



## LOCAL UNIT AUDIT FACT SHEET

### **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 business-like 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, 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 Alaska PTA Financial Management Checklist (provides a good picture of the financial procedures the PTA follows). Copy to the next Board of Directors and to the Audit Committee with the books.

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

- Checkbook and canceled checks
- Bank statements, duplicate deposit slips, bank reconciliation reports
- Income and expense ledgers (or computer disk)
- Receipts, invoices, bills for all checks written
- Copies of minutes – both general membership and Board of Directors
- 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 is necessary, to inform them what that have done or will do in response to the report.

If procedural areas need improvement, must examine committee's 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 second 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 THE ALASKA PTA. You will probably be advised to call the local police department.

#### Special note:

- Every action must be taken by the Board of Directors, not the Executive Committee or any 1 or 2 officers, but the entire Board.
- The Board must take every reasonable step to recover the missing funds.
- All the actions of the Board need to 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 offender's name in reporting to the membership in order to spare his or her children from being teased and 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*.

## LOCAL UNIT FINANCIAL REVIEW/AUDIT PACKET

LOCAL PTA/PTSA UNIT NAME: \_\_\_\_\_

PERIOD BEING AUDITED: \_\_\_\_\_

**Contents of Packet:**     ***PTA Audit Fact Sheet/Overview***  
                                  ***PTA Financial Review Procedure***  
                                  ***PTA Sample Financial Review Form***  
                                  ***PTA Financial Management Checklist***  
                                  ***Receipts and Expenditure Recap Sheets***

**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, and AUDIT of your PTA accounting MUST be performed. This is usually performed by a committee of 3, although it can 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 whoever will be filling out your IRS Form 990-N/990/990EZ. This form MUST be mailed to the IRS within 4 ½ months of your fiscal year end. Most Alaska units have a year end of June 30<sup>th</sup>, so the tax return is due by November 15<sup>th</sup>.

**REMEMBER TO SEND A COPY OF YOUR AUDIT REPORT AND TAX RETURN FORM TO THE ALASKA PTA OFFICE VIA MAIL, FAX, OR EMAIL:**

Alaska PTA  
PO Box 201496  
Anchorage, AK 99520-1496  
Phone: 907-279-9345   Toll Free: 888-822-1699   Fax: 907-222-2401  
Email: [akpta@alaska.net](mailto:akpta@alaska.net)  
[www.alaskapta.org](http://www.alaskapta.org)

# PTA AUDIT REPORT FORM

Date being audited: \_\_\_\_\_ to \_\_\_\_\_

Local PTA/PTSA Name \_\_\_\_\_ Date \_\_\_\_\_

**Balance on hand** (Ending date of last audit – all bank accounts) \$ \_\_\_\_\_  
 Date of last audit: \_\_\_\_\_

**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 accounts per books) \$ \_\_\_\_\_ (a)

**Bank Statement Balances TOTAL**  
 (Most recent statements in audit period – total of below Account Balances: \$ \_\_\_\_\_ (b)

\_\_\_\_\_

\_\_\_\_\_

**Checks outstanding:**

Check #	Amount	Check #	Amount
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**Total outstanding checks** (all bank accounts).....(minus)..... \$ \_\_\_\_\_ (c)

**TOTAL Balance on hand 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 next page for additional adjustments/recommendation/missing information).

Date Audit Completed: \_\_\_\_\_

Auditors' Signatures \_\_\_\_\_

\_\_\_\_\_

This report should be read by a member of the Audit Committee or Secretary at the first general membership meeting of the year. The presiding officer then calls for the appropriate action.

\_\_\_\_\_ PTA/PTSA    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	
<b>TOTAL INTEREST</b>		<b>TOTAL BANK CHARGES</b>		<b>TOTAL DEPOSITS</b>	

**DISBURSEMENTS**

AUDIT DOCUMENTATION FORM/CHECKS WRITTEN YEAR \_\_\_\_\_

<u>Check #</u>	<u>Amount (a)</u>		<u>Check #</u>	<u>Amount (b)</u>		<u>Check #</u>	<u>Amount (c)</u>
<u>TOTAL</u> <u>COLUMN (a)</u>			<u>TOTAL</u> <u>COLUMN (b)</u>			<u>TOTAL</u> <u>COLUMN (c)</u>	
						<u>TOTAL ALL</u> <u>COLUMNS</u> <u>(a+b+c)</u>	

## 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 of the last audit.**

- Check to see if amount shown on 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 canceled 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 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 a 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 membership dues forwarded to Alaska PTA in a timely manner?
- Check that receipts of said dues (\$6.25 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 fund, have been disbursed accordingly.

6. **Fill out an Audit Report Form.**

- Check figures against Treasurer’s 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 \_\_\_\_\_ to \_\_\_\_\_ and found them to be correct. Balance on hand \$ \_\_\_\_\_. Followed by signatures of the 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
- You may be advised to send a registered letter to the Treasurer demanding the information.

**9. The audit report must be presented to membership**

- Officially adopted by the membership
- Report is included 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 PTA's 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)?  |     | 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 saving account, 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 |
|    | 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 Alask PTA office?   | Yes | NO |

**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 purchases 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 account (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 of 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. Has the PTA paid it's mandatory insurance to AK PTA by October 30th (currently \$140)?  | Yes | No |
| C. 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 the appropriate requests for exemption and to report financial transactions.

A.	Is the association exempt from federal income tax under the IRS, 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 field 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-exemption status of the PTA kept in the permanent records and, if required, a copy filed with the state PTA?	Yes	No
B.	Has the PTA filed some version of the IRS Form 990, the Return of Organization Exempt from Income Tax annual report of income and expense? (It is <u>mandatory</u> to file IRS form 990N (e-postcard) <u>OR</u> 990EZ <u>OR</u> 990 depending on the annual gross income of the unit). If further information is needed please access National PTA's <u>Money Matters</u> or Alaska PTA's <u>Common Cents for Alaska PTA Treasurers</u> .	Yes	No
	Has a copy of the completed form or Confirmation been filed in the permanent records and and a copy sent to the Alaska PTA office?	Yes	No
C.	Has the IRS Employer Identification Number been secured, and is it on file in the state office? If not, has IRS form SS-4, the Application for Employer Identification Number, been filed with the IRS?	Yes	No
D.	Since not all cities exempt PTAs from 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

Page 3 of 4

**ALASKA PTA FINANCIAL MANAGEMENT CHECKLIST, cont.**  
**RECOMMENDATIONS & COMMENTS OF EXECUTIVE BOARD:**

