

**ALASKA PTA
LOCAL UNIT AUDIT FACT SHEET
APRIL 2006**

WHAT IS AN AUDIT ?

Financial review that certifies the accuracy of the books and records of the financial officer by examining the financial transactions of the PTA and the procedures used to conduct those transactions.

WHY AN AUDIT?

Assures the membership that the resources/funds of their PTA have been managed in a businesslike manner.

Conforms the PTA to Alaska PTA requirements by being a HUGS unit (Healthy Unit In Good Standing), per IRS regulations.

WHO CAN AUDIT ?

Audit committee of 3 or a qualified accountant.
Anyone within the unit that is not a signatory on the account or related to one.

WHEN TO DO THE AUDIT ?

End of the Fiscal year or whenever there is a change in Treasurer or whenever there is a question about the financial well being of the Unit.

WHO DOES WHAT TO PREPARE FOR THE AUDIT?

BOARD OF DIRECTORS: Executive Board fills out the AK PTA Financial Management Checklist (provides a good picture of the financial procedures the PTA follows). Copy to next Board of Directors and to the Audit Committee with the books, etc.

TREASURER: COLLECTS THE FOLLOWING FOR DELIVERY TO THE AUDIT COMMITTEE. IS AVAILABLE TO THE AUDIT COMMITTEE TO ANSWER QUESTIONS, ETC.

- Checkbook and canceled checks
- Bank statements and duplicate deposit slips, and bank reconc. Reports
- Income and expense ledgers (or computer disk)
- Receipts/invoices/bills for all checks written
- Copies of minutes – both general membership and Board of Dir.
- Copies of monthly financial reports
- All undistributed membership cards
- Copy of Annual Treasurer's Report
- Copy of most current budget for the period being audited
- Copy of the last audit
- Any other information the Audit Committee may ask for

HOW TO DO THE AUDIT?

Procedures sheet in Audit Packet

WHO DOES WHAT AFTER THE AUDIT?

AUDIT COMMITTEE: Presents a written report ((PTA Audit Report Form) to the Board.

TREASURER: Make corrections to procedures as presented by the Board based on the Audit Report. Cooperate fully by providing any missing records requested by the Audit Committee or the Board.

BOARD OF DIRECTORS: Receives the report, and acts on it.

Has the legal responsibility to report the results to the membership, and if action necessary, to inform them what they have or will do in response to the report.

If procedural areas need improvement, must examine committees recommendations and implement those they feel are necessary.

If improper administration of funds or theft of funds or other serious charges, the Board must immediately act to fix it.

For mishandling of funds, another audit should be done by a professional accountant or contact the Alaska PTA to assist you in another audit.

If the 2nd audit confirms misappropriation of funds , or you are unable to conduct the audit due to lack of records, or the person(s) involved refuse to cooperate by turning records over to you, CALL THE PRESIDENT OF YOUR ALASKA PTA. You will be probably be advised to call the local police dept.

SPECIAL NOTE:

- Every action must be taken by the Board of Directors, not the Exec. Committee or any 1 or 2 or more officers, but the entire Board.
- The Board must take every reasonable step to recover the missing funds.
- All the actions of the Board be recorded in the minutes of the Board.
- At some point the Board will have to report the missing funds, as well as whatever steps have been taken to recover the funds, to the membership.

It is advisable NOT to publicly reveal the offenders name in reporting to the membership in order to spare his/her children from being teased or ridiculed.

If the press reports on the story, stress the steps that have been taken to recover the funds and fiduciary steps that are in place to make sure it doesn't happen again.

More detailed information in National PTA's Money Matters and Alaska PTA's Common Cents Handbook for Alaska PTA Treasurers.



everychild. one voice.

AUDIT PACKET

LOCAL PTA UNIT NAME:

Period being Audited: _____

Contents of Packet: ***Alaska PTA Financial Management Checklist***
 Audit Report Form
 Receipts and Expenditure Recap Sheets
 PTA Audit Procedures

EXECUTIVE BOARD: BEFORE YOU TURN THE BOOKS OVER TO THE AUDITING COMMITTEE, BE SURE TO FILL OUT THE ALASKA PTA FINANCIAL MANAGEMENT CHECKLIST.

