

Sample Legal Audit Checklist

Use

Not intended as legal advice but to get an organization thinking about the different aspects and areas of the organization that should be audited and checked for healthiness.

Board

- ✓ Each Board Member is given a copy of the 990, certificate of formation, bylaws and mission statement.
- ✓ All compensation and reimbursement related matters are thoroughly documented, complete with comparative data used.
- ✓ Who is on the Board and who are the officers? Were they voted in, in accordance with the bylaws?
- ✓ Does the Board periodically have retreats and participate in training?

Filings and Reporting

- ✓ Annual federal tax returns are filed (ex. Form 990) and the appropriate schedules are filed as well (990-T, 990-H, etc.)
- ✓ All disclosure, substantiation and reporting requirements for charitable contributions are met.
- ✓ Where the organization's purpose or activities have changed the appropriate amendments are made with the Secretary of State and IRS.
- ✓ A status report (Form 9.01) is filed with the Texas Secretary of State every four years.
- ✓ A current name and address for the organization's registered agent is kept on file along with written consent.

Documentation

- ✓ The organization has a Duns and Bradstreet number on file where it applies for federal funds.
- ✓ Volunteer agreements and waivers from volunteers are kept on file.
- ✓ A copy and backup copy of the organization's disaster plan is kept.
- ✓ Where a document retention policy is created, it is adhered to.
- ✓ Organization drafts and approves minutes for all meetings (board, committee, etc.) , and keeps them for at least three years following the end of the fiscal year.
- ✓ All financial records, tax exemption filings, determination letters are available for public inspection.

- ✓ Write-ups, resignations and reviews are kept on record.
- ✓ If the organization has members, is there an alphabetized, and up-kept list, readily available.
- ✓ Are the annually signed conflict of interest statements signed by Board Members kept?
- ✓ Paperwork for state tax exemption readily available?
- ✓ Is the organization transacting with an insider? (Sale, rental, loans, purchasing, etc). If so, has the arrangement been looked at for private inurement and decisions, reasoning, arrangements thoroughly documented?

Finances and Auditing

- ✓ There is a documented copy of the organizations internal controls for handling of cash and deposits.
- ✓ An operating budget is approved by the Board and complied with.
- ✓ The organization prepares and maintains for at least three years adequate and correct books and records of account.
- ✓ There are written policies that address expense reimbursement.
- ✓ The Board (or Finance or Audit Committee) obtain a financial audit from an independent auditor, swap out the auditor when appropriate and avoid having auditors do audit related and non-audit related services and well as monitoring the implementation of recommendations.

Insurance

- ✓ Does the organization understand policy limits, events covered, exclusions, deductibles, gaps in coverage and whether policies are "occurrence" or "claims made" policies.
- ✓ Organization maintains Director's and Officer's liability insurance and worker's compensation insurance.
- ✓ A broad form policy that protects the entire organization ("entity" coverage) are procured and maintained.

Operations

- ✓ Computers are backed up monthly and back-ups are hosted or kept off-site.
- ✓ All mail is opened immediately, logged in and date stamped.
- ✓ Contracts are reviewed and approved by the appropriate personnel.
- ✓ Operations and programming are continuously checked to ensure they comply with the mission statement. Whether there will be any unrelated business income tax is also assessed.
- ✓ Appropriate processes in place to protect organization's copyrights as well ensure materials used from speakers, presenters and volunteers either belong to the organization or permission has been granted.
- ✓ Organization's purpose is constantly assessed and re-assessed. Do formation documents and IRS filings still conform?

- ✓ Organization's past and future operations are reviewed to see if there are any inconsistencies or conflicts with the organizations mission as currently stated, and any purpose language provided to the state or federal government.
- ✓ Has the organization's activities changed from year to year? If so, are these reflected in the 990?
- ✓ Is the organization a partner in a partnership, member in a joint venture or formally affiliated with another non-profit/for-profit? Have those relationships been looked at, documented and appropriately policed?
- ✓ Are there policies addressing when someone may act on behalf of the organization? When may an officer or employee act on behalf of the organization?
- ✓ Programming reviewed to ensure it meets the public charity status; where it isn't appropriate there is no political lobbying or unrelated business income.
- ✓ If the organization does business, or fundraising, in more than one state other than the state in which it is located are all the initial and on-going filing requirements met?