

IOWA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN
COMMITTEE DESCRIPTION

I. TITLE:
AUDIT COMMITTEE

II. PURPOSE:

The primary responsibility for the Organization's financial reporting and internal controls rests with senior operating management, as overseen by the Organization's Governing Board (the "Board"). The purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling this responsibility by providing oversight by the Organization's audit functions (external and internal), as well as other investigations (external and internal).

III. AUTHORITY:

The Audit Committee has authority to:

- Retain the Organization's external [and internal] auditors.
- Investigate any matter brought to its attention with complete and unrestricted access to all books, records, documents, facilities, and personnel of the Organization.
- Retain outside counsel, auditors, investigators, or other experts in the fulfillment of its responsibilities, including the sole authority to approve the firms' fees and other retention terms.

The Committee shall be provided with the resources necessary to discharge its responsibilities. The Board shall review the adequacy of this Charter on an annual basis. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

IV. MEMBERSHIP:

The Audit Committee shall be a standing committee of the Governing Board, comprised of not less than three (3) members of the Board. Members of the Committee shall:

- A. Have no relationship to the Organization that may interfere with the exercise of their independence from management and the Organization.
- B. Not be members of the Organization's Financial Committee, a separate committee of the Governing Board;
- C. Be financially literate regarding the specialized matters of Organization or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

In addition, at least one member of the Committee shall be a financial expert possessing the following characteristics:

- A. An understanding of generally accepted accounting principles applicable to the Organization and financial statements.
- B. The ability to assess the application of generally accepted accounting principles in connection with accounting for estimates, accruals, and reserves of the Organization.
- C. Experience preparing, auditing, analyzing, or evaluating financial statements of comparable complexity to those of the Organization.
- D. Understanding of internal controls and procedures for financial reporting.
- E. Understanding of Audit Committee functions.

V. RESPONSIBILITIES:

The Committee's role is one of oversight, recognizing that the Organization's management is responsible for preparing the Organization's financial statements and that the external auditors are responsible for auditing those financial statements. The Committee recognizes that the Organization's internal financial management team, as well as the external auditors, have more time and detailed information about the Organization than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee is not providing expert advice or any assurances as to the Organization's financial statements or any professional certification as to the external auditor's services.

The Committee shall have certain responsibilities in the areas of financial reporting, internal control, and organizational governance.

In the areas of financial *reporting and internal control*, the Committee shall:

- Oversee the external audit processes, including nomination of the external audit firm, auditor engagement letters and fees, timing and coordination of audit fieldwork visits, monitoring of audit results, review of auditor's performance, and review of non-audit services provided by the external audit firm for compliance with professional independence standards.
- Review accounting policies.
- Review the Organization's financial statements, including year-end and interim financial statements, other reports requiring approval by the Board before submission to government agencies, and auditor opinions and management letters.
- Determine that all required tax and information return filings with Federal, state, and local government agencies are current and in compliance with reporting requirements.

- Receive and review any other communications from the external auditors that the external auditors are required to submit to the Board or Committee under currently applicable professional auditing standards.
- Review and discuss with management the findings and recommendations communicated by the external auditor.
- Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by management.
- Meet privately with the external auditors to discuss the quality of management, financial, accounting, information technology, and internal audit personnel, and to determine whether any restrictions have been placed by management on the scope of their external audit or if there are any other matters that should be discussed with the Committee.
- Review the letter of management representations provided to the external auditors as part of the annual audit and inquires as to whether any difficulties were encountered in obtaining the representation letter.
- Prepare and report, signed by the Chair of the Committee, for presentation to the full Governing Board, describing the activities and responsibilities of the Committee.
- Direct special investigations into significant matters brought to its attention within the scope of its duties.
- Review this Charter on an annual basis and propose any recommended changes to the Board

In the area of Organizational ***governance***, the Committee shall:

- Review Organization policies regarding compliance with laws and regulations, ethics, employee conduct, conflicts of interest, and the investigation of misconduct or fraud.
- Review current and pending litigation or regulatory proceedings impacting Organizational governance in which the Organization is a party.
- Establish and monitor Organization procedures for receiving and handling complaints about accounting and auditing matters.
- Review significant cases of employee or direct conflict of interest, misconduct or fraud.
- Review and approve the internal audit charter, which explains the framework for providing internal audit services to management and the Committee.
- Review and approve management's appointment and termination of the Organization's Director of Internal Audit.
- Review plans and budgets associated with the internal audit function to determine that audit objectives, plans, financial budgets, and schedules provide for adequate support of the Audit Committee's goals and objectives.
- Require the Director of Internal Audit to prepare a written report on an annual basis describing the scope and results of internal audit procedures.

- Discuss with the Director of Internal Audit and the external audit firm the reliability of the Organization's information technology system and any specific security measures in protecting the Organization against fraud and abuse.
- Meet regularly with the Organization's general counsel to discuss legal matters that may have a significant impact on the Organization.

The committee shall meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described.