

Audit Committee

Report
to the UUA
Board of Trustees

January 20, 2007



UNITARIAN
UNIVERSALIST
ASSOCIATION OF
CONGREGATIONS

History



- **Audit Committee established by The Board of Trustees of the Unitarian Universalist Association in April, 2003**
 - **“Voted: to authorize the establishment of an Audit Committee as a Committee of the Board to oversee the annual audit by a public accounting firm and to monitor the review, establishment, and implementation of accounting policies and internal controls”**
- **Committee consists of three independent members, the UUA Financial Advisor and a member of the UUA Finance Committee**
- **Current membership: Christopher Reece, Darwin Smith, Ed Merck (chair), Dan Brody (Financial Advisor), Will Saunders (Trustee) and Tim Brennan (Staff Liaison)**
- **In June 2006, General Assembly voted to amend the bylaws making the Audit Committee a standing committee of the UUA Board of Trustees**

Purpose



Select passages from the Audit Committee Charter, approved by the UUA Board of Trustees in January 2005

- **Recommending to the Board of Trustees the selection and retention of the independent public accountants for the Organization**
- **Reviewing annual financial statements, including any adjustments to those statements recommended by the independent public accounts, and any significant issues that arise in connection with the preparation of those financial statements**
- **Reviewing, as appropriate and in consultation with appropriate independent advisors, accounting policies, internal controls, and procedures of the UUA as well as any management responses to comments relating to those policies and procedures**

Purpose Cont.



- **Insuring, when the Audit Committee deems it necessary, that improprieties or potential improprieties in the UUA's operations are investigated and resolved**
- **Recommending to the Board of Trustees a Conflict of Interest Policy for all staff and volunteers, recommending changes as necessary, and ensuring the UUA's compliance with its policy on at least an annual basis**
- **Recommending to the Board of Trustees changes in structure, policies, or procedures that would minimize business risk and/ or opportunities for the Association**
- **Recommending to the Board of Trustees, when the Audit Committee deems it advisable, that specialists be engaged by the Association regarding financial and/ or risk management matters**

FY06 External Audit



KPMG issued a clean opinion of the 2006 financial statements:

- **“In our opinion, such financial statements present fairly, in all material aspects, the financial position of the Association as of June 30, 2006 and June 30, 2005.”**

FY06 External Audit Cont.



Management Letter

- No material weaknesses
- In general – basic processes and structure at Organization and Finance level can be better documented, better coordinated and rendered more efficient.
- Overall strength of finance function dramatically improved.
- New management needs more time to address better integration of finance function within and without department, e.g., gifts and finance

FY 06 External Audit Cont.

Sample comments and management commitment:

- Prepare a comprehensive financial policy manual that centralizes procedures, policies, working guidelines and methodologies. *Due: March 31, 2007***
- Evaluate and refine process for the review of pledges, collections and restrictions. *Due: June 30, 2007***
- Prepare a recommendation for a fixed asset management system. *Due: March 31, 2007***
- Explore the financial structure between Beacon Press and the UUA as a whole and develop written guidelines for financial oversight of Beacon Press. *Due: June 30, 2007***

Looking Ahead



- **Review and make recommendations to the Conflict of Interest Policy**
- **Review performance of KPMG and likely re-bid audit firm contract for FY 2008 audit**
- **Support management in seeking a comprehensive review of UUA business practices: define scope, review RFP, review choice of firm and review/discuss results**

Looking Ahead Cont.

- **Continue to provide guidance in enhancing the effectiveness and efficiency of the finance function and other business units**
- **Provide ongoing guidance to Finance in response to increasingly regulated and risky external environment so that the Board can continue to carry forth the mission of the UUA without distraction or disruption**