Audit Instructions

Responsibilities
- To certify the accuracy of the books and records of the treasurer; and

- To assure the membership that the foundation's resources/funds are being managed in a businesslike manner within the regulations established for their use.

Auditing involves following financial transactions through records to be sure that receipts have been properly accounted for and expenditures made as authorized in the minutes and in conformity with CMSF bylaws, standing rules, and budget limitations.

The outgoing treasurer cannot pay bills after the books are closed for audit. Upon assuming office, the incoming treasurer may deposit funds in the CMSF bank account. During the audit process it is recommended that expenditures within an adopted budget be limited to those of an emergency nature. The CMSF board shall advise when the auditor should have the audit completed.

Frequency of Audit
An audit is to be conducted (at minimum) every other year, at the close of the fiscal year. An audit may also be requested anytime someone suspects that anything improper has occurred with the books or finances or when a new person becomes treasurer (other than at the beginning of each fiscal year).

Audit Committee/Auditor
The audit is to be conducted by a CMS parent volunteer appointed by the CMSF Board. The auditor volunteer cannot have had signature authority on the checking account nor have been a member of the Executive Board for the period which is being audited. Alternately, the CMSF Board may hire an outside auditor who would be compensated at market value for the services provided if the audit proves unfavorable or if financial findings are questionable.

Books & Records
ALL past & present books/financial records are the property of the CMSF. The treasurer is only the custodian of them. The audit committee needs copies of **all** of the treasurers' records and a checklist is included to assist in lothe collection process.

Checklist
The treasurer should deliver or provide access to the following for the auditor:

☐ Previous Audit Report (last FY)

☐ Bank Statements and Deposit Receipts

☐ Checkbook and Canceled Checks

☐ Annual Financial Report

☐ Monthly Financial Reports

☐ Itemized Income / Expense Records

☐ Check Request Forms (for all expenses paid)

☐ Cash Verification Forms (for all cash income)

☐ Organization By-laws

☐ Insurance Policy Certificate and Any Claims Against

☐ Meeting Minutes for the Fiscal Period

☐ Adopted Budget and Amendments for the audit period

☐ Audit Worksheet for completion

Audit Procedure

o Start the audit with the records posted after the last audit. Check to see if the amount shown on the bank statement corresponds to the starting balance recorded in the checkbook and ledger. Reconcile bank statements with the cancelled checks. Make sure that every check written is substantiated with a check request or a bill of some kind showing reason for disbursement.

o Verify that all income and expenditures are allocated into the same categories that constitute the approved budget.

o Make certain that money collected for a specific purpose (special projects, scholarship funds, dues, etc.) has been disbursed.

o Reconcile each deposit slip with bank statement and checkbook entries. Make sure additions and subtractions are correct in all instances.

o Check all cash receipt slips issued and verify with proper entry in financial records.

o Check each month's ledger entries for error, and crosscheck against checks issued and receipts posted. Cross-reference checkbook stubs with checks issued.

o If a check was issued and no check request can be substantiated, check to see if it was an approved budgeted item.

o Check treasurer's reports and annual report for accuracy.

o Ensure that all checks were accounted for – including voided checks; make sure that all checks are imprinted with sequential numbers and that all checks were signed by (2) officers.

o After any errors have been corrected by the treasurer and the auditor is satisfied that the financial accounts are correct, note where the audit concludes. Records should indicate auditors name and date.

Reporting

o If all is in order, the auditor should prepare a report (see "Audit Worksheet" attached) and sign it after completion. The report will indicate the following:

  • Status of the books and records and whether the auditor finds the books to be "correct," "substantially correct," "incomplete," or "incorrect."

  • Recommendations to improve the recordkeeping. The recommendations shall be attached to the minutes. When the report is presented for adoption at the organization's meeting, the auditor reads only the statement, "The audit committee has examined the books and find them . . . "correct," "substantially correct," " incomplete," or" incorrect." If the report reflects that additional information and verification is needed, the treasurer should provide it.

o The audit report must be officially adopted and must be included in the organization's annual report. **No** statements, implicit or explicit, shall be made regarding any person if problems are detected by the auditor(s). If mismanagement of funds is suspected, contact the Principal or Cupertino Union School District Chief Business Officer immediately for assistance.

o The annual audit is to be kept in the treasurer's records. If the validity of the audit is questioned, an independent certified public accountant should be engaged. At any time during the process, the President or Vice-President may be contacted for information or assistance.

  ALL COMPLETED AUDIT WORKSHEETS & SUPPORTING DOCUMENTS ARE TO BE KEPT ON FILE FOR 7 YEARS.

Audit Worksheet / Report

Audit Date	11/8/2020		
Audit Worksheet for the Period	07/01/2019	to	06/30/2020
Date of Last Audit	08/29/2019		
Period Last Audit Covered	07/01/2018	to	06/30/2019

Key for Audit Entries

Y	Denotes Compliance
N	Denotes Non-Compliance
NA	Denotes Not Applicable
*	Comments have been included on a separate page

Section 1. ANNUAL BUDGET

Y	Annual budget created and approved
Y	Annual budget followed by all committees
Y	Any amendments made to the budget followed proper approval procedures

Section 2. ACCOUNTS RECEIVABLE

NA	Cash handling procedures are documented in writing
Y	Proper documentation exists for all money received during the fiscal year
Y	CMSF treasurer signs off on all deposits for the organization (Comm. chairs 1st count, Treasurer 2nd)
Y	Funds promptly deposited in the bank. (Compare receipt records with bank deposits)
Y	All funding received is deposited intact (Funds received should not be used to pay cash expenses)

