



31st District PTSA Unit Auditor Training



Welcome!

Purpose of an audit

Audit time line

Who can complete the audit

Auditor duties

Auditor's resources

<http://toolkit.capta.org/?s=auditor>

<http://toolkit.capta.org/finance/pta-audit/>

<http://capta.org>

Your Council Treasurer, Your Council Auditor

Get Started!

Collect all financial books, records and reports from the unit, along with board contact information.

Get your supplies: black or blue and a red ink pen, calculator, something to write notes on, post-it notes or tabs. Download and print the Audit Report and Audit Checklist forms:

<http://toolkit.capta.org/?s=finance+forms>

Dive in!

Audit Report

Audit Checklist

“Keep An Eye Out For”

Prepare Findings and Recommendations

Complete the audit

Thank you for auditing PTA books!

Karen Green, 818-300-3368, kgreen_mail@yahoo.com

Audit Report

Audit Reports need to be continuous and should go from one audit to the next

For each bank account, prepare a separate report

Complete the top portion - Usually the information in the top portion is the same as in the last audit report. You can verify the information by using the unit's Bylaws and bank statements. The fiscal year is the PTA fiscal year; it will cover half of two calendar years. The Membership dues per bylaws will be in the Bylaws. Enter YTD (year-to-date) membership after you go through the Audit Checklist.

Dates covered by this audit – the date should begin right after the end date of the last audit report

Check numbers reviewed in this audit – the first check number listed should be the number right after the last check listed on the last audit report.

BALANCE ON HAND at time of last audit – should be 6/30/xx or 12/31/xx

*Get the \$ figure from the Balance on Hand from the last audit report.

RECEIPTS & DISBURSEMENTS since last audit – add up the information from the treasurer's reports (if missing information, gather from ledger, which should mirror checkbook and deposit records)

BALANCE ON HAND – the date should be the last date of the audit period you are auditing (6/30/xx or 12/31/xx) Take the Balance on Hand above, add the Receipts and subtract the Disbursements.

BANK RECONCILIATION

BANK STATEMENT BALANCE as of date will be the last day of the auditing period you are working on. The \$ figure is the ending balance from the last bank statement of the audited period. This is the account balance the bank has. The next lines are used to perform a reconciliation of that bank balance.

DEPOSITS not yet credited – list any monies which are in possession of the PTA which did not get deposited into the bank by the end of the audited period. Put total on line to the right.

UNCLEARED CHECKS – This is a list of the checks that were written during the audit period which did not clear through the bank, as of the end of the audit period. It should match the list of outstanding checks that the Treasurer did for the monthly reconciliation. If you need more room, add more lines or list additional checks on the left side. Try to keep in # order. Add them up and put the total on line to the right.

BALANCE in checking account – date should be the last day of the audit period. It will be the same date as the bank statement balance date. To calculate the \$ figure, take the last statement \$ balance, add the total deposits not yet credited and subtract the total outstanding checks.

BOTH \$ FIGURES ON THE LINES MARKED WITH * MUST MATCH

If they don't, there's an error somewhere. Go back and double check your calculations. Double check outstanding checks, double check the reports you used for Receipts & Disbursements are complete and accurate. Rare, but the Balance on Hand from the prior audit could be incorrect.

If this is the first form you started with, STOP now. Complete the rest of the form after finishing the Audit Checklist and checking the *Keep An Eye Out For* list.

Audit Checklist – TOP SECTION

If a mid-year audit was not completed and you are performing a full year audit – make sure to collect all mid-year audit records listed plus all PTA records through June 30.

Description

Bylaws & Standing Rules: The Bylaws are the governing documents for each PTA. The Standing Rules provide additional information, and those additional items/procedures must be met as equally as the bylaws.

Budget Current year's annual budget. You should find it in the Secretary's book (since it gets pasted there after Board and Association adoption. Look for it near August – October Association minutes. If there are more than one financial account, each account should be listed with beginning and ending budget numbers.

Last Audit Report(s) (from each financial account) You can find the last audit report(s) in the Secretary's book since it gets adopted by the Board and Association. Work from that one since you know that one was viewed and adopted by the membership.

Ledger (report needed for each financial account) This report shows all financial activity by month, for the audit period. Includes journal entries (internal account balance changes) and bank account activity. Should be broken down by month, with month totals. Have documentation that covers current PTA year through the end of the audit period. ****If using PTAEZ or other software to record financial activity, ask for a comparable report.** A general ledger is required to be stored permanently with the PTA books.

