



## AUDIT COMMITTEE PROCEDURE

### TABLE OF CONTENTS

1	<b>SCOPE.....</b>	<b>2</b>
2	<b><u>PART I - AUDIT COMMITTEE PROCEDURE .....</u></b>	<b>2</b>
3	<b>A. Structure of the Committee .....</b>	<b>2</b>
4	<b>B. Board of Directors (BoD) Contact .....</b>	<b>2</b>
5	<b>C. Board of Trustees (BoT) Contact.....</b>	<b>3</b>
6	<b>D. Duties and Responsibilities of Chair .....</b>	<b>3</b>
7	<b>E. Duties and Responsibilities of Committee Members .....</b>	<b>4</b>
8	<b>F. Files.....</b>	<b>4</b>
9	<b>G. Distribution of this Procedure .....</b>	<b>5</b>
10	<b><u>PART II - AUDIT COMMITTEE OPERATING PROCEDURES .....</u></b>	<b>6</b>
11	<b>A. Selecting Auditor .....</b>	<b>6</b>
12	<b>B. Engaging Auditor .....</b>	<b>6</b>
13	<b>C. Conducting the Audit.....</b>	<b>6</b>
14	<b>D. Reviewing Draft Audit Report .....</b>	<b>6</b>
15	<b>E. Finalizing Audit Acceptance .....</b>	<b>7</b>
16	<b>F. Audit Committee Annual Calendar .....</b>	<b>8</b>
17	<b>RECORD OF REVISION.....</b>	<b>9</b>

## **COMMITTEE PURPOSE**

The Audit committee is in charge of overseeing the audit vendor selection and audit process for the Society's finances.

## **SCOPE**

The Audit Committee is responsible for:

- \* Selecting and recommending to the board an auditor who may not be contracted by SWE for any other functions other than auditing and tax preparation services,
- \* Ensuring the appropriate information is prepared for the audit,
- \* Reviewing the audit and working with the Auditor to resolve issues,
- \* Reporting to the Board of Directors on the process, outcome, and any committee recommendations,
- \* Communicating with the Board of Trustees on the process, outcome and any committee recommendations from the audit,
- \* Be the final contact for SWE members and others who raise financial issues/concerns about SWE that have not been addressed through other channels.

### **Part I - Audit Committee Procedure**

#### **A. Structure of the Committee**

The Audit Committee structure shall at a minimum meet the requirements outlined in Bylaws X.D.1. Committee members are appointed by the Chair except where noted. All members shall be SWE members unless designated a 'Special Member' to be brought on to offer additional advice as the committee deems necessary. The bylaws offer additional advice on accepting these special members.

1. Chair, appointed by the President with BoD approval.
2. Chair-Elect, appointed by the President with BoD approval.
3. At least one committee member with financial expertise.
4. Other committee members as deemed appropriate – This may include non SWE members to be designated

#### **B. Board of Directors (BoD) Contact**

The Society President will assign a BoD contact for the Audit Committee at the beginning of each fiscal year. The BoD contact has the responsibility to inform the Audit Committee of activities of the BoD and to provide requests for information in a timely manner. The BoD contact presents any motions from this committee to the BoD or Senate-The BoD contact shall serve as an ex-officio, non-voting member of the committee. The BoD contact for the Audit Committee is typically the Treasurer. The President may request to be included on Committee correspondence.

**C. Board of Trustees (BoT) Contact**

Contact with the Board of Trustees (BoT) will be through the BoT Treasurer. The BoT contact has the responsibility to inform the Audit Committee of activities of the BoT and to provide requests for information in a timely manner. The BoT contact presents any motions from this committee to the BoT. The BoT contact shall serve as an ex-officio, non-voting member of the committee.

