

The PTA auditor is an elected officer and member of the executive board. However, an individual or a committee may be appointed by the president to carry out this responsibility in the absence of an auditor. The books may also be audited, in accordance with PTA guidelines by a paid auditor.

An internal audit shall be performed by an impartial person not related by blood or marriage or residing in the same household of the president, financial officers, check signer or any chairman handling funds.

The purpose of an audit is to

- Determine the accuracy of the books and records of the financial officers;
- Detect and recommend correction of errors;
- Protect the financial officers and relieve them of responsibility except in case of fraud;
- Verify funds have been transferred through channels (e.g., membership, insurance, Founders Day freewill offering).
- Assure the membership that the association's resources and funds are being managed in a businesslike manner within the regulations established for their use.

Audits are performed at the times specified in the bylaws (Article VI, Section 8). Books must be audited semi-annually and at any time a financial officer resigns or no longer serves in that position, before the new officer assumes the duties, and whenever deemed necessary.

Financial records should be put in order for the auditing process shortly before the mid-term audit and before the audit at the end of the term of office. The outgoing treasurer cannot pay bills after the books are closed for audit and after the term of office ends. Upon assuming office, the incoming treasurer may deposit funds in the PTA bank account and pay authorized bills as needed.

The audit must be completed as quickly as possible. The California State PTA recommends that if the audit is not completed within two (2) weeks after the completion of the term of office, the unit president may appoint a committee to immediately audit the books. The same time frame may be followed for the semi-annual audit.

Auditing is more than verifying addition and subtraction. It involves following all financial transactions through the records to be sure receipts have been properly accounted for and expenditures made as authorized in the minutes and in conformity with unit PTA bylaws, standing rules and budget limitations.

The auditor is frequently a member of the budget committee but is never authorized to sign checks. It is strongly recommended for the protection of the unit PTA, that the auditor or another elected officer who does not sign PTA checks reconcile monthly bank statements.

#### **AUDIT PREPARATION**

- Separate audits must be done for each PTA bank account (e.g., checking, savings, etc.)
- Indicate which account is being audited with the name of the bank, type of account and the account number on each Audit Report form.
- Collect all financial books, records and reports from the treasurer and financial secretary. These will include:
  - copy of last audit report
  - current bylaws and standing rules
  - checkbook, register and canceled checks (including voided checks)
  - bank statements and deposit receipts
  - authorizations for payment
  - cash receipts
  - itemized statements and receipts of bills paid
  - monthly treasurer's reports
  - monthly financial secretary's reports
  - treasurer's book or ledger
  - Annual Financial Report
  - copies of board, executive committee and association minutes, which would include an adopted budget, as well as any amendments that were approved during the year.
  - committee reports from chairmen (e.g., fundraising, membership)
  - copies of Workers' Compensation Annual Payroll Report
  - copies of all required state and federal report forms if PTA hires employee(s)
  - copies of all required state and federal report forms if PTA hires independent contractor(s)
  - copies of the most recently filed IRS Form 990/990EZ, if required
  - any other information requested by the auditor/audit committee.

#### **AUDIT PROCEDURE**

- Check off each item in red ink as it is reviewed.
- Do not correct errors. Make notes as to how to correct errors and include in your report.
- Check **RECEIPTS**: Examine and compare receipt book stubs and treasurer's book (ledger) to be sure that money received has been deposited promptly, entered in proper columns, and totaled correctly. Check number of memberships received with the membership chairman. When checking ledger, deposit slips, bankbook and bank statements, be sure all deposits have been credited.