Checkbook Register (for each bank account) You'll need Jan 1* of the prior PTA year through Dec 31 or June 30, depending on mid-year or year-end. (*needed for checking: 1099-Misc & Worker's Comp report forms) It typically is the check stubs with running totals, but it can be written down in a different format. It shows the date, description and amount of each check, as well as all other deposits and expenses that affects that bank account. Monthly totals should be written down. (You will need those monthly totals for Treasurer Reports #2) No pencil, no whiteout, cross-outs OK. *You won't have a checkbook register for a financial account which does not have checks. (For example: if the unit has an online PTA store or savings account)* ****If using PTAEZ or other software to record financial activity, ask for a comparable report.**

Cancelled Checks (including voids, from any/all checking accounts): All checks need to be accounted for, including those checks which were voided. Many units have copies that their bank attaches to their bank statements. Look for copies of the checks written from the current PTA year through the end of the audit period. You need to verify that the checks show 2 authorized signers have signed each check. (authorized signers are listed in the unit Bylaws under *Duties of Officers*)

Authorizations for Payment (aka Check Requests) These forms should be completed, signed by both President and Secretary, and supported with documentation (bills, receipts, invoices). Have documentation that covers current PTA year through the end of the audit period.

Cash Verification Forms – Documents receipt of coin, currency and checks from any and all PTA activities. Must be signed by two people, unrelated by blood or marriage, and not residing in the same home. Have documentation that covers current PTA year through the end of the audit period.

Bank Statements, bank books and deposit slips (for each bank account)– Deposit slips are sometimes attached or located with the Cash Verification Forms. In lieu of physical bank statement copies, the Auditor could be given online **viewing only** access; however, they will need to print them out for the IRS' rules of keeping them with PTA records for at least 7 years. Have documentation that covers current PTA year through the end of the audit period.

Bank Reconciliations – The Treasurer prepares them monthly and a non-check signer reviews, signs and dates them monthly. They may be written on the bank statements or generated as separate reports. They reconcile the bank statement figures to match the PTA's financial figures, for each month-end.

Receipts/bills – They are usually attached to the Cash Verification Forms and the Authorizations for Payment (Check Requests). Have documentation that covers current PTA year through the end of the audit period.

Cash Receipts – They should be located in a numbered Receipt Book or something similar. Have documentation that covers current PTA year through the end of the audit period.

Executive Board minutes – These will be in the Secretary’s book. The Secretary keeps all board viewed and approved records. If you don’t see any, check the unit’s Bylaws to find out when the unit should be having Board meetings. Make sure you have all the minutes for the current year through the end of the audit period.

Association minutes - These will be in the Secretary’s book. The Secretary keeps all membership viewed and approved records. Make sure you have all the minutes for the current year through the end of the audit period.

Committee Reports – Needed for all fundraisers and programs. Can be reported in the minutes if not generated in a physical report. If a fundraiser or program has passed during the audit reporting period you are working on, check first in the minutes if they reported some details about the activity and results.

Monthly Treasurer Reports (Board & Association) (each financial account needs to show monthly financial activity) The Treasurer prepares and presents a financial report at each Executive Board and Association meeting. The report must include the record of all receipts, deposits and payments made from the last meeting to that meeting. Board meeting to board meeting and Association meeting to Association meeting. Some treasurers prepare only the reports from meeting to meeting and not at month-end and other treasurers will prepare only month-end reports and verbally give an update of financial activity from that month-end to the meeting date. You can work with either; however, month-end reports are much easier to cross-reference with other reports in auditing. Use the reports you find in the Secretary’s files, so you know those were presented to the board and association. Mid-Year: have reports from the last presented Treasurer’s Report of the prior PTA year through December 31. Year-end, you’ll need the Treasurer’s Report ending December 31 though June 30.

Monthly Financial Secretary Reports (from each account with financial receipts) – If the unit has a Financial Secretary (Bylaws show if they have that position), then make sure you have the Financial Secretary’s records showing an itemized listing of receipts/monies he/she received or collected during each month as well as an itemized listing of deposits made during each month. The Financial Secretary prepares and presents a formal Financial Secretary’s Report at each Executive Board and Association meeting and prepares an annual financial report of his/her monthly records. If there is not Financial Secretary, typically the work is incorporated into the financial reports of the Treasurer. Make sure all reports were approved by the Board/Association. Have the same documentation coverage as the monthly Treasurer’s Reports.