**D. Duties and Responsibilities of Chair**

1. Direct the SWE audits and review audit reports.
2. Notify the BoD and BoT of the committee decision on the audit firm.
3. Ensure that the auditors do not perform any services for SWE or SWE-EFI, other than audit and tax preparation.
4. Meet with auditor before start of annual audit to review the general scope, risk assessment methodology and procedures of the audit, to discuss areas where the committee may desire special emphasis, and to understand the approach for testing the internal control structure. Review annually the critical accounting policies and practices to be used in the audit.
5. Inform SWE HQ and BoT of the necessary information for the audit.
6. Forward draft SWE and SWE-EFI audit reports to SWE CEO, SWE VP of Finance and Administration, SWE Treasurer, BoT Treasurer, Finance Committee Chair and Audit Committee for review.
7. Forward draft SWE and SWE-EFI audit reports to SWE President and BoT Chair for informational purposes.
8. Handle any issues raised by the auditor during the SWE or SWE-EFI audits, coordinating as necessary with HQ, the BoD, the BoT and the auditor
9. Review the management representation letter and any other written communication between the auditor, SWE HQ staff, and BoT.
10. Review all journal entries proposed by the auditors for SWE and SWE-EFI.
11. Send final recommendations and motion to accept audit to SWE President.
12. At completion of the audit, review the audit fieldwork process with the auditor. Obtain an understanding of their evaluation of SWE financial management and whether they encountered any difficulties or had any disagreements with SWE management during the audit.
13. Review annually the performance of the auditor and discuss with the auditor all significant relationships the auditors have with SWE, as defined by generally accepted accounting principles (GAAP) and any other applicable regulations.
14. Maintain free and open communication with the SWE BoD, SWE BoT, SWE CEO, SWE CFO, and the auditor.
15. Update the committee on the progress of the audit regularly.
16. Review and comment on the adequacy of SWE's financial disclosure.
17. Review disclosures of any off-balance sheet arrangements and deviations from GAAP.
18. Review the process for determining the adequacy of internal controls and report to the SWE BoD on the adequacy of internal controls and any concerns raised by SWE HQ, SWE members, or the auditor.
19. Review SWE's compliance with laws and regulations with SWE HQ and the auditor.

20. Adhere to SWE whistleblower policies in cases where members wish to report concerns anonymously.
21. Review and revise the committee procedure and the Audit Process description on an annual basis.
22. Perform any other duties that are requested by the SWE BoD or SWE BoT.
23. Follow the General Committee Procedure with respect to finances, reports, requests for Board action, contact with the public, communications, procedure revisions, and files and their disposition.
24. Review high-risk areas and steps taken to minimize risk with the auditor, HQ and/or the BoD, on an as-needed basis.
25. Prepare transition plan for the next years audit team with the Chair elect.
26. Train new members on the committee on procedures, create new training materials as needed.

**E. Duties and Responsibilities of Committee Members**

1. Participate in the selection process of the audit firm when required for new contract.
2. Participate in the review SWE and SWE-EFI audit reports.
3. Review the management representation letter and any other material written communication between the auditor, SWE HQ and BOT.
4. Participate annually in the review of the performance of the auditor.
5. Attend Committee meetings as needed, usually by teleconference.
6. Participate in the review and comment on the adequacy of SWE's financial disclosure.
7. Participate in the review disclosures of any off-balance sheet arrangements and deviations from GAAP.
8. Review SWE's compliance with laws and regulations with SWE management and the auditor.
9. Review and revise the committee procedure and the Audit Process description.
10. Participate in the discussion of high-risk areas and steps taken to minimize risk, to be discussed with the BOD and HQ staff via quarterly reporting.
11. Perform any other duties that are requested by the Audit Chair.

**F. Files**

In addition to those specified in the committee procedure, the Audit Committee files should also contain:

1. Either the five most recent audits or information on how to access the most recent audits (Will always available by requesting them from HQ)
2. Current copy of Policy and Interpretation and Society Bylaws, as well as any subsequent changes not yet incorporated into those documents. BOD meeting minutes will list any changes to P&I during the year.
3. Other information as required for by the committee, including a copy of this procedure.
4. Records of communications with the auditor (engagement letters, etc.).
5. Records of RFP's and quotes received from auditors during the bid cycle.