TREASURER: As you complete your year as Treasurer, and/or your TERM as Treasurer, an AUDIT of your PTA accounting MUST be performed. This is usually performed by a committee of 3, although it could also be done by an Accountant. Your books must NOT be audited by anyone that is a signer on any of your bank accounts.

AUDITING COMMITTEE: BEFORE YOU TURN THE BOOKS OVER TO THE NEW (OR EXISTING) TREASURER, turn them over to whomever will be filling out your IRS FORM 990/990EZ. This form MUST be mailed to the IRS within 4-1/2 months of your fiscal year end. Most Alaska units have a year end of June 30th, so the Form 990EZ is due November 15.

DON'T FORGET TO SEND A COPY OF YOUR AUDIT REPORT (AND FORM 990EZ) TO THE ALASKA PTA OFFICE – MAIL OR FAX TO INFORMATION BELOW.

P. O. BOX 201496 - Anchorage, AK 99520-1496
Phone: (907)279-9345 Toll Free: 1-888-822-1699 FAX: (907)222-2401

PTA AUDIT REPORT FORM

Date being audited _____ to _____

Local PTA Name _____ Date _____

Council _____ State _____

Balance on hand (Ending date of last audit – all bank accounts) ___/___/0__ \$ _____

Receipts (Deposits, interest income, etc.-
(received during above period being audited)): (+) \$ _____

Total Cash.....\$ _____

Disbursements (Checks, bank charges, etc. –
(paid out during above period being audited): (-) \$ _____

Balance on hand (at ending date of audit period-all bank accts per books).... \$ _____ (a)

Bank Statement Balances TOTAL

(Most recent stmts in audit period - total of below) \$ _____ (b)

Account balances:

Checks outstanding:

<u>Ck #</u>	<u>Amt</u>	<u>Ck #</u>	<u>Amt</u>
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Total outstanding checks (all bank accts)..... (minus).....\$ _____ (c)

TOTAL Balance in bank Accounts (b minus c).....\$ _____ (d)

IF BALANCE ON HAND (a) EQUALS TOTAL BALANCE IN ALL BANK ACCOUNTS (d) THEN AUDIT IS COMPLETE.

Date of Audit _____

We have examined the books of the Treasurer of _____ PTA and find them to be
(please circle one of the following to complete sentence):

Correct Substantially correct Incomplete Incorrect

with the following adjustments/recommendations/missing information:

(Please see other side for additional adjustments/recommendations /missing information).

Date Audit Completed _____

Auditors' signatures _____

(This report should be read by a member of the auditing committee or the secretary at the 1st general meeting of the year. The presiding officer then calls for the appropriate action.)

_____ PTA

DATE OF AUDIT: _____

RECOMMENDATIONS AND COMMENTS OF THE AUDIT COMMITTEE:

~ RECEIPTS ~

AUDIT DOCUMENTATION FORM

Year _____

MONTH	INTEREST EARNED	MONTH	BANK CHARGES	MONTH	DEPOSITS
July		July		July	
August		August		August	
September		September		September	
October		October		October	
November		November		November	
December		December		December	
January		January		January	
February		February		February	
March		March		March	
April		April		April	
May		May		May	
June		June		June	
TOTAL INTEREST		TOTAL BANK		TOTAL DEPOSITS	

PTA AUDIT PROCEDURES

1. READ "FINANCIAL MANAGEMENT CHECKLIST" FILLED OUT BY THE EXECUTIVE BOARD TO BECOME FAMILIAR WITH THIS PTA'S FINANCIAL MANAGEMENT PRACTICES.

2. START WITH RECORDS POSTED AFTER THE ENDING DATE OF THE LAST AUDIT.

- Check to see if the amount shown on the last bank statement/reconciliation corresponds to the starting balance recorded in the checkbook and register.

