



## **FINANCIAL RECONCILIATION**

*(BASICS: Treasurer Resource Guide page 15-18)*

### **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 the Local PTA bylaws and standing rules and Texas PTA policies and procedures. The Financial Reconciliation Committee must review all accounts of the PTA.

Composition of committee: The committee is composed of not less than three members appointed by the president subject to the approval of the executive board at least 30 days before the last meeting of the year (Local PTA Bylaws," Article XIV).

No one who is an authorized check signer on any bank account can serve on the committee. Additionally, family members of signers on the account cannot serve on this committee due to the potential conflict of interest. It is recommended that the incoming treasurer not 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; and
- At any time deemed necessary by the president or three or more members.

The financial reconciliation is conducted in a private area; not a public place. The information reviewed and discussed is confidential. Any current signer on the bank account is not present during the financial reconciliation. If the committee has a question about the financial records, they may contact the treasurer for clarification.

### **Preparing for the Financial Reconciliation**

The outgoing or returning treasurer, whichever is the case, is responsible for putting the financial records in order for the committee. This treasurer delivers 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 membership and executive board meetings
8. Adopted budget as amended
9. Sales tax returns filed
10. Form 990
11. All correspondence with any taxing authority
12. Copies of all financial reports for the period to be evaluated
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 includes total sales, taxable sales and sales tax collected. This information is 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 must 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.

## Conducting the Financial Reconciliation

- Begin the financial reconciliation with the first transaction posted after the last financial reconciliation. Make sure the beginning balance agrees with 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 fundraisers, and verify deposits are made timely. Check to see that two people counted the monies, the itemized receipt form was used and signed by two counters and the treasurer.
- 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 that a non-signer has reviewed, initialed and dated all bank statements.
- Verify all checks adhere to the adopted check-signing policy 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 that 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.
- Confirm that no checks were made payable to "Cash." Startup funds are made payable to a person who is responsible for the cash until it is re-deposited.
- Make sure that the Texas and National PTA portions of dues are not recorded as income to the Local PTA but kept separate or recorded as a liability. Verify that the amount sent to Texas PTA agrees to the membership roster and is submitted on a regular basis.
- Verify that all executive board members have remitted dues for the current fiscal year.
- Verify that all executive board members have signed the Conflict of Interest/Ethics Policy.
- If a 990-EZ or 990 is required to be filed, confirm that the outgoing treasurer has prepared a draft of the appropriate form and it is ready for submission once the financial reconciliation has concluded. The 990 for the past fiscal year as well as the 990 for the fiscal year being reconciled is included.

- Determine if the Local PTA had an obligation to collect sales tax. If so, make sure returns were filed timely and accurately. If the Local PTA 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 membership and executive board meetings to verify the following:
  1. The budget and all amendments were adopted by the membership.
  2. The membership approved all fundraisers either through approval of the budget that included them or through a special vote if added after the adoption of the budget.
  3. Financial reports were presented at all membership and executive board meetings for all accounts.
  4. Any tax-free fundraisers were so designated in the form of a motion prior to the event. The membership or executive board can do this, as the Local PTA prefers.
  5. Verify the executive board approved all Plans of Work and contracts.
  6. Verify a quorum was present at all executive board and membership 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, follow the steps listed below:

- Contact the treasurer to secure additional records or information.
- If the matter cannot be settled to the committee's satisfaction, contact the Local PTA president to work out what additional steps need to be taken.
- The Local PTA president can request additional guidance from the Council PTA president (if the Local PTA is in a Council PTA) or the Field Service Representative.
- A Council PTA president can request additional assistance from the Field Service Representative if the matter cannot be resolved at the Council PTA level.

