

Bank Reconciliations

Reconcile the monthly bank statement and compare with the check stub/register balance promptly to ensure that bank and financial records are correct. Identify differences, note outstanding checks and determine the adjusted bank balance at the end of the month. This establishes the funds available against which checks may be written.

After reconciliation, file all supporting receipts, details of deposits, canceled checks in numerical order and duplicate deposit slips, with the statement. Make a notation on the check register of the last canceled check returned, indicating that the account was reconciled.

On a monthly basis, the bank statements are to be reviewed, signed and dated by a PTA member who is not a signor on the accounts and is not related to the treasurer by marriage or any other relationship.

Step 1: Look at the checks. Verify

- Two signatures on every check
- Payee, amount and date match the treasurer's report
- Purpose of payment is included in the check's note section

Step 2: Look at the deposits. Verify

- Date and amount match the treasurer's report
- Deposits have been timely

Step 3: Assure no online payments or withdrawals have been made using a debit/ATM card.

Step 4: Review the bank statement and the treasurer's report. Make adjustments for checks that have not cleared and deposits not shown.

Step 5: Contact the treasurer to determine the source of the error(s). Corrections, if required, are included in the next treasurer's report. Report findings to unit president, treasurer and auditor

THE PTA AUDIT

PTA Audit Objective

Purpose: To certify the accuracy of the books and records of the PTA. To assure the membership that the association's resources/funds are being managed in a business-like manner within the procedures established.

What is a PTA Audit?

Auditing involves following financial transactions through the records to be sure that receipts have been properly accounted for and expenditures made as authorized in the budget, as approved by the general membership, and in conformity with PTA bylaws and standing rules. The audit must review all accounts of the PTA.

Who May Conduct the Audit?

The board of directors selects an auditor or auditing committee of one or more no later than two weeks prior to the end of the school year. Individuals who are selected to serve on the audit committee should have an accounting or financial background and an unbiased, independent perspective of the books. An auditor or auditing committee member shall not be related to any signee on the checking account by marriage or any other relationship. (Bylaws: Article VII: The PTA Audit: Section 4.) The PTA president, treasurer or any signee may **not** be a member of the audit committee.

When Is an Audit Performed?

- On an annual basis at the end of each school year
- Upon resignation of the treasurer during the school year

- When any authorized check signer is added or deleted on any bank account
- At any time deemed necessary
- When missing funds are suspected
- To remain a local unit in good standing an audit report must be submitted to the state office by the last business day of September.

Preparing for the audit: The outgoing treasurer is responsible for putting the financial records in order for the audit committee. The outgoing treasurer should deliver the following to the auditor at the end of the school year:

- A copy of the last audit report
 - The checkbook containing stubs of all checks written and cancelled checks
 - Bank statements and deposit receipts
 - Treasurer's book or ledgers
 - The annual financial report
 - All treasurer's reports
 - All itemized statements and receipts of bills paid
 - All check Request and Cash Verification forms
 - Adopted budget and any amendments that were approved by the membership during the year
 - Current bylaws
 - Copies of board, executive committee, and association minutes
- Once the records are turned over to the auditors, the outgoing treasurer can no longer write checks. They should go to the bank immediately with the incoming treasurer and additional newly authorized check signers to change the signature cards. The supply of unused checks and deposit tickets should be turned over to the new treasurer along with a copy of the following: check register, most recent bank statement and budget vs. actual receipts and disbursements. It is recommended that expenditures within an adopted budget be limited to those of an emergency nature until the audit is complete. Note: All previous contractual obligations and other PTA invoices constitute emergency PTA business.

The auditor/auditing committee report shall be in writing. If the auditing committee finds there are not adequate records or accounting procedures used, this information should be noted.

The audit report must be given to the association and officially adopted (a copy is provided to the secretary for the minutes.) A copy of the audit report must be provided to the Georgia PTA state office no later than the last business day of September using the PTA Audit forms.

