

**FY2016 PUBLIC PORTION of the Report of the Internal Audit Committee of Asha for  
Education (AfE)  
Final, June 15, 2018**

## **Summary**

This is the public portion of the first report of the first AfE Internal Audit (IA) committee consisting of Snetu Karania (June 2016- Dec 2018), Meera Sitharam (June 2016 - Dec 2018), Anant Jani (joined Jan 2018, term ends Dec 18).

The 2016 - 2018 BoD includes - Uttaraa Diwan (President), Venkatesh Iyengar (Secretary), Shankar Sadasivam (Treasurer), Swati Sircar (Projects Coordinator), Prasad Pabati (Fundraising Coordinator) and Akshay Bhole (Webmaster).

The [entire report](#) (10 pages) as well as this public portion (3 pages) are available to to all AfE volunteers via the wiki at <http://wiki.ashanet.org/display/COORD/Internal+Audit+Committee>. It is unclear at the time of this writing whether the BoD's intent is to publicize *only* this latter portion. The BoD voted: **"I hereby approve of making this portion public to external stakeholders"** For a record of the BoD vote, see: <http://wiki.ashanet.org/display/COORD/CoordCall.20180531.Vote.2016+IA+Report>

During its first year, IA ironed out the scope of its charge through conversations with the BoD and Coordination team. As its FY 2016 report, IA has formulated its clarified charge, its challenges, and a bank of questions to serve as a tentative framework for its annual internal assessments going forward. The goal was to ensure comprehensiveness of this bank. To this end, all of the central AfE teams were asked to provide input. Starting FY2017, IA will attempt to answer a relevant subset of these questions, either through its access to existing types of organizational data or through additional audits that are approved by the Board (**BoD**).

## **Background**

The IA committee was first constituted in 2016 to conform to California law for nonprofits with more than \$2 million annual revenue. It is also a factor used by Charity Navigator in its "Accountability and Transparency Rating" and in IRS Form 990 under "Financial Statements and Reporting." The committee is constituted to ensure that it acts with a degree of independence from the Board, ARC and the external auditor.

## **AfE IA Committee's Charge (according to AfE bylaws)**

The IA Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. The committee will have the following responsibilities:

- (1) oversee the integrity of the Asha's financial accounting process and systems of internal controls regarding finance, accounting and use of assets;
- (2) oversee the independence and performance of the outside auditors and staff with finance responsibilities, confer at least annually with the outside auditors, and recommend to the Board the

selection, retention, or termination of Asha's outside auditors;

(3) oversee the operation of the policies on conflicts of interest;

(4) review the effectiveness of the system for monitoring compliance with laws and regulations and the results of any prior investigation and follow-up of any instances of noncompliance;

(5) obtain regular updates from management and company legal counsel regarding compliance matters; always be subscribed to the [coord@ashanet.org](mailto:coord@ashanet.org) list and constantly monitor for potential compliance issues. Bring any compliance / COI issues up to the BoD promptly and refer the matter to legal counsel as needed through the BoD.

(6) oversee the policies and procedures for encouraging "whistleblowers" to report questionable accounting or auditing issues associated with organizational financial practices, and recommend to the Board and ARC any changes to ensure that those policies and procedures are effective;

(7) regularly report to the Board of Directors, ARC and other pertinent Asha-wide mailing lists about committee activities, issues, and related recommendations; and

(8) subject to the prior approval of the Board and ARC, arrange for and monitor special investigations, as needed.

## California Code

### 3. Charities With Gross Revenues Of \$2 Million Or More Must Establish And Maintain An Audit Committee [Government Code section 12586(e)(2)]

► Requirements for an audit committee apply only to charitable corporations that must register and file reports with the Attorney General, whenever such organizations accrue \$2 million or more in gross revenue in any fiscal year. \$2 million-threshold excludes grants received from governmental entities, if the nonprofit must provide an accounting of how it uses the grant funds.

► Governing boards must appoint an audit committee. The audit committee may include persons who are not members of the governing board.

► The audit committee cannot include staff members, the president or chief executive officer, the treasurer or chief financial officer of the organization. If an organization has a finance committee, members of that committee may serve on the audit committee, but cannot comprise 50 percent or more of the audit committee. The chairperson of the audit committee may not be a member of the finance committee.

► The audit committee, under the governing board's supervision, is responsible for making recommendations to the board on the hiring and firing of independent certified public accountants (CPAs). The audit committee can negotiate the independent CPA's compensation, on behalf of the governing board.

► The audit committee must:

- Confer with the auditor to satisfy committee members that the financial affairs of the nonprofit organization are in order;

- Review the audit and decide whether to accept it; and
- Approve non-audit services by the independent CPAs accounting firm, and ensure such services conform to standards in the Yellow Book issued by the U.S. Comptroller General.

### **Further Clarification of Scope of IA charge after discussions with BoD**

- exercising due diligence in making external auditor recommendations consistent with norms on auditor rotation, and in deciding whether to accept the external audit;
- compiling as the first year's report (FY2016) a comprehensive initial list of questions IA could ask itself in subsequent years (questions could be added at any time, and deleted if obsolete);
- in subsequent years, picking a subset of questions to answer in its report (in addition to routine legal, tax, accounting, bylaws/policy compliance questions) using its access to *all* existing organizational data, including conducting and authorizing further audits (conducting "audits" includes requesting the BoD to do surveys to glean new data.
- publicizing its entire report organization-wide, and sections of its report (e.g. routine legal, tax, accounting, bylaws/policy compliance) to the public as specified per AfE policy;

### **Category 1 (Compliance with Laws and Regulations for 501(c)(3) public charities in California with NGO partners in India)**

1. Have there been any legal notices served to AfE from any person or authority?
2. Is AfE registered to operate and fundraise in all states where it has a chapter, or has solicited funds or more than \$5K this year? If not, which ones and what's being done to remedy? Were all registration renewals handled on time? (Cogency Global - or other similar agency - tracking clean?)
3. Were all donor restrictions met prior to releasing temporarily restricted donations? Have donor agreements, and corresponding restricted assets, if any, been reviewed for compliance?
4. Is there a Donor Privacy Policy? Have any donors requested such a policy? Does the BoD know the identity of all donors? How is donor information protected?
5. Were AfE chapter and/or supported partner activities consistent with the "no substantial part" test for political lobbying by 501(c)(3) public charities and any analogous tests in India?
6. Were any organizations banned from receiving funds in India (no FCRA when the funds were sent) or by the US ([OFAC list](#)) supported by Asha?
7. Were any donations made to NGO implementation partners under AfE's name but not fully under the discretion and control of AfE via site-visits and stewardship?

### **Category 2 (Accounting, Tax and External Audit Compliance)**

26. Has the independence of the external auditor been ascertained (COI, auditor rotation norms etc.)?

27. Have the competence, remuneration of the external auditor been vetted at time of engagement?

