

AFT Local# 461



**INTERNAL AUDIT COMMITTEE
AUDIT REPORT COVER SHEET**

Local Name: Tacoma Federation of Education Support Professionals

State: WA

Fiscal Year End Date (mm/dd) ~~9/30~~ ~~8/30~~ 8/2024
(i.e. 6/30; 8/30, 9/30, 12/31)

Period covered: Beginning Date: 9/2023 End Date: 8/2024

Number of Members 353

SUBMITTED BY: Cheryl Strange TITLE Treasurer
(PLEASE PRINT)

Audit Committee Review

April 29, 2026

We have examined the financial records of the Tacoma Federation of Education Support Professional 461 for the period September 1, 2023 through August 31, 2024. We found the following

There were checks printed upside down incorrectly through the printer that were not marked void. We marked them void and placed in the lock box.

No written accounting manual for procedures to ensure proper internal controls – Finance Committee is creating one

Some recurring payments (e.g., mobile phone services) had no invoices or receipts because account inaccessible – This is a defunct service and the current Finance Committee has recommended to the Executive Board to discontinue the service.

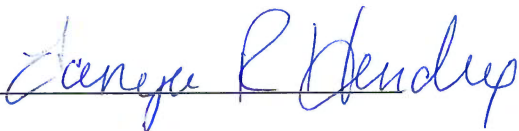
Based upon our examination, we consider the attached financial statements for the period September 1, 2023 to August 31, 2024 to be an accurate summary of transactions conducted during that period.

Sincerely,

 4/29/2026

Arlene Reich-Norris

TFESP Financial Review Committee



Tanya Hendrix

TFESP Financial Review Committee

BANK RECONCILIATION

Account name and number:

*- taloma Fed of ESP
Savings Legal Fund 17473*

For the period:

Sept. 2023 - Aug 2024

Checkbook balance, beginning of period

(A) *15,530.22*

Add: Total deposits

(B) *2290.67*

Subtotal

(C) _____

Less: Total expenditures this period

(D) _____

Checkbook balance, end of period

(E) _____

Bank balance, end of period

(F) *17820.89*

Add: Deposits not on statement

Date	Amount	Date	Amount
_____	_____	_____	_____
_____	_____	_____	_____

(G) _____

Subtotal

(H) _____

Less: Total of outstanding checks

(I) _____

Adjusted bank balance

(J) _____

OUTSTANDING CHECKS

Check #	Amount	Check #	Amount	Check #	Amount	Check #	Amount
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Total _____

BANK RECONCILIATION

Account name and number:

Savings 19151 Tallma Fed of ESP

For the period:

Aug Sept 2023 - Aug 2024

Checkbook balance, beginning of period

(A) 70,002.19

Add: Total deposits

(B) 2,000.22

Subtotal

(C) _____

Less: Total expenditures this period

(D) _____

Checkbook balance, end of period

(E) _____

Bank balance, end of period

(F) 40,003.41

(.06 diff)

Add: Deposits not on statement

Date	Amount	Date	Amount
_____	_____	_____	_____
_____	_____	_____	_____

(G) _____

Subtotal

(H) _____

Less: Total of outstanding checks

(I) _____

Adjusted bank balance

(J) _____

OUTSTANDING CHECKS

Check #	Amount	Check #	Amount	Check #	Amount	Check #	Amount
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Total _____

STEP 1: REVIEW INTERNAL CONTROLS

Examine canceled checks, financial reports and Executive Board minutes to perform the tasks listed below. If your bank or credit union does not return canceled checks, examine the duplicate copies of the checks.

