

# The New York State Society of Certified Public Accountants Operations Policies

## OP – 4 Audit Committee Charter

The NYSSCPA Audit Committee and the Board of Directors are to review and reassess this Charter annually.

### I. Appointment of Committee

The Audit Committee (the “Committee”) shall be appointed by NYSSCPA President to assist the Board in fulfilling its oversight responsibilities for the accounting, financial, and internal control processes of the Organization and the audits of its financial statements. The Committee appointments shall occur on or before June 15 each year. The Society President shall appoint the Committee’s Chair.

### II. Committee Composition

The Committee shall be composed of five NYSSCPA CPA members, determined as follows:

Five members from the NYSSCPA Board, but no more than two shall also serve on the Executive Committee.

In the ordinary course, members of the Committee shall serve for three-year terms, provided they remain on the NYSSCPA Board during their entire Committee term. A member filling a vacancy caused by either the resignation or removal of a Committee member shall be appointed for the remaining term of the departing committee member.

No member of the Committee may receive any compensation whatsoever from the Organization or its affiliated programs. For instance, a member deriving income from the peer review program or from speaking at FAE events shall not be appointed to the Committee. (Travel expense reimbursements and food provided in connection with board meetings does not constitute compensation for these purposes. Similarly, gratis attendance at the annual NYSSCPA Leadership Conference and related expenses born by the NYSSCPA do not constitute compensation.) Furthermore, in any of the three years preceding appointment to the Committee and during service on the Committee, Committee members must not

- be partners in, or controlling shareholders or executive officers of, any company to which the Organization made payments that exceeded \$5,000.
- be owners or employees of the firm performing the audit of the NYSSCPA/FAE; or
- serve on the NYSSCPA Finance Committee.

Furthermore, Committee members must not have any other position with another entity or any other relationship that would cause the appearance of a conflict of interest as determined by the NYSSCPA/FAE conflict of interest policy. Any disputed question regarding conflicts of interest should be reviewed by the Board of Directors for final

resolution. Before any Committee member may be reappointed to the Committee, he or she must observe at least a one-year hiatus.

### **III. Committee Responsibilities**

The Committee shall be responsible to:

- A. Assist the Board to meet its fiduciary responsibilities regarding financial reporting.
- B. Oversee the external audit of the Organization's consolidated financial statements. In carrying out this charge, the committee chair is hereby authorized to sign contracts engaging the outside auditors, once they have been approved in accordance with the Society's contract approval policy. Also, the independent auditors shall report directly to the Committee.
- C. Monitor the effectiveness of and compliance with the Organization's system of internal controls.
- D. Monitor the Organization's compliance with legal and regulatory requirements as they relate to financial statement presentation.
- E. Annually report to the Society Board on matters related to the Committee's charge. (See Appendix A for potential items of interest to the Board for inclusion in the Committee's annual report.)

In carrying out its charge, the Committee is empowered to instruct the President, that he or she should call a special meeting of the Executive Committee or the Board. (Such meeting call shall be deemed to be in response to a petition signed by a sufficient number of Executive Committee or Board members, as the case may be, to satisfy the requirements set forth in the Bylaws.)

### **IV. Committee Meetings**

The Committee will meet as often as it deems necessary or appropriate, either in person or telephonically and at such times and places as the Committee determines; provided, however that at a minimum the Committee shall meet once before each fiscal year end to address pre-audit planning and once before the exit conference to review the audit report and discuss management letter items. The Committee Chair shall prepare or approve an agenda in advance of each meeting.

At least annually, the Committee must meet in separate executive sessions, one with management and a second with the independent auditors, and as a committee to discuss the financial statements any matters that the Committee or each of these groups believes should be discussed.

During the month of June each year, the Committee shall receive an orientation to the Organization's financial statements, the application of generally accepted accounting principles to those statements, and other financial governance issues.

### **V. Committee Self-Evaluation**

The Committee will conduct an annual performance self-evaluation, which evaluates the performance of the Committee in relation to the requirements of this charter and such

other matters as the Committee may deem appropriate. Such performance evaluation shall be presented to the Board annually. The performance evaluation should include any recommended changes to this charter deemed necessary or advisable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate.

**VI. Resources and Authority of the Committee**

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities; and in connection with the exercise of that authority, it has direct access to anyone in the Organization. The Committee has the authority to engage, at the Organization's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties; provided, however, that such engagement is subject to the Society's contract approval policy.

In carrying out its responsibilities, the Committee's policies and procedures should remain flexible in order to react to changing conditions and to ensure to the Board and public that the accounting and reporting practices of the Organization are in accordance with all requirements and are of the highest quality.

**Guidance Regarding Annual Report of the Audit Committee**

The following matters are potential items of interest to the Board for inclusion in the annual report of the Committee:

<b>Committee Responsibilities</b>	<b>Potential Items of Interest</b>
<p><b>A. Assist the Board to meet its fiduciary responsibilities regarding financial reporting</b></p>	<ul style="list-style-type: none"> <li>✓ Noteworthy findings or potentially damaging circumstances that have the potential to adversely affect the reputation of the Organization, including, but not limited to, activities considered by the Committee to entail excessive risk or expose the organizations to inordinate liability.</li> <li>✓ Matters regarding the management comment letters issued by the external auditors and management’s implementation of resulting recommendations.</li> <li>✓ Recommendations of procedures for the receipt, retention, and treatment of complaints received regarding accounting, internal controls or audit matters; and the confidential, anonymous submission by staff and volunteers of concerns regarding questionable accounting or auditing matters.</li> <li>✓ Any significant issues regarding accounting principles, practices and judgments, including certain matters required to be communicated to the Committee in accordance the AICPA SAS 61, as amended by SAS Nos. 89 and 90.</li> </ul>
<p><b>B. Oversee the external audit of the Organization’s consolidated financial statements</b></p>	<ul style="list-style-type: none"> <li>✓ Matters relating to all contracts engaging the auditors, both for audit and other approved services.</li> <li>✓ Evaluation of the Organization’s independent auditors, including the resolution of any disagreements between management and the independent auditors regarding financial reporting.</li> <li>✓ Review the independent auditor’s compensation, the terms of its engagement, its independence, and the scope of the audit to be conducted and make recommendations regarding these items to the Board.</li> <li>✓ Report of all audit and non-audit services performed by the independent auditor.</li> <li>✓ Report on the status of the independence of the outside auditor as delineated by the professional literature.</li> </ul>
<p><b>C. Monitor the effectiveness of and compliance with the Organization’s system of internal controls</b></p>	<ul style="list-style-type: none"> <li>✓ Solicit recommendations from the independent auditors for the improvement of the Organization’s internal control procedures or particular areas where new or more detailed controls or procedures are desirable.</li> <li>✓ Provide the committee’s assessment of the effectiveness of the Organization’s internal controls.</li> </ul>
<p><b>D. Monitor the Organization’s compliance with legal and</b></p>	<ul style="list-style-type: none"> <li>✓ Any matters that should be brought to the Board’s attention regarding matters of legal and regulatory compliance as they</li> </ul>

<b>Committee Responsibilities</b>	<b>Potential Items of Interest</b>
<b>regulatory requirements</b>	relate to financial statement presentation.
<b>E. Annually report to the Society Board on matters related to the Committee's charge</b>	<ul style="list-style-type: none"> <li>· The Audit Committee is encouraged to suggest changes to this appendix each year as part of its annual report.</li> </ul>

**New York State Society of Certified Public Accountants**  
**Operations Policies**

**IP – 2, Definitions**

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**Organization – The term “Organization” shall mean the NYSSCPA, FAE, and all their affiliated entities.**

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