including Missy Plegue (current Treasurer), Kraig Harrison (former Board President), Meghan Nollen (former Board President), Caitlyn Sorenson-Kowalski (current Secretary), and Eddie Latour (current Principal of Mitchell Elementary). We specifically asked questions pertaining to the matters noted above and fundraising events held between December 2021 and December 2022, as this was identified by the School District and current PTO officers as the area requiring focus.

In December, 2022, PM contacted the current PTO Board members via email requesting certain financial records be provided for our review/analysis. This included 12 months of bank statements, accounting ledger, schedules/documentation associated with fundraising activities where liquor was purchased/sold.

Our discussions with these individuals took place between January 9 and January 27, 2023 and resulted in the following observations:

- There are no formal processes or controls as it relates to the management of inventory utilized for various fundraising events. We were provided the following information as it relates to what was done with unused alcohol, cocktail mixers, soda, water, etc. after various fundraising events.

- We were informed that opened, but unused liquor would be poured out if unable to be returned. We were also informed by another member that open but unused liquor would be stored at individuals' homes and utilized at future fundraisers.
- We were informed that all liquor from events utilizing Tri-County Beverage as a vendor was able to be returned.
- Specifically, beer would be returned to Premium Distributors or Tri-County Beverage on the day of a particular fundraiser and a refund check would be issued. PM tested three purchases to Premium Distributors or Tri-County Beverages and agreed the supporting purchase documentation to the disbursements from the bank statement. Further, PM noted there were two refunds from Premium Distributors and one from Tri-County. PM agreed the supporting refund documentation to the refund checks and disbursement into the PTO bank account for the Premium Distributors refund. We were unable to perform the same procedure for the Tri-County refund, however, we have been informed that the PTO has been in contact with Tri-County and expects a refund check in the near future.
- We were informed that the sodas, water, and other inventory would be stored in either the Mitchell PTO closet or at individuals' homes to be used at future fundraisers. We are unaware if there is any inventory currently available to be used for future events, as there was no documentation to review that would provide that support.
- The purchase of alcohol from Premium Distributors was supported with a detailed statement while the purchase of alcohol from Tri-County Beverages was not supported with detailed statements. The cost of these purchases totaled \$5,491 (prior to refund checks obtained in the amount of \$3,419). Accordingly, the net cost to these vendors totaled \$2,072.
- All purchases of soda, waters, cocktail mixers, and in some cases, alcohol, were done so on a PTO members' personal credit or debit card. We were provided receipts outlining the detailed purchases made, which correspond closely with the date of various fundraisers outlined above. We noted the cost of these items over the period of our review was \$2,072. We also noted that these amounts were not reimbursed to the PTO member as of December 2022, i.e. we were informed that was no formal approval of these expenditures and accordingly, the PTO has not disbursed any funds related to these expenditures as of the date of this report.
- We were informed from two individuals that cash tips received at fundraisers involving the sale of alcohol were for, and kept by, the individuals running the bar. We were also informed that the tips received via square were remitted to the PTO. Per our conversations with all parties, there were no formal policies established as it related to tips. Further, as discussed below in this memo, we were unable to reconcile whether or not tips were deposited to the PTO due to the lack of documentation surrounding reconciliations of cash receipts to Square reports.
- We were informed that the PTO held fundraisers at several events organized by a third-party event planner, Quintessential Events Company, and that there was no financial arrangement with or contract in place related to this event planner.

