COMMITTEE CHARTER OF THE
BOARD OF TRUSTEES OF KETTERING UNIVERSITY

KETTERING UNIVERSITY COMMITTEE ON AUDIT AND COMPLIANCE

Purpose
The primary role of the Committee on Audit and Compliance is to assist the Board of Trustees in fulfilling its fiduciary responsibilities relating to the University’s financial statements, the financial reporting process, the systems of internal controls, and the independent external audit process.

On behalf of the board, the Committee on Audit and Compliance is charged with receiving reports on:

- The financial condition of the institution,
- The accuracy and regulatory compliance of its financial statements,
- The risks faced by the institution in achieving its objectives, and
- The procedures that appropriately mitigate the risks to the institution’s financial health and reputation.

The Committee on Audit and Compliance shall review with the independent external auditors the financial statements, the financial reporting process, the system of internal controls, the audit process, and the institution’s monitoring of compliance with laws and regulations. The Committee on Audit and Compliance shall report this information to the Board. In addition, the Committee on Audit and Compliance shall provide its recommendations for action to be taken by the Board and management in order to strengthen the institution’s controls, compliance procedures and financial reporting process. The Committee on Audit and Compliance shall monitor management’s progress in responding to the independent external auditors’ findings and/or guidance given by the committee.

Organization

Review of Charter
This charter shall be reviewed and reassessed by the Committee on Audit and Compliance at least annually, and any proposed changes shall be submitted to the Board of Trustees for approval.

Membership/Structure/Quorum.
As defined in the Bylaws of the University, the Committee on Audit and Compliance shall be composed of not less than three Trustees. The Vice Chair of the Board of Trustees shall serve as the Chair of the Committee on Audit and Compliance. Individuals who are not Trustees but who have relevant audit, legal, and/or financial experience may be appointed to the Committee on Audit and Compliance without the power to vote, for a fixed term not to exceed two years, upon nomination by the President and unanimous approval of the Committee. Members of the Committee on Audit and Compliance must be free from any compensatory relationship that would interfere with the member’s exercise of independent judgment in performing the work of the Committee.

The president shall be an ex-officio non-voting member of the Committee on Audit and Compliance but must be excluded, along with other management officials and staff, when the Committee on Audit and Compliance is in executive session. At least one member shall serve as the financial expert, defined as an individual professionally knowledgeable in business management and financial reporting. Ideally, the financial expert shall have specific experience with a similar not-for-profit educational organization.

Staff Designee
The University Comptroller and his/her designee(s) shall be staff to the Committee.
Meetings
Meetings shall be held in conjunction with regularly scheduled meetings of the Board, or as deemed necessary by the Chair of the Committee.

Agenda, Minutes and Reports
The Chair of the Committee, in collaboration with the staff designee, shall be responsible for establishing the agendas for meetings of the Committee. An agenda, together with relevant materials, shall be sent to the Committee members in advance of each meeting. Minutes for all meetings shall be prepared in draft form by the staff designee and reviewed by the Chair, and shall be approved by the Committee members at the following meeting. The minutes shall be distributed periodically to the full Board of Trustees. The Committee shall make regular reports to the Board of Trustees.

Roles and Responsibilities

Internal controls
- Assuring that management is appropriately communicating the importance of internal controls and establishing policies and procedures to mitigate risk.
- Determining whether internal control recommendations made by independent external auditors and concurred in by the committee have been implemented by management.
- Making certain that the independent external auditors keep the Committee on Audit and Compliance informed about fraud, illegal acts, deficiencies in internal control and other audit-related matters.
- Determining which aspects of internal control and compliance procedures are being tested annually by the independent external auditors.
- Understanding the nature of significant deficiencies and material weaknesses reported with the financial statements and reportable findings under Government Auditing Standards.

General
- Reviewing significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understanding their impact on the institution’s financial statements.
- Reviewing significant risks and exposures and the plans to minimize them.

Annual financial statements
- Reviewing the annual financial statements and related footnotes and assessing whether they reflect appropriate accounting principles.
- Reviewing the MD&A disclosures and concluding as to their reasonableness based on the Committee on Audit and Compliance’s knowledge of the institution.
- Reviewing the management letter and monitoring the institution’s compliance with its recommendations.
- Verifying that the independent external auditors communicate all matters to the Committee on Audit and Compliance as required by their professional standards.
- Reviewing the IRS Form 990 and all of its disclosures, especially those regarding executive compensation, fees paid to vendors, activities unrelated to the institution’s exempt purpose and transactions with related entities.

Compliance with laws and regulations
- Reviewing the effectiveness of the institution’s system for monitoring compliance with laws and regulations.
- Satisfying itself that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Reviewing the findings of any significant examinations by regulatory agencies.
- Reviewing any state or federal funding and cost reports filed.

External audit
- Selecting and retaining the institution’s external auditors.
- Approving the independent external auditors’ fees.
- Reviewing and approving the independent external auditors’ proposed audit scope and approach.
- Reviewing the performance of the independent external auditors and recommending their retention or discharge.
• Reviewing and confirming the independent external auditors’ assertion of their independence in accordance with professional standards.
• Reviewing and approving the engagement of the independent external auditors to perform services — including consulting services — unrelated to the audit.

Reporting responsibilities

• Reporting to the board at least annually with appropriate recommendations regarding the Committee on Audit and Compliance’s activities and any key independent external audit issues.

Other responsibilities

• Meeting with the independent external auditors and management in separate executive sessions at least twice annually.
• Confirming that significant findings and recommendations made by the independent external auditors are received, discussed, and acted upon appropriately and promptly.
• Reviewing and updating the Committee on Audit and Compliance charter.
• Conducting an annual evaluation of the Committee’s performance.
• Reviewing and approving the institution’s conflict-of-interest, code-of-ethics and whistleblower policies.