CALIFORNIA WATER ENVIRONMENT ASSOCIATION
AUDIT COMMITTEE

STANDING RULES

1.0 MISSION STATEMENT

1.1 The Audit Committee (hereinafter referred to as the Committee) is a Standing Committee of the California Water Environment Association, hereinafter referred to as the Association. The Association’s Board of Directors is hereinafter referred to as the Board. The Committee’s mission is to represent and provide assistance to the Board of Directors in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting and compliance, and internal control functions of the Association.

2.0 OBJECTIVES

In accordance with the California Nonprofit Integrity Act (adopted late 2004), the Committee:

2.1 Shall recommend to the Board the retention and termination of the independent auditor;
2.2 Shall ensure the independent auditor’s qualifications and independence;
2.3 May negotiate the compensation of the auditor on behalf of the Board;
2.4 Shall confer with the auditor to satisfy the committee members that the financial affairs of the organization are in order, including internal control functions;
2.5 Shall review and determine whether to accept the audit,
2.6 Shall approve performance of any non-audit services to be provided by the auditing firm, ensuring that for any non-audit services, the Association and the auditor adhere to the standards for auditor independence set forth in the latest revision of the Government Auditing Standards, issued by the Comptroller General of the United States (the Yellow Book); and,
2.7 Shall oversee the organization’s compliance with legal and regulatory requirements related to financial and tax reporting.

3.0 MEMBERSHIP

3.1 Shall be composed of the President-elect (who shall chair the Committee), the Past President, the Vice President, the Membership & External Relations Committee Chair and the Incoming Treasurer.
3.2 Audit Committee members shall not receive any compensation from the Association in excess of the compensation, if any, received by members of the Board of Directors for services on the Board, and shall not have an interest in the Association, any entity doing business with the Association, or the independent audit firm, nor engage in related party transactions that would have a material adverse effect on their independence or ability to act in the best interest of the Association’s members. Audit committee members cannot vote on any matter in which they, directly or indirectly, have a material financial interest.
3.3 The chair of the Operations Committee may not be a member of the Audit Committee, and members of the Operations Committee may not constitute more than forty-nine percent (49%) of the Audit Committee.

4.0 DUTIES AND FUNCTIONS

4.1 Chair
4.1.1 General supervision of the affairs of the Committee.
4.1.2 Preside over Committee meetings, including preparing an agenda and minutes.
4.1.3 Submit oral report to the Executive Committee and written report to the Board and Executive Director after each Committee meeting, including an annual report to the Board, outlining the Committee’s activities, any recommendations including the annual audit, and other information of importance relating to the activities of the Committee or Association.

4.2 Committee
4.2.1 Shall meet at the request of the Chair or independent auditor.
4.2.2 In order to recommend to the Board the retention and termination of the independent auditor, the Committee shall oversee bidding out the audit on a regular basis according to Board policy, including reviewing the request for proposal, list of potential candidates, interviewing candidates, and making a recommendation to the Board of approval.
4.2.3 In order to oversee the work of the independent auditor, the Committee shall:
  4.2.3.1 Determine the scope of the audit and the associated fees to be paid to the independent auditor (for both audit and any permissible non-audit work) and recommend those terms to the Board.
  4.2.3.2 Review the qualifications and experience of senior members of the audit team. Discuss with the independent auditor any relationships that may affect the auditor’s independence. Confirm and oversee the independence of the auditors.
  4.2.3.3 Review the independent auditor’s scope and timing of the annual audit, including areas the independent auditor has identified as critical, prior to the commencement of the audit.
  4.2.3.4 Review the engagement letter for the annual audit and recommend execution of the engagement letter to the Board for signature by an authorized officer.
  4.2.3.5 Ensure that the independent auditor provides the Committee (for their review) timely written reports of all critical accounting policies and practices, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Executive Director, effects of using such alternatives, and the treatment preferred by the independent auditing firm; and other material written communications between the independent auditor and the Executive Director.
  4.2.3.6 Review and discuss results of the annual audit with the independent auditor, including the letter to the Executive Director and any other issues that arise from the annual audit, including quality of accounting practices, assistance of financial personnel, condition of records, and the adequacy of internal controls.
  4.2.3.7 Determine whether to accept the audit and recommend to the Board whether the audited financial statements should be released.
  4.2.3.8 Approve performance of any non-audit services to be provided by the auditing firm in compliance with Section 2.6.
  4.2.3.9 Oversee the organization’s compliance with legal and regulatory requirements related to financial and tax reporting.
4.2.4 Conduct or authorize investigations into any matters within its scope of responsibilities.
4.2.5 Prepare an annual self-evaluation of the Committee’s effectiveness for discussion with the Board following the completion of the audit.

5.0 OPERATING PROCEDURES
5.1 The Committee shall comply with all procedural requirements established by the Board.
5.2 The Committee shall meet as frequently as circumstances dictate, but no less than once annually.
5.3 All meetings of this Committee shall be held without any other members of the Board present. Portions of all meetings with independent auditors shall be held without any members of staff, Board or other volunteers not a part of the Committee present. Meetings may be held in person or by telephone at the discretion of the Chair.
5.4 Neither the Committee nor its members shall represent or purport to represent any official position or policy statement of the Association without prior approval of the Board.
5.5 A majority of the members of the Committee shall constitute a quorum.
5.6 All matters of decision by the Committee shall be decided by majority vote of members present.
5.7 The Committee shall submit a Committee budget to CWEA, following the policies and procedures of the Association.

6.0 BOARD LIAISON

6.1 This Committee is comprised of individuals on the Board and reports directly to the Board and, therefore, is not assigned a Board Liaison. Communications with the Board will be made by the Committee Chair or the designated alternate.

7.0 AMENDMENTS

7.1 Amendments to these Standing Rules may be proposed by a majority of the Committee. All proposed amendments shall be referred to the Membership & External Relations Committee for certification as to being in conformance with the Constitution and Bylaws of the Association. Amendments to the Standing Rules shall be considered adopted with the approval of the Board.

ACCEPTANCE BY COMMITTEE: _________________________ DATE: ________________
Chair

APPROVED BY CWEA: _________________________ DATE: ________________
President

ATTESTED: _________________________ DATE: ________________
Executive Director