Conducting The Audit

- a. Begin the audit with the first transaction posted after the last audit. Make sure the beginning balance agrees with the Balance on Hand per the last audit report.
- b. Make sure that each check written has proper substantiation, i.e. vendor invoice or check request.
- c. Ascertain the date of fundraisers and verify deposits are made in a timely manner. Check to see that cash was counted by two people.
- d. Check all ledger entries back to the canceled checks and validated deposit tickets. Verify that income and expenses are allocated to the proper budget category and are within the approved budget.
- e. Verify that bank reconciliations are done monthly and check their accuracy.
- f. Check the accuracy of the math in the checkbook and ledgers if a manual system was used.

- g. Verify that financial reports presented to the membership and executive committees are accurate representations of the transactions recorded in the books.
- h. Check the accuracy of the annual report and verify that it will be retained as a part of the permanent file.
- i. Verify that checks always have two signatures and spot check the endorsements.
- j. Watch for checks with multiple handwriting (other than one of the signatures) or different inks. This would be an indication of blank checks being released.
- k. Checks should never be made payable to "Cash." Startup funds should be made payable to the person responsible for the cash until it is refunded.
- l. Make sure that the state and national portion of dues are not recorded as income to the unit, but kept separate or recorded as a liability. Verify that the amount sent to state office agrees with the membership roster and is submitted on a **monthly** basis to the state office.
- m. Make sure the appropriate 990 was filed accurately and on time to the IRS.
- n. Make sure that money collected for a designated purpose was spent only for that purpose.
- o. Check the minutes of the general, board of directors, and executive committee meetings to verify the following:
 - The budget and all amendments were adopted by the general membership.
 - The general membership approved all fund-raisers, whether through approval of the budget that includes them or through a special vote if added after the adoption of the budget.
 - Financial reports were presented at all general, board of directors, and executive committee meetings for all accounts.
 - Verify the executive committee approved all plans of work.
 - Verify a quorum was present at all executive and general meetings.
- p. After the treasurer has corrected any errors and the committee is satisfied that the financial records are correct, draw a red line across the ledger and checkbook where the audit concludes. Write "Examined and found correct" or "Examined and corrected" and have all audit committee members sign and date the entry.

In the event a complete audit cannot be done due to the inadequacy or unavailability of the records, this finding must be reported to the membership. Steps to correct the situation should be recommended for adoption by the membership. In the event the validity of the audit report is questioned, the state PTA can be contacted for assistance.

Inaccuracies found during the audit, including suggestions for future record keeping and recommendations for follow-up contact should be recorded on the *PTA Audit/Financial Review Form*, which is included in this guide.

IMPORTANT: Any investigation by the auditor(s) must be kept confidential.

Audit Report

A member of the audit committee or auditor should make a report to the executive committee. The executive committee must make a report to the general membership at the first meeting held after the conclusion of the audit. The association should formally adopt the report at that time. "I move that the Audit Report be adopted." A vote is taken and the action recorded by the secretary in the minutes. Any PTA member may make a motion to adopt the audit. A copy of the annual financial report should be attached to the audit report and maintained permanently by the treasurer and placed in the minutes.

In the event a complete audit cannot be done due to the inadequacy or unavailability of the records this must be reported to the membership. Steps to correct the situation should be recommended for adoption by the membership. In the event the validity of the audit report is questioned, the state PTA can be

contacted for assistance.

Inaccuracies found during the audit, including suggestions for future record keeping and recommendations for follow-up contact should be recorded on the *PTA Audit/Financial Review Form*, which is included in this section.

PTA Audit/Financial Review

All PTAs should submit the PTA Audit/Financial Review annually to the state office by the last business day of September to be considered a PTA in good standing. Staple the completed PTA Audit/Financial Review forms to a copy of the unit's most recent Audit Report along with any additional documentation from the auditor/audit team. ***It is not necessary to submit a copy of the year end budget or annual financial report to the Georgia PTA State Office.***

Irregularities in the Records

If the audit committee finds irregularities in the records of the treasurer:

- Contact the treasurer to secure additional records or information.
- If the matter cannot be settled to the auditors' satisfaction, contact the unit president to work out what additional steps need to be taken.
- The unit president should request additional guidance from the council president (if the unit is in a council) or the district director (if the unit is not in a council).
- A council president may request assistance from the district director if the matter cannot be resolved at the council level.

