How To Complete A Financial Audit

Califonia State PTA

www.capta.org

The Purpose of an Audit

• Check accuracy of all financial records
• Look for inconsistencies and errors
• Protects financial officers, entire board, and association
• Verify that funds are collected and spent as membership has directed (via association votes)
• Verify that no ATM or cash withdrawals have occurred
• Identify areas for improvement

www.capta.org

Audit Timeline

• Your PTA bylaws give you the audit due dates
• Semi-Annual audits are done (twice a year)
• Audits are also done when bank accounts are closed or if a check signer is removed
• An audit should be done as soon as possible once the bank statement has arrived

www.capta.org
Who Completes The Audit?

- Your PTA auditor (appointed or elected)
- Council or District auditor
- Paid independent auditor (CPA, etc.)
- An audit committee (very rare)

Auditor Duties

- All accounts are audited separately
- Review financial transactions through all the records, not just the bank statement!
- Ensure proper accounting for receipts and expenditures
- Ensure that all expenditures have been authorized in the minutes
- An auditor is never a check signer (nor related to one)

Audit Checklist

- Financial records should be provided by the financial secretary (if you have one) and the treasurer
- Executive board and association minutes should be in the treasurer’s records; if not ask the recording secretary for copies
- Any records that are not provided are noted in auditor’s recommendation letter
- Funds Not Belonging income should equal Funds Not Belonging expense
Beginning Balance

• Audited balance from prior audit
• Reconciled ending balance from last bank statement as indicated on the last audit report.
• Balance forward on the first treasurer’s report of the audited period.

Audit Procedure

• Audit each account separately. Use separate report & checklist for each account.
• Check “YES” or “NO” as each item is completed
• All “NO” answers require a recommendation which should be noted as you work
• Corrections in ledger/check register can be made only by the treasurer or financial secretary (whoever made the original entry)

Membership Income

• Verify memberships recorded and deposited equal total number of memberships
• Secretary or VP Membership should have an official membership list
• Membership dues have to be recorded and divided up correctly between the unit/council/district income and “funds not belonging to the unit/council/district” (income)
• Verify that “funds not belonging to PTA” (disbursements or expenses) have been forwarded through channels
TOTEM - eMembership

• Money is automatically deposited
• Verify the number of memberships on TOTEM reports is included in treasurer’s reports in addition to physical monies received
• Portion not belonging to the unit will not show up on the budget
• June e-members are paid in June but count towards new year’s totals.

Required Filings

• Insurance Premium payment
• Tax Filings
  • 990/990EZ/990N
  • 199/199N
  • RRF-1 (with CT-TR-1 form if required)
  • SOS (if incorporated)
• Workers’ Compensation Annual Payroll Report

Reports

• Treasurer Reports
• Financial Secretary Reports
• Annual Financial Report
• Budget and Budget Updates
• Prior Audits
Minutes and Committees

- Executive Board meeting minutes
- General Association meeting minutes
- Committee reports

Audit Report

Audit Report

PTA

AUDIT REPORT

Date 2/21/2020  Fiscal Year 2019-2020
Name of Unit Sunshine Elementary PTA  IRS EIN 00-0000000
Council ABC Council of PTAs  Chapter 00
Bank Name Big Anonymous Bank  Account Name Checking
Bank Address 1234 Mockingbird Lane City/State/Zip
Membership Due Per Bylaws 7.00  © Members YTD 97

Total Members YTD 151  © Members YTD 97
### Audit Report

**Dates covered by this audit:** 7-1-2019 to 12-31-2019

**Transactions reviewed:** 1478, p. 1903

**RECEIPTS:**
- 3,473,63
- 1,600
- Total: 3,573,63

**UNEXPENSED FUNDS:**
- 26,966
- Total: 26,993

<table>
<thead>
<tr>
<th>Account</th>
<th>Balance</th>
<th>Journal</th>
<th>Check nos.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>26,966</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

**SUNSHINE ELEMENTARY PTA**

**Date:** 10/28/2020

---

**Audit Report**

**Date:** 2/20/2020

---

**Audit Report**

**Date:** 2/28/2020

---

**Audit Report**

**Date:** 3/28/2020

---

**Audit Report**

**Date:** 3/31/2020

---

**Audit Report**
Audit Review Committee

- A committee of at least two people (which may include the auditor and/or other officers and members) who review the audit and any findings or recommendations BEFORE the audit is presented to the executive board for review and adoption.
- Required by insurance carriers when the audit is not conducted by a “qualified accountant”

Audit Review Committee

- A qualified accountant is someone who has been trained/licensed to conduct audits and/or review accounting records, such as a Public Accountant or Certified Public Accountant (CPA). They do not need to be currently employed in the field and may be paid or volunteer.
- Check signers may serve on the audit review committee but the committee must have a majority of non-signers.

Common Mistakes

- Using the bank statement balance instead of the checkbook balance
- Forgetting to deduct outstanding checks
- Forgetting to account for prior audit outstanding checks that have since cleared
- Check dates on deposits/check requests
- Electronic transactions that are not documented other than on bank statements
Audit Recommendation Letter

- Give copies of the complete audit to appropriate officers
- Present the audit along with the findings in the audit recommendation letter to the executive board
- The association does not receive the recommendations as they may contain sensitive material. If there are questions, you can say that you are addressing issues that were found

Five Minute “Audit”

- Look at the checks to verify
  - 2 signatures
  - Date, amount, payee match treasurer's report
- Look at the deposits to verify
  - Date and amount match financial secretary and/or treasurer's report
  - Deposits are made in a timely manner
  - Assure that no online banking has occurred (except authorized deposits)
  - No online payments unless by approved EFT paperwork
  - No ATM withdrawal transactions
  - Contact treasurer to resolve any errors

Mismanagement “Red Flags”

- Lack of receipts
- No Financial Reports
- Officer misses meetings and does not return phone calls or e-mails
- No money to pay bills - PTA checks returned for lack of funds
Financial Situations to Avoid

- School staff member as treasurer or president
- Principal who wants projects funded without going through the approval process required by PTA
- Encumbering future boards by paying salaries for on-going staff positions
- Finance officers signing blank checks
- Lack of/incomplete minutes, particularly in matters involving use of funds