

Auditing the “PTA Way”

What is a PTA Audit? An inspection of the financial records of a PTA, following the “paper trail” of transactions through the records to ensure that receipts are properly accounted for and expenses were authorized, budgeted, approved by the general membership and in conformity with the PTA’s bylaws and standing rules.

Why do we audit PTA books? To certify the accuracy of the financial records of the PTA unit. To assure the membership that their money is being managed according to established PTA procedures. To qualify for fidelity bond coverage.

Who may serve on the audit committee? Check bylaws for who may serve and when they are to be elected or selected. No authorized signer on the bank account may serve. It is recommended that the incoming treasurer not serve on the committee.

When do we do an audit? At the end of the fiscal year; also when the signature card changes or a new treasurer takes over; or at any other time deemed necessary by the President or three or more members; or as stated in the bylaws.

How do we prepare for an audit? The outgoing treasurer prepares the records shortly before his/her term ends, and is responsible for providing the committee with the following materials:

1. A copy of the last audit report
2. The checkbook, cancelled checks and all unused checks for all accounts
3. Bank statements and deposit receipts
4. Treasurer’s books and ledgers
5. The annual financial report
6. All receipts of bills paid
7. Copies of minutes from general and executive meetings
8. Adopted budget as amended
9. Sales tax returns filed
10. Form 990
11. All correspondence with any taxing authority
12. Copies of all financial reports for the period to be audited
13. A report of all fundraising events held since the last sales tax return was filed. List dates held and if any were designated tax free days. It should include total sales, taxable sales and sales tax collected. This information will be necessary for the incoming treasurer to accurately complete the next sales tax return.
14. A list of all dues-paying members and the executive board.
15. Current bylaws and standing rules
16. Any other information requested by the Audit Committee

Once books have been closed for audit, the outgoing treasurer cannot write any more checks. In an emergency, the INCOMING treasurer would make deposits and/or write checks. The audit should be done as soon as possible after the fiscal year end to aid in a smooth transition.

How long will it take? This will differ from unit to unit, and will vary based on the accuracy of the records and how the records are organized. A basic, routine audit might average 2-3 hours, if all materials

are provided and the treasurer has kept orderly records. Any irregularities or missing information will make the audit take longer. (Remember this is well worth the time that is spent?)

So where do we start? Checkbook/bank statement/ledgers: using the last audit report, verify that the ending balance from the last audit is the same as the beginning balance in the checkbook and ledger. Reconcile each month's bank statement; check to see that the check register and ledger were reconciled monthly; confirm that there were two signatures on each check (and a payee did not sign his own or spouse's check). Verify that no checks are missing between the last check written and the first unused check in the checkbook. Check addition/subtraction in ledger and check register. Verify entries were made in ink and corrections are red lined and corrected (NO WHITE OUT). Entries should be sequential (check numbers and dates entered in order – no missing check numbers). Cross reference ledger entries with bank statements and check stubs to confirm they are correct. Confirm that the state and national portion of dues were recorded separately and sent promptly to the state office. Sales tax collected was recorded separately and paid when due.

Reports/Minutes/Budgets: Confirm that the treasurer's reports are given at each meeting (Board and General) and that they were attached to the minutes. Check to see that ending balance on each report is the beginning balance of the next month's report. Items reported should be beginning balance, detail and total of receipts for the period, detail and total of disbursement (by check number), and ending balance. If applicable, escrow totals should be reported. Verify addition and subtraction to confirm report totals are accurate. Use minutes to verify that Plans of Work were used to develop the budget; budget amendments, and fund-raising events are approved by the general membership; and that tax-free events were designated prior to the event. Fund-raising reports should be listed in minutes with total receipts, total expenses and net profit of fund-raiser. Confirm that items paid were within the current budgeted amounts (budget lines were not exceeded.) Verify preliminary annual report was given at last general meeting of the year and final annual report was given to audit committee.

Vouchers/Receipts/Tax Returns/Rosters: Confirm that vouchers are filled out for each expenditure and receipts are attached. Items purchased were legitimate PTA expenses and sales tax was not reimbursed (unless allowed in bylaws). Follow "paper trail" of voucher/receipts to checkbook/ledger entry to treasurer's reports to bank statement to confirm amounts and budget category are consistent throughout records. Check sales tax return was filed and sales tax paid when due. IRS form 990 was filed accurately (if required) and by due date. Verify that dues collected balances to the number of members shown on roster.

Now what do we do? If there are no irregularities in the records, a line should be drawn in the check register where the audit ended. Write, "Examined and found correct" and sign and date the entry. An audit report should be filled out, signed by the members of the audit committee (attach a copy of the final annual report), and adopted at the next general meeting. If there are irregularities, the following actions (as needed): contact the treasurers for additional information or records. If matter cannot be settled, contact the local unit president. If needed, contact the council president. Wherein all other efforts by local and council fail to resolve the issue, the council president may contact the district president for assistance. The Texas PTA Handbook details the methods by which a state financial audit may be requested, but that will only be approved in extreme cases.

(Remember – any investigation by the audit committee (or someone assisting the committee) MUST be kept strictly confidential?)

Remember, the treasurer is legally responsible for all the funds of the association. However, the officers of the association are elected by the membership and should be committed to keeping the affairs of the association on a sound financial basis.

Conducting the Audit

- * Begin the audit with the first transaction posted after the last audit. Make sure the beginning balance agrees to the balance on hand per the last audit report.
- * Make sure that each check written has proper substantiation, ie. Vendor invoice or check request.
- * Ascertain the dates of fund raisers and verify deposits are made timely. Check to see that cash was counted by two people.
- * Check all ledger entries back to the cancelled checks and validated deposit tickets. Verify that all income and expenses are allocated to the proper budget category and are within the approved budget.
- * Verify that bank reconciliations are done monthly and check their accuracy. Verify all checks have two signatures and spot check endorsements. Have bank statements been reviewed by a non-check signer?
- * Check the accuracy of the math in the checkbook and ledgers if a manual system was used.
- * Verify that financial reports presented to the membership and executive committee are accurate representations of the transactions recorded in the books.
- * Check the accuracy of the annual report and ascertain it will be retained as part of the permanent file.
- * Check to see that checks are not being signed by the individual to whom they are made payable.
- * Watch for checks with multiple handwriting (other than one of the signatures) or different inks. This would be an indication of blank checks being released.
- * Checks should never be made payable to "CASH". Startup funds should be made payable to the person responsible for the cash until it is redeposited.
- * Make sure that the state and national portion of dues are not recorded as income to the unit, but kept separate or recorded as a liability. Verify that the amount sent to state agrees to the membership roster and is submitted on a regular basis.
- * Determine if a 990 (EZ) is required to be filed. If so, confirm that it was filed timely and accurately.
- * Determine if the unit had an obligation to collect sales tax. If so, make sure returns were filed timely and accurately. If the unit has a sales tax permit, returns must be filed timely even if no tax was collected during the period.
- * Make sure that money collected for a designated purpose was spent only for that purpose.
- * Check the minutes of the general and executive board meetings to verify the following:
 - * The budget and all amendments were adopted by the general membership.
 - * The general membership approves all fundraisers either through approval of the budget that includes them or through a special vote if added after the adoption of the budget.
 - * Financial reports were presented at all general and executive board meetings for all accounts.
 - * Any tax-free fundraisers were so designated as such prior to the event. The general membership or executive board can do this, as the unit prefers.
 - * Verify the executive committee approved all plans of work.
 - * Verify a quorum was present at all executive and general meetings.
- * After the treasurer has corrected any errors and the committee is satisfied that the financial reports are correct, draw a red line across the ledger and checkbook where the audit concludes. Write "Examined and found correct" and have all committee members sign and date the entry.

AUDIT WORKSHEET

Name of Unit: _____ Fiscal Year: _____

Council: _____ District: _____

Balance on hand: \$ _____

(date of last audit)

Reversal of outstanding items from _____ audit.

Beginning Bank Balance: \$ _____

(per bank statement)

Add Receipts: \$ _____

(per bank statement – from last audit to current audit)

Less Disbursements: \$ _____

(per bank statement-from last audit to current audit)

Last Bank Balance Statement: \$ _____

Add Outstanding Deposits: \$ _____

(list date and amount)

Less Outstanding Checks: \$ _____

(list check # and amount)

Balance in Checking Account \$ _____

We have examined the treasurer's books of _____ PTA and find them to be correct.

Auditors' Signature: _____

Date of Audit: _____

SAMPLE OF AUDIT REPORT

The Audit Committee has examined the records of the treasurer of _____ PTA for the period _____. The current balance on hand is \$_____.

The following irregularities have been found:

(List all irregularities)

The following steps were taken to correct the problems:

(List all steps)

To prevent these types of problems from occurring in the future, we recommend the following:

(List the recommendations)

SAMPLE TREASURER LETTER TO THE AUDIT COMMITTEE

July 1, 2008

To: Your School PTA Audit Committee
From: Your Name, Your School PTA Treasurer
Re: 2007/08 Audit

I am releasing to you for your review, the records for the 2007/08 school year. The following files are included.

- ✿ Binder providing copies of
 - ✦ Annual Report Summary
 - ✦ Budget
 - ✿ Beginning Budget for Fiscal Year
 - ✿ Year-End Budget
 - ✿ Budget vs Actual
 - ✿ Budget vs Actual Extension
 - ✦ Fiscal year-End Financial Report
 - ✿ Financial Report Extension
 - ✦ General Ledger
 - ✦ Membership Ledger
 - ✦ Sales Tax Ledger
 - ✦ Financial and Budget Reports for Executive Meetings & General Meetings
 - ✦ Beginning Budget of Fiscal Year
 - ✦ Copy of Current Bylaws
 - ✦ Copy of 06/07 Audit Report
- ✿ Checkbook
 - ✦ Check register for # through #
 - ✦ Blank Checks # through #
 - ✦ Deposit slips #1 through #
- ✿ Bank Statements along with the reconciliation of each monthly statement
- ✿ Binders providing
 - ✦ Payment reimbursements along with receipts
 - ✦ Deposits with bank receipts
- ✿ State Sales Tax payments
- ✿ Original 990 for 06/07

If you have any questions, please do not hesitate to contact me at Your Number (home) or Your Number (cell).