



## **Audit and Bank Statement Reconciliation Procedures**

### **Treasurer's Report – Audit**

The purpose of an audit is to be sure that receipts have been properly accounted for and expenditures have been made as authorized in the minutes and conforming to the unit/council Bylaws, standing rules and budget limitations. An audit is required every year. Bonding insurance requires a yearly audit in order to pay any claims. An audit committee or an outside auditor may do the audit. Your Bylaws dictate who may do the audit and how that person is selected. The auditor may not be an officer who has check signing authority. The Treasurer will deliver to the auditors:

- Checkbook and canceled checks or check duplicates•
- Bank statements•
- Treasurer's ledger book or computer printout•
- Itemized statements of bills paid or receipts•
- Vouchers if a voucher system is used•
- Any other material requested by the auditor•

### **Audit Procedure:**

1. Check that the amount shown on the first month's bank statement corresponds to the starting balance recorded in the checkbook and ledger.
2. Reconcile monthly each month's bank statements with the canceled checks. Make sure that each check has a voucher, bill or receipt showing reason for disbursement.
3. Make certain that State and National portions of the membership dues have been kept separate from other receipts and forwarded immediately to the State Office.
4. Make sure that money collected for a specific purpose has been so disbursed.
5. Check each deposit slip with the bank book entries and checkbook entries.
6. Check all cash receipt slips issued and compare with proper entry in the ledger.
7. Check ledger entries for error and compare with checks issued and receipts posted.
8. If a check was issued and no voucher can be substantiated, check to see if it was an approved budgeted item, such as Council Dues.
9. Check treasurer's reports and annual report for accuracy.
10. After any errors have been corrected by the treasurer and you are satisfied that the financial accounts are correct, draw a line across the ledger where the audit concludes and sign and date the ledger: "Examined and found correct (Name and Date)"
11. Prepare a statement and each member of the committee or the auditor should sign it.
12. The audit is presented along with the annual report at an Executive Board meeting and the first general meeting of the year.
13. Send a copy to the Wisconsin PTA State Office by August 1. If the audit is not received by November 1 a reminder letter will be sent. Failure to submit your audit will make the unit ineligible for awards and participation in programs and may result in a State Audit and loss of further services from the State PTA.
14. Copies should also be given to the Secretary, President and Treasurer. Check your bylaws for further details.

## Statement of Audit

Please send a copy of the Statement of Audit to the Wisconsin PTA State Office, 4797 Hayes Road, Suite 102, Madison, WI 53704-3256 by August 1 of each year. Permanently keep a copy of the audit on file in the association's treasurer's file.

Name of Unit \_\_\_\_\_

Date \_\_\_\_\_

Council \_\_\_\_\_

Region \_\_\_\_\_

Email to send confirmation of receipt of audit: \_\_\_\_\_

Must include totals from all accounts or use separate audit for each account Beginning

Balance on Hand as of \_\_\_\_\_ (enter date of last audit) \$ \_\_\_\_\_ A

Receipts: \_\_\_\_\_ to \_\_\_\_\_ (dates) \$ \_\_\_\_\_ B (cash, checks received)

Total Cash (A + B=C) \$ \_\_\_\_\_ C

Disbursements (from last audit to date of audit) \$ \_\_\_\_\_ D (money paid out)

Balance on Hand (date of audit) (C - D=E) \$ \_\_\_\_\_ E

Latest Bank Balance Statement \$ \_\_\_\_\_ F

Checks Outstanding: (Use the back of this form if necessary.)

List: Check Number Amount \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Total Checks Outstanding \$ \_\_\_\_\_ G

Outstanding Deposits Total \$ \_\_\_\_\_ H

Account Balance (F-G+H=I) (must equal E) \$ \_\_\_\_\_ I

Date of Audit \_\_\_\_\_ I have examined  
the books of the treasurer of \_\_\_\_\_ PTA and find them to  
be correct.

