

# the PTA audit

## overview

Auditing involves following financial transactions through records to make sure that receipts have been properly accounted for and expenditures made as authorized in the minutes and in conformity with PTA bylaws, standing rules and budget.

PTA bylaws indicate when an audit is to be made, its procedure and when it should be reported to the membership. Record books should be audited at least once a year. Books should also be audited if a financial officer resigns, before the new officer assumes his or her duties, and at any other time deemed necessary.

The process for selecting/electing individuals to serve on the internal audit committee or for retaining a professional firm (with not-for-profit accounting experience) will also be found in the bylaws of the PTA.

## the purpose of an audit

The purpose of an audit is to provide reasonable assurance that an organization's financial statements are free of material misstatement and are prepared according to Generally Accepted Accounting Principles (GAAP).

An audit with a "clean" opinion assures the membership that the association's resources/funds are being properly accounted for and managed within the regulations established for their use.

## external audit

Three types of services that can be provided by an external professional auditor are described below. PTAs should decide which provides the best information for them and their members, partners,

and business associates for the most reasonable cost. If your PTA chooses to retain a CPA firm for an external audit, ensure that they have experience working with not-for-profit organizations.

## preparation for a financial review

For clarification purposes, a financial review represents an internal process performed by two or more members of the financial review committee or their designees. An audit represents an extensive external process performed by a certified public accounting (CPA) firm for a fee.

The first step in the review process should be appointment of a financial review committee. This committee should be made up of members **who do not have signature authority over the bank account or be a relative of a person with signature authority.** Check your local bylaws for any additional requirements. Financial records should be put in order for the financial review – shortly before the end of the term of office or the end of the fiscal year. The outgoing treasurer cannot pay bills after the books are closed for financial review. Upon assuming office, the incoming treasurer may deposit funds in the PTA bank account. It is recommended that during the financial review process, expenditures within an adopted budget be limited to those of an

**See your bylaws for information on forming the audit committee. Authorized check signers may NOT be a part of the audit committee.**

emergency nature. The financial review should be completed as quickly as possible.

The treasurer shall deliver the following to the reviewer:

- A copy of the last financial review report
- Checkbook and canceled checks (front and back)
- Bank statements and deposit receipts
- Treasurer's book or ledger
- The annual financial report
- Itemized statements and receipts of bills paid
- Check requests
- Copies of board, executive committee, and organization minutes that would include an adopted budget, as well as any amendments that were approved during the year
- Current bylaws
- Copies of unit money handling procedures
- Prior 990 tax filing
- Any other information requested by the financial review committee

## financial review procedure

1. Start the financial review with the records posted after the last audit. Check to see if the amount shown on the bank statement corresponds to the starting balance recorded in the checkbook and ledger.
2. Do a sample test of transactions. The size of this sample should be based on the size of the association.

If mistakes are found, the sample should be broadened to take in more transactions. It may be deemed necessary to review all the transactions of a PTA. You should consider retaining the services of an

*continued on page 16*

## the PTA audit, con't.



external auditor if nearly all of the transactions are reviewed due to errors or concerns regarding accuracy.

### Some items to look for:

- Monthly bank reconciliation
  - Unexplained reconciled items
  - Unusual endorsements on checks
  - A match of check endorsements to payees
  - Disbursements not supported by invoices or other documentation
  - Blank checks secured in a safe place
  - Deposit ticket dates timely with dates received by bank
  - Timeliness of deposits based on known dates of events
  - All invoices paid by check (with two signatures) or unit credit card and not cash
3. Make certain that state and national portions of the membership dues have been kept separate from other receipts and forwarded to the state office on a monthly basis.
  4. Make certain that money collected for a specific purpose (special projects, gifts, scholarship funds, council dues, etc.) has been so disbursed.
  5. Check the treasurer's reports and annual report for accuracy.
  6. After any errors have been corrected by the treasurer, and the president is satisfied that the financial accounts are correct, sign and date the annual report using a different color ink: "Examined and found correct. (name), (date)."
  7. If all is in order, the financial review committee or auditor should prepare a statement, and the auditor, or each member of the financial review committee, should sign it.
  8. The financial review committee also must submit a report in the event that there are not

**A sample statement might read, "The audit committee has examined the records of {unit name} PTA for the period of (time covered) and found them to be correct. Balance on hand: \$\_\_\_\_." (signatures of committee)**  
**The committee or reviewer might wish to use the sample financial review form provided on page 19.**

adequate records available to conduct a proper accounting of the association's funds.