3. DO A SAMPLE TEST OF TRANSACTIONS

- Expenditures and receipts
- Size of sample depends on size of PTA

Example

- Verify all transactions over \$100 or \$250 or \$500.
- Expenditures: This means comparing the check register amount to the cancelled check to the endorsement (on back of check) to the check receipt
- Receipts: Compare check register to deposit slip to bank statement

If mistakes are found, expand your sample size.

At some point you may deem it necessary to audit all the transactions of the PTA

ITEMS TO LOOK FOR IN SAMPLE TEST OF TRANSACTIONS:

- Is it on the monthly bank reconciliation?
- 2 signatures on EVERY check?
- Unexplained reconciling items?
- Check endorsement matches payee?
- Are disbursements supported by invoices/receipt or other documentation?
- Deposit ticket dates timely with bank received date?
- Timeliness of deposits with dates of events?
- All invoices paid with check and not cash?
- All income and expenditures allocated to proper category of approved budget?

4. STATE AND NATIONAL PORTION OF DUES

- Was state/national portion of dues forwarded to Ak PTA in a timely Manner?
- Check that receipts of said dues (\$5.75 per member) is kept separate from local unit portion of dues and other receipts on the books

5. MONEY COLLECTED FOR A SPECIFIC PURPOSE....

Special projects, Founders Day gift, scholarship funds, council dues, etc. have been disbursed accordingly

6. FILL OUT PTA AUDIT REPORT FORM

- Check figures against treasurers reports and annual reports
- Check against the books/ledger totals for accuracy

7. IF ALL IS IN ORDER

The Audit Committee should prepare a statement

Each member of that committee or the Auditor should sign and date it

A SAMPLE STATEMENT OF AUDITOR(S) MIGHT READ...

- "The auditing committee has examined the records of the treasurer of _____ PTA for the period of 7/01/0? to 6/30/0? and found them to be correct. Balance on hand \$ _____ (signatures of committee).

8. IF ALL IS NOT IN ORDER, THE AUDITOR(S) MUST ALSO SUBMIT A REPORT:

If not adequate records to conduct a proper audit:

- Sample statement might be: "The auditing committee has examined the records of the treasurer of _____ PTA and finds that more adequate accounting procedures need to be followed so a more thorough audit report can be given."
- Audit committee should be sure to include the information that is needed.

HAVE TREASURER CORRECT ANY CORRECTIBLE ERRORS

- When Board of Directors is satisfied that the financial accounts are correct, draw a line across the ledger where the audit concludes
- Sign and date the ledger using a different color ink
- State: "Corrected by Treasurer _____ and found correct."
- Name(s) and date.

What if the Treasurer being audited cannot or will not get you the information you requested?

- Contact Alaska PTA via phone call to the President
- You may be advised to send a registered letter to the Treasurer demanding the information.

9. THE AUDIT REPORT MUST BY PRESENTED TO MEMBERSHIP

- **OFFICIALLY ADOPTED BY THE MEMBERSHIP.**
- Report is include in the Annual Report covering the entire fiscal year
- If additional information and verification was noted as being needed, it should be provided by Treasurer.

10. IF VALIDITY OF AUDIT REPORT IS QUESTIONED

Contact Alaska PTA

ALASKA PTA FINANCIAL MANAGEMENT CHECKLIST

(To be filled out by Executive Board prior to audit)

Name of PTA _____ Name of Treasurer _____

Address (Street) _____ Name of President _____

City/State/Zip _____ Fiscal Period/Year _____

PURPOSE:

This checklist is designed to provide general guidance to PTA volunteer leaders in the management of their resources. Most of the fiscal planning and control items listed here are appropriate for PTAs at local, council, region or state level. Stewardship of other people's money is an important part of volunteer activity and requires systematic and ongoing attention.

DIRECTIONS:

At least annually, prior to the time of the financial audit, the Executive Board should perform a complete review of financial management practices. The following checklist provides an outline and written record of this annual financial management checkup. It should be filled out by the Executive Board of the time period being audited. *The completed copy should be 1) Given to the Audit Committee 2) Copy given to the NEW Executive Board of your PTA, so they are aware of the current financial management practices 3) filed with the annual audit and kept with the permanent financial records, and 4) Copy given to Alaska PTA along with a copy of the Audit.*

I. Budgeting

The PTA budget is a financial guide. It is a statement showing a plan for obtaining funds and for allocating those funds to meet the needs and commitments of the PTAs annual activities.

