

AUDIT COMMITTEE Activity Checklist

A. Review with Outside Auditors

1. The annual financial statements and related footnotes and financial information to be included in the annual report to members.
2. 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.
3. The outside auditors should confirm to the committee that no limitations have been placed on the scope or nature of their audit procedures.
4. 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.
5. 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.
6. 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.
7. 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.
8. Obtain annually from the outside auditors a letter regarding the adequacy of internal controls.
9. Meet with the CEO, CFO 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.
10. 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.
11. Review significant accounting and reporting principles, practices, and procedures used by the organization in preparing its financial statements.
12. Discuss with the outside auditors their judgments about the quality--not just the acceptability--of the organization's accounting principles.
13. Private session with outside auditors.

B. CEO and CFO

1. 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.
2. 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 actions

1. Recommend to the board the selection, retention, or termination of the organization's outside auditors.
2. Reassess the adequacy of the committee charter and recommend any proposed changes to the board for approval.
3. Discuss with the outside auditors the quality of the organization's financial and accounting personnel. Also, ask the CFO about the responsiveness of the independent accountants to the organization's needs.
4. Subject to the prior approval of the board, arrange for and monitor special investigations, as needed.
5. Develop a policy and process for grievances associated with organizational financial practices.