Missing Funds

This information is not intended to provide legal advice, but to give direction regarding the decision-making process and issues related to the mishandling of PTA funds. PTA leaders are encouraged to obtain the necessary legal advice pertinent to local laws.

Occasionally, a PTA discovers (or suspects) that some funds are missing. When that occurs:

Immediately conduct a complete and thorough audit.

- This is the most basic, yet important step. It must be established through the audit that misappropriation of funds has occurred.
- The audit committee is a committee that “investigates and reports.” It should consist of individuals with an independent, unbiased perspective who have no potential conflict of interest. During its investigation, it can interview people as well as examine the books and records.
- The audit committee must report its findings to the PTA board of directors, not just to the executive committee. The report should be factual – stating what was found and what remains unresolved.

The board must act on the report.

- If funds are missing, the board has the legal obligation to take every reasonable action to recover those funds.
- The board of directors, not just the executive committee, must meet and agree on the action to take. Decisions must be based on sound business practices.
- All action taken by the board must be “on the record” (recorded in the board's minutes).
- Notify the insurance and/or bonding agent, as well as appropriate law enforcement agency.

The board must report the incident and the actions it took to the membership.

- The funds of the PTA belong to the membership, and as caretaker of those funds, the board is obligated to report the facts about any wrongdoing to the members.
- You may advise the principal/school district, however this is PTA business and must be dealt with by the association.
- Public or private statements should not be made, regardless of the severity of the situation or its public knowledge.

It is very likely that, at some point in this process, Georgia PTA will be contacted for assistance. It is recommended that all contacts regarding missing funds be referred to the state treasurer or president.

Laws vary from locale to locale. Even if a PTA does not wish to file charges, a law enforcement agency may wish to do so. On the other hand, the law enforcement agency may not be interested in pursuing legal actions and other options may be advised. There are many paths to collection of stolen funds and this is where legal advice may be necessary.

FAQ: TREASURER

1. When should we change signers on the PTA banks accounts?

Go to the bank with at least two outgoing signers as soon as school ends and whenever one of your account signers is no longer serving as one of your officers. Bring a signed copy of the minutes from the election meeting with you.

2. Can PTA members be required to make financial contributions to the PTA?

PTA members cannot be assessed any additional payment or fee aside from membership dues, unless the bylaws so provide. Participation in fundraising events must always be optional. Repeated solicitations can be tiresome and embarrassing. Rewards to individual students on the basis of a parent's financial ability to contribute to the PTA are inappropriate. Volunteer contributions of time, expertise, and investments of human assets are treasured above all else.

3. Under what circumstances could a PTA provide financial aid for a public responsibility?

PTAs cannot offer long-term financial support of school programs or personnel, due in part to the annual nature of the PTA budget. In emergencies, and with the approval of its membership, a PTA may provide for the pressing needs of children and youth while working to alert the public to its obligations. On occasion, a PTA may initiate and operate a much needed service for a limited time in order to alert the appropriate public agency to its necessity. As volunteer associations, PTAs *should not* pay or subsidize the salaries of public employees, either directly or indirectly.

4. What types of advocacy efforts can PTAs pursue?

Much of the legislation, programs and policies protecting the health, education and well being of children are the results of PTA efforts. PTAs may propose, support or oppose legislation, programs and policies needed to achieve the PTA Purposes, provided that these efforts qualify as "lobbying" under the Internal Revenue Code. That means that they do not use more than 5 percent of the association's annual resources. Analyzing and sharing information about legislation and communicating with legislative or other policy-making bodies about decisions that affect the PTA are not lobbying activities. Partisan political activity, defined as participating or intervening in any local, state or federal campaign, as representative of PTA, for an elected political office, is absolutely forbidden. PTAs advocate on behalf of issues, not individuals.

5. Fiscal Year. School Year. Budget Year. Calendar Year. Membership Year. What's the difference?

It's easy to get confused with all of these different "year" ends. **Fiscal Year** is determined by your by-laws for IRS reporting purposes. **School Year** runs from the first day of school in August through the last day of school in the spring. New officers officially begin their term at the end of the last day of school in the spring. Obviously, this is different if you are a year round school. **Budget Year** is determined by when the annual budget is approved, and is in force for twelve months from that date. Budgets should be approved at the first general meeting of the PTA when school begins in the fall. **Calendar Year** is January through December. The Georgia PTA **Membership Year** is July 1 to June 30, when all dues are collected and submitted to the state office.

