



July 1, 2014

**MINUTES
AUDIT COMMITTEE MEETING
Held: Monday, June 23, 2014**

Participants: Michael Cornell, Audit Committee
Gregg Schwind, Audit Committee (arrived 7:50 p.m.)
Reginald Avery, Audit Committee
Edward Berman, Audit Committee
James Young, Audit Committee
Milton Matthews, President
Jackie Tuma, Chief Staff Liaison

Ms. Tuma called the meeting to order at 7:35 p.m.

Mr. Avery moved to approve the agenda and Mr. Cornell seconded. The agenda was approved with a vote of 4-0-0.

For: Messrs. Cornell, Avery, Berman and Young
Against: None
Abstain: None

Mr. Cornell moved to approve the draft minutes from the March 12, 2014 meeting and Mr. Berman seconded. The minutes were approved as presented with a vote of 3-0-1.

For: Messrs. Cornell, Berman and Young
Against: None
Abstain: Mr. Avery

Mr. Berman moved to nominate Mr. Cornell as chair of the Audit Committee for FY15. Mr. Young seconded the motion, and it passed with a vote of 4-0-0.

For: Messrs. Cornell, Avery, Berman and Young
Against: None
Abstain: None

Mr. Cornell moved to nominate Mr. Avery as vice chair of the Audit Committee for FY15. Mr. Berman seconded the motion, and it passed with a vote of 4-0-0.

For: Messrs. Cornell, Avery, Berman and Young
Against: None

Abstain: None

Mr. Schwind arrived at 7:50 p.m.

Ms. Susan Krabbe, Chief Financial Officer, presented the FY14 fourth quarter Financial Report. Staff responded to questions from the Committee. Several requests for information, including questions presented in advance by Mr. Andy Stack, were placed on the tracking log for follow up. Committee members requested that the FY 14 fourth quarter Financial Report be amended to include an explanation of the discount amortization adjustment and its impact on membership and package plan revenue.

Mr. Avery moved to provide the FY14 fourth quarter Financial Report (amended as described above) to the Board of Directors and Mr. Schwind seconded. The motion passed with a vote of 5-0-0.

For: Messrs. Cornell, Avery, Schwind, Berman and Young
Against: None
Abstain: None

The Audit Committee and Internal Audit Department Charters were reviewed and reauthorized by committee members, Mr. Matthews and Ms. Tuma.

Ms. Tuma presented the memorandum regarding the Internal Audit Department's conformity to the Institute of Internal Auditors' professional standards in FY14. Mr. Young suggested that going forward, this information should be communicated in a closed meeting.

At 9:00 p.m., Mr. Schwind moved to close the meeting pursuant to HOA Section 11B-111.4(i, iv) to review several internal audit reports and for consultation with staff personnel on legal matters. Mr. Avery seconded the motion. The motion passed with a vote of 5-0-0.

For: Messrs. Cornell, Avery, Schwind, Berman and Young
Against: None
Abstain: None

The meeting continued in closed session.

At 10:25 p.m. the open meeting reconvened.

The Committee's tracking form was reviewed.

At 10:26 p.m., the meeting was adjourned by unanimous consent.

DRAFT



March 17, 2014

**MINUTES
AUDIT COMMITTEE MEETING
Held: Wednesday, March 12, 2014**

Participants: Michael Cornell, Audit Committee Chair
Gregg Schwind, Audit Committee (arrived at 7:34 p.m.)
Edward Berman, Audit Committee (departed at 8:36 p.m.)
James Young, Audit Committee
Phillip Nelson, President
Jackie Tuma, Chief Staff Liaison

Mr. Cornell called the meeting to order at 7:31 p.m. In order to have a quorum, he asked Mr. Stack, Chairman of the Board of Directors, to participate in the meeting until the arrival of another Audit Committee member. (A majority of the Committee's membership, with at least two of them being Board members, is required to be present at a meeting to constitute a quorum.)

Mr. Young moved to approve the agenda and Mr. Berman seconded. The agenda was approved with a vote of 4-0-0.

For: Messrs. Cornell, Stack, Berman and Young
Against: None
Abstain: None

Mr. Berman moved to approve the draft minutes from the December 10, 2013 meeting and Mr. Young seconded. The minutes were approved as presented with a vote of 2-0-2.

For: Messrs. Cornell and Berman
Against: None
Abstain: Messrs. Stack and Young

Mr. Schwind arrived at 7:34 p.m.

Ms. Susan Krabbe, Chief Financial Officer, presented the FY14 third quarter Board Report (revised) and the FY14 third quarter financial statements. Staff responded to questions from the Committee.