- Determine where the checkbooks and financial records are kept. Are the checkbook and permanent financial records kept in a secure location, accessible only to those who have the authority to write checks? If not, the financial review committee should recommend changes in those practices.
- Examine the front side of each check written during the period. Do two officers sign all transactions? Are signature stamps used on checks? (Signature stamps generally have a thicker signature than a ballpoint pen and the signature always looks the same). Examine the signature card for the bank or credit union that authorizes the signatories on the account. Does the signature card say that two signatures are required? If not, the financial review committee should recommend corrective action.
- Examine the endorsement on the back of each check. Was the check endorsed by the person or firm to whom it was written? If not, further investigation should be made.
- Determine the starting and ending check numbers for checks written during the period. Look for missing check numbers. Are those checks voided or properly accounted for? Voided checks should be marked "VOID" across the front of the check and kept in the checkbook or other secure place.
- Look at the blank checks in the checkbook. Are there any blank checks that have already been signed by one officer so that another officer can use the check without having to wait for another signature? If so, the financial review committee should require that this practice be discontinued.
- Checks should rarely, if ever, be made payable to "Cash". Even checks to reimburse petty cash should be made payable to an individual responsible for petty cash, such as "Mary Jones - Petty Cash". While examining the front side of each check, look at the payee to determine if checks are always made payable to an individual or company. Closely examine any checks made payable to cash and recommend corrective action, as necessary.
- Look through the Executive Board minutes for the year. Are financial reports made at every regularly scheduled meeting? These reports should be in writing and attached to the Executive Board minutes. 22/23 ✓ 23/24 ✓
- Examine your local or state federation's constitution. Does it have a requirement for a budget and assign the responsibility for preparing and adopting the budget? Examine the Executive Board minutes to see if a budget was adopted for the year. (This may have been done at the end of the previous year and may be included in the minutes for that year). Are budgets approved within the financial means of the union? Was any action taken during the year to amend the budget? 23/24 ✓
- Examine the Executive Board minutes to see if Executive Board members authorize expenditures not included in the budget. Most expenditures will be included in the budget and will not require special approval of the Executive Board. Expenditures not included in the budget (i.e. - leases, contracts, loans or new bank accounts or investments) should be approved by the Executive Board and included in the minutes.

- Examine insurance policies to determine that the union is adequately insured. These policies should include a liability policy, hazard insurance for fire or theft, and workers' compensation insurance if there are employees. A Fidelity Bond insuring the union against employee dishonesty is available through AFT. Locals with members in the private sector are required to be insured against employee dishonesty in an amount equal to 10% of the previous year's total income.
- Is there a written accounting manual or written procedure to ensure proper internal controls? If not, the financial review committee should recommend the adoption of such procedures.

STEP 2: REVIEW CASH RECEIPTS (INCOME)

Examine deposit tickets, cash receipts journals and bank statements to verify the following practices. Some locals with only a few transactions each month may not have a cash receipts journal. If your local does not maintain a cash receipts journal, examine the references to deposits on the check stubs.

A sample bank statement is shown in Appendix A on page 18 and a sample cash receipts journal is shown in Appendix B on page 19.

- TIMELINESS OF DEPOSITS**
It is important that funds be deposited immediately after they are received to guard against misplacing checks before they are deposited and to ensure that the maximum amount of interest is earned on interest-bearing accounts. Verify that deposits are made promptly after funds are received. This is done by comparing the date on the documents that were received with the deposit date in the cash receipts journal (see example on page 19) and the date of the deposit on the bank statement (see example on page 18). If deposits are made by mail, there may be a few days difference between the date that the funds were recorded in the cash receipts journal and date that the bank listed the deposit on the statement.
- ACCURACY OF DUES DEDUCTIONS**
Verify the receipt of payroll deductions from the employer to ensure that all deposits were made and are shown on the bank statements. The number of checks to be deposited will vary according to the employer's system for remitting dues.
- Some employers send checks monthly, while others remit dues following each pay period. Other employers have separate payrolls for certified and classified employees. All funds received should be deposited first to the checking account. If the funds are to be saved or invested for later use, a check should then be written for the deposit to the savings account or other investment. Payroll deduction checks should not be deposited directly to the savings account or other investment.
- Also, check the accuracy of the employer's calculations. The employer will usually include a listing of all members from whom dues were deducted, and the amount deducted from each member, along with the payroll deduction check. Verify that the dues rate used by the employer was the correct dues rate for each pay period.
- If the deduction amount is the same for all members, simply count the number of members on the list and multiply that number by the dues amount to make sure that the employer sent the correct total to the union. Count the actual names on the list rather than relying on the employee totals that may be provided on the employer's list.
- If the deduction amounts are different for two or more classes of employees, you will have to count the number of members at each dues rate and multiply that number for each class of employees; then add the totals for each class of employees to verify the total dues