6. Do the fiscal year, budget year, and officer year need to coincide?

No. Everyone tries to make the fiscal year, audit year, term of office and budget year, all coincide. The truth of the matter is that they all may not be the same. The checkbook is not tied to a fiscal year or officers' year. The audit doesn't have to coincide with the fiscal year. It coincides with the end of the school year. The treasurer's term of office ends at the close of the school year, as does the term of the other officers. If officers' terms of office are for more than one year, the *annual* audit must still be completed at the end of each school year. At that time the books are closed for audit, the signature cards changed at the bank, and any bills that need to be paid are paid by the new officers under the approved budget. It is important to remember that the bills are the bills of the association, not of a specific set of "officers."

7. What is corporate sponsorship?

Sponsorship is simply the donation of money, goods or services by a business to a PTA in return for a public acknowledgement of that donation. For example, a company donates money to the PTA to pay for a Parent Involvement Guide. On the back of the book, the PTA prints the company's name as the sponsor.

8. What is commercial co-venturing?

In commercial co-venturing, the PTA only receives the donation (usually cash) to the extent the donor's business is patronized and it is usually measured as a percentage of sales. PTAs cannot make a quantitative statement about or endorse a business or product. Active promotion, sale or marketing of the business products or services by a PTA and its members would, in most cases, violate PTA's noncommercial policy. It could jeopardize the PTA's status with the IRS.

9. How does sponsorship, which is acceptable and encouraged, differ from commercial co-venturing, which is discouraged?

In a sponsorship arrangement, the only thing the PTA gives the sponsor in return for the donation (whether it is cash or goods or service) is a public "thank you." The benefit to the company is the free advertising and the positive relationship with the organization.

10. Where do I find the budget and financial records?

The President and the incoming treasurer should obtain the budget and financial records from the outgoing treasurer. Review those records with your officers and make note of the things that must be done to start the coming school year.

11. What is a budget?

The budget is an outline of estimated income and expenses for a 12-month period. It should be based upon the local PTA's plan of work for that 12-month period. The budget does not end at the end of the school year, nor upon the election of new officers, but runs until the next budget is adopted, usually at the first general meeting of the year.

12. Who prepares the budget?

A budget committee is appointed and it prepares the budget. It is composed of the treasurer (who usually serves as chair), the president (past and present, if possible), and committee chairpersons responsible for sources of funds or revenue, as well as other interested board members (especially those with experience in financial matters).

13. Is attending training and convention a "legitimate" PTA expense?

YES! Attending training is an appropriate PTA budget expense. Verify that your budget allocates sufficient funds for members to attend these important events (e.g., Convention Leadership Training, State Legislative Conference and PTA Day at the Capitol) during the year.

14. How and when is the budget adopted?

A new budget is adopted annually at the first general meeting of the school year. The treasurer presents the budget to the board and executive committee for consideration. It must be presented to the PTA membership for approval at the first general meeting of the year. It generally is not necessary to have the budget approved before the end of school in May/June. A majority vote of the members present is required for adoption.

15. How are changes made in the budget?

Since the budget is only an estimate of the planned expenditures for the year, it may be necessary to amend it during the year. Amendments require a vote of the members at any regular meeting or at a special meeting called for that purpose. To amend something previously adopted requires prior notice and a majority vote, or a two-thirds vote without prior notice.

16. How much money do we need to run our PTA?

It is the responsibility of your PTA to raise the amount of money needed to meet its proposed budget. The PTA is an educational organization, not a fundraising organization. Choose wisely the fundraising activities that best meet your PTA's needs. Start by identifying what programs and projects in your plans of work need to be funded. Don't raise money first and then decide how to

spend it.

17. Is it ever okay for PTAs to pay salaries of school personnel?

No. This is a school system responsibility under all circumstances.