Results of Testing Performed

Results of our review of fundraising activities involving the sale of alcohol

Through the discussions identified above, there were 10 planned fundraising events involving the sale of alcohol or other beverages, with the intent that all proceeds, excluding cash tips (discussed further below), would be remitted to the PTO. Accordingly, 10 liquor licenses were purchased for these events, however, it was asserted that only five events took place, while five of the events were either cancelled or the PTO did not participate. The specific information of these events is as follows:

Event Date	License reviewed	Status of Event	Location
12/16/2021	x	held	Royal Oak Farmer's Market ("ROFM")
3/17/2022	x	held	ROFM
4/10/2022	x	cancelled	Packard Proving Grounds
7/14/2022	x	held	ROFM
7/24/2022	x	cancelled	Packard Proving Grounds
8/18/2022	x	held	ROFM
9/18/2022	x	held	ROFM
10/7/2022	x	Did not attend/ License exchanged for a donation	ROFM
10/20/2022	x	cancelled	ROFM
12/15/2022	x	cancelled	ROFM

PM was not engaged to validate beyond inquiry whether or not the status of the above events were held or cancelled. PTO Board members did not know the process to formally cancel liquor licenses prior to date of the above cancelled events.

Per review of the PTO bylaws, as amended on May 21, 2019, the Fundraising Coordinator or other member that is overseeing fundraising events is required to submit a calendar of fundraising opportunities to the PTO at regular meetings. Per our review of the board minutes throughout 2022, there was no indication the calendar of events was presented at the meetings.

We were informed and reviewed an uncashed check for \$500 for the event the PTO did not attend on October 7, 2022. Specifically, we were informed by multiple parties that a member of the PTO offered an individual at the Royal Oak Farmers' Market use of the liquor license in return for a donation of their choosing. Upon providing the check to the rest of the PTO Board, the Board was uncertain as to if this was an allowable donation and as such, had not cashed as of the date of our review. We provide no opinion as to this matter.

The PTO received electronic (e.g. credit card) payments via one of the PTO member's personal Square (a commonly used third party payment processor) account, which when asked by PM, was told that it was an accidental oversight as the hardware used by the PTO member to process the payments was their personal hardware, which automatically had their personal Square account login already signed in. This was corroborated by another former PTO member as well. This happened at every fundraising event held noted in the chart above. The PTO also received payments via cash, and then logged those cash payments into the

Square account. Accordingly, PM obtained the PTO Member's personal Square account reports for the above five events held and attempted to trace the receipts, net of processing fees and tips, to deposits to the PTO main bank account.

PM was unable to directly trace deposits from remittance detail or other supporting documentation, such as an Excel calculation of funds raised from an event, to bank deposits. However, PM was able to agree total deposits in the amount of \$14,864 that were referenced within internal documentation as being related to the five fundraisers being held to various bank deposits without exception. These deposits were greater than the combined Square reports, net of fees and Square tips (\$14,184) by \$680. We were informed this difference was due to cash tips received at these events that were never logged into the Square reports, yet were still remitted to the PTO account.

PM noted that the total cost incurred, which excludes purchases by a PTO member not reimbursed of \$2,027 (see above), was \$2,072, resulting in a net cash profit to the PTO of \$12,792, or a margin of 86% on alcohol related sales at the fundraisers reviewed above. In other words, for every \$1 spent, the PTO received ~\$7.17 in receipts. At the time of this analysis, as noted, there were \$2,027 of unreimbursed expenses. If incorporating the expenses not yet reimbursed to the PTO member, the expenditures to the PTO would be \$4,081 resulting in a net profit to the PTO of \$10,765, or a margin of 72%. In other words, if the PTO reimburses these expenditures, the PTO will have received ~\$3.64 in receipts for every \$1 spent.

Review of bank statements and results from transaction testing

Per PM's review of the past 12 monthly bank statements (November 2021 – November 2022), PM noted minimal monthly activity. We noted approximately 80 deposits throughout the time period reviewed, ranging from \$0 to ~\$16,000. We noted approximately 110 disbursements throughout the time period reviewed, ranging from \$50 to ~\$13,000. The majority of the deposits were small electronic deposits from Square, a third party payment processing platform utilized for various PTO fundraising events while the majority of the disbursements were for small check amounts and electronic disbursements to a variety of vendors.