Section 3. DONATION RECORDS/RECEIPTING

Y	Individual donor records kept as a basis to provide donor receipts for all contributions
Y	Donates for restricted use purposes are properly recorded in the accounting records (specific projects)
Y	Restricted funds held for intended purpose(s) and not spent on operating needs
NA	No goods or services provided in exchange for a contribution (donor receipts reflect this statement)
NA	If goods or services were provided in exchange for a contribution, does the receipt inform the donor that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of the amount of any money and the value of any property contributed by the donor over the value of the goods and services provided by the organization, and provide the donor with a good faith estimate of the value of such goods and services?
NA	Does a policy exist to issue an annual contribution report to the donors providing donations (not required by IRS)

Section 4. TREASURER'S REPORT / FINANCIAL STATEMENTS

NA	Monthly financial statements prepared on a timely basis and reported
NA	Account balances in the financial records reconciled with bank statements

Section 5. BANK STATEMENT & RECONCILIATION

Name of Financial Institution where CMSF maintains a checking account	Heritage Bank of Commerce
Name of Financial Institution where CMSF maintains a savings account	NA

N	Bank statements reconciled on a timely basis (Test reconciliation for several months in FY & trace transactions between the bank and the monthly file for completeness and timeliness)
N	Bank reconciliation reports signed and dated
Y	Any checks outstanding more than three months
N	Check request and receipt/invoice for all expenditures
Y	All expenditures approved by the President
Y	All checks imprinted in sequential numbers
*	Checks over $1,000 signed with two (2) signatures

Section 6. ACCOUNTS PAYABLE

Y	All disbursements paid by check
Y	Written documentation filed to support all disbursements. (No checks without proper backup)
Y	Pre-numbered checks used and all check numbers accounted for (including voided checks)
NA	Schedule for any unpaid invoices (Includes vendor name, invoice date and due date)
NA	Any accounts payable items significantly past due
NA	Any disputes with vendors over amounts owed

Section 7. INSURANCE POLICIES

Y	General liability insurance carried for the organization
NA	Any claims made against the organization's insurance (If yes, explain on separate page)
Y	Only CMSF board members may sign contracts

Section 8. FEDERAL & STATE REPORTING OBLIGATIONS

Y	Federal tax forms filed on a timely basis (Form 1099-MISC, Form 941, Form W-2, etc.)
Y	California state forms filed on a timely basis
NA	Charitable Solicitations Registration – Nonprofit Raffle Report

Section 9. SAVINGS AND INVESTMENT/ENDOWMENT ACCOUNTS

| Y | All savings and investment accounts recorded in the financial records (Compare monthly statements) |
| Y | Earnings or losses from savings and investment accounts recorded in the books |

Section 10. AUDIT RECONCILIATION

1.	Balance on Hand (from last fiscal year)	$82,603.53
2.	Receipts (during the audit period)	$113,991.36
3.	Total Income (add line 1 and line 2 together)	$196,594.89
4.	Disbursements (during the audit period)	($94,997.54)
5.	Balance on Hand (at audit date)	$101,597.35
6.	Bank Statement Balance As of Date: 6/30/2020	$102,350.60
7.	Total Checks Outstanding	0
8.	Checking Account Balance (subtract Line 7 from Line 6)	$102,350.60
9.	Amounts on Line 8 and Line 5 are the same	☐ Yes ☒ No

10. List Checks Outstanding (provide check number and amount)

| # _____ | $ _____ | # _____ | $ _____ | # _____ | $ _____ |
| # _____ | $ _____ | # _____ | $ _____ | # _____ | $ _____ |

Audit Completion / Approval

The following is all that needs to be read when the auditor's report is given:
This audit has examined the financial records of the Cupertino Middle School Parent Teacher Organization (CMSPTO). Through the audit process, the following status of the records has been determined:

☐ Correct

☐ Incomplete

☒ Substantially correct – With the following adjustments:

The Audit Reconciliation balance on hand is different from the sum of the Heritage Bank Statement balance at year-end, a difference of $753.25, of which $461.17 was identified by the current CMS PTO treasurer and adjusted in the 2020-2021 year. The remaining difference of $292.08 relates to the balance of liabilities .

☐ Incorrect – Further actions recommended:

AUDITOR RECOMMENDATIONS / COMMENTS

(This information is for the CMS-PTO Board use only. Attach report if more explanation is needed. Be as detailed as possible, as these remarks can help improve the organization and assist with future audits.)

1. Please request and retain all copies of invoices and spending reconciliation from CUSD
2. Make sure all payment requests are listed in the meeting minutes. Some were missing this year.
3. Prepare annual budget and complete variance at year-end (CUSD reconciliation)
4. Establish procedures regarding CUSD refunds and/or carryover to subsequent school year
5. Prepare year-end bank statement reconciliation with balance sheet
6. Provide evidence that checks >$1000 have two signature (confirm this is still a bylaws requirement)
7. Provide Paypal data to auditor
8. Establish audit procedures regarding testing transactions (i.e. amounts over $X)

APPROVALS

Audit Completion Date: 11/8/2020

Auditor: Connie Wu   Connie Wu
         Printed Name   Signature

President:
           Printed Name   Signature

Treasurer:
           Printed Name   Signature