**G. Distribution of this Procedure**

1. Board of Directors
2. Board of Trustees
3. Audit Committee Chair
4. Finance Committee Chair
5. SWE HQ

## **Part II - Audit Committee Operating Procedures**

This procedure discusses many of the tasks performed by the Audit Committee. A calendar, which shows the timing of these tasks, is included at the end of the document. Topics discussed are:

### **A. Selecting Auditor**

1. Audit Committee will complete review and selection of the audit firm. (Bylaws X.D.1)
2. Audit Chair will notify SWE President and BoT Treasurer of the selected firm and ask for a BoD motion to officially engage the auditor as described in section B. Selected firm will be used for SWE and SWE-EFI Audits.
3. Audit Committee will notify the competing firms of the results of the selection and request the selected firm to send engagement letters.
4. Selected audit firm will send engagement letters to Audit Chair.

### **B. Engaging Auditor**

1. Audit Committee will recommend the audit firm to the BoD. (Bylaws X.D.1) Audit Chair will prepare a motion to read as follows: "Retain the firm of {name of selected audit firm} to perform an audit of SWE's FY{year} finances."
2. BoD will vote to retain the selected audit firm (bylaws IV.A.3.e.) President will notify Audit Chair of motion acceptance.
3. Audit Chair will send SWE engagement letter to Executive Director.
4. Audit Chair will send SWE-EFI engagement letter to BoT Treasurer.
5. Executive Director and BoT Treasurer will sign the appropriate engagement letters and return them to the selected audit firm.

### **C. Conducting the Audit**

1. Audit Chair will request the SWE HQ and BoT Treasurer to prepare the information required for the audit<sup>1</sup> (Bylaws X.D.2) and to forward it to SWE Headquarters.
2. The auditor will go to SWE headquarters to review the material.
3. BOT material is not stored at headquarters, and will be provided by the BOT Treasurer upon request, in either electronic or paper format, as required.
4. The Audit Chair will interface with the auditor to resolve any issues.
5. The audit firm will send draft and final audit reports to the Audit Chair.

### **D. Reviewing Draft Audit Report**

1. Audit Chair will provide copies of the first draft of the audit reports to the reviewers: the members of the Audit Committee, the BoT Treasurer, the SWE Treasurer, the Finance Committee Chair, the SWE CEO, and the SWE VP of Finance and Administration.
2. Audit Chair will send FYI copies of the draft SWE audit reports to the SWE President and the BoT Chair.
3. Finance Committee will review the audit reports and report their recommendations to the Board of Directors. (Bylaws X.C.3).
4. Audit Committee will review the audits. (Bylaws X.D.3).

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#### **<sup>1</sup> What's Included in the SWE Audit:**

1. SWE Statement of Financial Position, Statement of Activities, and Statement of Cash Flows for the Society of Women Engineers – managed by the SWE VP of Finance and Administration.
2. The Reserve Fund.

5. All reviewers will be given one month response time for the initial preliminary audit subsequent reviews will need to be timelier in order to ensure closure before the deadline for 990 submission. To facilitate this response time, SWE HQ will provide the year-end financial statement, plus draft GOR analysis and carryover list, to the Audit Committee when it is provided to the auditor.

**E. Finalizing Audit Acceptance**

1. When all issues have been addressed, the Audit Chair will forward the audit reports accepted by the Audit Committee to the President along with a recommendation to accept the audit reports.
2. Audit Chair will report to the Board of Directors on the audit process, the outcome, and any recommendations. (Bylaws X.D.4)
3. The BoD will vote to approve the audit. (Bylaws IV.A.3.f)
4. The SWE CEO will sign the letter to the auditor accepting the SWE audit report. The letter states, "We have reviewed the preliminary report...and have no recommended changes."
5. The BoT Treasurer will sign the letter to the auditor accepting the SWE-EFI audit report. The letter states, "We have reviewed the preliminary report...and have no recommended changes."
6. When the acceptance letters have been received, the auditor will issue the final audit reports.

