

TREE Fund Audit Committee Charter Matrix

Audit Committee Charter	Steps to Accomplish the Objective (Checklist)	Deliverable	When to Achieve (Frequency Due Date)	Date Completed
<p>1. The chair of the audit committee shall be a member of the board of directors, in good standing, and all members shall be independent in order to serve on this committee.</p> <p>Although not all audit committee members need be members of the board of directors, a majority of the audit committee members should be members of the board of directors.</p>	<p>Test for independence, based on the policies established by the organization.</p> <p>Minimal independence standards would prohibit employees or those with direct financial interests in entities serving the organization from serving on the audit committee.</p> <p>Additionally, an organization's independent auditors should not serve on the audit committee or on the board of directors.</p>	<p>Indicate in the audit committee minutes whenever a new member is appointed.</p>	<p>Affirm annually or whenever a change in status by any audit committee member occurs.</p>	
<p>2. The audit committee should have access to <i>financial expertise</i>, whether in the form of a single individual serving on the committee, or collectively among committee members.</p> <p>If the financial expertise is provided by one individual, it is desirable that he or she be a member of the board of directors. When no single member of the board has the requisite skills, other arrangements should be made to ensure that the audit committee has the financial expertise to carry out its duties.</p>	<p>Ascertain that the audit committee has the requisite financial expertise as defined by the organization.</p>	<p>Indicate in audit committee meeting minutes how financial expertise is available to the audit committee.</p>	<p>Affirm annually and when there is a change in status.</p>	

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3. Review the committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the board of directors. Consider changes that are necessary as a result of new laws or regulations.	Review the charter each year. Assess the appropriateness of each point in the charter in light of the previous year's experience. Assess the completeness of the charter in light of new best practices and new legal or regulatory requirements.	Report to the board on the appropriateness of the audit committee charter and any revisions recommended.	Review annually, unless changes are needed during the course of the year.	
4. The audit committee will meet as needed to address matters on its agenda, but not less frequently than twice each year. The audit committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.	In-person meetings should be held at least once each year. All members are expected to attend each meeting in person, via telephone conference, or videoconference. Telephone conference meetings may be held more frequently. The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials.	Prepare minutes that document decisions made and action steps following meetings and review for approval. Meeting minutes should be filed with the board of directors.	Minutes should be distributed within 2 weeks after meeting.	
5. Conduct executive sessions as needed with the outside auditors, President/CEO, treasurer, legal counsel, and staff.	Establish these sessions in conjunction with regularly scheduled meetings or by phone as necessary.	Develop action steps to be taken, if appropriate.	Review as necessary, but not less frequently than regularly scheduled meetings.	
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6. The audit committee, or its be authorized to hire independent auditors, counsel, or other consultants as necessary.	Establish a policy for the audit committee to preapproved engaging independent auditors and other experts. Discuss whether a budget should be established for this purpose. Requests for proposals (RFPs) should be used if time permits.	Review and approve signing of an engagement letter by President/CEO for each engagement. Report submitted by external accountant, counsel, or consultant.	Continually review the policy and compliance with it as needed.	

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<p>7. Appoint or approve the hiring of independent auditors to be engaged by the organization, establish the audit fees of the independent auditors, and pre-approve any non-audit services provided by the independent auditors, including tax services, before the services are rendered.</p> <p>Review with management the significance of bidding out audit services.</p>	<p>At least once each year, discuss each of these items with management and the board of directors.</p> <p>Review total audit fee in relation to any non-audit services being provided by the independent auditors.</p> <p>Review and evaluate the professional relationship with the auditors, including continuity of partner, manager, and staff; and level of service provided by auditors.</p> <p>Review the scope of <i>all</i> services provided by the audit firm throughout the organization.</p>	<p>Document these discussions in the audit committee meeting minutes. Report on findings and provide recommendations to the board as considered necessary.</p>	<p>Review, soon after the audit has been approved by the board, so the recommendation for the appointment of the outside auditor, in the next fiscal year, can be documented in the board minutes.</p>	
<p>8. Review with management the policies and procedures with respect to officers, key employees (executive director), disqualified persons as defined by the IRS (under Internal Revenue Code Section 4958), expense accounts, and perks, including excess benefit transactions; consider the results of any review of these areas by the internal auditor or the independent auditors.</p>	<p>Ensure written policies and procedures exist.</p> <p>Discuss with the CAE, or equivalent, the need for testing by either the internal auditors, independent auditors, or other parties.</p>	<p>Report issues, if any, to the board.</p>	<p>Review policies and procedures annually.</p> <p>Review any significant findings as they arise.</p>	