amount. Check the dates of employer deductions and be certain that no pay period was skipped. The financial review committee should report any discrepancies to the treasurer so that he or she may take corrective action with the employer.

COMPARISON WITH UNION'S RECORDS

The union should have a copy of each dues deduction authorization submitted to the employer showing the date that it was submitted. Check the employer's payroll deductions against the union's membership records to verify that all deductions were made for members who were enrolled for payroll deductions.

- District auto deducts

Financial review committees of state federations will verify the per capita payments from locals, rather than dues from members. Review the per capita forms to make sure that the locals paid the correct per capita amount for each month and that the number of members in each category multiplied by the per capita rate for each category produces the correct total for each payment.

DIRECT DUES

Not an option

Not all members will sign an authorization for payroll deduction and those who do not will pay their dues directly to the local. The local must maintain records to track the dues payment status of direct dues members. (Ledger cards are available free from AFT for this purpose). Is there a process in place for billing these members for unpaid dues? Trace all deposits of direct dues paying members through the members' dues records, the cash receipts journal and the bank statement. This will verify that the payment status of members is correct and that all receipts were deposited. For example, see the entries for Robert Smith, Mary Jones and Carla Webster in the cash receipts journal (Appendix B). You should make sure that entries such as these in your local's records are included in the local's dues records.

OTHER INCOME

Don't use cash

Trace the deposit of any miscellaneous receipts through the cash receipts journal (Appendix B) and the bank statement (Appendix A). Compare the amounts shown in the cash receipts journal or on the check stubs and make sure that all of those amounts are listed on the bank statements.

GRANTS FROM AFT OR OTHERS

No grants

If your local or state federation is receiving grants from AFT or others, make sure that the grant money has been received and that funds are being used in accordance with agreements. Misuse of grants can hurt in future requests for grants. Also ensure that financial reports or narrative reports are prepared on a timely basis as required by grant agreements.

NON-CASH ITEMS

Verify that all deposits shown on the bank statements are included in the cash receipts journal or in the checkbook. The primary cause for differences here will be items for which no deposit was made by the union, such as interest on the account or corrections to deposit amounts made by the bank. Because no deposit was made for these transactions, the treasurer may have overlooked them on the bank statements. For example, see the deposit correction on the bank statement (Appendix A). This amount must be transferred to the cash receipts journal, (see example in Appendix B) in order to reconcile the account.

STEP 3: REVIEW CASH DISBURSEMENTS (EXPENDITURES)

Examine checks, check stubs, cash disbursement journals and bank statements to verify the following practices. Some locals with only a few transactions each month may not have a cash disbursement journal.

A sample bank statement is shown in Appendix A, and a sample cash disbursement journal is shown in Appendix C on page 20.

- Are all expenditures paid by check? *Our local started ACH / Bill Pay in January.*
- Do the appropriate union officers authorize all checks? (See Step 6 on page 9 for details.)
- Are checks pre-numbered and written in numerical order? Make sure that all check numbers are accounted for. *1 check is missing but has not been used.*
- Review canceled checks for proper payee and endorsement. Voided checks must never be destroyed, but should be clearly marked "VOID" across the face of the check and the check should be retained.
- Verify that each check disbursed is supported by adequate documentation in the form of an original invoice, voucher or receipt. Compare paid invoices, vouchers and receipts with canceled checks. A lease or a contract, instead of a monthly invoice may support some disbursements, like rent.
- Verify that all disbursements are entered in the cash disbursement journal.

