

Audit Procedure and Recommendations

The [Audit Checklist](#) should be used, and each box marked in the negative should result in an audit recommendation. Audit each account separately. Check off items in red ink as they are reviewed. Do not correct errors. Ask the responsible financial officer to correct errors. After errors have been corrected, and the auditor is satisfied that the financial accounts are correct, the auditor needs to denote the ending date of the audit. If a manual ledger and check register exists, draw a double line across the ledger and checkbook register where the audit concludes and sign and date using red ink, "Audited by (name) on (date)." If a computerized accounting program is used, attach a copy of the cash account and the last page of the check register to the audit report filed with the secretary minutes, sign and date using red ink, "Audited by (name) on (date)."

The auditor ensures that the association's financial transactions have been accurately recorded

- Include bank name, bank address, type of account and the account number on each report.
- Start audit with records posted after the last audit. Verify the amount shown on the first bank statement (adjusted for outstanding checks and deposits per the prior audit) corresponds to the starting balance recorded in the checkbook register, ledger, and treasurer report, and the ending balance of the last audit.
- Confirm bank statement was reviewed by another non-check signer if the auditor had not been assigned that task.
- Verify there have been no ATM transactions.
- Make sure every check issued for the audit period is substantiated with an authorization for payment, the reason and budget line item for the disbursement, appropriate payee and a receipt or bill. Each authorization should be signed by the president and the secretary. If the check has cleared the bank verify that there are two signatures and that both were from authorized check signers. Verify authorization/ratification in the minutes. Note: Checks issued for pass-through funds do not require pre-authorization but should be ratified.
- Check that all bank charges and interest earned are recorded in the checkbook register, ledger and treasurer reports.
- Trace each deposit slip to bank statement and checkbook entries. Verify deposits are properly supported and that a Cash Verification Form (Forms, Chapter 9) or equivalent was used for each deposit. Verify that at least one of the signers of the form was an officer or committee chairman. Ensure money was deposited promptly.
- Ensure collection process is in place for returned checks that includes reimbursement of applicable bank charges. A returned check is treated as reverse income and reimbursed bank charges are treated as reverse expenses. Verify returned checks have been properly reported.
- Verify deposits and checks have been properly recorded in the treasurer's reports.
- Verify the deposits and checks have been properly posted to the ledger and check register. Note: Request computer reports that show all the various accounts affected by the transaction.
- Verify that all income and expenditures are allocated into budgeted categories.
- Make certain that council, district, State and National PTA portions of the membership dues have been kept separate from other receipts.
- Make certain that the number of memberships agrees with membership chairman's report, and verify that membership monies collected correspond to membership monies forwarded.
- Ensure payment for insurance premiums.

- Make certain the money collected for a specific purpose (special projects, Founders Day, scholarship funds, council dues, etc.) has been so disbursed.
- Check event reports to verify receipts and expenditures have been properly reflected in the financial records.
- If an advance has been given, verify that receipts and/reimbursements have been received and properly recorded. If money was returned, verify it has been redeposited into the PTA account.
- Compare figures on monthly treasurer and financial reports against ledger for accuracy.
- Ensure proper tax returns have been filed.
- Verify that the PTA-required Workers' Compensation Annual Payroll Report form has been filed through PTA channels.
- Verify that all required state and federal report forms have been filed if PTA hires employee(s) or independent contractor(s).

For more information about PTA audit procedures, refer to *Bylaws for Local PTA/PTSA Units*, Article VI, Section 8

The auditor should feel free to contact the treasurer if there are questions or issues needing clarification. If an error in recording a transaction is found, the auditor needs to recommend the entry be corrected. Any corrections made as a result of the audit need to be listed on the next treasurer's report.

The auditor should not be punitive in the report/recommendations. Difference of opinion as to process should not result in a recommendation if the treasurer's records are correct.

Some examples of recommendations are:

- Cash must be counted by two PTA members and each must sign the [Cash Verification Form](#). On xxxx, xxxx, xxxx, and xxxxx there was only one signature.
- Authorization for expenditure must be voted on by the executive board or association before checks are issued. Check numbers xxx, xxx, xxx were issued before authorizations were approved.
- Authorization forms must be signed by the secretary and president for check numbers xxxx, xxx and xxxx.
- Check numbers xxx, xxx and xxx were issued more than six months ago. They should be voided, and investigated and reissued if necessary.

If assistance is needed, contact the council or district PTA. At any time during the process, the California State PTA also may be contacted for information and assistance.