Per our discussions with Missy Plegue, PTO, and Jill Minnick, AAPS, we determined to focus the scope of testing based on the review of the bank statement activity and determined to specifically test transactions related to the fundraisers noted throughout this memo. As there was minimal supporting documentation available to trace deposits or receipts back to, we ultimately selected three disbursements (to various alcohol distributors) and one receipt (from an alcohol distributor – refund check) to review and agreed the transaction amount to supporting documentation without exception. Each of the disbursements we reviewed exceeded \$100, and according to the PTO's bylaws, should have documented approval of the purchases prior to them being made. We did not note that support in our review of the board minutes nor was the PTO able to provide that support.

We noted that no formal monthly bank reconciliations were performed (which would typically include uncleared deposits and outstanding checks), although a ledger detail was maintained by month that listed deposit and disbursement activity. PM was able to trace the ending balance per month from the ledger detail to the bank statement for each month reviewed. We noted that in several instances, checks written to PTO board members or teachers were not cashed until 5-6 months after they were written.

PM reviewed the PTO bylaws noting that both the Board President and Treasurer are required to sign every check, however, per our sample review of all outgoing checks, there was only one signature on reviewed checks.

Recommendations

As a result of our procedures performed above, we have the following recommendations to establish and strengthen various processes and controls:

- We suggest that individuals holding the role of President and Treasurer be formally communicated to the PTO's bank and removed and added upon transitions of individuals in these roles.
- We recommend that the PTO follow their established bylaw that states that all checks be signed by both the President and Treasurer.
- We recommend establishing formal policies related to fundraising events. For example:
 - All fundraising events utilizing a third party payment processor, such as Square, only use the established PTO account. This will ensure that all funds raised and processed through the related payment processor are deposited and reconciled in a timely and accurate manner.
 - Written contracts are obtained when working with third party event planners, outlining the arrangement between the PTO and the planner, including any legal, insurance, financial, etc. arrangements.
 - The PTO should ascertain the extent of documentation required when working with a liquor distributor and ensure that it is obtained and maintained by the PTO.
 - Approval of fundraising events to be held should be specifically documented in advance of the event and the desired lead time is adhered to preceding an event.
 - Certain events only allow for credit card payments, which mitigates the risk of a misappropriation of cash. Events involving the receipt of cash should follow these procedures at a minimum: two people count and reconcile cash to orders for each event, a secure location for cash should be maintained or should be deposited immediately, a deposit ticket is reconciled to the cash obtained from the event and then agreed to the bank deposit, etc.
 - Only utilize PTO third-party payment processor accounts.
 - Track inventory purchased and document amount of unused inventory at the completion of event. Establish a policy as to the secure location that unused inventory will be kept. Maintain documentation of inventory pre and post events.
 - Establish a policy as it relates to the handling and transmission of tips received at fundraising events.
 - Determine total number of personnel required at each event, including their role (e.g. parent, Board member, etc.).

- Require a listing of all income and expenses (whether direct or reimbursed) be submitted to the Board within a determined amount of time immediately following a fundraiser.
- Purchase an accounting software to assist with the accounting functions required to be maintained per the PTO's bylaws, such as Quickbooks Online, which would allow the tracking of income and expenditures by fundraiser, allow for the creation of monthly bank reconciliations, track inventory, etc. If this is deemed to be cost prohibitive, we suggest the PTO utilize an Excel file that is shared with other officers on a Google Drive (for example), evidence of review is documented by another PTO member, etc.
- Ensure the PTO has the appropriate insurance policies when engaging in fundraising activities, including those that involve the sale of alcohol, and document the group's understanding of the potential exposure.

We appreciate the time spent by the PTO officers and AAPS personnel, and the information provided, to develop the observations and recommendations presented.

In summary, there are opportunities for the PTO to improve documentation associated with the types of events discussed in this memo. While there were no instances noted of misappropriation of funds/materials, given the overall lack of documentation, it is not possible to affirm if all purchased inventory was appropriately secured/saved and whether all proceeds collected were remitted to the PTO.

We encourage the PTO to revisit their policies and procedures in this area and encourage adherence to said policies/procedures. This will help to ensure the appropriate approvals and documentation is retained to support receipts and disbursements of the PTO. Thank you for the opportunity to work with you.