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9. Inquire of President/CEO, Treasurer, staff and the independent auditors about significant risks or exposures facing the organization; assess the steps management has taken or proposes to take to minimize such risks to the organization; and periodically review compliance with such steps.	Document the material risks that the organization faces. Update as events occur. Review with management and the CAE on a periodic basis.	Submit a risk report to the board and the independent auditors including mitigation strategies and quantifiable risks and insurance to cover such risks, e.g., loss of business.	Review at least once each year, and more frequently if necessary.	
10. Review with the independent auditors, President/CEO and Treasurer the audit scope and plan of the independent auditors.	Meet with external audit partner President/CEO and Treasurer to discuss scope of the previous year's audit, and lessons learned. Later, discuss planned scope for audit of current year and the standard of work to be followed.	Document the meeting in the audit committee meeting minutes.	On an annual basis, review the scope of the previous year's audit.	
11. Consider reviewing with President/CEO, Treasurer, Finance and Executive Committees: <ul style="list-style-type: none"> • Significant findings on reviews and/or audits during the year and management's responses thereto • Whether Reviewer or Auditor encountered any difficulties in the course of its work, such as any restrictions on the scope of the work or access to required information 	Review reports of reviews and/or audits issued since the previous meeting and plan for the upcoming year. Review and discuss the findings for reviews and/or audits completed since the prior meeting, and management's response to the reports.	Report on the status of reviews and/or audits planned for the next year.	Review at each meeting.	

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<ul style="list-style-type: none"> Any changes required in the scope of its internal reviews or audits. <p>If an Internal Auditor position or Internal Audit department is established, review:</p> <ul style="list-style-type: none"> The Internal Audit department's budget and staffing The Internal Audit department's charter Internal Audit's compliance with the Institute of Internal Auditors' (IIA's) Standards for the Professional Practice of Internal Auditing (Standards), if applicable. <p>Internal Audit should meet separately with the independent auditors.</p>	<p>Discuss Internal Audit's compliance with IIA Standards, if applicable, including the requirement for a peer review once every five years. If the organization receives federal funds, Internal Audit is required to have a peer review once every three years if the independent auditors plan to rely on their work to reduce the external audit scope.</p> <p>Review the internal audit charter periodically and update, if necessary.</p>			
<p>12. Inquire of the President/CEO, Treasurer and Executive Committee regarding the sources of support and revenue of the organization from a subjective as well as an objective standpoint.</p>	<p>Discuss sources of support and revenue with the President/CEO, Treasurer and Executive Committee. Identify any issues addressed, and their resolution.</p>	<p>Include an agenda item for executive sessions.</p>	<p>Review, as necessary, but at least annually.</p>	
<p>13. Review with the independent auditors, President/CEO and Treasurer:</p> <ul style="list-style-type: none"> The adequacy of the organization's internal controls, including computerized information system controls and security Any related significant findings and recommendations of the independent auditors and internal audit services, together with management's responses thereto 	<p>Review reports of internal reviews and/or audits completed since the prior audit committee meeting and determine that all weaknesses are quantified and addressed.</p> <p>Review key internal controls with the President/CEO and Treasurer.</p> <p>Review these with the independent auditors to understand their scope with respect to key controls.</p>	<p>Report to the board on issues relating to internal controls, with emphasis on management's ability to override controls.</p>	<p>Submit a comprehensive report to the board at a specified meeting each year.</p> <p>Update on anything new, or any changes to the internal control system, at every meeting.</p>	

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	<p>Review with the auditor the plans for audits of other elements of the control environment.</p> <p>Determine that all internal control weaknesses are quantified, reviewed, and addressed and set plans for further reviews and/or audits if needed.</p>			
<p>14. Review with management and the independent auditors the effect of any regulatory and accounting initiatives, as well as other unique transactions and financial relationships, if any.</p>	<p>Independently, through professional reading and continuing education, keep up-to-date on new developments related to the not-for-profit industry, the organization's specific sector, and the environment in which the organization operates, including any regulatory requirements it may be subject to.</p> <p>Discuss with management and the independent auditors in meetings.</p>	<p>Record discussion and any action steps in audit committee meeting minutes.</p>	<p>Review as necessary.</p>	
<p>15. Review with the President/CEO and Treasurer, any interim financial reports issued since the last meeting.</p>	<p>Discuss the financial statements with emphasis on changes in reporting, new and unusual transactions, and financial trends.</p>	<p>Record discussion and any action steps in audit committee meeting minutes.</p>	<p>Review as necessary.</p>	
<p>16. Review with each public accounting firm that performs an audit:</p> <ul style="list-style-type: none"> All critical accounting policies and practices used by the organization. 	<p>Discuss each matter, and related matters that may come to the attention of the audit committee and/or the independent auditors through this process.</p> <p>Create an action plan and follow-up plan as necessary.</p>	<p>Submit reports and documentation of discussions and resolution of disagreements.</p>	<p>Review, at least annually, and/or in conjunction with the year-end audit.</p>	