**A sample statement might read, "The financial review committee has examined the records of {unit name} PTA and found that more adequate accounting procedures need to be followed so a more thorough financial review can be given." The financial review committee should indicate the information that is needed.**

9. The financial review must be officially adopted by the association and must be included in a completed annual report covering the association's entire fiscal year. If the report states that additional information and verification is needed, the requested information should be provided by the treasurer.
10. If the validity of the financial review is questioned, an independent certified public accountant (CPA) should be engaged. At any time during the process, your council or region PTA may be contacted for information or assistance.
11. If there are any issues with the finances found as a result of the audit, a financial discrepancy report should be filed. **See Insurance, starting on page 59.**

# the PTA audit, con't.

## sample audit procedures

### Step 1: Set Up Working Copy of Audit Report Sheet

- Audit begins on day after date of last audit (**#1 on Audit Report Sheet**).
- Date in **#2** is either:
  - Ending date of last Bank Statement
  - Last date of fiscal year
  - Date of this audit if Treasurer is leaving office.
- Put ending “Balance on Hand” from last audit on sheet at **#3**.

### Step 2: Reconcile Bank Statement

One person has the checkbook(s), one person has bank statements, and one person has Expense Vouchers (with receipts attached) and Remittance Forms (with deposit slips attached).

- Take out list of Outstanding Checks from last audit.
- Person with Bank Statements reads off (and checks off) each cleared check number and amount.
  - Person marks check in checkbook.
  - Person checks amount & receipt(s) on Expense Voucher, initials voucher and turns it sideways.
- Someone makes a running list of outstanding check numbers and amounts.
  - On the list from last audit, check off cleared checks.
  - Cross check numbers off new list if they clear in later bank statements.
  - Only list checks written before date in **#2** on sheet.
- Person with checkbook reads off deposit numbers and

amounts, and puts a check mark next to deposit numbers.

- Person checks off on Bank Statement.
- Person checks deposit slips and amounts, initials Remittance Form and turns it sideways.
- Make sure any interest is added in checkbook.
- Make sure any charges (returned checks, fees) are subtracted in checkbook.
- Account for voided checks.
  - If check was subtracted from balance, make sure it is added back somewhere.
- Put Ending Balance from last Bank Statement on “Last Bank Statement Balance” line on sheet at **#8**.
- Add up all outstanding checks and put amount on sheet at **#9**.
- Subtract **#9** from **#8** and put amount at **#10**.
  - **This amount must match amount in checkbook as of ending date of audit!**
  - Note: Be sure to include the interest from the last bank statement.

### Step 3: Add Up Receipts and Disbursements

- Person with checkbook begins at last audit line:
  - Receipts:
    - Add up all deposits, interest, voided checks that have been re-entered, and any positive adjustments.
    - Put total on “Receipts” on sheet at **#4**.
    - Add to “Balance on Hand” (**#3**) and put result in “Total” (**#5**).
  - Disbursements:
    - Add up all checks written, bank fees, voided checks (if

amount was subtracted from checkbook balance) and any negative adjustments.

- Put total on “Disbursements” on sheet at **#6**.
- Subtract from “Total” (**#5**) and put result in “Balance on Hand” at **#7**.

### Step 4: “Balance on Hand” (**#7**) must equal “Balance in Checking Account” (**#10**)!

### Step 5:

- Date of Audit (**#11**) – date of actual Audit Meeting.
- Draw red line under the ending balance in checkbook. Put date of audit and initials or signatures of audit committee members.
- On Audit Report sheet, Chairman signs last line (at **#12**) and other audit committee members sign above.
- Need 3 copies:
  - 1 for Chairman to report at next Region Board meeting.
  - 1 for Region Director.
  - 1 for Secretary.
- Treasurer keeps original and attaches new list of outstanding checks.
  - Rewrite list of outstanding checks, combining both lists (old & new).
  - Put list from last audit back with last Audit Report.



# sample PTA financial review form

local PTA name/unit code \_\_\_\_\_ date \_\_\_\_\_

council \_\_\_\_\_ region \_\_\_\_\_

Balance on Hand (date of last review) .....	\$ _____
Receipts (from last review to date of review) .....	\$ _____
Total Cash .....	\$ _____
Disbursements (from last audit to date of review) .....	\$ _____
Balance on Hand (date of review).....	\$ _____
Latest Bank Statement Balance .....	\$ _____
Checks Outstanding:	
(List check numbers) .....	(amounts)
Total Checks Outstanding .....	\$ _____
Balance in Checking Account.....	\$ _____

Date of Audit .....date

We have examined the books of the {school name} PTA and find them to be  
(please choose one of the following to complete the sentence):

- correct.
- incomplete.
- substantially correct with the following adjustments:

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incorrect.

Date review completed \_\_\_\_\_

Reviewers' signatures \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(The report should be read by a member of the audit committee or the secretary. The presiding officer should then call for the appropriate action.)