Annual Financial Report – Prepared by both the Treasurer and Financial Secretary. The Annual Financial Report prepared by the Treasurer includes the financial information from the Financial Secretary’s annual report. Must include annual activity from each financial account. For mid-year audit, make sure it was approved by the Association, usually in minutes towards the beginning of the current PTA year. For year-end audit, make sure it was completed and the figures accurately reflect the finances for the year.

Workers’ Compensation Annual Payroll Report form – Year-End Audit. Report is filed annually, covering Jan 5 of the prior PTA year through Jan 4 of the current year. Individuals which were paid for a service or any independent contractor who is not incorporated, for any \$ amount, needs to be listed on this report. You can verify the names on the report by reviewing the checkbook register from Jan 5 – Jan 4. Look for individuals paid directly by PTA for their services (not for reimbursement). Independent contractors which have their own insurance are still listed, but the unit doesn’t pay any additional premium if the independent contractor carried their own Workers’ Compensation insurance. Examples: persons who did babysitting, technology aides, security/janitorial services for an event, painters, music DJ’s, etc.

Please Note: These descriptions were written by Karen Green for the purposes of informing a unit auditor for auditing purposes. For verification or additional clarification, please see: www.capta.org

FEDERAL FORMS

Form 990, 990N or 990EZ – Federal tax return that is filed annually. You need to see this or a filed extension, for the mid-year audit. Needed for mid-year audit. If an extension was filed, you need to look for it in the year-end audit.

***Form 1099 MISC** – Needed if the unit paid any person or unincorporated business/company \$600 or more in total, during a calendar year (Jan 1- Dec 31), for services or payment for a grant, award or scholarship. Not required to be issued to corporations or to those paid less than \$600. Year-End audit – look that it was delivered to recipient by 1/31 and to IRS by 2/28) See related state form DE-542.

***Form 941** - Employer's Quarterly Federal Tax Return. Required if the unit paid any wages, tips, or other compensation to any employees. Mid-year and year-end audits.

***Form W-2** – to payroll employees by Jan 31 for the previous calendar year. If the unit pays any wages, tips or other compensation to a person who can be considered an employee of that PTA, they need to file this form and the DE-6. Year-end audit.

STATE FORMS

Franchise Tax Board Form 199/199N. State tax return that is filed annually. You need to see this or a filed extension, for the mid-year audit. If an extension was filed, you need to look for it in the year-end audit.

RRF-1 - Annual Registration Renewal Fee Report. Charitable Trust Registration renewal – annual renewal form required. This gets completed after the completion of the IRS 990, 990N or 990EZ and needs to be filed by the same IRS deadlines as the tax returns (even if the unit only files an electronic 990N). If an extension is filed for the IRS return, then the RRF-1 has that same extension deadline. You need to see a copy of this form for the mid-year audit (unless a tax return extension has been filed then you should look for it in the year-end audit) www.oag.ca.gov/charities/forms

CT-TR-1 (aka State Form TR-1): Annual Treasurer's Report. New requirement starting with 2019 tax returns. Required for PTAs who file the 990N and 199N (gross receipts under \$50,000 annually).

CT-NRP-1: Nonprofit Raffle Application. If the unit expected to hold one or more raffles during September 1 – August 31 of the current PTA year, they needed to file this application with the Office of the Attorney General. It must be filed at least 60 days prior to the first expected raffle. Mid-year audit. www.oag.ca.gov/charities/raffles Raffles are a type of lottery in which prizes are awarded to people who pay for a chance to win. 50/50 raffles are illegal. Conducting a raffle using a gaming device or via the Internet is also prohibited. Silent Auctions are not raffles.

CT-NRP-2: Nonprofit Raffle Report: If the unit held a raffle the preceding year, this follow up report must be submitted on or before October 1 of the following year to the Office of the Attorney General. Look for this in the mid-year audit. www.oag.ca.gov/charities/raffles A separate report is required for each raffle that was held.

***Form DE 542 – Report of Independent Contractors.** Needed if the unit paid any person or unincorporated business/company \$600 or more in total, during Jan 1- Dec 31, for services or payment for a grant, award or scholarship. Not required to be issued to corporations or to those paid less than \$600. Must be filed within 20 days of making payments that total \$600 or more OR of entering into a contract for \$600 or more within any traditional calendar year. Both mid-year and year-end audits.

***Form DE 6 – Quarterly Wage and Withholding Report** - If the unit pays any wages, tips or other compensation to a person who can be considered an employee of that PTA, they need to file this form and the W-2. Both mid-year and year-end audits.

