



Memorandum

DATE: April 9th, 2015
TO: Chairman and Members of the Board
FROM: Kevin H. Roche, CEO/General Manager
SUBJECT: Agenda for the Audit Committee Meeting

There is an **ecomaine Audit Committee Meeting** scheduled for **Thursday, April 16th at 3:00 PM**. The agenda for this meeting is as follows:

1. Approval of the October 16th, 2014, Audit Committee Minutes (Attachment A)
2. RKO Proposal for FY 15 Audit (Attachment B)
3. Audit Committee Member Roles and Responsibilities (Attachment C)
4. Schedule on the upcoming FY 15 Audit

Future Meetings:

- Full Board Meeting: April 16th, 2015 (Thursday) @ 4:00 PM
- Recycling Committee Meeting: April 30, 2015 (Thursday) @ 4:00 PM
- Finance Committee Meeting: May 21st, 2015 (Thursday) @ 3:00 PM
- Executive Committee Meeting: May 21st, 2015 (Thursday) @ 4:00 PM
- Full Board/Annual Meeting: June 18th, 2015 (Thursday) @ 11:30 AM

The Board of Directors may wish to go into Executive Session for any of the above items under Section 405 of Title 1 of the Maine Revised Statutes ([per the following legislative website: http://janus.state.me.us/legis/statutes/1/title1ch13sec0.html](http://janus.state.me.us/legis/statutes/1/title1ch13sec0.html).)

Revised Thursday, April 09, 2015

ecomaine
Memorandum

DATE: October 16th, 2014
TO: Chairman and Members of the Board
FROM: Kevin H. Roche, CEO/General Manager
SUBJECT: Audit Committee Minutes – October 16th, 2014

There was an **ecomaine Audit Committee Meeting** held on the date noted above @ **ecomaine**. The following items were discussed.

1. Approval of the September 25th, 2014, Audit Committee Minutes
2. Discussion and Decision on Auditor for the FY 15 Audit.

Item #1: - Minutes

David Morton motioned to accept the minutes as written, the motion was second by Linda Boudreau and unanimously approved by the members of the Audit Committee.

Item #2: Discussion and Decision on Auditor for the FY 15 Audit

There was a discussion regarding who should conduct the FY 15 Audit. David Morton moved to recommend RKO prepare FY 15 Audit and that the committee evaluate each year going forward. The motion was seconded by Linda Boudreau and all in favor.

Linda Boudreau motioned to adjourn the meeting and seconded by David Morton.

Present: Linda Boudreau, Michael Bobinsky, Gary Foster, Susan McGinty & David Morton
Staff: Kevin Roche & Art Birt

April 16, 2015

Audit Committee
Kevin Roche, Chief Executive Officer
Arthur Birt, Director of Finance & Administration
ecomaine
64 Blueberry Road
Portland, Maine 04102-1945

We are pleased to confirm our understanding of the services we are to provide for ecomaine for the year ended June 30, 2015.

We will audit the financial statements of ecomaine, which comprise the statements of net position as of June 30, 2015 and 2014, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement ecomaine's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to ecomaine's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies the financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

2) Schedules 1 and 2 (referenced from June 30, 2014 financial statements)

Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Audit Procedures

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and may include direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit,

we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

You agree to assume all management responsibilities for the services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Roger A. Lebreux is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on August 10, 2015, with some preliminary work to be conducted in June, and to complete and issue our reports no later than September 30, 2015.

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We estimate that our fees for these services will be \$21,500. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Peter H. Way, CPA
Runyon Kersteen Ouellette

RESPONSE:

This letter correctly sets forth the understanding of ecomaine.

Signature: _____

Title: _____

Date: _____

Audit Committee Member Roles and Responsibilities

PURPOSE OF THIS TOOL: The following information illustrates how the audit committee might be structured and assigns roles and responsibilities between the audit committee and finance committee.

Not-for-profits should carefully consider the roles and responsibilities for both the formation of the committee and the members considered for the committee. Not-for-profits should tailor the committee's roles and responsibilities to best fit the organization considering the following:

- Size of the organization
- Diversity of organizational revenues
- Complexity of financial position and statements
- Geographic footprint of the organization's staff and mission

The organization should consider having a minimum of three members of its audit committee with at least one of the members being a board member or one member having financial expertise, or both. Furthermore, the organization should carefully consider the state requirements on the number of its members serving the audit committee and the finance committee (for example, California requires organizations to have more than half of its audit committee to be independent of the finance committee). The audit committee generally assists the board in its oversight of the following:

- Integrity of the organization's financial statements
- Internal control over the financial reporting process
- External auditor's qualifications, independence, and performance
- Performance of the internal audit function
- Compliance with legal and regulatory requirements
- Review of (or delegation thereof) the IRS Form 990

Specific responsibilities for an audit committee are typically set forth in the organizations *Financial Policy Manual* (or an audit committee charter), which should be approved by the board of directors. Audit committee charters will vary by organization due to factors such as size, type of not-for-profit, and complexity of the organization's business model.