Auditor's (or Chairperson of the Audit Committee)

Signature \_\_\_\_\_

## **How Do You Reconcile a Bank Statement?**

To reconcile a bank statement, the account balance as reported by the bank is compared to the general ledger of a business. Businesses maintain a cash book to record both bank transactions as well as cash transactions. The cash column in the cash book shows the available cash while the bank column shows the cash at the bank. Similarly, the bank too keeps an account for every customer. In the bank books, the deposits are recorded on the credit side while the withdrawals are recorded on the debit side. The bank sends the account statement to its customers every month or at regular intervals. Sometimes these balances do not match. The business needs to identify the reasons for the discrepancy and reconcile the differences. This is done to confirm every item is accounted for and the ending balances match.

To do this, a [reconciliation statement](#) known as the bank reconciliation statement is prepared.

### **Bank Reconciliation: A Step-by-Step Guide**

You receive a bank statement, typically at the end of each month, from the bank. The statement itemizes the cash and other deposits made into the checking account of the business. The statement also includes bank charges such as for account servicing fees.

Once you've received it, follow these steps to reconcile a bank statement:

#### **1. COMPARE THE DEPOSITS**

Match the deposits in the business records with those in the bank statement. Compare the amount of each deposit recorded in the debit side of the bank column of the cashbook with credit side of the bank statement and credit side of the bank column with the debit side of the bank statement. Mark the items appearing in both the records.

#### **2. ADJUST THE BANK STATEMENTS**

Adjust the balance on the bank statements to the corrected balance. For doing this, you must add deposits in transit, deduct outstanding checks and add/deduct bank errors.

Deposits in transit are amounts that are received and recorded by the business but are not yet recorded by the bank. They must be added to the bank statement.

Outstanding checks are those that have been written and recorded in cash account of the business but have not yet cleared the bank account. They need to be deducted from the bank balance. This often happens when the checks are written in the last few days of the month.

Bank errors are mistakes made by the bank while creating the bank statement. Common errors include entering an incorrect amount or omitting an amount from the bank statement. Compare the cash account's general ledger to the bank statement to spot the errors.

### **3. ADJUST THE CASH ACCOUNT**

The next step is to adjust the cash balance in the business account.

Adjust the cash balances in the business account by adding interest or deducting monthly charges and overdraft fees.

To do this, businesses need to take into account the bank charges, NSF checks and errors in accounting.

- Bank charges are service charges and fees deducted for the bank's processing of the business' checking account activity. This can include monthly charges or charges from overdrawing your account. They must be deducted from your cash account. If you've earned any interest on your bank account balance, they must be added to the cash account.
- An NSF (not sufficient funds) check is a check that has not been honored by the bank due to insufficient funds in the entity's bank accounts. This means that the check amount has not been deposited in your bank account and hence needs to be deducted from your cash account records.
- Errors in the cash account result in an incorrect amount being entered or an amount being omitted from the records. The correction of the error will increase or decrease the cash account in the books.

### **4. COMPARE THE BALANCES**

After adjusting the balances as per the bank and as per the books, the adjusted amounts should be the same. If they are still not equal, you will have to repeat the process of reconciliation again.

Once the balances are equal, businesses need to prepare journal entries for the adjustments to the balance per books.

#### **How Often Should You Reconcile Your Bank Account?**

Ideally, you should reconcile your bank account each time you receive a statement from your bank. This is often done at the end of every month, weekly and even at the end of each day by businesses that have a large number of transactions.

Before the reconciliation process, business should ensure that they have recorded all transactions up to the end of your bank statement. Businesses that use online banking service can download the bank statements for the regular reconciliation process rather than having to manually enter the information.

#### **What Is the Purpose of Bank Reconciliation?**

The bank reconciliation process offers several advantages including:

- Detecting errors such as double payments, missed payments, calculation errors etc.
- Tracking and adding bank fees and penalties in the books
- Spot fraudulent transactions and theft
- Keeping track of accounts payable and receivables of the business

Due to the Covid-19 pandemic, there are a few things you need to remember for audits. Please see the following guidelines.

When you are voting for new officers this year, an end of the year audit will be fine to do.

If you will be voting for positions when you return back to school in the Fall, a year end audit will need to be done after June 30. Also, a bank reconciliation report will have to be done by the current treasurer and the new treasurer for any amount of transactions done over \$500.00 after the new treasurer is in place.