Units with unrelated business income of \$1,000 or more must file the IRS 990-T and FTB Form 109
For more information or clarification, search www.capta.org & seek the assistance of your council treasurer

Audit Checklist – Getting Started

Prepare a separate Audit Checklist for each financial account

Missing any records/forms listed in that first section? First, ask the unit. If they don't have them, list them on the Findings and Recommendations report.

Beginning Balance Records

The bank statements' ending balances are reconciled, so you will look at the reconciled ending bank balance just before the audit period (either June 30 or December 31). Compare that number to match the starting balances recorded in the checkbook register, the ledger, and the Treasurer's Report (July or January) and the ending balance of the last audited period (see the last Audit Report). They should all be the same number. That means they all started with the same balance. You will see #3 in the Bank Reconciliation, we check that the ending balances match, too.

Bank Reconciliation

1. Bank statements should be mailed to the PTA's permanent address, never to an officer's house. It needs to be opened by a non-check signer (check Bylaws). The non-check signer reviews, signs and dates it before giving it to the Treasurer for reconciliation. Look for the signature and date on each bank statement. If bank statements are only online, ask for a signed declaration from the non-check signer to list each of the statements and the dates for when they were previously reviewed.
2. All bank statements need to be reconciled monthly by the Treasurer and reviewed, signed and dated, monthly, by a non-check signer. Reconciliations may be done on the bank statements or prepared separately.
3. The ending balance on the December 31 (mid-year) or June 30 (year-end) bank reconciliation need to match the ending balances for those same dates, for the checkbook register, ledger, Treasurer's Report (and Annual Financial Statement, if year-end audit).
4. Deposits & Checks Written: Look at the canceled checks to verify 2 authorized signers have signed each check. (authorized signers are listed in the unit Bylaws under *Duties of Officers*). If the unit doesn't get copies of their canceled checks, ask to have temporary viewing rights to their online banking or ask to sit and view checks online with a board member to verify 2 authorized signatures for every check. Verify that the Deposits & Checks written during the audit period were recorded in the checkbook register, ledger and T reports. Okay if ledgers don't have "proper columns". Most important is that all financial activity in the bank statements is mirrored in the ledger, checkbook register and treasurer reports.
5. Look at the bank statements to see that all electronic payments and deposits are recorded in the checkbook register, ledger and Treasurer's Reports.
6. Look at the bank statements to see that all bank charges and interest are recorded in those books, as well.

Membership

Use the Membership report, if they provided one, and the other documents (Member list, Ledger, Unit Remittance Forms used to remit membership to council, Cash Verification Forms) to determine the number of membership collected and forwarded up the channels. The dollar amount of membership dues solicited and collected needs to match the membership dues dollar amount listed in the Bylaws.

TOTEM - Look for a report from the membership chair or Treasurer for online membership sales. Compare the unit's Totem report with the bank statement entries (they show up on the bank statement in at the amount belonging to the unit, not the full membership dues).

*If there are any memberships not forwarded up the channels, recommend that they remit them ASAP.

Insurance

Mid-Year audit. The insurance premium is due in the fall. Make sure it was paid (check checkbook register or Authorization for Payment).

Minutes

I highly recommend reading through the minutes first to get familiar with the unit, if you are not the unit auditor. You will refer to the minutes for both board and association meetings to verify income and expenditures were spent as specified in the minutes.

1. Look for the annual budget's approval in the Association meeting minutes (usually within the first few PTA meetings). If the budget needed corrections or is changed during the year, those changes need Association approval – look for those, if applicable.
2. Look in Association minutes for authorizations to release funds when motions were made to spend funds.
3. & 4. Use the Secretary's book to check both Executive Board and Association Board minutes. First, check that each meeting met or exceeded their **quorum** number to make voting count. Check each meetings' **sign-in sheets** to verify quorum was met. All meeting attendees need to be on a sign in sheet or listed as attendees in the minutes. Quorum requirements are found in the Bylaws, under both *Executive Board* and *Association Meetings*. Then look to make sure all expenditures had Association approval or board approval and then ratified by the Association. Expenditures **ratified** - You should see a motion to ratify checks during Association meetings. Make sure all written checks (during the audit period) got ratified. It is typical for the checks listed on the monthly Treasurer's reports to be ratified at that same meeting.
*Many Executive Boards have an allowance to spend up to an amount between association meetings for unbudgeted funds. See Bylaws under *Executive Board*.
5. Committee minutes may be mentioned in the board or association minutes, if not taken separately.

