



June 15, 2020

To: CA Audit Committee Members

Dick Boulton
Renee DuBois
Janet Evans
Timothy Redmond
James Young

From: Jackie Tuma, Director of Audit and Advisory Services

Cc: Milton W. Matthews, President/CEO

Re: Review of the Audit Committee Charter and the Office of Audit and Advisory Services Charter

In accordance with best practices and the Institute of Internal Auditors' Professional Standards, the charters for the Audit Committee and Office of Audit and Advisory Services must be reviewed and approved periodically. CA's Office of Audit and Advisory Services fulfills this requirement by presenting the documents to the Audit Committee at the first meeting of each fiscal year. Both documents are attached for your review. The charters have been updated to reflect the change in name from "Office of Internal Audit" to "Office of Audit and Advisory Services."

I will provide a master copy for your signatures, which reflect the Audit Committee's acknowledgment for FY21, at the next in-person meeting of the Audit Committee.



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. Authority:

In carrying out its responsibilities, subject to the limitations stated below, the Audit Committee will have unrestricted access to:

- Communicate with management.
- Review relevant information it considers necessary to fulfill its duties, subject to accountability for the safeguarding of such documents.

In the case of information and communications which are protected by the attorney-client privilege or are otherwise legally recognized as privileged information or communications, the Audit Committee shall not disclose such communications or information to anyone other than the Board of Directors, President/CEO, Vice President/Chief Financial Officer, Director of Audit and Advisory Services, General Counsel, or to any party outside of Columbia Association unless the Board has voted to waive the privilege.

The General Counsel may determine that certain highly confidential information should not be disclosed to the Audit Committee because doing so would create a significant business risk. In such cases, the General Counsel will explain to the Committee why the information should not be provided. If necessary, the Committee will meet with the General Counsel to discuss alternatives to meet the need for the requested information and/or to clarify why the information is critical to discharging the Committee's responsibilities. If the General Counsel and Audit Committee are unable to reach an agreement about disclosure of the requested information, the Audit Committee will bring the matter to the Columbia Association Board of Directors for resolution on the date of the next regularly scheduled Board meeting.

The Audit Committee may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

III. 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 described by the Sarbanes Oxley Act of 2002. The community members will initially serve three year terms (beginning in alternating years), and continuance will be reviewed annually thereafter. 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.

IV. 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 Columbia Association, 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 Audit and Advisory Services.
- 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. Audit and Advisory Services

- Obtain and review reports on significant audit findings and recommendations, together with management's responses.
- Review and recommend changes to the Office of Audit and Advisory Service's Charter.
- Review and approve the Audit Plan.
- Review the Office of Audit and Advisory Services' performance relative to its audit plan.
- Meet on a quarterly basis (or as considered necessary) with the Office of Audit and Advisory Services and President/CEO. 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 the Office of Audit and Advisory Services' 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 Columbia Association's ethics program.
- Provide an open avenue of communication between Audit and Advisory Services, 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 Audit and Advisory Services to discuss any matters that the Committee or the Director of Audit and Advisory Services believes should be discussed privately.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Review the Office of Audit and Advisory Services' compliance with the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*.

V. 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 in time for 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 Columbia Association's Audit Committee on March 11, 2019.
Approved by Columbia Association's Board of Directors on March 28, 2019.
Revised May 15, 2020 (technical corrections only).*



Office of Audit and Advisory Services Charter

Purpose and Mission

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

Standards for the Professional Practice of Internal Auditing

The Office of Audit and Advisory Services will adhere to the mandatory elements of the Institute of Internal Auditor's ("IIA'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").

Authority

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

The director and other staff of the Office of Audit and Advisory Services are authorized to:

- Have 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 Audit and Advisory Services 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.

The Director of Audit and Advisory Services 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 Audit and Advisory Services will ensure that the Office of Audit and Advisory Services remains free from all conditions that threaten its ability to carry out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

Members of the Office of Audit and Advisory Services will have no authority over or direct operational responsibility for any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

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

The Director of Audit and Advisory Services will confirm to the Audit Committee, at least annually, the independence of the Office of Audit and Advisory Services and whether any interference in determining the scope of auditing, performing work, and/or communicating results was experienced.

Scope of Activities of the Office of Audit and Advisory Services

The scope of the Office of Audit and Advisory Services' 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. Assessments include evaluating whether:

- Risks relating to the achievement of CA's strategic objectives are appropriately identified and managed.
- The results of operations or programs are consistent with established goals and objectives for the organization.
- Operations or programs are carried out effectively and efficiently.
- Processes and systems enable compliance with applicable policies, procedures, laws, and regulations.
- Information provided is reliable and has integrity.
- Resources are acquired economically, used in the most productive manner, and adequately protected.

The Director of Audit and Advisory Services 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 Audit and Advisory Services may perform advisory and consultative services, provided it does not assume management responsibility.

Responsibility

The responsibilities of the Director of Audit and Advisory Services include:

- Developing a flexible biannual audit plan (subject to adjustment to accommodate higher priorities) using an 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.
- Implementing the biannual audit plan, as approved, including special projects as appropriate.
- Communicating to the President/CEO and the Audit Committee any significant interim changes to the audit plan and the impact of resource limitations on the plan.
- Issuing a report to management following each audit engagement.
- Communicating engagement results to the Audit Committee and appropriate parties as needed.
- Conducting appropriate follow up on engagement findings and recommendations and reporting quarterly to the President/CEO and the Audit Committee any unresolved findings.
- Keeping the Audit Committee informed of emerging trends and successful practices in auditing.
- Establishing and ensuring adherence to policies and procedures designed to guide the Office of Audit and Advisory Services.
- Issuing quarterly reports to the President/CEO and the Audit Committee summarizing audit activities.
- Maintaining a staff with relevant professional backgrounds, to include knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Monitoring CA's ethics hotline.

Quality Assurance and Improvement Program

The Office of Audit and Advisory Services will maintain a quality assurance and improvement program that covers all aspects of its operations. The program will include an evaluation of its conformance with the Standards and the IIA's Code of Ethics. The program will also assess the productivity of the Office of Audit and Advisory Services and identify opportunities for improvement.

The Director of Audit and Advisory Services will report annually to the President/CEO and the Audit Committee regarding the Office of Audit and Advisory Service's conformance with the Standards, based on results of both internal and/or external assessments. (Internal assessments will be conducted annually. External assessments will be conducted at least once every five years by a qualified independent assessor or assessment team).

A summary of documents provided to the Audit Committee is attached.

President/CEO

Date

Director of Audit and Advisory Services

Date

Audit Committee Chair

Date

*Reviewed by CA's Audit Committee on September 18, 2017.
Approved by CA's Board of Directors on September 28, 2017.*

Revision history:

*Created: 7/27/06
Revision 1 9/24/09
Revision 2 7/14/11
Revision 3 7/9/15
Revision 4 5/15/20 (technical corrections only)*

Attachment to Office of Audit and Advisory Services Charter

Summary of Documents Provided to the Audit Committee

Document	Frequency/timing provided to Audit Committee
1. Confirmation of independence of Office of Audit and Advisory Services	Annually (June meeting)
2. Biannual audit plan (draft)	Annually (June meeting)
3. Audit reports, including audit follow up reports	Dependent on completion of reports.
4. Overview of open audit findings	Quarterly (June, September, December & March meetings)
5. Office of Audit and Advisory Services progress reports	Quarterly (June, September, December & March meetings)
6. Report on compliance with professional standards	Annually (June meeting)
7. Quality self-assessment with independent validation	Every five years (December meeting)