

Nonprofit Audit Committee Member Functional Activities At-A-Glance

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The following is a brief, one-page summary of some of the more important nonprofit audit committee member functional activities, not listed in any particular order. For nonprofits that do not have an audit committee, the activities below would apply at the board level. The list changes from time to time depending on current circumstances. Please also refer to my detailed resource materials.

1. Read and understand the Business Judgment Rule for nonprofit directors. Generally, California Corporations Code §§5231 and 7231, and §9241 for religious organizations.
2. Read and understand the California Nonprofit Integrity Act, for nonprofits that are subject to the Act. Generally, for audit committees, California Government Code §12586.
3. Adopt an audit committee Charter, approved by the board, and reviewed annually.
4. Oversee the nonprofit's accounting system, financial reporting, and related internal controls.
5. Oversee the acceptability, quality, performance and timing of financial reporting, and accounting principles, practices, policies and procedures, including with respect to estimates, uncertainties, related party transactions, off-balance sheet items, allocations between accounts and funds, and timing/cutoff procedures.
6. Have an understanding about the information that is provided by an audit, review or compilation (for nonprofits for which such services are preformed). And, for such services, also an understanding about Statement on Auditing Standards 54 (illegal acts), 99 (fraud), 100 (interim financial information), 109 (the entity and its environment), 112 (internal control matters), and 114 (communication with those charged with governance).
7. Recommend the retention and termination of the independent auditor, and possibly negotiate the auditor's compensation (if auditor services are retained). Review the auditor's independence.
8. Oversee the planning and performance of the annual audit, review or compilation, if any.
9. Review the performance of the audit, review or compilation, and discuss the auditor's finding and proposed opinion or report. Provide recommendations to the board regarding the same.
10. Perform an committee self-evaluation annually, including a review of possible improvements and needs at the committee, entity and independent auditor levels.
11. Adopt, oversee and carry out appropriate anonymous whistleblower processes.
12. Oversee tax compliance issues.
13. Oversee compliance with governmental and non-governmental revenue source requirements.
14. Review and/or adopt committee meeting agenda preparation, decision making, meeting timing and scheduling, meeting operational, and meeting documentation/minute processes.
15. Additional activities as determined by the board and the committee.