Authorizations for Payment (aka Check Requests)

Check all Authorization for Payments (aka Check Requests) for: the listed expenditure amounts were previously approved, checks written were for the amounts listed on the forms, a receipt or bill is attached to support the request for payment and the forms were signed by both the Secretary and the President. (there is usually a helpful section on the form which shows the meeting minutes when the expenditure was approved)

Income

Compare the receipts/deposits on the bank statements to the checkbook register, ledger and Treasurer's Reports. All coin, currency and checks received by the PTA needed to be listed on a Cash Verification Form. Those receipts needed to be counted by 2 people, who are not related by blood or marriage or living together. Any supportive documentation should be attached.

Each deposit should have a related deposit slip and bank receipt.

Check if income received was spent as specified in the meeting minutes in the Secretary's book.

Financial Secretary Reports

If there was no Financial Secretary, write No Financial Secretary or N/A.

Financial Secretaries prepare reports for all receipts and deposits made each month, during the audit period.

Verify receipts/deposits agree with the checkbook register and ledger. Check Secretary's books to make sure all monthly Financial Secretary reports were reviewed and submitted for audit by the Board/Association.

Treasurer Reports

1. Every board meeting and association meeting requires its own Treasurer's Report. Some treasurers prepare their reports from meeting date to meeting date and other treasurers will prepare month-ending reports and give verbal updates at meetings for the current state of their PTA finances. Both are satisfactory.
2. Compare contents of reports with ledger and checkbook register. They should match.
3. For mid-year audit, make sure the prior year's Annual Financial Report was presented to and approved by the Association (look at the first few meeting minutes). For year-end audit, make sure the report was prepared and the figures accurately reflect the audited finances for the year. Ending balance should match audited balance. If it doesn't, the Treasurer needs to fix the errors in the report.

***Funds Not Belonging To The Unit need to be listed on the report.**

Committee Reports

For all fundraisers which have occurred, there should be written reports provided or check meeting minutes for details on how the fundraiser fared. Underline which one was used/provided & check box.

Reporting Forms and Tax Returns

Check to make sure all were filed: Workers' Comp. Annual Payroll Report, federal and state tax returns & RRF-1 and *If applicable*: CT-TR-1, Form 1099-MISC, Form 941, Form W-2, CT-NRP-1, CT-NRP-2, Form DE-542, Form DE-6, 990-T and Form 109 (see federal and state forms list for descriptions)

Audit Reports & Audit Recommendations

* Check if audits are being done **semiannually**.

* Check items on the "**Keep an eye out for**" list, first, for any additional findings.

* Prepare your written report of **Findings and Recommendations** to the Executive Board:

1) List your findings from the Audit Checklist (all your NO's) and make your recommendations to bring those findings into compliance. *Here are some examples:*

The following Cash Verification forms that did not have 2 signatures. Please ensure all money is counted by 2 people, unrelated by blood or marriage or residing in the same residence, and signed by both.

Check numbers xxx, xxx and xxx were issued more than six months ago. Please investigate, and void/reissue them, if necessary.

Missing Fiduciary Agreement for donated funds to school. Make sure all gifts to school have a Fiduciary Agreement to ensure funds are used the way PTA intended.

Missing insurance covering the PTA festival. Make sure all activities are approved by PTA insurance and comply with all requirements prior to the activity.

2) It's always best to list the positive notes, too. No one likes to hear where they only need improvement or what they did wrong. *For example: the Secretary's and Treasurer's records were well organized.*

The auditor should not be punitive in the report/recommendations. We are all volunteers. Our purpose is not to be scolding or sound judgmental. NO unit is perfect. We want to encourage them to work towards getting into better compliance. Much of the time, the units don't realize they weren't acting in compliance.

3) Note at the end of your recommendations that the findings and recommendations are to be shared with all the officers of the board, so they can work together to improve PTA procedures.

*** Complete the rest of the Audit Report:**

Enter the YTD membership figures that you determined while going through the Audit Checklist.

Bottom Section:

Answer **CORRECT** if the audit report balances match & there is maybe 1 or 2 **very** minimal/non-material recommendations.

Answer **SUBSTANTIALLY CORRECT**... if the audit report balances match and there are recommendations to improve procedures or government compliance.