## **Financial Reconciliation Report**

A member of the Financial Reconciliation Committee makes a report to the membership at the first meeting held after the conclusion of the financial reconciliation. The association adopts the report at that time. A copy of the annual report is attached to the financial reconciliation report, 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 fact is reported to the membership, as well, with a recommendation to adopt steps to correct the situation. In the event the validity of the financial reconciliation report is questioned, Texas PTA can be contacted for assistance, or an independent CPA could be engaged. The president or three members sign the request for state assistance for Texas PTA to become involved. The membership approves 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 is 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 have a fiscal responsibility to keep the affairs of the association on a sound financial basis.

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



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FINANCIAL RECONCILIATION COMMITTEE REPORT

Date \_\_\_\_\_

Name of Local PTA \_\_\_\_\_

Council PTA \_\_\_\_\_ PTA Unit # \_\_\_\_\_

Balance on Hand \$ \_\_\_\_\_

(Date of last financial reconciliation)

Receipts \$ \_\_\_\_\_

(From last financial reconciliation to date of current financial reconciliation)

Disbursements \$ \_\_\_\_\_

(From last financial reconciliation to date of current financial reconciliation)

Balance on Hand (Date of financial reconciliation) \$ \_\_\_\_\_

We have examined the records of \_\_\_\_\_ PTA and find them to be:

(Choose one of the following)

- checkbox correct.
checkbox incomplete.
checkbox substantially correct with the following adjustments:

Three horizontal lines for listing adjustments.

- checkbox Incorrect.

The following irregularities were found:

Two horizontal lines for listing irregularities.

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We make the following recommendations:

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Financial Reconciliation Committee Signatures:

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Date completed \_\_\_\_\_



**Financial Reconciliation Committee Report**  
**Three Person Committee - Committee Member # 1**

Please place a check by each of the following items that you have for the financial reconciliation.

- |   |   |
|---|---|
| <input type="checkbox"/> Checkbook Reports              | <input type="checkbox"/> Membership Meeting Treasurer |
| <input type="checkbox"/> Approved & Amended Budget      | <input type="checkbox"/> Membership Meeting Minutes   |
| <input type="checkbox"/> Copy of Executive Board Roster |   |

**Check list over Checkbook**

- |                              |                             |  |                                     |                                 |
|------------------------------|-----------------------------|--|-------------------------------------|---------------------------------|
| <input type="checkbox"/> yes | <input type="checkbox"/> no | check register kept                          | <input type="checkbox"/> electronic | <input type="checkbox"/> manual |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | checkbook balanced to monthly bank statement |                                     |                                 |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | corrections were single line corrected       |                                     |                                 |

**Check list over Membership Meeting Treasurer Reports**

- |                              |                             |   |
|------------------------------|-----------------------------|---|
| <input type="checkbox"/> yes | <input type="checkbox"/> no | reports given at every meeting  |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | beginning balance is the same as last report's ending balance   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | every deposit was listed on reports (or included in line item)  |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | every check/fee was listed on reports (or included in line item)  |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | ending cash balance on report can be referenced to checkbook ledger entry   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | verify fundraising events with total sales brought in and amount paid to vendor were designated in the Treasurer's report |

**Check list over Membership Meeting Minutes**

- |                              |                             |   |
|------------------------------|-----------------------------|---|
| <input type="checkbox"/> yes | <input type="checkbox"/> no | minutes were taken at every meeting   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | budget was approved by General Membership   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | all fundraising events were approved by General Membership (by line item in budget or by budget amendment)                      |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | Treasurer Reports from all meetings included in the meeting minutes   |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | verify that tax free sale dates (2 per calendar year) were designated in the meeting minutes of general <u>or</u> board meeting |
| <input type="checkbox"/> yes | <input type="checkbox"/> no | verify quorum was present at all meetings   |

**Check list over the Budget and Executive Board List**

- yes     no    a copy of the Executive Board was included
- yes     no    a copy of the Budget was included
- yes     no    a copy of all budget amendments was included
- yes     no    did amount spent exceed budget amount approved: if so  
was a reasonable explanation given
- yes     no    were Plans Of Work included

Committee Member Signature \_\_\_\_\_



**Financial Reconciliation Committee Report**  
**Three Person Committee - Committee Member # 2**

Please place a check by each of the following items that you have for the financial reconciliation.