18. Who can audit the books?

Your unit does not have to hire a CPA to do the audit and generally speaking should not have to pay for an audit. It should be performed by an individual auditor, or a committee of no fewer than three people (Bylaws Article VIII). They can be PTA members from another school or someone in the community familiar with bookkeeping. The key is to have an independent review of the books conducted by people who are familiar with proper PTA financial management. Under no circumstances can an auditor be one of the signers on the bank accounts, or related to one of the signers. You may contact your council, district or the state office for further guidance.

19. Can our PTA have a debit card or use online banking?

NO. The use of a debit card and/or online banking does not follow the procedures as outlined in the bylaws and Guides of the Georgia PTA for payments or receipt of funds. All payments are to be made by check with two signatures. These procedures cannot be followed with either debit cards or online payments. And since your bonding insurance is based on your following the proper financial procedures, your bonding insurance would not cover any losses incurred through use of either a debit card or online banking.

20. What do we do with unspent funds when school ends? Do we have to turn them over to the principal?

All funds can only be spent as approved in the budget. If they are not spent, then they should be carried over to the following year's budget. The officers cannot just decide how to spend or use up funds at the end of the school year. Also, you should never turn PTA funds over to the school.

21. Is there a limit on the amount of funds that can be carried over from year to year?

There is no limitation on amounts carried over from year to year; however, it is recommended that you limit fundraising to levels required for budgeted expenses to avoid substantial carry-over amounts.

22. What does the PTA do for money during the summer?

The budget that is in place for that time period will dictate what is approved and what can be paid. If expenses fall under an approved line item in the budget, they should be paid or reimbursed. If they are not covered by the budget, then they cannot be paid or reimbursed. New officers are responsible for making such decisions during the summer relative to the budget in place at that time. Only new officers may sign checks after the end of the school year.

23. Can the outgoing officers commit how funds will be spent in the next budget year?

No. A new budget is approved every 12 months based on the recommendations of the budget committee. Future boards are not obligated to use funds as designated by the previous administration.

24. Can the principal tell the PTA how to spend the PTA's funds or what fundraisers to do?

No. Only the PTA membership decides how PTA funds will be raised and spent.

25. With the reduction in the state's funding for education and local school system budget challenges, shouldn't PTA offer to fill the gaps ... by buying books, desks, equipment and even paying salaries?

No. More now than ever PTAs need to advocate securing adequate funding for education and for all children. PTA is not there to buy the basics, nor create inequities from one school to another.

26. Why should our PTA be incorporated?

By incorporating a PTA legally insulates or protects its officers and volunteers from being personally liable or responsible for a PTA's debts or obligations. All PTAs are strongly encouraged to incorporate.

27. Does our PTA need insurance, and if so, what kind?

YES. Georgia PTA strongly encourages each PTA to have fidelity bonding insurance to cover all individuals handling funds and PTA assets. General liability coverage is also recommended to protect PTA members in case they are held legally liable for bodily injury or property damage resulting from a covered event (for example, if someone gets hurt at your fall festival and sues). Similarly, directors' and officers' insurance provides protection if an officer/director is sued for failure, or alleged failure, to live up to their responsibilities and duties assumed in their PTA position. Property insurance covers fixed assets, inventory, and other property owned by a PTA, such as a storage unit, its fundraiser orders pending delivery, etc. During the summer, Georgia PTA will send information to you about available insurance policies.

28. Whose responsibility is it to file appropriate IRS forms?

According to the local unit PTA bylaws, the active or current treasurer is required to prepare IRS forms. These forms are generally due five months and 15 days after the end of your fiscal year. Check your bylaws for the exact dates of your fiscal year.

29. Can our PTA do raffles or play Bingo?

PTAs interested in conducting a raffle must check with the local school administration to ensure such an activity does not violate any existing policies or rules. The PTA must apply for a license with the **sheriff of the county where the PTA is located**. The PTA must also verify, with state and local authorities, the number of raffles an association may hold on an annual basis.

PTAs interested in conducting Bingo may do Recreational Bingo, a.k.a. Free Bingo, as many times per year as they wish. Recreational Bingo is defined as a Bingo game for which your PTA does not charge participants to play and does not award cash prizes nor prizes worth more than \$15 per game.

No license is required.