Answer **PARTIALLY CORRECT** but more adequate... if the audit report balances match but you can't complete the Audit Checklist because you don't have enough adequate documentation. *This typically doesn't happen because you should have communication with the board members to get the documentation and any clarification you need to complete the audit.

Answer **INCORRECT**...if the audit report can't balance with the documentation you were given.

Enter the Date Audit Completed, sign and print your name as Auditor. Where the audit concludes on all records, draw a double line under balance totals, sign and date your name as Auditor, with red ink.

* Make 1 copy of the Audit Report, keep it with your original Audit Checklist, and 1 copy of your Findings/Recommendations, for your records. The Audit Checklist is for your notations. It does not need to be shown or given to anyone; however the Executive Board could benefit from seeing your notes – or you can give them a blank one. Most board members don't know what an auditor reviews.

* **Return the unit's books.** The unit will need the original Audit Report and your Findings/Recommendations for their records. Request that a copy of the Findings/Recommendations get reviewed by the Executive Board. Offer availability for discussion or clarification.

* Give 1 copy of the Audit Report and Findings/Recommendations to the **Council Treasurer**.

Thank you for taking your time to audit the PTA books!!!

Mismanagement of Funds

Mismanagement of funds refers to the potential loss or misuse of PTA funds and raises questions about the integrity of the individual(s) in charge of the PTA funds. PTA funds are protected by following correct financial procedures. Each member of the PTA executive board has a fiduciary responsibility to safeguard the association's assets.

*There are several signs of **possible mismanagement**: lack of receipts and/or treasurer's reports; payments made in cash rather than by check; missed meetings by financial officers; unanswered phone calls or mail. However, these are merely signs, not proof of wrongdoing, so be discreet. Do not make any implicit, explicit, oral or written statements or accusations. Such actions could result in a lawsuit against you for libel or slander.*

If you suspect mismanagement – contact our District PTA President immediately for assistance

<http://31stdistptsa.org/> Phone: (818) 344-3581 **DO NOT GO TO YOUR UNIT OR COUNCIL**

AFTER THE AUDIT

Once you have completed your audit, an **audit committee** will review your work and sign the Audit Report. (An audit committee needs to be comprised of at least 2 people, one of which could be the auditor. If the auditor is a qualified accountant, then an audit committee review is not needed. This is a 2019/2020 new insurance procedure to protect your unit in the event of any insurance claims and will help ensure more fiduciary accountability.)

Then, the **Audit Report** needs to be presented to and adopted by both the Executive Board and the Association. You or a board member presents the Audit Report to the Executive Board or Association, reads the bottom of the form, and then moves to adopt the report. (I usually mention after the verbage “with the attached recommendations and findings” that *those recommendations and findings have been provided to the Executive Board members for improving PTA procedures*) ***The findings and recommendations are not read or copied and distributed to the Association.** (They are internal notes for the unit's officers to improve their procedures; however, they should be made available to be viewed, by members, upon request (for transparency).

THE UNIT IS RESPONSIBLE FOR TURNING IN 2 COPIES OF EACH ADOPTED AUDIT REPORT TO THEIR COUNCIL TREASURER

Computer Generated Financial Records <http://toolkit.capta.org/finance/reports-and-forms/computer-generated-financial-records/> All ledger registers, check registers, cash disbursements, and other yearlong registers need to be bound together for storage. Refer to the records retention schedule

Records Retention and Destruction Policy <http://toolkit.capta.org/finance/policies-and-procedures/records-retention-schedule-and-destruction-policy/>

Audit: Keep an eye out for...

Co-Mingling of Funds - A PTA shall not deposit funds from other groups or organizations in the PTA account, deposit PTA funds in a personal account or deposit PTA funds in school or school district accounts. Any money deposited into any PTA account is possession of PTA and can only be earmarked for a purpose by the current association, not by any other group. <http://toolkit.capta.org/?s=co-mingling+of+funds>

Gifts to Individuals or families and handling requests for Relief Assistance– Personal gifts (gift cards, bereavement, retirement, etc) cannot be paid for with PTA funds. The IRS could impose penalties <http://toolkit.capta.org/?s=glossary> for *Gifts to Individuals* & <http://toolkit.capta.org/?s=handling+requests+for+relief> *Handling Request for Relief Assistance*

Reimbursement for activities not allowed by PTA - Reimbursing persons for alcohol consumption expenses is not allowed. (look at PTA convention, PTA hospitality, and celebratory events' receipts)

Scholarships - awarded to any individual totaling \$600 or more within any traditional calendar year requires a 1099-Misc.