The following is an illustrative list of responsibilities for audit committee members:

Audit Committee Process and Procedures

- Develop audit committee charter
- Conduct annual review of the audit committee charter
- Develop annual calendar based upon audit committee charter that ties to the board calendar

The AICPA Audit Committee Toolkit: Not-for-Profit Organizations

- Set agenda for the audit committee meetings based upon the audit committee charter
- Determine audit committee information and communication framework (that is, information requirements from management, reports, format, and timeliness)
- Ensure meeting minutes are prepared, documented, and approved by the audit committee
- Provide reports to the board of directors
- Educate the other board members on the understanding of the financial statements and financial statements risks
- Prepare annual audit committee report
- Conduct annual self-assessment of effectiveness and efficiency of the audit committee and evaluation
- Review organization's procedures for reporting of problems, including whistle-blower hotline and other communication methods
- Determine audit committee's process for "special investigations" (that is, whistle-blower allegation, antifraud plan compliance, discovery of error, illegal acts, and so on)
- Review reports from internal audit function
- Aware of legal and regulatory requirements for financial reporting and auditing of financial statements
- Review of IRS Form 990

Oversight of the Financial Reporting Process

- Meet privately and separately with CEO, CFO, independent external auditor, chief audit executive, General Counsel, senior management, and audit committee members only, and others as appropriate to the organization (executive sessions)
- Review critical accounting policies, practices, judgments, estimates, significant issues, significant transactions, adjustments, unusual items, complex issues, and business arrangements
- Review annual audited financial statements including any federal Office of Management and Budget (OMB) A-133 reports
- Review information provided to watchdog agencies
- Obtain explanations from management on all significant variances
- Question management and external auditor on significant financial reporting issues
- Facilitate the resolution of disagreements between management and the external auditor regarding financial reporting
- Determine when a subject matter expert is required and hire advisors when needed
- Determine and designate the audit committee's financial expertise (or designee)
- Oversee system for compliance with legal and regulatory requirements (for example, OMB circulars, state fundraising and licensing)
- Oversee adequacy of the organization's system of internal control
- Review management letters containing the recommendations of the external auditor and management's responses

Oversight of the External and Internal Audit Functions

- Provide pre-approval of all audit and permitted nonaudit services performed by the external auditor
- Appoint or replace external auditor
- Concur in the appointment of the chief audit executive—internal audit
- Review audit plan and scope of audit to be conducted by internal audit and external auditor
- Conduct evaluations of internal auditor and external auditor
- Oversee system of risk assessment and risk management as determined by the board of directors (audit committee primarily focused on financial risk)

Limitation of Audit Committee’s Role

Although the audit committee has the responsibilities set forth in a charter, it is not the responsibility of the audit committee to plan or conduct routine audits or to be the primary determinant that the organization’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These tasks are the responsibility of management and the external auditor, and the audit committee has an oversight responsibility to see that the objective is achieved.

Audit Committee Versus Finance Committee¹

In general, the finance committee monitors financial transactions and the audit committee makes sure things are done according to policy and with adequate controls. Also, the finance committee provides guidance about what can be done; the audit committee ensures that independent oversight occurs. Therefore, duties are generally assigned as follows:

Audit Committee	Finance Committee
The audit committee	The finance committee
(a) reviews the financial statements of the organization and other official financial information provided to the public;	(a) oversees the preparation of the annual budget and financial statements. The finance committee ensures that budgets and interim financial statements are prepared;
(b) has oversight for ensuring that reports are received, monitored, and disseminated appropriately;	(b) oversees the administration, collection, and disbursement of the financial resources of the organization as well as the policies and procedures related to the financial resources;

(continued)

¹ Originally published as *What’s The Difference? Audit Committee vs. Finance Committee*, this paper has been adapted and edited with the consent of the Nonprofit Risk Management Center at www.nonprofitrisk.org.

Audit Committee	Finance Committee
<p>(c) provides oversight of the organization's systems of internal controls, including overseeing compliance by management with applicable policies and procedures and risk management (for example, for organizations that are part of a national network, annually reviewing whether the organization meets the re-chartering requirements of its national organization);</p>	<p>(c) advises the board with respect to making significant financial decisions;</p>
<p>(d) oversees the annual independent audit process, including the recommended engagement of the external auditor and receiving of all reports, and management letters, from the independent certified public accountants;</p>	
<p>(e) reviews the annual information returns, (IRS Form 990, related schedules, and forms) and recommends for approval, signature, and submission by the appropriate officer. The audit committee also transmits the returns to the board for its review prior to signing and submission. The audit committee engages (on the board's behalf) and interacts with the external auditor or auditing firm. Many audit firms also prepare the federal and state tax returns for their nonprofit audit clients; and</p>	<p>(e) oversees the preparation and implementation of the governance policies referenced in the Form 990: conflict of interest, document retention, whistle-blower, review of executive compensation, endowments, investments, and so on; and</p>
<p>(f) reviews the organization's procedures for reporting problems. The audit committee may exercise primary responsibility to review the whistle-blower policy and process, anti-fraud policies, and policy and procedures related to the discovery of errors or illegal acts, whistle-blower hotline, and other communication methods and determine the process for "special investigations" (whistle-blower allegations, anti-fraud compliance, discovery of errors or illegal acts).</p>	<p>(f) should ensure that joint membership between the audit committee and the finance committee is appropriate and meets local laws and regulations.</p>
<p>The audit committee shall have such other authority and perform such other duties as may be delegated to it by the board.</p>	

Audit Committee Member Roles and Responsibilities

Some joint membership between the audit committee and the finance committee may exist. Organizations should refer to state or other local government laws and regulations to ensure compliance.

Certain states may have legal requirements or other regulations that require certain members of the audit committee that are not also members of the finance committee (some states require that the chair of the finance committee not be a member of the audit committee). The purpose is to promote independence within the organization.

Each organization will need to consider these roles and responsibilities, as well as the structure of their organization, and may need to reassign responsibilities, as needed.