



2021
NONPROFIT >>>>
AUDIT COMMITTEE

BOOTCAMP

FREE LIVE WEBINAR SERIES

CERINI & ASSOCIATES
LLP
CERTIFIED PUBLIC ACCOUNTANTS

Roles and Responsibilities of the Audit Committee



Legal Aspects of Audit Committee

- ▶ Pursuant to the Nonprofit Revitalization Act of 2013, audit committee is required for any NY State organization required to have an audit
- ▶ The Audit Committee is a committee of the Board:
 - ▶ Operates under the authority of the Board
 - ▶ Made up of at least 3 independent Board Members
 - ▶ Can have additional non-voting independent members
- ▶ The organization's bylaws should include the audit committee as a standing committee
 - ▶ May incorporate into another Board Committee (e.g. Finance) or make the responsibility of the Board
- ▶ Should create a Charter that outlines the responsibility of the Audit Committee, which is reviewed and updated regularly

Independent Director

An Independent Director is an individual that:

- ▶ Is not and has not during the prior 3 years been an employee or key person of the organization or any of its affiliates
- ▶ Has not received over \$10K from the organization over the last 3 years
- ▶ Does not have a relative who has been a key person or received \$10K from the organization over the last 3 years (Can have relative who is an employee as long as they are not a key person)

Purpose of the Audit Committee

- ▶ To evaluate risk within the Organization, both internally and externally
- ▶ To select an independent certified public accountant to perform the audit of the organization's financial statements, to oversee the audit process, and to review and approve the audited financial statements (This includes pension audits)
- ▶ To evaluate the auditor's findings
- ▶ The audit committee should include members that can take responsibility for the accuracy of the audited financial statements. The individuals should have at least a basic understanding of the following:
 - ▶ Nonprofit financial statements that are presented in accordance with Accounting Principles Generally Accepted in the United States of America (US GAAP).
 - ▶ Internal controls of the organization and the audit process.
 - ▶ Changes in reimbursement and compliance related issues
- ▶ If an organization has an internal audit function, the process should be monitored and directed by the audit committee.

Purpose of the Audit Committee

- ▶ If the Organization has a QA or Medicaid Compliance function, meet to discuss concerns, risks, and findings
- ▶ Receive and consider actions to recommend to the full board as a result of recommendations from the auditors about actions the nonprofit should take to improve its financial reporting and management practices, as needed.
- ▶ Handling complaints about financial mismanagement
- ▶ Review audit reports from governmental audits and funding sources
- ▶ Monitor Conflicts of interest
- ▶ Monitor Legal matters that could impact the reputation and financial health of the organization
- ▶ Review Insurance Loss Experience Runs
- ▶ Review Self-Reporting to the Justice Center
- ▶ Review Insurance coverage limits and adequacy

Responsibilities of the Audit Committee

- ▶ The audit committee is responsible for selecting a qualified independent certified public accountant to perform the financial statement audit. This process includes sending a request for proposal to several CPA firms. Also responsible for evaluating the effectiveness of the firm performing the audit.
- ▶ In accordance with the Nonprofit Revitalization Act of 2013, the audit committee is required to have a meeting with the auditor prior to the start of the audit and after the completion of the audit. This applies to organizations with \$1 million or more in total annual revenue.
- ▶ Review and approve the results of the audit. This includes:
 - ▶ Audited financial statements.
 - ▶ Identification of material weaknesses in internal controls.
 - ▶ Any restrictions on the scope of the auditor's activities or access to requested information.
 - ▶ Required communications
 - ▶ Any significant disagreements with management (without management).
- ▶ Once the financial statements are approved, the audit committee will present the audited financial statements to the Board for their chance to review and comment on the audited financial statements.
- ▶ The audit committee should also review the organization's IRS Form 990 for accuracy of the financial information prior to filing.



Sample Audit Committee Annual Schedule

- ▶ Third Quarter of Year:
 - ▶ Review and approval of audit firm/selection of new firm
 - ▶ Compliance Training if necessary
 - ▶ Meet with Internal auditor to discuss results of quarterly testing
 - ▶ Meet with external auditor re: Pension audit
- ▶ Fourth Quarter of Year:
 - ▶ Pre-audit meeting with external auditor
 - ▶ Discussion of new audit regulations/pronouncements
 - ▶ Information technology discussion (security risks)
 - ▶ Meet with internal auditor to discuss results of quarterly testing
 - ▶ Review of Insurance loss experience runs

