

AUDIT COMMITTEE ~~Charter~~

PURPOSE. This ~~Audit Committee Charter (Charter)~~ Policy defines the authority, role and duties of the Audit Committee (Committee) of Hagerstown Community College (~~College~~), ~~Board of Trustees (Board)~~.

AUTHORITY. The Committee receives its authority from this ~~Charter~~ Policy as approved by the Board ~~of Trustees~~, and from any additional authority which may be granted from time to time by the Board. The Committee is empowered to investigate any matter brought to its attention related to its role and duties, with full access to all books, records, facilities and personnel of the College, and has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.

MEMBERSHIP. The Committee is comprised of three (3) College Trustees who shall be appointed pursuant to the bylaws of the Board. The appointments shall include the designation of a Chairperson and a Vice-Chairperson. Consideration should be given to financial and managerial experience in the selection of Committee members. Each member shall be free of any relationship that, in the judgment of the Board, would interfere with ~~his/her~~ their exercise of independent judgment. The President of the College serves as a non-voting, ~~ex-official ex-officio~~ member.

MEETINGS. The Committee will meet as needed to address its responsibilities. The Committee will meet, at a minimum, ~~twice per year to 1) review the proposed external audit scope and approach and 2)~~ to receive the external auditor's annual ~~financial~~ report. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. Members may participate by telephone or video conference if unable to attend in person. Meeting minutes will be prepared and distributed no later than the next meeting of the Committee.

ROLES.

Board of Trustees. In support of its overall financial responsibility for the College the Board will 1) appoint members to the Committee pursuant to this ~~Charter~~ Policy and the bylaws of the Board, 2) receive reports from the Committee, and 3) give consideration to recommendations of the Committee.

Audit Committee. The Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting and budgeting polices, auditing, reporting practices and internal control of the College, and other duties as directed by the Board. The Committee's

role includes a focus on the qualitative aspects of the financial reporting to stakeholders and on the College's processes to manage business and financial risk.

Administration. The College administration is responsible for 1) preparation, presentation and integrity of the College's accounting records, budgets and financial statements, 2) education of audit committee members on changes to applicable accounting standards, 3) implementation of internal controls and procedures in order to promote compliance with accounting standards and applicable laws and regulations, and 4) day-to-day interface with external auditors during the audit process.

External Auditors. External auditors provide independent review of the College's financial systems, controls and reporting, and compliance with applicable financial standards, and shall present their findings in an annual financial statement in accordance with generally accepted auditing standards. In addition, the external auditors will prepare filings as directed in their contract. **Although the external auditors work primarily with the College administration and staff, the external auditors report to the Board through the Audit Committee.**

DUTIES OF THE AUDIT COMMITTEE:

External Audit

1. Recommend to the Board the appointment, retention and dismissal of external auditors.
2. Provide oversight to the annual financial audit process **including compliance with Board Policy 6030 Appointment of External Auditors.**
- ~~3. Require the lead audit partner and reviewing audit partner be rotated off the audit at least every six (6) years with a two (2) year 'time-out' period.~~
- ~~4. Ensure the audit firm has no relationship with the College that may adversely affect the independence of the audit firm in performing work for the College.~~
- ~~5. Ensure the following employment restrictions are followed:~~
 - ~~a. The audit firm has not employed the College's President, Vice President of Finance and Administration and/or the Director of Finance since the beginning of the fiscal year prior to the audit year.~~
 - ~~b. Audit team members for the College audit have not been employed by the College since the beginning of the fiscal year prior to the audit year.~~
 - ~~c. The College may not hire audit team members for a period of 2 fiscal years beyond their work on the College audit.~~
3. **May** review the proposed external audit scope and approach for the current year in light of the College's present circumstances, risk profiles, and changes in the regulatory environment.
4. Maintain free and open communication with the external audit firm and the administration.
5. Review any management response to audit findings.

6. **May** meet with auditors privately to discuss any concerns related to the College financial operations, reporting, controls or difficulties encountered in the course of the audit.
7. Approve the use of any non-audit services to be performed by any external auditor in order to limit an audit firm reviewing its own work.

Financial Reporting

8. Understand how management develops interim financial statements and provide guidance on the format of regular financial reporting to the Board.
9. Review significant accounting and financial reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the College.

Ethical and Legal Compliance Regarding Financial Matters

10. Investigate potential and actual improprieties in the College's operations, in consultation and coordination with appropriate legal counsel and other authorities.

Reporting to the Board

11. The Committee Chair, or designee, will present reports to the Board following Committee meetings, or as requested by the Board Chair. Reports will include, but not be limited to, action taken by the Committee concerning its specific roles and responsibilities.

~~UPDATES TO THE THIS CHARTER REVISIONS:~~ Review and revision to this ~~charter~~ **Policy** may be initiated by the Committee or the Board. Any changes to ~~the Charter~~ **this Policy** must be approved by the Board.

This policy was also revised on May 23, 2017.