No Petty Cash - Units may not have petty cash funds. All expenditures must be by check and signed by the two authorized signers. Keeping petty cash may happen because it's convenient but most petty cash money isn't managed and accounted for well and that's the concern. <http://toolkit.capta.org/?s=petty+cash>

Receipt Book – All units should have a receipt book for cash receipts and when requested. Under “Income”: <http://toolkit.capta.org/?s=receipt+book>

Authorization to Transfer Funds Between Accounts – If the unit has more than one financial account and funds are moved from one account to the other. Needs 2 authorized check signers. <http://downloads.capta.org/toolkit/forms/AuthorizationToTransferFunds.pdf>

Authorization for Electronic Withdrawal – Electronic withdrawal can be used to pay for the Attorney General RRF-1. Electronic withdrawals may also be used managing inventory when using a service. **ATM/debit card withdrawals are not allowed.** ATM deposit only cards can be obtained for depositing funds. <http://downloads.capta.org/toolkit/forms/AuthorizationForElectronicTransferForAttorneyGeneral.pdf>

Bank Counter Withdrawals – are not permitted. All manual withdrawals from the PTA bank accounts must use a signed Authorization for Payment, along with a PTA check. A check should not be written out to *Cash*, only to a person or company. When start-up cash is needed for a PTA activity, a check can be written to an individual and that individual can cash the check at his or her own bank and those funds need to be kept track of and returned to the PTA on a Cash Verification Form for that event.

Contracts – if the unit enters into a contract (fundraisers/programs) with any company or person, look for a copy of the contract and view requirements. Signed contracts are binding. Make sure contract doesn't include wording about PTA holding any liability or responsibility for the activity. If so, it should not be signed unless our insurance company authorized it. <http://toolkit.capta.org/finance/policies-and-procedures/contracts/>

Independent contractors – If independent contractors were used to provide services, they must have provided current certificates of insurance, which the PTA must retain in its files.

IRS has 1099 requirements and California has DE-542 requirements; please see federal and state forms list.

<http://toolkit.capta.org/?s=independent+contractors> *Independent Contractors* for requirements

Workers' Compensation Annual Payroll Form. Unit may need to pay extra fee.

<http://downloads.capta.org/toolkit/forms/WorkersCompAnnualPayroll.pdf>

<http://toolkit.capta.org/finance/reports-and-forms/workers-compensation-annual-payroll-report/>

Inventory Record Keeping – If the unit orders, maintains and/or sells items (inventory), physical or electronic (e-Scrip), inventory records need to be kept and provided to the auditor.

<http://toolkit.capta.org/?s=fundraising+inventory+management>

Hospitality – To preserve our 501(c)(3) status, hospitality needs to be "not a significant amount" which the IRS defines as no more than 5% of the PTA's annual budget. *includes meeting hospitality, staff/teacher/volunteer appreciation. <http://toolkit.capta.org/finance/programs-at-schools/hospitality/>

Gift Cards, Gift Certificates & Pre-Paid Cards

The IRS issued an opinion that gift cards, prepaid cards, gift certificates and gift coupons which have face values on them are considered cash equivalents. Using them as door prizes, thank you gifts and other incentives could be considered compensation by the IRS. Once you have given compensation, you have made them a compensated employee. A volunteer receiving a gift card as a thank you would be categorized then as an employee and the PTA would be required to issue a W-2 and take out appropriate withholding. The amount of the gift card is not a factor when required to issue a W-2.

Gift cards, etc. are the same as cash. All PTA rules and requirements dealing with the receipt and disbursement of cash apply here.

*The IRS does not distinguish a difference between whether the PTA purchased the gift cards/certificates/prepaid cards or if they were donated to the PTA.

*The only time a donated gift card can be used is:

-in a silent auction or raffle

-if the PTA uses the donated gift card to purchase items that benefit the PTA, not individuals. So, using a donated grocery card to purchase hospitality for a meeting or program is okay.

Since having gift cards on hand is the equivalent of having cash on hand, the PTA needs to follow procedures:

(a) A log of all donated gift cards, gift certificates and prepaid cards (including donor name, date of receipt, and the value) must be kept.

(b) When the cards are used, a disbursement voucher should be completed and the receipt attached.

(c) The log and receipts need to be kept in the Treasurer's books and provided for the audit.

Please seek assistance from your council or district with regards to clarification.