If your PTA is interested in holding an annual **Bingo fundraiser where participants will be charged to play, the PTA may apply for a one time per year Bingo permit through the Georgia Bureau of Investigations (GBI)**. This permit will only be issued once per school or PTA and only once per calendar year! Your PTA must apply for the permit by letter on school letterhead signed by the principal and PTA president. The permit must be posted in the location where you hold the bingo. The GBI will send you instructions along with your one-time permit. Allow at least two weeks to receive the permit.

Keep in mind the three P's: *Pay – Play – Prizes*. If you Pay to Play for Prizes, the GBI considers it gambling and therefore illegal, so be sure that you follow the proper procedures!

For more information, contact Terry Sosebee, GBI - Bingo Unit, 3121 Panthersville Rd., Decatur, GA 30034. Phone: 404-244-2600. Fax: 404-270-8529.

30. How soon may we file our IRS 990N postcard?

The 990N can be filed immediately after the close of your fiscal year and must be filed no later than the fifteenth day of the 5th month, following the close of the fiscal year (e.g. Fiscal year ends June 30th the 990N must be filed by November 15th) . <http://epostcard.form990.org>

PTA AUDIT/FINANCIAL REVIEW FORM (PAGE 1)



Purpose: To remain in compliance with the bylaws and in good standing.

Instructions:

- The Board of Directors must select an auditor or auditing committee no later than two weeks prior to the end of the school year. Refer to Bylaws, Article VII, Section 4.
- The treasurer shall submit to the auditor(s) all financial records and forms listed below.
- Mail completed PTA Audit/Financial Review to Georgia PTA, 114 Baker Street, NE, Atlanta, GA 30308-3366 postmarked on or before the last business day of September.

Date		Local Unit ID #	
District	Council	PTA Name	
Contact Person		PTA Position	
Address			City
State	Zip	Email	
Cell Phone		Home Phone	

Auditor/Auditing Committee: Please complete Sections A and B.

Year 20 _____ **- 20** _____

Section A

Please check the Financial records provided:

- | | |
|---|---|
| <input type="checkbox"/> Checkbook register | <input type="checkbox"/> Treasurer's book (also referred to as a cash book) or ledger |
| <input type="checkbox"/> All Bank statements and deposit receipts | <input type="checkbox"/> A copy of "Conducting the Audit" from this Leadership Resource |
| <input type="checkbox"/> All Cash Verification Forms and receipts | <input type="checkbox"/> The annual financial report |
| <input type="checkbox"/> All Check requests forms with receipts/bills | <input type="checkbox"/> Checkbook and cancelled checks |
| <input type="checkbox"/> All treasurer's reports | <input type="checkbox"/> Itemized statements and receipts of bills paid |
| <input type="checkbox"/> Adopted budget and approved amendments | <input type="checkbox"/> Copy of last year's audit report & filed 990 or 990N confirmation e-mail |
| <input type="checkbox"/> Copies of board, executive committee and association minutes | |
| <input type="checkbox"/> Copy of local unit bylaws | |

Section B

- 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
- 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
- Did all checks written contain two signatures (president and treasurer or one other *elected* officer)? ☐ Y ☐ N
- Were all checks properly recorded in checkbook register, ledger and with treasurer reports? ☐ Y ☐ N
- Were all bank charges and interest recorded in checkbook register, ledger and treasurer reports? ☐ Y ☐ N
- Did the PTA purchase insurance? ☐ Y ☐ N
- Were all authorizations approved by the president or their designee and contain receipts? ☐ Y ☐ N
- Did the PTA make payments by credit card or debit card? ☐ Y ☐ N
- Did the PTA use Cash Verification Forms? ☐ Y ☐ N
- Were all funds received counted by two persons with the treasurer being the third counter? ☐ Y ☐ N
- Did funds received match deposits recorded in the checkbook register ledger and treasurer reports? ☐ Y ☐ N
- Did you receive a copy of the approved/amended budget? ☐ Y ☐ N
- Was income spent according to the approve/amended budget? ☐ Y ☐ N
- Did the minutes include budget approval? ☐ Y ☐ N
- Did minutes include all budget amendments? ☐ Y ☐ N
- _____ # of memberships collected? _____ # of memberships 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 _____

Incoming Treasurer's Name _____

Daytime Phone Number _____ Email _____