

FINANCIAL RECONCILIATION COMMITTEE CHECKLIST

Financial Reconciliation 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 Financial Reconciliation?

Financial reconciliation 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 membership, and in conformity with PTA bylaws and standing rules. The financial reconciliation must review all accounts of the PTA.

Composition of committee: The committee is composed of not less than three members appointed by the executive board at least 30 days before the last meeting of the year ("Suggested Bylaws for Local Units," *Article XIV).

No one who is an authorized check signer on any bank account may serve on the committee. It is recommended that the incoming treasurer should not be eligible to serve on the committee.

When a Financial Reconciliation is performed:

- At the end of the fiscal year.
- When any authorized check signer is added or deleted on any bank account.
- At any time deemed necessary by the president or three or more members.

Preparing for the Financial Reconciliation

The outgoing treasurer is responsible for putting the financial records in order for the committee. The outgoing treasurer should deliver the following to the Financial Reconciliation committee:

1. A copy of the last Financial Reconciliation report.
2. The checkbook, cancelled checks and all unused checks for all accounts.
3. Bank statements and deposit receipts.
4. Treasurer's books and ledgers.
5. The annual financial report.
6. All receipts of bills paid.
7. Copies of minutes from regular and executive meetings.
8. Adopted budget as amended.
9. Sales tax returns filed.
10. IRS Form 990.
11. All correspondence with any taxing authority.
12. Copies of all financial reports for the period to be financial reconciled.
13. A report of all fundraising events held since the last sales tax return was filed. List dates held and if any were designated tax free days. It should include total sales, taxable sales and sales tax collected. This information will be necessary for the incoming treasurer to accurately complete the next sales tax return.
14. A list of all dues-paying members and the executive board.
15. Current bylaws and standing rules.
16. Any other information requested by the Financial Reconciliation Committee.

Once the records are turned over to the committee the outgoing treasurer can no longer write checks. The treasurer should go to the bank immediately with the incoming treasurer and additional authorized check signers to change the signature cards. During the financial reconciliation, checks should only be written in the case of an emergency and would be signed by the incoming treasurer and president.

Conducting the Financial Reconciliation

- Begin the financial reconciliation with the first transaction posted after the last financial reconciliation. Make sure the beginning balance agrees to the Balance on Hand per the last financial reconciliation report.
- Make sure that each check written has proper substantiation, i.e. vendor invoice or check request.
- Ascertain the dates of fund raisers and verify deposits are made timely. Check to see that cash was counted by two people.
- Check all ledger entries back to the cancelled checks and validated deposit tickets. Verify that all income and expenses are allocated to the proper budget category and are within the approved budget.
- Verify that bank reconciliations are done monthly and check their accuracy. Verify all checks have two signatures and spot check endorsements.
- Check the accuracy of the math in the checkbook and ledgers if a manual system was used.
- Verify that financial reports presented to the membership and executive board are accurate representations of the transactions recorded in the books.
- Check the accuracy of the annual report and ascertain it will be retained as a part of the permanent file.
- Check to see that checks are not being signed by the individual to whom they are made payable.
- 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.
- Checks should never be made payable to "Cash." Startup funds should be made payable to the person responsible for the cash until it is redeposited.
- 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 agrees to the membership roster and is submitted on a regular basis.
- Determine what type of 990 is required to be filed. A preliminary 990 should be completed by the outgoing treasurer for the fiscal year that just ended and included.
- Determine if the unit had an obligation to collect sales tax. If so, make sure returns were filed timely and accurately. If the unit has a sales tax permit, returns must be filed timely even if no tax was collected during the period.
- Make sure that money collected for a designated purpose was spent only for that purpose.
- Check the minutes of the regular and executive board meetings to verify the following:
 1. The budget and all amendments were adopted by the membership.
 2. The membership approves all fundraisers either through approval of the budget that includes them or through a special vote if added after the adoption of the budget.
 3. Financial reports were presented at all regular and executive board meetings for all accounts.
 4. Any tax-free fundraisers were so designated as such prior to the event. The regular or executive board meeting can do this, as the unit prefers.
 5. Verify the executive board approved all plans of work.
 6. Verify a quorum was present at all executive board and regular meetings.
- 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 financial reconciliation concludes. Write "Examined and found correct" and have all committee members sign and date the entry.

Irregularities in the Records

If the Financial Reconciliation committee finds irregularities in the records of the treasurer, the following steps should be followed:

- Contact the treasurer to secure additional records or information.
- If the matter cannot be settled to the committee's satisfaction, contact the local 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 area president (if not in a council).
- A council president can request additional assistance from the area president if the matter cannot be resolved at the council level.

Financial Reconciliation Report

A member of the Financial Reconciliation committee should make a report to the membership at the first meeting held after the conclusion of the financial reconciliation. The association should adopt the report at that time. A copy of the annual report should be attached to the financial reconciliation report and maintained permanently by the treasurer and placed in the minutes. In the event a complete financial reconciliation cannot be done due to the inadequacy or unavailability of the records this must be reported to the membership as well. Steps should be recommended for adoption to correct the situation. In the event the validity of the financial reconciliation report is questioned, the state PTA can be contacted for assistance or an independent CPA could be engaged. The president or three members must sign requesting state assistance for Texas PTA to become involved. See section 1 for instructions and the forms for requesting a state review. The membership must approve any funds to be expended prior to engaging the services of a CPA.

In reporting a financial reconciliation that finds inaccuracies in the records of the treasurer, the following statement should be given at the appropriate time:

*“The Financial Reconciliation Committee has examined the records of the treasurer of _____ PTA for the period
(_____)^{dates}. The current balance on hand is \$_____.”*

*The following irregularities have been found;
(List all irregularities)*

*The following steps were taken to correct the problems:
(List all steps)*

*To prevent these types of problems from occurring in the future, we recommend the following:
(List the recommendations)*

Remember, the treasurer is legally responsible for all the funds of the association. However, the officers of the association are elected by the membership and should be committed to keeping the affairs of the association on a sound financial basis.

IMPORTANT: Any investigation by the Financial Reconciliation Committee must be kept confidential.