- |  |   |
|--|---|
| <input type="checkbox"/> Bank Statements Receipts                  | <input type="checkbox"/> Deposits with Blank                  |
| <input type="checkbox"/> Executive Board Treasurer Reports Minutes | <input type="checkbox"/> Executive Board Meeting              |
| <input type="checkbox"/> Treasurer's Annual Report                 | <input type="checkbox"/> Last Financial Reconciliation Report |

**Check list over Bank Statements**

- yes     no    bank statement was reconciled each month in a timely manner
- yes     no    bank statement was opened/printed, reviewed, initialed and dated by non-signer appointed by the President
- yes     no    if corrections were made, a reasonable explanation was given
- yes     no    checks were signed by authorized check signer as describe in adopted check-signing policy if applicable.
- yes     no    payee and authorized signature were not the same
- yes     no    checks not made payable to "cash" unless designated for and accounted for as Petty Cash

**Check list over Executive Board Meeting Treasurer Reports**

- yes     no    reports given at every meeting
- yes     no    beginning balance is the same as last report's ending balance
- yes     no    every deposit was listed on reports (included in line item)
- yes     no    every check/fee was listed on reports (included in line item)
- yes     no    ending cash balance on report can be referenced to checkbook ledger entry
- yes     no    verify fundraising events with total sales brought in and amount paid to vendor were designated in the Treasurer's report

**Check list over Executive Board Meeting Minutes**

- yes     no    minutes were taken at every meeting
- yes     no    budget was approved by the Executive Board to come as a recommendation to General Membership

yes  no all fundraising events were approved by the Executive Board to come as a recommendation to General Membership (by line item in budget or by budget amendment)

yes  no Treasurer Report given at every meeting

yes  no verify that tax free sale dates (2 per calendar year) were designated in the meeting minutes of general or board meeting

yes  no verify quorum was present at all meetings

yes  no verify Plans Of Work were approved

**Check list over the Finical Reconciliation Report**

yes  no a of the last Finical Reconciliation was available for this reconciliation

yes  no the Annual Report was prepared and provided for this reconciliation

**Check list over the Deposits**

yes  no deposit forms were properly completed with two members counting money

yes  no bank deposit receipt was attached to each deposit form

yes  no deposits were made in a timely manner at the bank

Committee Member Signature\_\_\_\_\_



Financial Reconciliation Committee Report
Three Person Committee - Committee Member # 3

Please place a check by each of the following items that you have for the financial reconciliation.

- Checkboxes for Vouchers (Disbursement/Reimbursement) & Receipts, Tax Returns (Sales Tax & 990), General Ledger, Bylaws & Standing Rules, Unused Check and Deposit Slips, and Membership List.

Check list over Vouchers (Disbursement/Reimbursement) & Receipts

- Checklist items for Vouchers: presence of receipts, sales tax reimbursement, and filing status.

Check list over Bylaws and Standing Rules

- Checklist item for Bylaws: current with Texas PTA (updated within last 5 years).

Check list over General Ledger

- Checklist items for General Ledger: running balance total, ink/computerized, corrections, and annual report details.

Check list over Membership List

- Checklist items for Membership List: dues paid to Texas PTA, dues match members, life members marked, and dues for Executive Board/Chairman.

**Check list for Tax Returns**

- yes     no    sales tax was collected when required
- yes     no    sales tax was paid to the Texas State Comptroller
- yes     no    the correct 990 was completed
- yes     no    was the 990 filed with the IRS

**Check list for unused checks and deposit slips**

- yes     no    are all unused checks present and accounted for
- yes     no    check number for last check issued and first check in check  
stock are sequential
- yes     no    voided checks are retained in records and marked VOID
- yes     no    deposit slips (or ledger entries) indicate budget category  
breakdown

Committee Member Signature \_\_\_\_\_