- Check **DISBURSEMENTS**: Verify that authorization for payments made is recorded in the minutes. No motion is needed for payment of transfer funds—district, State and National PTA portions of membership dues, Founders Day freewill offering and insurance premiums. Check that the totals for memberships received from units matches the total for membership forwarded to the council (if in council) or district PTA. Check that all funds for insurance premiums and Founders Day freewill offering have been forwarded through channels.
- Compare canceled checks with checkbook register and authorizations. Be sure checks and authorizations have been signed by proper officers.
- Compare canceled checks and authorizations with disbursements in treasurer's book (ledger). See that each disbursement has been entered in the proper column in the ledger and check totals.
- Reconcile all bank statements since the last audit with the checkbook. Compare the most recent bank statement balance with the balance in the checkbook and balance in the ledger. These figures should be the same when reconciled with any checks outstanding and/or deposits not yet recorded in the statement.
- Compare figures on monthly treasurer's reports with those in treasurer's ledger.
- Make certain that money collected for a specific purpose has been so disbursed (money raised for special project, Founders Day freewill offering, council and district, State and National PTA portions of dues).
- Check to be sure required payments such as California State PTA Directors and Officers Liability, Comprehensive General Liability, and Workers' Compensation insurance premiums in addition to any outside premiums, taxes, etc. have been made.
- Check that any required reporting or tax filing forms have been completed and filed. Verify the forms have been filed by checking the box on the Audit Report Form.
- Make a list of any errors in arithmetic or posting and note any bill unpaid, payments authorized in the minutes but not yet made, checks outstanding for long periods, etc., and meet with the other financial officers to make necessary corrections. If no financial officer is available, consult your council and/or district PTA officers.

*In any question of mismanagement of funds, assistance should be sought immediately from council and/or district PTA officers. Do not make any implicit, explicit, written, or verbal statements or accusations. Such actions could result in a lawsuit for libel or slander.*

#### **WHEN AUDIT IS CONCLUDED**

The auditor/audit committee prepares an audit report for each account. The report should include: beginning balance (ending balance from last audit), all expenditures, all deposits, outstanding checks or withdrawals, outstanding deposits, and an ending balance. (See audit examples in *California State PTA Toolkit*, Forms, and National PTA's *Quick-Reference Guide, Money Matters*.)

- After any errors have been corrected by the treasurer and you are satisfied that the financial accounts are correct, draw a double line across the checkbook register and the ledger book where the audit concludes, sign and date both using red ink.
- Check the box that states the auditor has verified that all tax forms and PTA- and government-required filing forms have been filed, if required.
- Prepare copies of written report for the president, recording secretary, financial officers and the council/district PTA.

#### **IF ALL IS IN ORDER:**

- Include a statement at the bottom of the report: "The audit committee has/I have examined the records of the treasurer of PTA and found them to be correct."

#### **IF ALL IS NOT IN ORDER:**

- Include one of the following statements at the bottom of the report:
  - "The audit committee has/I have examined the books of the treasurer of \_\_\_\_\_ PTA and find them substantially correct with the following recommendations."
  - "The audit committee has/I have examined the books of \_\_\_\_\_ PTA and find that more adequate accounting procedures need to be followed so that a more thorough audit report can be given."
  - "The audit committee has/I have examined the books of the treasurer of \_\_\_\_\_ PTA and find them incorrect."

#### **AFTER THE REPORT IS WRITTEN:**

- Attach any recommendations to the report.
  - List errors in arithmetic or posting.
  - List unpaid bills, payments authorized but not paid.
- Present the audit report to the executive board.
- Have each member of the committee or the auditor sign the report.
- Present and formally adopt the audit at an association meeting with the following motion, "I move that the audit report be adopted" and record the action in the association minutes. Read only the statement and indicate that the recommendations are attached.
- If there are questions raised by the membership, the president should state that a committee has been appointed to look into the issues raised by the audit and that the committee will report back to the association when resolution has been reached. *Do not make any implicit, explicit, written, or verbal statements or accusations. Such actions could result in a lawsuit for libel or slander.*
- Attach a signed copy of the audit to the minutes.
- If assistance is needed, contact the council or district PTA. At any time during the process, the California State PTA may be contacted for information or assistance.