



July 7, 2015

**MINUTES
AUDIT COMMITTEE MEETING
Held: Wednesday, June 24, 2015**

Participants: Reginald Avery, Audit Committee
Nancy McCord, Board of Directors
Andrew Stack, Board of Directors
Edward Berman, Audit Committee
James Young, Audit Committee
Milton W. Matthews, President /CEO
Jackie Tuma, Chief Staff Liaison and Director of Internal Audit

Ms. Tuma called the meeting to order at 7:33pm.

Mr. Avery moved to approve the agenda and Ms. McCord seconded. The agenda was approved with a vote of 5-0-0.

For: Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against: None
Abstain: None

Mr. Avery moved to approve the draft minutes from the March 11, 2015 meeting and Ms. McCord seconded. The minutes were approved as presented with a vote of 1-0-4.

For: Mr. Avery
Against: None
Abstain: Ms. McCord and Messrs. Stack, Berman and Young (did not attend meeting on 3/11/15)

Ms. Susan Krabbe, Chief Financial Officer, presented the FY15 fourth quarter Financial Report. Staff responded to questions from the committee. She informed the committee that there may be an adjustment to record additional depreciation expense. Mr. Young requested that the committee be provided copies of the organization charts that were effective before and after the most recent reorganization.

Mr. Avery moved to provide the FY15 fourth quarter Financial Report to the Board of Directors, noting that additional depreciation expense may be recorded. Ms. McCord seconded. The motion passed with a vote of 5-0-0.

For: Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against: None
Abstain: None

Mr. Stack moved to nominate Mr. Schwind as Chair and Mr. Avery as Vice Chair of the Audit Committee for FY16. Mr. Avery seconded the motion, and it passed with a vote of 5-0-0.

For: Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against: None
Abstain: None

The committee reviewed the draft Audit Committee Charter and Office of Internal Audit Mission Statement and Charter (both with proposed revisions). Mr. Berman requested modifications to the Office of Internal Audit Mission Statement and Charter to expand the description of Internal Audit's independence.

Ms. McCord moved to recommend to the Board of Directors that it approve the revised Audit Committee Charter and the revised Office of Internal Audit Mission Statement and Charter (with additional description of Internal Audit's independence) and Mr. Young seconded. The motion passed with a vote of 5-0-0.

For: Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against: None
Abstain: None

At 8:20pm, Mr. Berman moved to close the meeting pursuant to HOA Section 11B-111.(4)(i, iv and v) to review several internal audit reports and for consultation with staff personnel on legal matters. Ms. McCord seconded the motion. The motion passed with a vote of 5-0-0.

For: Ms. McCord and Messrs. Avery, Stack, Berman and Young
Against: None
Abstain: None

The meeting continued in closed session.

At 9:50pm the open meeting reconvened.

The committee reviewed the open tracking form.

At 9:51pm the meeting was adjourned by unanimous consent.



March 16, 2015

**MINUTES
AUDIT COMMITTEE MEETING
Held: Wednesday, March 11, 2015**

Participants: Michael Cornell, Audit Committee Chair
Reginald Avery, Audit Committee
Gregg Schwind, Audit Committee (initially by teleconference, joined the meeting in person at 7:49pm)
Milton Matthews, President and CEO
Jackie Tuma, Chief Staff Liaison and Director of Internal Audit

Mr. Cornell called the meeting to order at 7:31pm.

Mr. Avery moved to approve the agenda and Mr. Schwind seconded. The agenda was approved with a vote of 3-0-0.

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

Mr. Avery moved to approve the draft minutes from the December 10, 2014 meeting and Mr. Schwind seconded. The minutes were approved as presented with a vote of 3-0-0.

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

Ms. Susan Krabbe, Chief Financial Officer, presented CA's FY15 third quarter Financial Report and financial statements and responded to questions from the committee.

Mr. Avery moved to provide the FY15 third quarter Financial Report to the Board of Directors and Mr. Schwind seconded. The motion passed with a vote of 3-0-0.

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

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Mr. Schwind moved to provide the FY15 third quarter financial statements to the Board of Directors and Mr. Avery seconded. The motion passed with a vote of 3-0-0.

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

Ms. Krabbe presented the engagement letters from CohnReznick LLP for the fiscal year 2015 external audit of Columbia Association and the external audit of the Incentive Savings Plan for the 2014 calendar year. It was noted that the Incentive Savings Plan audit will be a limited scope audit as permitted by U.S. Department of Labor ERISA regulations, meaning that investment information certified by Fidelity Management Trust Company will not be audited.

Mr. Schwind moved to recommend to the Board of Directors that it appoint CohnReznick LLP as CA's external auditors for the FY15 annual audit of CA's financial statements and the 2014 limited scope audit of CA's Incentive Savings Plan. Mr. Avery seconded. The motion passed with a vote of 3-0-0.

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

At 8:34pm, Mr. Schwind moved to close the meeting pursuant to HOA Section 11B-111.(4)(i and 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 3-0-0.

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

The meeting continued in closed session.

At 9:36pm the open meeting reconvened.

The committee reviewed its FY15 annual report of major accomplishments.

The committee reviewed the open tracking form.

At 9:38pm the meeting was adjourned by unanimous consent.



Date: June 17, 2015

To: Members of the Columbia Association Audit Committee

From: Jackie Tuma, Chief Staff Liaison

Cc: Milton W. Matthews, President/ CEO
Susan Krabbe, Vice President and CFO
CA Board of Directors

Re: Fourth quarter Financial Report

The backup for agenda item #5a (FY15 fourth quarter Financial Report) will be provided by Susan Krabbe prior to the Audit Committee meeting.



June 12, 2015

To: CA Audit Committee Members
Reginald Avery
Gregg Schwind
Chao Wu
Edward Berman
James Young

From: Jackie Tuma, Director of Internal Audit

Cc: Milton W. Matthews, President/CEO

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

In accordance with best practices and the Institute of Internal Auditors' professional standards, the charters for the Audit Committee and the Office of Internal Audit must be reviewed and approved periodically. Internal Audit fulfills this requirement by presenting both documents to the Audit Committee at the first meeting of each fiscal year.

This year, I am proposing several revisions to the charters based on recommendations from the Institute of Internal Auditors. The documents also reflect some editorial revisions including a title change (from "Internal Audit Department" to the "Office of Internal Audit") to be consistent with CA's revised organizational structure which became effective in January 2015.

Copies of the charters (with content changes tracked) are attached for your review. After the committee reviews and approves revised charters, motions will need to be taken to recommend to the Board of Directors that it approve the amended documents.

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, and the ethics program.

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.).
- If necessary, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 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 Office of Internal Audit's Mission Statement and Charter.
- Review and approve the biannual Audit Plan.
- Review the Office of Internal Audit's performance relative to its audit plan.
- Meet on a quarterly basis (or as considered necessary) with the Office of Internal Audit 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.
- ~~Monitor CA's ethics program~~
- 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 Office of Internal Audit'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
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Audit Committee Vice Chair	Date
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Audit Committee Member	Date
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Audit Committee Member	Date
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Audit Committee Member	Date
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~~*Reviewed by CA's Audit Committee on June 24, 2013.*~~
~~*Approved by CA's Board of Directors on July 11, 2013.*~~

Reviewed by CA's Audit Committee on June 24, 2015.
Approved by CA's Board of Directors on _____.



Office of Internal Audit Mission Statement and Charter

Mission and Scope of Work

The mission of Columbia Association's Office of Internal Audit 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 Office of Internal Audit is guided by a philosophy of adding value in order to improve operations. It assists CA in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

The scope of work of the Office of Internal Audit 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/CEO 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 Internal Audit's 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 Office of Internal Audit has no authority over or responsibility for the activities reviewed. The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Office of Internal Audit.

Responsibility

The Office of Internal Audit 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 Office of Internal Audit'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 responsibilities of the Director of Internal Audit and the staff of the Office of Internal Audit include but are not limited to:

- developing a flexible biannual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to the Audit Committee for review and approval
- implementing the biannual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management
- issuing a written report to management following each internal audit engagement
- communicating internal audit results to the Audit Committee
- conducting appropriate follow up on engagement findings and recommendations
- evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization
- evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- evaluating the effectiveness and efficiency with which resources are employed
- evaluating 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
- monitoring and evaluating governance processes
- maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter
- establishing a quality assurance program by which the Director of Internal Audit assures the operation of internal auditing activities and communicating the results of internal and external assessments
- performing consulting and advisory services related to governance, risk management and control as appropriate for CA

- evaluating and assessing significant new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion as needed
- issuing periodic reports to the Audit Committee and management summarizing results of audit activities
- keeping the Audit Committee informed of emerging trends and successful practices in internal auditing
- monitoring CA's ethics program
- ~~assisting in the investigation of significant suspected fraudulent activities within the organization and notify the President and the Audit Committee of the results with investigations as needed~~
- considering 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
- performing 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 Office of Internal Audit 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 Office of Internal Audit 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 Office of Internal Audit are not authorized to~~

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

Milton W. Matthews, President/CEO

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.*~~

Reviewed by CA's Audit Committee on June 24, 2015.
Approved by CA's Board of Directors on _____.

**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								