



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/PTSA and the procedures used to conduct those transactions.

Why an Audit?

It assures the membership that the resources/funds of their PTA/PTSA have been managed in a business-like manner. It also conforms the PTA/PTSA to Alaska PTA requirements by being a H.U.G.S. unit (Healthy Unit in Good Standing), per IRS regulations.

Who can Audit?

- Audit Committee of three (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; and/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. He/She 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/PTSA Audit Report Form) to the Board of Directors.

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 they 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 Office 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 IMMEDIATELY. 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 one (1) or two (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.



PTA Audit/Financial Review Form

Purpose: To remain in compliance with the IRS, Alaska state laws, your Bylaws, and in good standing with State and National PTA.

Instructions: It is suggested that the PTA should select an Auditor or Auditing Committee no later than two weeks prior to the end of the school year. Refer to your Bylaws for specifics. The Outgoing Treasurer shall submit to the Auditor(s) or Auditing Committee all financial records and forms listed below. Mail or email completed PTA Audit/Financial Review to Alaska PTA Office postmarked on or before September 30th.

Date:		Local Unit ID #:
Region #:	Council:	PTA Name:
Contact Person:		PTA Position:
Address:		City/Zip:
Email Address:		Phone Number:

Auditor(s)/Auditing Committee Guidelines:

- Compare all cash receipts and deposits to the bank statements.
- Check addition and subtraction on all cash receipts and deposits.
- Confirm that all disbursements/expenses have been properly approved.
- Confirm that all disbursements/expenses have been properly documented with an invoice or receipt.
- All checks were signed with two signatures.
- All checks have been deposited or cashed by the payee indicated and no information on the face of the check has been altered.
- Make sure there are no missing checks.
- Obtain proof that an IRS Form 990 was filed on time.
- If exceptions are noted during the Audit (errors, irregularities), consult with the PTA's Treasurer and President (if necessary) to resolve the exception. The Treasurer is responsible for making any corrections to the ledger or checkbook.
- Review the Treasurer's monthly reports and **RANDOMLY** check them for accuracy. Review the beginning and ending balances on each report to verify that correct ending balances were carried forward as beginning balances on subsequent reports.
- If exceptions are noted, prepare a separate Exceptions Report to submit with your Review Report. The Exceptions Report should detail:
 - Exceptions noted;
 - Steps taken to remedy the Exceptions; and
 - Recommendations made to prevent further occurrence of Exceptions noted.
- File a copy of the Review Report with the PTA President, PTA Treasurer and Alaska PTA.

Section A

Please check the financial records provided:

- | | | | |
|--------------------------|--|--------------------------|--|
| <input type="checkbox"/> | Checkbook register | <input type="checkbox"/> | Treasurer's book or ledger |
| <input type="checkbox"/> | All Bank Statements and deposit receipts | <input type="checkbox"/> | A copy of "Conducting the Audit" from Alaska PTA |
| <input type="checkbox"/> | All Cash Verification Forms and receipts | <input type="checkbox"/> | Checkbook and cancelled checks |
| <input type="checkbox"/> | All Check request forms with receipts/bills | <input type="checkbox"/> | Itemized statements and receipts of bills paid |
| <input type="checkbox"/> | All Treasurer's reports | <input type="checkbox"/> | Adopted budget and approved amendments |
| <input type="checkbox"/> | Copies of Board, Executive Committee minutes | <input type="checkbox"/> | Copy of last year's Audit/Financial Review & Filed |
| <input type="checkbox"/> | Copy of PTA Bylaws | <input type="checkbox"/> | 990/990-N Confirmation Email |

Section B

1.	Does amount shown on first bank statement (adjusted for outstanding checks and deposits) correspond to the starting balance recorded in checkbook register, ledger, Treasurer's Report and ending balance of last Audit?	Y	N
2.	Were bank statements reconciled monthly by the Treasurer and signed by another person not authorized to sign checks or related to a check signer?	Y	N
3.	Did all checks written contain two signatures (President and Treasurer or one other elected officer)?	Y	N
4.	Were all checks properly recorded in checkbook register, ledger and with Treasurer reports?	Y	N
5.	Were all bank charges and interest recorded in checkbook register, ledger and Treasurer Reports?	Y	N
6.	Did the PTA purchase insurance?	Y	N
7.	Were all authorizations approved by the President or their designee and contain receipts?	Y	N
8.	Did the PTA make payments by credit card or debit card?	Y	N
9.	Did the PTA use Cash Verification Forms?	Y	N
10.	Were all funds received counted by two persons with the Treasurer being the third counter?	Y	N
11.	Did funds received match deposits recorded in the checkbook register ledger and Treasurer Reports?	Y	N
12.	Did you receive a copy of the approved/amended budget?	Y	N
13.	Was income spent according to the approve/amended budget?	Y	N
14.	Did the minutes include budget approval?	Y	N
15.	Did minutes include all budget approval?	Y	N
16.	_____ # of memberships collected? _____ # of membership dues submitted to the state?	Y	N

Please contact and return the completed Audit to the new Incoming Treasurer.