Mr. Berman moved to provide the FY14 third quarter Board Report (revised) to the Board of Directors and Mr. Schwind seconded. The motion passed with a vote of 4-0-0.

DRAFT

For: Messrs. Cornell, Schwind, Berman and Young
Against: None
Abstain: None

Mr. Berman moved to provide the FY14 third quarter financial statements to the Board of Directors and Mr. Schwind seconded. The motion passed with a vote of 4-0-0.

For: Messrs. Cornell, Schwind, Berman and Young
Against: None
Abstain: None

Ms. Krabbe presented the engagement letters from CohnReznick LLP for the fiscal year 2014 external audits of the Columbia Association and the Incentive Savings Plan.

Mr. Schwind moved to recommend to the Board of Directors that it appoint CohnReznick LLP as CA's external auditors for the FY14 annual audits of CA's financial statements and incentive savings plan. Mr. Young seconded. The motion passed with a vote of 4-0-0.

For: Messrs. Cornell, Schwind, Berman and Young
Against: None
Abstain: None

The Committee discussed the composition of CA's 401(k) administrative committee. Ms. Krabbe noted that the 401(k) administrative committee will consider engaging an independent plan advisor.

The Committee reviewed their FY14 annual report of major accomplishments.

Mr. Berman departed at 8:36 p.m.

At 8:37 p.m., Mr. Young moved to close the meeting pursuant to HOA Section 11B-111.4(i, iv) to review several internal audit reports and for consultation with staff personnel on legal matters. Mr. Schwind seconded the motion. The motion passed with a vote of 3-0-0.

For: Messrs. Cornell, Schwind, and Young
Against: None
Abstain: None

The meeting continued in closed session.

At 9:16 p.m. the open meeting reconvened.

The Committee's tracking form was reviewed.

At 9:21 p.m., the meeting was adjourned by unanimous consent.



June 16, 2014

To: CA Audit Committee Members
Reginald Avery
Michael Cornell
Gregg Schwind
Edward Berman
James Young

From: Jackie Tuma, Director of Internal Audit

Cc: Milton Matthews, President

Re: Review of the Audit Committee Charter and the Internal Audit Department Mission Statement and Charter

In accordance with best practices and the Institute of Internal Auditors' Professional Standards, the charters for the Audit Committee and Internal Audit Department must be reviewed and approved periodically. CA's Internal Audit Department fulfills this requirement by presenting both documents to the Audit Committee at the first meeting of each fiscal year. Both documents are attached for your review.



Audit Committee Charter

I. Purpose:

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, and the audit process.

II. Composition:

The Audit Committee is to be comprised of at least three voting members as follows:

- Financial experts: Two committee members appointed by the Columbia Association Board of Directors shall be community members meeting the criteria of a “financial expert” as defined by the Sarbanes Oxley Act of 2002. Customarily, the community members will serve three year terms (beginning in alternating years). However, they serve at the pleasure of the board and may be removed from the committee’s membership by the board.
- Board of Directors: Three committee members will be independent, non-management members of Columbia Association’s Board of Directors. It is strongly preferred that any Board member(s) with financial expertise serve on the Audit Committee. In addition, at least one of the Board Committee members should remain consistent from year to year
- The committee will be chaired by one of the Board members.
- A majority of the Committee’s membership, with at least two of them being Board members, is required to be present at a meeting to constitute a quorum.
- Each member shall have one vote. A vote of the majority of the quorum present at a meeting shall be sufficient to constitute action upon a matter that properly comes before a meeting.

III. Duties and Responsibilities:

A. External Audit

- Recommend to the Board the appointment and discharge of the external auditors. Review and confirm the independence of the external auditors before finalizing the recommendation by

obtaining statements from the auditors on relationships between the auditors and CA, including non-audit services.

- Review external audit fees and engagement letters.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with Internal Audit.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements and footnotes with the external auditors and management and consider whether they are complete and consistent with information known to the committee members and reflect appropriate accounting principles.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with the external auditors and management all matters required to be communicated to the committee under Generally Accepted Auditing Standards (i.e. management letter, internal control weaknesses, audit adjustments, any disagreements with management, etc.). Resolve any disagreements between management and the external auditors.
- Review the results of other external/investigative audits (i.e. report findings, recommendations, observations, etc.).
- Ensure that the audit engagement partners are rotated every five years.

B. Internal Audit

- Obtain and review reports on significant internal audit findings and recommendations, together with management's responses.
- Review and recommend changes to the Internal Audit Department's Mission Statement and Charter.
- Review and approve the biannual Audit Plan.
- Meet on a quarterly basis (or as considered necessary) with the Internal Audit Department and President. All committee members are expected to attend each meeting in person or via teleconference.

C. Internal Control and Other Responsibilities

- Consider the effectiveness of the organization's controls surrounding accounting, financial reporting, operations and information technology.
- Understand the scope of internal and external auditors' review of internal control over financial reporting.
- Communicate the results of internal audits to the Board of Directors.
- Review and provide to the Board the quarterly financial statements.

- Review and provide to the Board the quarterly Financial Report.
- Regularly report to the Board of Directors about Audit Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- Review and recommend for approval the annual IRS Form 990 (Return of Organization Exempt From Income Tax) and IRS Form 990T (Exempt Organization Business Income Tax Return) before it is filed with the IRS.
- Review and assess the adequacy of the Audit Committee Charter annually, requesting Board approval for proposed changes.
- If necessary, meet separately with the Director of Internal Audit to discuss any matters that the committee or the Director of Internal Audit believes should be discussed privately.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Review the Internal Audit Department’s compliance with the Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing*.

IV. Closed Meetings

In the event that the Audit Committee holds a meeting in closed session for one of the purposes enumerated in Section 11B-111(4) of the Maryland Homeowners Association Act (“HOA”), the Chairperson of the Committee shall report such closed session to the Chairperson of the Board in a writing that provides (a) the date of the closed meeting, (b) the approximate beginning and ending times of the meeting, (c) the record of the vote of each committee member by which the meeting was closed, (d) the specific section number of the HOA pursuant to which the meeting was closed (which may be one or more of HOA section 11B-111(4) (i) through (viii)), and (e) a brief statement as to why the meeting was closed. Such report must be provided to the Chairperson of the Board by 5:00 p.m. on the day preceding the next Board meeting following the committee meeting.

Audit Committee Chair Date

Audit Committee Vice Chair Date

Audit Committee Member Date

Audit Committee Member

Date

Audit Committee Member

Date

*Reviewed by CA's Audit Committee on June 24, 2013.
Approved by CA's Board of Directors on July 11, 2013.*



Internal Audit Department Mission Statement and Charter

Mission and Scope of Work

The mission of Columbia Association's Internal Audit Department is to provide independent, objective assurance and consulting services in order to evaluate the accuracy and effectiveness of CA's operations, financial reporting, internal controls, and policies and procedures. The Internal Audit Department is guided by a philosophy of adding value in order to improve operations.

The scope of work of the Internal Audit Department is to determine whether the Columbia Association's control processes, as designed and represented by management, are adequate and functioning in a manner to ensure that

- significant financial, managerial, and operating information is accurate, reliable, and timely;
- resources are acquired economically, used efficiently, and adequately protected;
- programs, plans, and objectives are achieved; and
- quality and continuous improvement are fostered in the organization's control processes.

Accountability and Independence

The Director of Internal Audit shall report administratively to the President and functionally to the President and the Audit Committee. The Director of Internal Audit shall provide information periodically on the status and results of the biannual audit plan and the sufficiency of department resources and shall also coordinate with and provide oversight of other control and monitoring functions as necessary (e.g., external and investigative audits).

Independence requires that the auditors' work be performed freely and objectively. As such, the Internal Audit Department has no authority over or responsibility for the activities reviewed.

Responsibility

The Internal Audit Department adheres to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit Department's performance.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of CA's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve CA's stated goals and objectives.

The Director of Internal Audit and the staff of the Internal Audit Department have responsibility to:

- develop a flexible biannual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval
- implement the biannual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management
- evaluate the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- evaluate the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization
- evaluate the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- evaluate the effectiveness and efficiency with which resources are employed
- evaluate operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned
- monitor and evaluate governance processes
- maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter
- establish a quality assurance program by which the Director of Internal Audit assures the operation of internal auditing activities
- perform consulting and advisory services related to governance, risk management and control as appropriate for CA
- evaluate and assess significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion as needed
- issue periodic reports to the Audit Committee and management summarizing results of audit activities
- keep the Audit Committee informed of emerging trends and successful practices in internal auditing
- assist in the investigation of significant suspected fraudulent activities within the organization and notify the President and the Audit Committee of the results
- consider the scope of work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost
- perform audit procedures under the direction of the organization's external auditors to assist with their annual independent audit of CA's financial statements.

Authority

The Director of Internal Audit and the staff of the Internal Audit Department are authorized to:

- have unrestricted access to all functions, records, property, and personnel. In the case of records and communications which are protected by the attorney-client privilege or are otherwise legally recognized as privileged documents or communications, the Internal Audit Department may not further disclose such documents or communications to any party outside of CA unless the Board has voted to waive the privilege
- have full and free access to the Audit Committee
- allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.

The Director of Internal Audit and the staff of the Internal Audit Department are not authorized to

- perform any operational duties for the Columbia Association
- initiate or approve accounting transactions external to the Internal Audit Department
- direct the activities of any CA employees not employed by or assigned to the Internal Audit Department.

Milton Matthews, President

Date

Jackie Tuma, Director of Internal Audit

Date

_____, Audit Committee Chair

Date

*Reviewed by CA's Audit Committee on June 20, 2011.
Approved by CA's Board of Directors on July 14, 2011.*



Date: June 2, 2014

To: Audit Committee Members
Reginald Avery
Michael Cornell
Gregg Schwind
Edward Berman
James Young

From: Jackie Tuma, Director of Internal Audit

Cc: Milton Matthews, President

Re: Conformity with Institute of Internal Auditors' (IIA's) Professional Standards - FY14

The purpose of this memorandum is to confirm to the Audit Committee that 1) in fiscal year 2014, the Internal Audit Department was not hindered or restricted in its scope or approach and 2) its work conformed to the IIA's professional standards.

Background: As stated in the *Internal Audit Mission Statement and Charter*, the Internal Audit Department adheres to the IIA's professional standards (Standards) which, among other things, requires that the internal audit activity be "free from interference in determining the scope of internal auditing, performing work, and communicating results." The Standards also require that Internal Audit maintain a quality assurance program which includes periodic internal assessments of its compliance with all Standards and an external validation at least once every five years.

Fiscal Year 2014 confirmation regarding the conduct of internal audit operations: In fiscal year 2014, the Internal Audit Department was not hindered or restricted in any way regarding the scope of internal audit activities, performance of internal audits and other projects, or communicating results of our work.

Fiscal Year 2014 assessment of compliance with the IIA's Standards: The IIA has issued 104 professional Standards, of which 102 pertain to CA's internal audit operations. (A list of the main categories of the Standards is attached for informational purposes.) In April 2014, Internal Audit conducted an internal assessment of its compliance with the IIA's Standards and found that the department fully complies with all but one of the applicable Standards.

It is my opinion that IA only partially conforms to Standard 1210.A3 which states that "*Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.*" While the senior internal auditor and I understand key risks/controls and continue to audit certain components of the information technology (IT) environment, neither of us have sufficient experience with the more technical aspects of IT auditing to evaluate all risks and controls. To address this, we will continue to obtain training and apply knowledge gained on technology-related control issues and to coordinate with CA's external auditors on any IT reviews that they perform. Going forward, we will evaluate the option of co-sourcing certain IT audit projects.

IIA PROFESSIONAL STANDARDS

ATTRIBUTE STANDARDS	
1000	Purpose, Authority, and Responsibility
1010	Recognition of the Definition of Internal Auditing
1100	Independence and Objectivity
1110	Organizational Independence
1111	Direct Interaction with the Board
1120	Individual Objectivity
1130	Impairments to Independence or Objectivity
1200	Proficiency and Due Professional Care
1210	Proficiency
1220	Due Professional Care
1230	Continuing Professional Development
1300	Quality Assurance and Improvement Program
1310	Requirements of the Quality Assurance and Improvement Program
1311	Internal Assessments
1312	External Assessments
1320	Reporting on the Quality Assurance and Improvement Program
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”
1322	Disclosure of Nonconformance

PERFORMANCE STANDARDS	
2000	Managing the Internal Audit Activity
2010	Planning
2020	Communication and Approval
2030	Resource Management
2040	Policies and Procedures
2050	Coordination
2060	Reporting to Senior Management and the Board
2070	External Service Provider and Organizational Responsibility for Internal Auditing
2100	Nature of Work
2110	Governance
2120	Risk Management
2130	Control
2200	Engagement Planning
2201	Planning Considerations
2210	Engagement Objectives
2220	Engagement Scope
2230	Engagement Resource Allocation
2240	Engagement Work Program
2300	Performing the Engagement
2310	Identifying Information
2320	Analysis and Evaluation
2330	Documenting Information
2340	Engagement Supervision
2400	Communicating Results
2410	Criteria for Communicating
2420	Quality of Communications
2421	Errors and Omissions
2430	Use of “Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”
2431	Engagement Disclosure of Nonconformance
2440	Disseminating Results
2450	Overall Opinion
2500	Monitoring Progress
2600	Management’s Acceptance of Risks

**Tracking Form - Audit Committee
Open Meeting Items**

	Submitted to Committee by (name):	Date sent to Committee	Description of Topic	Action to be Taken	Date Due to AC	Extensions	Revised Due Date to AC	Item Complete? (Y/N)
1								
2								
3								
4								