An AUDIT COMMITTEE is responsible for overseeing the organization's financial reporting process, monitoring accounting policies and principles, monitoring internal control processes, and overseeing the hiring and performance of external auditors. Since Congress adopted the Sarbanes Oxley Act of 2002, many Boards of Directors have amended bylaws to make them the standing committee.

Effective in 2008, IRS Form 990 - Return of Organization Exempt from Income Tax - specifically queries, "... does the organization have a committee that assumes responsibility for the oversight of the audit, review or compilation of its financial statements and selection of an independent accountant?"

The purpose and responsibilities of the audit committee should be clearly described in the bylaws, policies and/or committee descriptions.

Members of the committee are usually appointed from among the board of directors. Principles guiding the committee should include transparency, independence and accountability.

The committee should be involved in the selection of an independent financial auditor and serve as a resource to the CPA during the audit process.

The audit committee should ensure that the audit is reviewed and understood by the board of directors, especially any recommendations to make changes to processes to protect the organization.

Recommendations of the committee and actions by the board should be carefully recorded in the minutes to protect all parties.