

Audit Committee Checklist and CEO Affirmation – Sarbanes Oxley

The Sarbanes Oxley Act recommends that corporate CEOs (executive directors) attest or affirm to their board of directors at least annually that every aspect of the organization is properly managed.

This might be done with a checklist (sample herein by ASAE), by your accountant at the time of completing a financial audit or information return, or by using the Association Self-Audit Process manual. The following guides both the audit committee and CEO in reviewing operations.

A. Review with Outside Auditor

___ The annual financial statements and related footnotes and financial information to be included in the annual report to members.

___ The scope and general extent of the outside auditor's annual audit. The committee's review should include an explanation from the outside auditors of the factors considered by the accountants in determining the audit scope, including major risk factors.

___ The outside auditors should confirm to the committee that no limitations have been placed on the scope or nature of their audit procedures.

___ Results of the audit of the financial statements and the related report therein and, if applicable, a report on changes during the year in accounting principles and their application.

___ Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the outside auditors during their audit, including access to all requested records, data, and information.

___ Ask the outside auditors if there have been any disagreements with staff that, if left unresolved, would have caused them to issue a nonstandard report on the organization's financial statements.

___ Receive written communication from the outside auditors concerning their judgment about the quality of the staff's accounting principles, and confirm that they concur with management's representation concerning audit adjustments.

___ Obtain annually from the outside auditors a letter regarding the adequacy of internal controls.

___ Meet with the executive director and the outside auditors to discuss any "material" or "serious" recommendations. The committee should review staff's responses to the letter of comments and recommendations from the independent accountants and receive follow-up reports on action taken to resolve recommendations.

___ Inquire as to the independence of the outside auditors and obtain from the outside auditors (at least annually) a formal written statement delineating all relationships between the outside auditors and the organization.

___ Review significant accounting and reporting principles, practices, and procedures used by the organization in preparing its financial statements.

___ Discuss with the outside auditors their judgments about the quality—not just the acceptability—of the organization's accounting principles.

___ Private session with outside auditors.

B. Executive Director

___ Review with the audit committee and the outside auditors the methods used to establish and monitor the organization's policies with respect to unethical or illegal activities by organization employees that may have a material impact on the financial statements.

_____ As part of the review of annual financial statements, receive an oral report (at least annually) from the organization's general counsel regarding legal and regulatory matters that may have a material impact on financial statements.

C. Audit Committee

_____ Recommend to the board the selection, retention, or termination of the organization's outside auditors.

_____ Reassess the adequacy of the committee charter and recommend any proposed changes to the board for approval.

_____ Discuss with the outside auditors the quality of the organization's financial and accounting personnel. Also, ask the executive director about the responsiveness of the independent accountants to the organization's needs.

_____ Subject to the prior approval of the board, arrange for and monitor special investigations, as needed.

_____ Develop a policy and process for grievances associated with organizational financial practices.

#

Credit: American Society of Association Executives and National Council of Nonprofit Associations with adaptation for use by Bob Harris, CAE. 8-04. Used for teaching purposes and sample only. Contact legal and accounting professionals for counsel.