STEP 4: BALANCE THE CHECKBOOK

The treasurer should have reconciled the checking account every month shortly after the statement was received from the bank. The principle behind balancing the checkbook is that there may be deposits that were mailed or checks that were written that have not yet cleared the bank as of the date of the statement. The bank statement has to be reconciled to the union's financial records. This reconciliation can be done as of the last day of each month, no matter what date during the month the statement is received. Simply list transactions dated between the statement date and the end of the month as outstanding.

If your union's treasurer has been balancing the checkbook at the end of each month, your job will be that much easier. You will only have to review his or her work. Using the form shown on page 8 will probably make your reconciliation easier. The process is the same as that which you may use to balance your personal checkbook at home. Here are the steps involved in balancing the checkbook at the end of each period:

- Sort the canceled checks in numerical order and check them off in the check stubs, the check register or the cash disbursement journal as having cleared the bank. If your bank does not return canceled checks, use the list of checks on the bank statement to check off those items that have cleared the bank.
- Make sure that any bank charges, interest earned or similar transactions are entered in the checkbook and appropriate journals.

- Copy the beginning balance from the checkbook and place it on Line A of the reconciliation form.
- Total all of the deposits for the period from the cash receipts journal (if one is maintained) or from the checkbook. List that total on Line B of the reconciliation form.
- Add Lines A and B and put the total on Line C.
- Add the total of all of the transactions in the cash disbursements journal (if one is maintained) and place that total on Line D.
- Subtract Line D from Line C and place that total on Line E. Make sure this total is the same as the ending balance in the checkbook.
- Copy the ending bank balance from the bank statement onto Line F.
- List all of the deposits listed in the cash receipts journal or the checkbook that do not appear on the bank statement. Place that total on Line G. ϕ
- Add Lines F and G and place that total on Line H. ϕ
- List all of the checks contained in the cash disbursement journal or the checkbook that have not yet cleared the bank in the section for outstanding checks. (Caution - there may also be checks from previous periods that have not yet cleared). Place that total on Line I. ϕ
- Subtract Line I from Line H and enter that amount on Line J. This is the adjusted bank balance and should be the same as the ending checkbook balance. ϕ
- If the adjusted bank balance does not equal the ending checkbook balance, you will have to find the differences. Most often, those differences arise from deposit corrections or bank charges that appear on the bank statement but were not recorded in the union's books. Another common mistake is listing a check as outstanding when it has actually cleared the bank or by failing to list an outstanding check.

STEP 5: BALANCE OTHER ACCOUNTS

Your union may have other cash accounts in addition to the checking account such as savings accounts or other investments. The procedures for reconciling those accounts will be the same as for the checking accounts, with a few exceptions.

First, there will be far fewer transactions in those accounts. Secondly, there will probably not be any checks written on those accounts, so the documents to be totaled will likely be deposits, transfers and withdrawal tickets. Using the same format shown in Step 4, follow these procedures to reconcile those other accounts.

- Place the beginning balance on Line A.
- Total all of the deposits to the account and list that total on Line B.
- Add Lines A and B and place that total on Line C.
- Total all of the withdrawals from the account and list that total on Line D.
(This is the ending balance for the period.)
- Place the ending statement balance on Line F.
- Total all of the deposits not shown on the statement and place that total on Line G.
- Add Lines F and G. Place this total on Line H.
- Total all withdrawals that do not appear on the statement, if any, and place that total on Line I.
- Add Lines H and I to determine the adjusted bank balance (Line J). This should be the same as the balance in the union's checkbook (Line E).
- Use special care to trace all withdrawals and transfers to other union cash accounts.

STEP 6

EXAMINE SUPPORTING DOCUMENTS

Each transaction should have a document that supports it. This is true for receipts, disbursements and transfers between accounts. The purpose of this step is to ensure that all transactions have such justification.