Documentation to Donors - Requirements for Cash, In-Kind and Quid Pro Quo Donations to PTA

<http://toolkit.capta.org/?s=documentation+to+donors> Depending on the type of donations, PTA is required to provide documentation to the donors. In any circumstance, it's good business practice to send a thank you letter or e-mail to the donor.

PTA Donations or Gifts to School require Fiduciary Agreement – Gifts/Donations from PTA to school or other organizations require a Fiduciary Agreement to accompany that gift/donation (to ensure the recipient uses PTA money the way PTA wants it used) <http://toolkit.capta.org/?s=gifts+to+school>
<http://downloads.capta.org/toolkit/forms/FiduciaryAgreement.pdf>

Returned Checks: Treasurer should show documentation of how unit is trying to recoup bounced check and additional bank charges. (www.capta.org Audit Procedure and Recommendations)

Advances: If an advance had been given, verify that the entire amount has been returned with receipts/reimbursements/leftover cash and properly recorded. If money was returned, verify it was redeposited into the PTA account. Payment Authorization form is not required, but helpful to keep track of advance given and matching receipts and any funds under spent or over spent.

<http://downloads.capta.org/toolkit/forms/PaymentAuthorizationRequestforReimbursement.pdf>

Old/Stale Checks: If any checks are outstanding for more than 3 months, recommend the Treasurer follow up with the recipient to find out if the check was lost and needs to be replaced. If there is any concern about the old check being cashed in the future, consider placing a stop payment on the check.

<http://toolkit.capta.org/finance/banking/stale-dated-checks/>

PTA purchasing items for school use: To decrease your PTA's liability, our PTA insurance company recommends that the PTA not purchase any merchandise to give to the school directly. Instead, recommends the PTA to "gift" the money to the school and allow the school to purchase the items that your organization wishes to donate.

Conflict of Interest / Whistleblower Annual Questionnaire – All officers and members of the board must complete this questionnaire annually. <http://downloads.capta.org/toolkit/forms/ConflictWhistleblower.pdf>
<http://toolkit.capta.org/running-your-pta/planning-organizing/conflict-of-interest-policy/>

PTA INSURANCE

Our PTA Insurance provider is AIM Association Insurance Management, Inc.

Insurance information & Insurance and Loss Prevention Guide: <https://capta.org/insurance>

**The guide is updated regularly and is available in English and in Spanish. Their contact information is on the last page of the guide.*

Minimally, all board officers need to be familiar with the insurance that covers their unit, their volunteers and their board positions. **PTA unit liability may not be covered unless the unit adheres to all insurance requirements.**

***If the PTA provides or helps to provide an activity, event, program, it must comply with the insurance definition of a sponsored event.** (Page 6)

The event must be approved by your organization, scheduled by your organization, planned by your organization and the majority of the manpower must be provided by your organization's members.

*The unit needs to **check ALL proposed PTA activity** (fundraisers, programs, etc) against our insurance's guide **BEFORE** any activity gets planned or sponsored by the unit.

Red = Prohibited Activities **Green** = GO AHEAD Activities **Yellow** = Caution/Conditions

Yellow lighted activities will **have conditions that need to be strictly adhered to before the activity is held**, so PTA and its board and volunteers will be covered by insurance for that activity. **Additionally, the insurance company must be consulted. Their phone number and e-mail are on the last page of the insurance guide.**

***Vendor requirements** – See insurance guide (currently on page 20)

Bus Company.....Food Truck.....Book Fair.....Fundraising Company.....Instructors.....Inflatable Company Assemblies.....DJ.....Caterer.....Food Purveyor, etc.

***Participation and Volunteer Liability Waivers** – See insurance guide (currently on page 11)

***Hold Harmless Agreement:** <http://toolkit.capta.org/?s=hold+harmless+>

PTAs - DON'T sign them. If a company is asking for you to sign one, you must contact our insurance company and get their approval and conditions first. Have OTHERS SIGN them, when our insurance requires it. If unit holds an activity on LAUSD/school property and district/school asks PTA to sign a form, it should only be a Facilities Use Permit Addendum. PTA insurance does not want any Hold Harmless clause in any contact/form PTA signs. <http://downloads.capta.org/toolkit/forms/FacilitiesUsePermitAddendum.pdf>

**Find Media Liability, Gifting Items to the School, Reporting Incidents at PTA activities, Best Practices, "Proceed With Caution", how to purchase additional supplemental insurance and much more in the guide.*

Prepared by Karen Green for the intention of unit auditors to use when auditing PTA books. Not reviewed or approved by any council, district or state PTA.