- | | | | |
|----|--|-----|-------|
| A. | Is a budget committee preparing the preliminary budget? | Yes | No |
| B. | Is the preliminary budget based on all necessary information (membership estimates, other sources of income, expense needs, current financial conditions, knowledge of the previous year's income and expenses, etc.)? | Yes | No |
| C. | Does the budget show all sources of income, totaled and balanced, against all total expense categories? | Yes | No |
| D. | Has the budget been formally adopted by the appropriate body (i.e., general membership, board, convention delegates)? | Yes | No |
| E. | Have appropriate and necessary methods been put in place to implement the budget? | Yes | No |
| | 1. Is there a method to record and report monies received? | Yes | No |
| | 2. Is there a method to record and report monies spent? | Yes | No |
| | 3. Is there a method to report and record monies committed but not yet spent? | Yes | No |
| | 4. Is there a method to move funds from checking to savings accounts, etc.? | Yes | No |
| | 5. Are policies in place to permit changes to budget line items as needed during the fiscal year? | Yes | No |
| | 6. Are regular monthly financial reports, such as revenue and expense status, budget comparisons, fund balances, etc., made to the appropriate body (i.e., executive committee, board, etc.)? | Yes | No |
| F. | Are provisions made for a complete audit of PTA funds at the close of the fiscal year? | Yes | No |
| | 1. By outside accountant or CPA? | Yes | No or |
| | 2. By elected/selected PTA Audit Committee? | Yes | No |
| | 3. Are completed audit reports summarizing cash received and cash spent verified and signed? | Yes | No |
| | 4. Are these reports communicated to the appropriate group (i.e., membership, board, convention delegates)? | Yes | No |
| | 5. Has a copy of the audit been filed with the state PTA office, if required? | Yes | No |
- (Each state PTA must send a copy of its state audit to the National PTA office.)

ALASKA PTA FINANCIAL MANGEMENT CHECKLIST, cont.

II. Financial Controls

Financial reporting, accounting, and internal control permit PTAs to provide the necessary accountability for funds to members. This section calls attention to several topics that provide needed stewardship of PTA funds.

- | | | | |
|----|---|-----|----|
| A. | Are all PTA monies kept separate from school, personal, or other organizations' funds? | Yes | No |
| B. | Is an accounting system with an accurate record of the expense and receipt transactions of the PTA maintained? | Yes | No |
| C. | Are the state and national portions of membership dues and required information sent to the appropriate PTA office on time? | Yes | No |
| D. | Are purchase requisitions (vouchers, purchase orders, or warrants) required to initiate expenditures? | Yes | No |
| | 1. Are the purchase orders signed by the authorized people? | Yes | No |
| | 2. Are purchase orders checked against the budget authorizations? | Yes | No |
| | 3. Are purchase orders matched against orders and invoices prior to payment of claims? | Yes | No |
| | 4. Is there a time limit for requesting reimbursement for valid claims? | Yes | No |
| | 5. Are authorized claims paid in a timely manner? | Yes | No |
| E. | Is there a policy that prohibits the signing of blank checks? | Yes | No |
| | 1. Are all checks signed by at least two authorized people? | Yes | No |
| | 2. Are checks numbered in sequence and any missing checks recorded? | Yes | No |
| F. | Are all bank signatory cards up-to-date with at least three signatures that have been approved by the board? | Yes | No |
| G. | Are at least two people involved in the processes of keeping financial records, depositing revenue, issuing checks, and handling cash? | Yes | No |
| H. | Are all funds deposited in a timely manner? | Yes | No |
| I. | Are bank reconciliations performed each month by individuals other than those who are authorized to sign checks? | Yes | No |
| J. | Are checking accounts (or, where applicable, savings or investment accounts) maintained to assure full earnings on PTA funds? | Yes | No |
| K. | Does your PTA have any salaried staff? | Yes | No |
| | 1. If salaried staff are employed, are appropriate amounts for state and federal taxes, security, etc., withheld? | Yes | No |
| | 2. Are the withheld monies and the employer contribution to Social Security forwarded to the appropriate governmental agencies as required? | Yes | No |
| | 3. Are quarterly reports filed as required and within the proper deadlines? | Yes | No |