- Verify that each receipt (income item) has documentation to support it. This may be in the form of a letter that accompanied the check, a check stub, or a voucher from the firm that sent the check. If cash was received, a receipt should have been issued to the payer. Make sure that the amount in the documentation agrees with the amount deposited.
- Verify that each disbursement has documentation to support it. This will usually be in the form of an invoice, an expense voucher, a receipt issued by the payee, or a similar document. All invoices should be original copies so as to avoid duplicate payments. Make sure that the amount in the documentation agrees with the amount deposited.
- If a payment is a recurring payment, the documentation may be in the form of a long-term lease or contract. For example, monthly rent payments are not usually invoiced, but there should be a lease in the file to document the amount of the payments and the due dates.
- If a payment is an unusual one, it may be supported by a copy of the appropriate Executive Board minutes. All transactions that are not included in the budget, all new bank accounts or investments, and all long-term leases or contracts should be approved by the Executive Board and reported in the minutes.
- Has an investment policy been adopted? For example, must all deposits be in banks insured by the Federal Deposit Insurance Corporation (FDIC)? Careful attention should be paid to FDIC limits (currently \$100,000) to protect the union's funds.
- Keep a list of all transactions that are not documented and discuss them with the treasurer. *EBoard discussing*

STEP 7: VERIFY THE ACCURACY OF THE FINANCIAL STATEMENTS

In Steps 1 through 5, you have verified the totals in the financial records and reconciled those totals to the bank statements. The financial statements are a summary of the financial records and, therefore, should reflect the totals that you have already verified. A sample Balance Sheet and a sample Statement of Income and Expenditures are shown in Appendix D (page 21) and Appendix E (page 22).

The same income and expense categories should be used in the union's budget, financial records and financial statements.

- Verify that the total of each of the categories in the cash receipts records is listed as income on the Statement of Income and Expenditures.
- Verify that the total of each of the categories in the cash disbursement records is listed correctly on the Statement of Income and Expenditures.
- Verify that the totals of income and expenditures are correct, and that the difference between the two (surplus or deficit) is correct.

- Verify that the checking account balance and the balances of all other assets and liabilities are listed correctly on the Balance Sheet.
- Verify that the totals of the assets and liabilities are correct.
- Verify that the beginning Fund Balance is the same as the ending Fund Balance for the previous year.
- Verify that the change in the Fund Balance is the same as the surplus or deficit for the current year.

STEP 8: WRITE THE FINANCIAL REVIEW COMMITTEE REPORT

Now that you have verified the totals contained in the financial records, reconciled them to the bank statements, and traced them through the financial reports, you are ready to write the Financial Review Committee's report.

The report should be written on the union's letterhead and contain the following information:

- The name and local number of the organization.
- The dates encompassed by the review.
- Whether or not the books were found to be in good order.
- Any deficiencies that were uncovered.
- The live **signatures** of all committee members to show that all concur with the report.
- Footnote any items that are important to the union's financial position but are not clearly explained in the financial statements. Examples of footnotes are contained in the sample financial review committee reports on pages 13-16.
- ATTACH A COPY OF THE UNIONS BALANCE SHEET AND STATEMENT OF INCOME AND EXPENDITURES TO THE FINANCIAL REVIEW COMMITTEE'S REPORT.**
- APPENDED TO THE WRITTEN FINANCIAL REVIEW MUST BE A SIGNED CERTIFICATION BY THE AFFILIATE'S PRINCIPAL OFFICER (SEE PAGE 17) THAT THE CURRENT FINANCIAL REVIEW HAS BEEN PRESENTED AT A SPECIFIED REGULAR OR SPECIAL MEETING OF THE AFFILIATE'S GOVERNING BODY AND PUBLISHED AND MADE AVAILABLE TOL THE MEMBERS.**
- A COPY OF THE FINANCIAL REVIEW COMMITTEE'S REPORT AND THE FINANCIAL STATEMENTS MUST BE SENT TO THE AFT WITHIN 6 MONTHS OF THE LOCAL'S FISCAL YEAR END (JANUARY 1 FOR A FISCAL YEAR ENDING JUNE 30).**