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<ul style="list-style-type: none"> All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the organization, the ramifications of each alternative, and the treatment preferred by the organization. 				
17. Review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.	Discuss each item with the independent auditors and management (including the Treasurer) and conclude on the appropriateness of the proposed resolution.	Submit reports and documentation of discussions, resolution of issues, and the action plan for any items requiring follow-up and monitoring.	Review, at the completion of the external audit.	
18. Review with the President/CEO, Treasurer and the independent auditors: <ul style="list-style-type: none"> The organization's annual financial statements and related footnotes The independent auditors' audit of the financial statements and their report thereon The independent auditors' judgments about the quality, not just the acceptability, of the organization's accounting principles as applied in its financial reporting Any significant changes required in the independent auditors' audit plan 	Discuss each matter, and others that may come to the attention of the audit committee through this process, with management and the independent auditors. Review with management the course of action to be taken for any action requiring follow-up. Monitor any follow-up action that requires continued audit committee intervention.	Submit reports and documentation of discussions, resolution of disagreements, or action plan for any item requiring follow-up.	Review at the completion of the annual external audit.	

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<ul style="list-style-type: none"> Any serious difficulties or disputes with management encountered during the audit Matters required to be discussed by Statement on Auditing Standards (SAS) No. 61, <i>Communication With Audit Committees</i> (AICPA, Professional Standards, vol. 1, AU sec. 380), as amended, related to the conduct of the audit. 				
19. Review, with auditor, legal counsel, President/CEO and Treasurer, legal and regulatory matters that, may have a material impact on the financial statements and reports received from regulators.	Discuss whether the organization is in compliance with laws and regulations that govern the environment(s) in which it operates, as well as other applicable laws and regulations.	Report to the board that the review has taken place and any matters that need to be brought to its attention.	Review at least annually.	
20. Periodically review the organization's code of conduct/ethics to ensure that it is adequate and up-to-date.	Review results with the President/CEO and general counsel. Consider any adjustments that may be necessary to the organization's code of conduct/ethics.	Report to the Board that the review of the code of conduct/ethics was done.	Review at least annually. Review any significant findings as they arise.	

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Review, with the President/CEO, Treasurer (or if necessary directly with the Board) and legal counsel the results of their review of the monitoring of compliance with the organization's code of conduct/ethics.	Consider steps that may need to be taken to ensure that compliance is at the highest possible level.	Recommend changes to the code of conduct/ethics to the board as needed.		
21. Review the procedures for the receipt, retention, and treatment of complaints received by the organization regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization. Review any complaints that might have been received, current status, and resolution if one has been reached.	Review procedures with the President/CEO, Treasurer and legal counsel. Review all complaints that have been received and the status of resolution. Ensure that proper steps are taken to investigate complaints and resolve them in a timely fashion.	Review an original of each complaint received, no matter the media used to submit. Discuss the status or resolution of each complaint. Review a cumulative list of complaints submitted to date to review for patterns or other observations.	Review at least annually.	
22. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. Review any submissions that have been received, the current status, and the resolution, if one has been reached.	Review procedures with the President/CEO, Treasurer and legal counsel. Review all complaints that have been received and the status of resolution. Ensure that proper steps are taken to investigate complaints and resolve timely.	Review an original of each complaint received no matter the media used to submit. Discuss the status of resolution of each complaint Review a cumulative list of complaints submitted to date to review for patterns or other observations.	Review at least annually.	

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23. The audit committee will perform such other functions as assigned by the organization's charter or bylaws, or the Board..	Monitor developments in the regulatory and legislative and legal environment and respond to any new requirements as needed.		Review new business at all meetings.	
24. The audit committee will evaluate the independent auditor..	Use a formal assessment tool for each group.	Submit recommendations for change in process and procedures. For independent auditors, request proposals if changes are being considered.	Review after completion of the annual audit.	
25. The audit committee will review its effectiveness.	The audit committee will review its accomplishments and make recommendations for improving its effectiveness.	Discuss recommendations with board of directors.	Review annually.	
26. Create an agenda for the ensuing year or review and approve the agenda submitted by the Executive Director			Review before the upcoming year.	
27. Oversee the preparation of, or prepare, an audit committee annual report.	Review and discuss the report with the President/CEO, Treasurer and auditors.	Annual report finalized and approved. Present to board.	Review annually upon completion of audited financial statements	