**F. Selection of Auditor (as needed)**

1. In the year that the current auditor contract expires, the Committee will propose a list of possible audit companies to submit a Request for Proposal of services to HQ (e.g. January 2019).
2. HQ will send out Requests for Proposals to the companies selected by the Audit Committee.
3. The Audit Committee will review the proposals and make a recommendation to the BOD and BOT per the timeline.
4. The BOD and BOT shall review letter of intent and vote on motion to approve.
5. The BoT Treasurer will sign the letter of intent for the SWE – EFI. The SWE CEO will sign the letter of intent for the SWE audit.

## **G. Audit Committee Annual Calendar**

This calendar is approximate and makes the assumption of a filing extension to get through all of the appropriate reviews associated with the Audit. The typical due date for a 990 is 15 December so the 15 February due date listed here reflects the extension built into the schedule.

<b><u>Event</u></b>	<b><u>Due Date</u></b>
Select Auditor and Notify BOD for motion (if needed)	30-Apr
BOD vote to accept Auditor (if needed)	BOD #4
HQ to sign contract with Auditor (if needed)	15-Jul
Audit Chair/SWE HQ/BoD/BoT/Finance Chair/Auditor Conduct Kick-Off Meeting	31-Jul
Audit Committee Conducts Kick-Off Meeting	30-Aug
Books are Closed @ HQ (SWE and SWE-EFI)	30-Aug
Preliminary Year End Financial Reports (Both SWE (including CRF) and SWE-EFI) to Audit Chair/Auditor/Finance Chair	15-Sep
Audit Committee/Finance Committee Review Financial Reports & Send Comments to Audit Chair - This includes times to resolve issues if necessary	30-Sep
Audit Chair sends list of comments and associated responses/resolutions for Financial Reports to BoD (SWE, CRF) and BoT (SWE-EFI)	1-Oct
Site Visits from Auditor ( <b>Auditor and HQ can move up site visits earlier in timeline</b> )	1-15 Oct
Preliminary Audit received from Auditor to Audit Chair	1-Nov
Finance Committee/BoT/Audit Committee/Treasurer/CEO/VP of Finance and Administration (ALL designated reviewers) review Audit & Send Comments to Audit Chair – This includes time to resolve issues if necessary	30-Nov
Audit Chair sends list of comments and associated responses/resolutions, along with Revised Audit to Finance Committee/BoT/Audit Committee/Treasurer/CEO/VP of Finance and Administration (ALL designated Reviewers)	7-Dec
Revised Audit Review Due to Audit Chair (Statement of Acceptability)	14-Dec
Audit Chair Send Motion to Accept Audit to SWE President	17-Dec
BOD Vote to Approve SWE Audit	31-Jan
CEO Sign Audit Acceptance Letters	3-Feb
Auditor Generates Final Reports & Sends to Audit Chair/BoT/Treasurer/CEO/VP of Finance and Administration/Finance Chair)	13-Feb
990 Due - Submitted by SWE HQ	15-Feb
Audit Committee Conducts Debriefing Meeting	15-Mar
Audit Chair/SWE HQ/BoD/BoT/Finance Chair/Auditor Conduct Debriefing Meeting	31-Mar
Review/Update Audit Committee Procedure	30-Apr
Transition Meeting for Audit Committee Leadership (Chair and Chair-Elect)	30-Jun



**SOCIETY OF WOMEN ENGINEERS  
AUDIT COMMITTEE PROCEDURE**

Record of Revision

DESCRIPTION	DATE
1. Initial Version	31 Oct 2012
2. Revised – logo, bylaws references, calendar, removed need to meet at Society Conference, revision date, revision author	27 July 2015
3. Revised – draft version number, revision date, references to “Director of Finance” changed to “VP of Finance and Administration”, removed reference to SWE HQ, BOT and BOT in draft financial report review items.	04 August 2015
4. Revised – version number, revision date, added timeline step for HQ to sign contract with auditor, added Part II, Section F describing auditor selection	15 July 2016