Outgoing Treasurer's Signature

Date

Daytime Phone Number

Email Address

Incoming Treasurer's Signature

Date

Daytime Phone Number

Email Address

PTA/PTSA Name:	PTA/PTSA ID #:
Region #:	Council:
Dates covered by this Audit/Financial Review: From: _____ To: _____	

1.	Balance on Hand (From Date of Last Audit)	\$ _____	
2.	Receipts/Deposits (From last Audit to date of this Audit)	\$ _____	
3.	Total Cash (Add Line 1 and Line 2 Together)	\$ _____	
4.	Disbursements/Expenses (From last Audit to date of this Audit)	\$ _____	
5.	Balance on Hand (Subtract Line 4 from Line 3)	\$ _____	
6.	Bank Statement Balance as of _____ (Date)	\$ _____	
7.	Checks Outstanding (List check number and amount) if needed, use a separate sheet of paper.		
Check #:	Amount: \$	Check #:	Amount: \$
Check #:	Amount: \$	Check #:	Amount: \$
Check #:	Amount: \$	Check #:	Amount: \$
8.	Total Outstanding Checks	\$ _____	
9.	Balance in Checking Account (Subtract Line 8 from Line 6)	\$ _____	

Note: Amounts on Line 5 and Line 9 should be the same.

Please check one:

_____ I (We) have audited the books and find them to be correct.

_____ I (We) have audited the books and found the following problems and/or make these suggestions.

_____ I (We) have audited the books and found significant problems that must be reported to the district PTA immediately for assistance.

We have attached our findings/recommendations to this form.

Auditor/Reviewer Signature:	Auditor/Reviewer Signature:	Auditor/Reviewer Signature:
President's Signature:	Treasurer's Signature:	Date:

The Auditor/Auditing Committee report must be in writing. If the Auditing Committee finds there are not adequate records or inappropriate accounting procedures used, this information should be noted.

Note: A copy of the Financial Review/Audit must be submitted to Alaska PTA Office by September 30th. Once the appropriate 990 is filed with the IRS, please submit the IRS Filing Verification form and appropriate documents to Alaska PTA Office.

Approved 10/17/16

Receipts (Income)

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 Charges			Total Deposits	

Disbursements (Expenses)

Audit Documentation Form/Checks Written

Year _____ ~ _____

Check #	Amount (a)	Check #	Amount (b)	Check #	Amount (c)
Total Column (a)		Total Column (b)		Total Column (c)	
Total All Columns (a + b + c)					



PTA/PTSA Audit Procedures

1. **Read “Financial Management Checklist” filled out by the Executive Board** to become familiar with this PTA/PTSA’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 the PTA/PTSA

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/PTSA.

Items to look for in sample of transactions:

- Is it on the monthly bank reconciliation?
- Two (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, etc. 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 and each member of that Committee or the Auditor(s) 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/PTSA for the period of _____ to _____ and found them to be correct. Balance on hand is \$ _____. Followed by the signature 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/PTSA and finds that more adequate accounting procedures need to be followed so a more thorough audit report can be given." The 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 is 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 Office.

Alaska PTA Financial Management Checklist

(To be filled out by the Executive Board prior to Audit)

Name of PTA/PTSA

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/PTSA volunteer leaders in the management of their resources. Most of the fiscal planning and control items listed here are appropriate for PTA/PTSAs 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. *Given to the NEW Executive Board of your PTA/PTSA, so that 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/PTSA 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/PTSA'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)? | 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 record and report 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/PTSA funds at the close of fiscal year?	YES	NO
1. By outside accountant or CPA?	YES	NO
2. By elected/selected PTA/PTSA 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 Alaska PTA Office?	YES	NO

II. Financial Controls

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

A. Are all PTA/PTSA 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/PTSA maintained?	YES	NO
C. Are the state and national portions of membership dues and required information sent to Alaska 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/PTSA funds?	YES	NO
K. Does your PTA/PTSA 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/PTSA volunteers and PTA/PTSA 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/PTSA against loss of property (buildings, equipment, records, etc.) by reason of fire, theft or other casualty? | YES | NO |
| B. Has the PTA/PTSA paid its mandatory insurance to AIM by December 1 st ? | YES | NO |
| C. Are copies of all current insurance policies maintained with the permanent PTA/PTSA records? | YES | NO |

IV. IRS and Tax Forms

While PTA/PTSAs 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 |
| B. Has the PTA/PTSA 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 contact Alaska PTA Office. | YES | NO |
| C. Has the IRS Employer Identification Number been secured, and is it on file in Alaska PTA 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 PTA/PTSAs from sales taxes, are appropriate sales tax reports filed as needed? | YES | NO |
| E. Is the PTA incorporated? | YES | NO |
| 1. If the PTA/PTSA 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 Office with the completed Audit
- File original with the annual audit in the permanent financial records.

Recommendations & Comments of Executive Board: