

## AUDIT COMMITTEE REPORT

April 8, 2018

President Gary White appointed Andi Rivarola, Cheryl Deaton, and Jill Bonino to a new AIS Audit Committee at the November 2017 Board Meeting.

The goal of this Committee is to determine its purpose and to outline policy and procedures for ensuring proper oversight of the AIS financial records. We conducted research to gather information on “What is An Audit Committee”, “What are an Audit Committee’s Duties” etc. We found a website specifically for nonprofit organizations.

The AIS is now a member of the National Council of Nonprofits ([www.councilofnonprofits.org](http://www.councilofnonprofits.org)). The website includes many articles for nonprofit organizations on how to set up an Audit Committee; how to write an audit program; does the organization need an independent audit; and what is an independent audit.

Since the AIS does not receive either directly or indirectly any funding from the Federal Government, it is not required to have an independent annual audit. In addition there is no requirement in the State of Oregon for a nonprofit to have an annual audit (AIS Storefront). This is the only state where the AIS is required to file an annual income tax return.

The Committee met on November 20, 2017 and had a wide ranging discussion on all of the above topics. Summarized below are our proposals for operating the AIS Audit Committee:

1. The AIS Audit Committee is to be made up of three volunteers, appointed by the President of the AIS, who do not have access or authority over any of the AIS financial records or are involved in any way with the AIS Treasurer duties. This is to ensure the “independence” of the Committee members. No Audit Committee members may receive stipends for Audit Committee work or for any other AIS duties. At least one Audit Committee member is to be a voting member of the AIS Board of Directors.
2. The Audit Committee is to conduct “spot” audits of AIS Financial records at least once every three (3) years. See below for definition of “Spot Audits”.
3. The Audit Committee will be responsible for hiring an outside CPA to audit the financial records for the year that the AIS Treasurer changes. The Audit Committee will determine the scope of this outside audit and will be responsible for making sure that all recommendations made by the outside CPA are implemented.

4. The Audit Committee will serve as the “ombudsman” for the AIS. It would address complaints about financial mismanagement and would be identified in AIS’ “Whistle Blower” Policy as having the board delegated authority to review complaints about financial mismanagement.

**Spot Audits would include the following procedures:**

1. Spot audits to cover at least three years’ worth of financial records. Committee members would pick 3 one month periods during the overall three year period.
2. For each of these one month periods, the following would be examined and checked for completeness and accuracy:
  - a. All bank account statements would be reviewed for completed bank reconciliations and agreement of all entries from the statements with the books.
  - b. All monthly deposits and expenses are posted properly to the General Ledger.
  - c. All expenses have the required signed voucher from the AIS Secretary and President and supporting invoice.
  - d. All credit card statements have back up invoices or receipts for all charges.
  - e. All PayPal accounts are reconciled and properly posted to the books.
  - f. All investment account activity has been properly booked and monthly statements reviewed.
3. For one of the years in the three year period, the following would be checked:
  - a. That the Form 990 and 990T and Oregon tax return were filed in a timely manner.
  - b. That the Forms 1099 and 1096 were filed in a timely manner.
  - c. That the AIS Financial Statement was posted on the AIS website.

**Recommendations:**

1. That the Board approve the items #1 - #4 above for setting up and operating the AIS Audit Committee.
2. That the AIS ByLaws - Article VII Section 7 - be changed as follows:

That the last sentence of the current Section 7 be deleted and the following sentences added: “At least once every three years, the Treasurer shall submit all books and records to the AIS Audit Committee which shall conduct a Spot Audit of the AIS financial records. The AIS Audit Committee will hire an outside CPA to conduct an audit of AIS records whenever the AIS Treasurer changes. The Audit Committee will determine the scope of this audit.”

3. That preparation of a voucher by the Secretary for the regular monthly budgeted stipends for the Registrar, and Membership Secretary be eliminated.
  
4. That the year-end financial statements be posted on the AIS Website by December 31 of each year.
  
5. That President Gary White pick a replacement for Audit Committee members Jill Bonino and Andi Rivarola. Jill is currently considered “the backup AIS Treasurer” and has signatory authority over several of the AIS bank accounts, including the AIS Convention Account and the main Wells Fargo checking account. Andi, as Second VP, is also a signatory to the AIS bank accounts. They do not meet the definition of an independent Audit Committee member.

Respectfully submitted,

Andi Rivarola

Cheryl Deaton

Jill Bonino