III. Insurance

Insurance or risk management includes procuring, managing, and protecting PTA volunteers and PTA property and resources. PTAs should evaluate their risk exposure and implement insurance programs in areas of property, liability, fidelity bonds, and directors and officers consistent with applicable state laws.

- | | | | |
|----|--|-----|----|
| A. | Are insurance policies in force to protect PTA against loss of property (buildings, equipment, records, etc.) by reason of fire, theft, or other casualty? | Yes | No |
| B. | Are liability insurance policies in effect to protect PTA officers and members, schoolchildren, or other third parties where PTA projects or activities may result in an accident? | Yes | No |
| C. | Are the treasurer and all others authorized to handle PTA funds covered by a fidelity bond in the amount determined by the board? | Yes | No |
| D. | Are copies of all current insurance policies maintained with the permanent PTA records? | Yes | No |

ALASKA PTA FINANCIAL MANGEMENT CHECKLIST, cont.

IV. IRS and Tax Forms

While PTAs are frequently exempt from federal and state taxes, there remain obligations to file appropriate requests for exemption and to report financial transactions.

- | | | | |
|----|---|-----|----|
| A. | Is the association exempt from federal income tax under the IRC, Section 501(c)(3)? | Yes | No |
| | or | | |
| | Section 501(c)(4)? | Yes | No |
| | 1. If yes, is the exemption part of a state PTA blanket exemption? | Yes | No |
| | or | | |
| | a state PTA group exemption? | Yes | No |
| | or | | |
| | its own exemption? | Yes | No |
| | 2. If there is no blanket, group, or individual exemption, has the PTA filed the IRS Form 1023 to apply for its own Letter of Tax Exemption? | Yes | No |
| | 3. Is the IRS letter of ruling on the tax-exempt status of the PTA kept in the permanent records and, if required, a copy filed with the state PTA? | Yes | No |
| B. | Is the PTA required to file an IRS Form 990, the Return of Organization Exempt from Income Tax annual report of income and expenses? | Yes | No |
| | (It is mandatory to file IRS Form 990 if the annual gross income is \$25,000 or more or the PTA has received a Form 990 with a preaddressed mailing label from the IRS even though gross income is below \$25,000.) | Yes | No |
| | 1. If required, has the IRS Form 990 been filed with the IRS? | Yes | No |
| | 2. Has a copy of the completed form been filed in the permanent records and, if required, sent to the state PTA office? (State PTAs must forward a copy of their IRS Form 990 to the National PTA.) | Yes | No |
| C. | Has an IRS Employer Identification Number been secured, and is it on file in the state PTA office? | Yes | No |
| | If not, has IRS Form SS-4, the Application for Employer Identification Number, been filed with the IRS? | Yes | No |
| D. | Since not all states exempt PTAs from state sales taxes, are appropriate sales tax reports filed as needed? | Yes | No |
| E. | Is the PTA incorporated? | Yes | No |
| | 1. If the PTA is incorporated, has an annual corporate report been filed with the state government, as required? | Yes | No |
| | 2. Does the annual report reflect current officers and/or a registered corporate agent? | Yes | No |

This checklist should be completed annually, and any outstanding issues should be resolved or corrected.

When complete, don't forget to:

- Give a copy to the Audit Committee or Auditor with the books
- Give a copy to the NEW Executive Board
- Send a copy to Alaska PTA with the completed Audit
- File original with the annual audit in the permanent financial records

ALASKA PTA FINANCIAL MANAGEMENT CHECKLIST, cont.

RECOMMENDATIONS & COMMENTS OF EXECUTIVE BOARD: