



June 20, 2017

To: Audit Committee Members  
Janet Evans  
Nancy McCord  
Gregg Schwind  
Edward Berman  
James Young

Cc: Milton W. Matthews, President/CEO  
Members of the Columbia Association Board of Directors

From: Jackie Tuma, Chief Staff Liaison

**The Audit Committee of the Columbia Association Board of Directors will meet on Monday, June 26, 2017 at Columbia Association Headquarters, 6310 Hillside Court, Columbia, MD 21046 at 7:30 p.m.**

**AGENDA**

- |  |        |
|--|--------|
| 1. Call to order   | 1 min  |
| 2. Approval of agenda  | 2 min  |
| 3. Resident speakout   | 5 min  |
| 4. Approval of minutes: <u>March 20, 2017</u>  | 5 min  |
| 5. Election of committee chair and vice chair (no backup)  | 5 min  |
| 6. Review of charters  | 15 min |
| a) Memo re: Review of Office of Internal Audit Mission Statement and Charter and review/reauthorization of Audit Committee Charter   |        |
| b) Review of Office of Internal Audit Mission Statement and Charter (with proposed revisions)  |        |
| c) Motion to recommend to the Board of Directors that it approve the Office of Internal Audit Mission Statement and Charter as amended (no backup)                                     |        |
| d) Review and reauthorization of the Audit Committee Charter   |        |
| 7. Motion to close for the purpose of reviewing several internal audit reports and consultation with staff personnel on legal matters in accordance with HOA Section 11B-111.(4)(i,iv) | 80 min |
| 8. Committee Tracking Form (open meeting)  | 5 min  |
| 9. Adjournment – 9:28 p.m.   |        |

**Next Audit Committee Meeting:**

**Wednesday, July 26, 2017**

***ARRANGEMENTS FOR AN INTERPRETER FOR THE HEARING IMPAIRED CAN BE MADE BY CALLING 410-715-3111 AT LEAST TWO DAYS IN ADVANCE OF THE MEETING.***



March 27, 2017

**MINUTES  
AUDIT COMMITTEE MEETING  
Held: Monday, March 20, 2017**

Participants: Reginald Avery, Vice Chair, Audit Committee  
Janet Evans, Audit Committee  
Edward Berman, Audit Committee  
Andrew Stack, Chair, CA Board of Directors  
Milton W. Matthews, President/CEO  
Jackie Tuma, Chief Staff Liaison and Director of Internal Audit

Mr. Avery called the meeting to order at 7:45pm.

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

For: Mr. Avery, Ms. Evans, Mr. Berman and Mr. Stack  
Against: None  
Abstain: None

There were no "resident speakout" requests.

Ms. Evans moved to approve the draft minutes from the December 5, 2016 meeting and Mr. Berman seconded. The minutes were approved as presented with a vote of 2-0-2.

For: Ms. Evans and Mr. Berman  
Against: None  
Abstain: Mr. Avery and Mr. Stack (did not attend the meeting on December 5, 2016)

Ms. Susan Krabbe, Vice President and Chief Financial Officer, presented the FY17 third quarter Financial Report. Mr. Berman requested that going forward, the capital budget section include a general description of category 1, 2 and 3 expenditures.

Ms. Krabbe presented the FY17 third quarter financial statements.

Mr. Berman moved to provide the FY17 third quarter Financial Report to the Board of Directors.

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Ms. Evans seconded. The motion passed with a vote of 4-0-0.

For: Mr. Avery, Ms. Evans, Mr. Berman and Mr. Stack  
Against: None  
Abstain: None

Mr. Berman moved to provide the FY17 third quarter financial statements to the Board of Directors. Ms. Evans seconded. The motion passed with a vote of 4-0-0.

For: Mr. Avery, Ms. Evans, Mr. Berman and Mr. Stack  
Against: None  
Abstain: None

Ms. Krabbe provided *revised* engagement letters from CohnReznick LLP for their FY17 independent audits of CA's financial statements and incentive savings plan. She explained that changes from the previously distributed letters were technical in nature (regarding issues such as indemnity); they were proposed by Sheri Fanaroff and favorable to CA, and accepted by CohnReznick LLP.

Ms. Evans moved to recommend to the Board of Directors that it appoint CohnReznick LLP as CA's external auditors for the FY17 annual audits of CA's financial statements and incentive savings plan. Mr. Berman seconded. The motion passed with a vote of 4-0-0.

For: Mr. Avery, Ms. Evans, Mr. Berman and Mr. Stack  
Against: None  
Abstain: None

Ms. Krabbe presented a briefing of CA's 401(k) plan.

At 8:35pm, Mr. Berman 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. Ms. Evans seconded the motion. The motion passed with a vote of 4-0-0.

For: Mr. Avery, Ms. Evans, Mr. Berman and Mr. Stack  
Against: None  
Abstain: None

The meeting continued in closed session.

At 9:33pm, the open meeting reconvened.

The committee reviewed the open tracking form.

At 9:35pm the meeting was adjourned by unanimous consent.

June 16, 2017

To: CA Audit Committee Members  
Janet Evans  
Nancy McCord  
Gregg Schwind  
Edward Berman  
James Young

From: Jackie Tuma, Director of Internal Audit

Cc: Milton W. Matthews, President/CEO

Re: Review of the Office of Internal Audit Mission Statement and Charter and review/reauthorization of the Audit Committee 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 periodically. Internal Audit fulfills this requirement by presenting both documents to the Audit Committee at the first meeting of each fiscal year.

Office of Internal Audit Mission Statement and Charter: This year, I am proposing changes to the Office of Internal Audit Mission Statement and Charter based on recent recommendations from the Institute of Internal Auditors. Note that while the changes are voluminous, they serve to clarify and further explain our operations. The revisions do not change any of Internal Audit's current responsibilities. As backup for agenda #6b, I provided for your review a redlined copy (with tracked changes) followed by a clean draft with all changes incorporated. Once the committee reviews the revised charter, a motion will be taken to recommend that the Board of Directors approve the amended document (at its next meeting, currently scheduled for July 27, 2017).

Audit Committee Charter: As backup for agenda #6d, I have provided a copy of the Audit Committee Charter for your review. I will provide a printed copy for your signatures at the June 26, 2017 meeting.



## Office of Internal Audit Mission Statement and Charter

### Purpose and Mission and Scope of Work

The ~~mission-purpose~~ of Columbia Association (CA)'s Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve CA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of Internal Audit helps accomplish its objectives 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~~ governance, risk management, and control processes.

### Standards for the Professional Practice of Internal Auditing

The Office of Internal Audit ~~adheres will govern itself by adherence~~ to the ~~Institute of Internal Auditors'~~ mandatory elements of the Institute of Internal Auditor's International Professional Practices Framework, guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). The Director of Internal Audit will report periodically to the President/CEO and the Audit Committee regarding the Office of Internal Audit's conformance to the Code of Ethics and the Standards.

### Authority

The Director of Internal Audit shall report administratively to the President/CEO and functionally to the President/CEO and the Audit Committee.

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

- Have full, free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. 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.

- Allocate resources, set frequencies, select subjects, determine scopes of work, ~~and~~ apply the techniques required to accomplish audit objectives, and issue reports.
- have full and free access to the Audit Committee Obtain assistance from the necessary personnel of CA, as well as other specialized services from within or outside CA, in order to complete the engagement.

The Director of Internal Audit will have unrestricted access to and communicate and interact directly with the Audit Committee, including in private meetings without management present.

## Independence and Objectivity

The Director of Internal Audit will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Independence requires that the auditors' work be performed freely and objectively. As such, Internal auditors will have the Office of Internal Audit has no authority over or direct operational responsibility for any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including: ~~reviewed and is not authorized to~~

- Performing operational duties for CA or its affiliates.
- Initiating or approving accounting transactions external to the Office of Internal Audit.
- Directing the activities of any CA employees not assigned to employed by the Office Internal of Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal audit, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Office of Internal Audit.

The Director of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### Scope of Internal Audit Activities

~~The scope of work of the Office of Internal Audit~~ internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and ~~is to determine whether the Columbia Association's control processes for CA.~~ Internal audit assessments include evaluating whether: ~~as designed and represented by management, are adequate and functioning in a manner to ensure that~~

- Risks relating to the achievement of CA's strategic objectives are appropriately identified and managed.
- The actions of CA's officers, directors, employees, and contractors are in compliance with CA's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- ~~programs, plans, and objectives are achieved; and~~ Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact CA.
- ~~significant financial, managerial, and operating information and the means used to identify, measure, analyze, classify, and report such information is are accurate, reliable, and timely; have integrity.~~
- 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.~~

The Director of Internal Audit ~~will report shall provide information~~ periodically to the President/CEO and the Audit Committee regarding:

- The Office of Internal Audit's purpose, authority, and responsibility.
- The Office of Internal Audit's ~~the status and results of the biannual audit~~ plan and performance relative to its plan.

- The Office of Internal Audit's conformance with the Institute of Internal Auditors' Code of Ethics and Standards and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- The sufficiency of Internal Audit's resources.
- Any response to risk by management that may be unacceptable to CA.

The Director of Internal Audit and shall also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Office of Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of Internal Audit does not assume management responsibility. The Director of Internal Audit shall also coordinate with and provide oversight of other control and monitoring functions as necessary (e.g., external and investigative audits).

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibility

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 President/CEO for feedback and~~ the Audit Committee for review and approval.
- Communicating to the President/CEO and the Audit Committee the impact of resource limitations on the internal audit plan.
- Reviewing and adjusting the internal audit plan as necessary in response to changes in CA's business, risks, operations, programs, systems, and controls.
- Communicating to the President/CEO and the Audit Committee any significant interim changes to the internal audit plan.
- Implementing the biannual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management.
- Ensuring each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, and the documentation of work programs and testing results.
- Issuing a ~~written~~ report to management following each internal audit engagement.
- Communicating ~~internal audit engagement~~ results with applicable conclusions and recommendations to the Audit Committee.



- Conducting appropriate follow up on engagement findings and recommendations and reporting periodically to the President/CEO and the Audit Committee any corrective actions not effectively implemented.
- Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensuring that trends and emerging issues that could impact CA are considered and communicated to the President/CEO and the Audit Committee as necessary.
- Keeping the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Establishing and ensuring adherence to policies and procedures designed to guide the Office of Internal Audit.
- Ensuring adherence to CA's relevant policies and procedures, unless such policies and procedures conflict with the Office of Internal Audit Mission Statement and Charter. Any such conflicts will be resolved or otherwise communicated to the President/CEO and the Audit Committee.
- 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.
- Monitoring CA's ethics program.
- Assisting 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.

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President/CEO

Date

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Director of Internal Audit

Date

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Audit Committee Chair

Date

~~*Reviewed by CA's Audit Committee on June 24, 2015.*~~  
~~*Approved by CA's Board of Directors on July 9, 2015.*~~  
~~*Reviewed by CA's Audit Committee on June 26, 2017.*~~  
~~*Approved by CA's Board of Directors on \_\_\_\_\_.*~~

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## **Office of Internal Audit Mission Statement and Charter**

### **Purpose and Mission**

The purpose of Columbia Association (CA)'s Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve CA's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of Internal Audit helps accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the governance, risk management, and control processes.

### **Standards for the Professional Practice of Internal Auditing**

The Office of Internal Audit will govern itself by adherence to the mandatory elements of the Institute of Internal Auditor's International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). The Director of Internal Audit will report periodically to the President/CEO and the Audit Committee regarding the Office of Internal Audit's conformance to the Code of Ethics and the Standards.

### **Authority**

The Director of Internal Audit shall report administratively to the President/CEO and functionally to the President/CEO and the Audit Committee.

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

- Have full, free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. 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.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply the techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of CA, as well as other specialized services from within or outside CA, in order to complete the engagement.

The Director of Internal Audit will have unrestricted access to and communicate and interact directly with the Audit Committee, including in private meetings without management present.

## **Independence and Objectivity**

The Director of Internal Audit will ensure that the Office of Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director of Internal Audit determines that independence may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no authority over or direct operational responsibility for any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Performing operational duties for CA or its affiliates.
- Initiating or approving transactions external to the Office of Internal Audit.
- Directing the activities of any CA employees not employed by the Office of Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Director of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal audit, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Director of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Office of Internal Audit.

The Director of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for CA. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of CA's strategic objectives are appropriately identified and managed.
- The actions of CA's officers, directors, employees, and contractors are in compliance with CA's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact CA.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources are acquired economically, used efficiently, and adequately protected.

The Director of Internal Audit will report periodically to the President/CEO and the Audit Committee regarding:

- The Office of Internal Audit's purpose, authority, and responsibility.
- The Office of Internal Audit's plan and performance relative to its plan.
- The Office of Internal Audit's conformance with the Institute of Internal Auditors' Code of Ethics and Standards and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- The sufficiency of Internal Audit's resources.
- Any response to risk by management that may be unacceptable to CA.

The Director of Internal Audit coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Office of Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of Internal Audit does not assume management responsibility. The Director of Internal Audit shall also

coordinate with and provide oversight of other control and monitoring functions as necessary (e.g., external and investigative audits).

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## **Responsibility**

The responsibilities of the Director 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 President/CEO for feedback and the Audit Committee for review and approval.
- Communicating to the President/CEO and the Audit Committee the impact of resource limitations on the internal audit plan.
- Reviewing and adjusting the internal audit plan as necessary in response to changes in CA's business, risks, operations, programs, systems, and controls.
- Communicating to the President/CEO and the Audit Committee any significant interim changes to the internal audit plan.
- Implementing the biannual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management.
- Ensuring each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, and the documentation of work programs and testing results.
- Issuing a report to management following each internal audit engagement.
- Communicating engagement results with applicable conclusions and recommendations to the Audit Committee.
- Conducting appropriate follow up on engagement findings and recommendations and reporting periodically to the President/CEO and the Audit Committee any corrective actions not effectively implemented.
- Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensuring that trends and emerging issues that could impact CA are considered and communicated to the President/CEO and the Audit Committee as necessary.
- Keeping the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Establishing and ensuring adherence to policies and procedures designed to guide the Office of Internal Audit.
- Ensuring adherence to CA's relevant policies and procedures, unless such policies and procedures conflict with the Office of Internal Audit Mission Statement and Charter.

Any such conflicts will be resolved or otherwise communicated to the President/CEO and the Audit Committee.

- 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.
- Monitoring CA's ethics program.
- Assisting 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.

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President/CEO Date

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Director of Internal Audit Date

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Audit Committee Chair Date

*Reviewed by CA's Audit Committee on June 26, 2017.  
Approved by CA's Board of Directors on \_\_\_\_\_.*



## **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, 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 position of committee chair or vice chair will be held 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.
- 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.

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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 27, 2016.  
Approved by CA's Board of Directors on September 22, 2016.*

**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	Mr. Berman	3/20/2017	In the capital budget section of the Financial Reports, include a general description of category 1, 2 and 3 expenditures.	Ms. Krabbe to provide.	July 2017 AC meeting			
2								
3								