

Audit Committee Checklist



During the Year and Pre-Audit

- Review the independence of the audit firm and any potential conflicts of interest. Select and retain the audit firm for the current year.
- Review prior year communications from the auditor, including the management letter, schedules of audit adjustments and other documents and related responses by management throughout the year.
- Review the system of internal controls in place to determine their adequacy and effectiveness. Recommend improvements.
- Review material transactions, agreements and other arrangements between the organization and its employees and board members to identify potential conflicts of interest.
- Review accounting estimates and management assumptions used in the preparation of financial statements.

During the Audit

- Ask the auditors about any significant changes to accounting or auditing standards that may affect your organization's audit.
- Inform the auditors of any audit risks or other concerns identified by the board and its committees.
- Be informed about the nature of audit adjustments that could have significant implications on the financial reporting process.
- Monitor timeline and progress of the audit, noting the nature of any significant issues or delays that arise.

Post-Audit

- Meet with external auditors to discuss scope, concerns, conflicts of interest and findings of the audit.
- Interview the management team about the audit experience and any situations that create discomfort (e.g. fraud concerns, processes, risks, etc.).
- Review auditor findings and interview notes; compile recommendations about necessary steps for the organization to take to improve internal controls and operational procedures.
- Evaluate the auditors and their retention for following year.

Other helpful resources

Type the following into your search engine for more resources:

- National Council of Nonprofits' Managing an Audit: A Step-by-Step Approach
- AICPA Not-for-Profit Audit Committee Toolkit Downloads

Form 990

What Boards Need to Know

The IRS encourages board members to review and approve the Form 990 prior to filing with the IRS and describe the process undertaken. While not a requirement, it is best practice to have it reviewed and approved at the board level. Here are some key points board members should be aware of during the review:

- Be aware of changes in financial results from year-to-year (Part I)
- Be familiar with what programs are being described (Part III)
- Be familiar with the responses in the governance section (Part VI)
- Be aware of compensation disclosures (Part VII and Schedule J)
- Understand the need for identifying family and business relationships (Part VI and Schedule L)
- Know the expense allocation percentages and what they mean (Part IX)
- Know if the organization has UBI and for what (Part I and Form 990-T)
- Understand the public support test – are you passing by a lot or a little? (Schedule A)
- Read Schedule O – ensure the description of policies and practices is in line with actual operations.