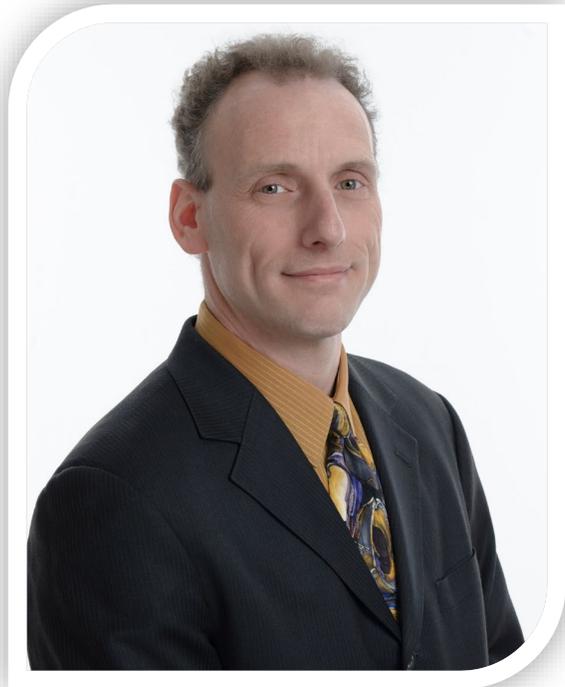
Sample Audit Committee Annual Schedule

- ▶ First Quarter of Year:
 - ▶ Meet with internal auditor to discuss annual risk assessment and results of quarterly testing
 - ▶ Meet with compliance officer/QA function to discuss risks, approach, and findings
 - ▶ Discussion of organizational risk and internal controls
 - ▶ Monitoring of conflict of interest
- ▶ Second Quarter of the Year:
 - ▶ Meet with external auditors regarding results of audit
 - ▶ Discuss audit findings
 - ▶ Review 990
 - ▶ Discussion of operational matters
 - ▶ Meet with internal auditor to discuss results of quarterly testing

Audit Committee Meetings

- ▶ Minutes must be taken at each audit committee meeting. The meeting minutes serve as support for the audit committee's discussions and decisions, as well as the required discussions with the auditors.
- ▶ Need to have a quorum since decisions can be binding on the Organization
- ▶ Audit Committee Chairman (Usually Treasurer) should report back to the Board the results of the audit committee

Thanks!



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CERINI & ASSOCIATES LLP
Certified Public Accountants

2021 NONPROFIT AUDIT COMMITTEE BOOTCAMP

Join audit experts Ken Cerini, Matthew Burke, and Tania Quigley for our informative live webinar series!

FREE LIVE WEBINAR SERIES

MAR Roles and Responsibilities
TUESDAY
MAR 30, 2021
9AM - 10AM
Ken Cerini & Tania Quigley
[Link to Register: www.bit.ly/3e3UYQC](http://www.bit.ly/3e3UYQC)

APR The Committee's Role in the Audit Process
TUESDAY
APR 13, 2021
9AM - 10AM
Ken Cerini & Matthew Burke
[Link to Register: www.bit.ly/3bdUTrG](http://www.bit.ly/3bdUTrG)

MAY Internal Communication and Understanding Risk
WEDNESDAY
MAY 5, 2021
9AM - 10AM
Matthew Burke & Tania Quigley
[Link to Register: www.bit.ly/3sM5K2k](http://www.bit.ly/3sM5K2k)

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▶ The Committee's Role in the Audit Process

- ▶ Tuesday, April 13, 2021 9:00am – 10:00am
- ▶ **The role of the audit committee with respect to external parties** – We will discuss the audit RFP, the selection of the external auditors, what you should be asking of your auditors, going beyond the financials to focus on analytics, operations, and compliance, and more. (e.g. government audits).

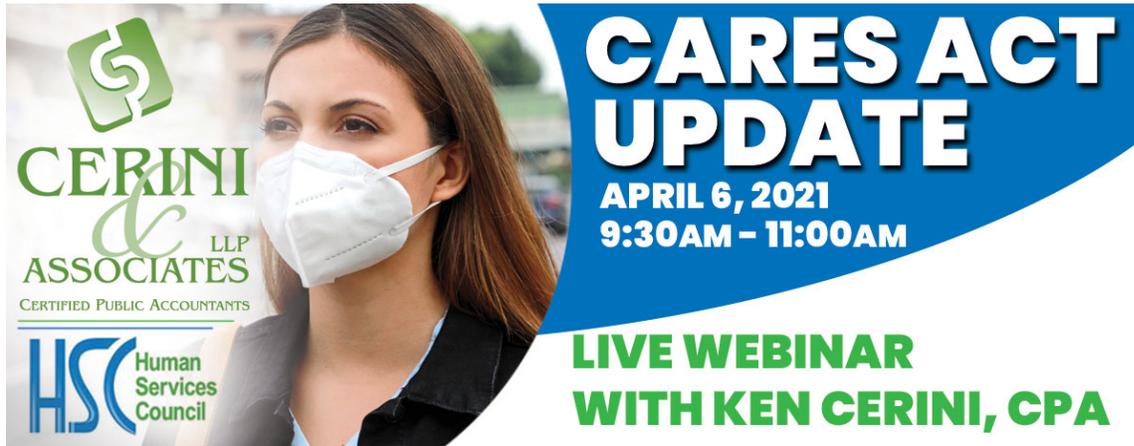
▶ Internal Communication and Understanding Risk

- ▶ Wednesday, May 5, 2021 9:00am – 10:00am
- ▶ **The role of the audit committee with respect to internal parties** – We will discuss who should be communicating with the audit committee, how often, what information should the audit committee review with respect to the organization's control environment, what risks should the organization be considering and whose responsibility it is.

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Register here: <https://ceriniandassociates.com/nonprofit-audit-committee-bootcamp/>

Register For Our Nonprofit CARES Act Update!



- ▶ **Nonprofit CARES Act Update**
- ▶ Tuesday April 6, 2020 9:30 am – 11:00 am
- ▶ We will be discussing:
 - ▶ How forgiveness interplays with your funding streams
 - ▶ With so many resources (HHS, PPP, ERTC, etc.) how they interplay with each other and how they can be effectively deployed
 - ▶ While PPP does not open providers up for a Uniform guidance audit, ERTC, HHS, and other CARES Act related funding could ... are you appropriately prepared for these audits and do you understand your responsibilities?
 - ▶ If you received over \$2 million in PPP funding, you could be subject to audit ... Is your agency ready.
- ▶ Register here: <https://ceriniandassociates.com/events/nonprofit-cares-act-update/>