Middle Tennessee State University
Audit and Compliance Committee Charter

I. Purpose

The Audit and Compliance Committee, a standing committee of the Middle Tennessee State University Board of Trustees (Board), will assist the Board in exercising oversight of the University’s financial and accounting practices, internal controls, risk assessments and standards of conduct.

II. Mission

The Audit and Compliance Committee will provide oversight of the following areas:

A. Audit engagements with the Tennessee Comptroller’s Office, including the integrity of financial statements and compliance with legal and regulatory requirements,
B. Audit engagements with external auditors,
C. Internal Audit activities,
D. Internal Audit administration,
E. Internal controls and compliance with laws, regulations, and other requirements,
F. Risk and control assessments,
G. Fraud, waste, and abuse prevention, detection, and reporting, and
H. Other areas as directed by the Board.

III. Authority

The Audit and Compliance Committee has the authority to authorize or facilitate audits or investigations into any matter within its scope of responsibility. The Committee is authorized to:

A. Seek any information it requires from employees or external parties. Employees are directed to cooperate with the Committee’s requests,
B. Meet with Board and institutional officials, external and internal auditors, legal counsel, or others as necessary, and
C. Oversee the University’s internal audit function.

IV. Responsibilities

The Audit and Compliance Committee has responsibilities for the following:

A. Tennessee Comptroller’s Office Audits (State Auditors)
   1. Understand the scope and approach used by the State Auditors in conducting their examinations,
   2. Review results of the Comptroller’s examinations of financial statements and any other matters related to the conduct of the audits,
3. Review with management and legal counsel any legal matters (including pending litigation) that may have a material impact on the financial statements, and any material reports or inquiries from regulatory or governmental agencies,
4. Ensure that the Comptroller is notified of any indications of fraud in the manner prescribed by the Comptroller,
5. Resolve any differences between management and the Comptroller's auditors regarding financial reporting, and
6. Meet, as needed, with the Comptroller's auditors to discuss any matters that the Audit and Compliance Committee or State Auditors deem appropriate.

B. External Audits
1. Understand the scope and approach used by the external auditors in conducting their examinations,
2. Review results of the external auditors' examinations and any other matters related to the conduct of the external audits, and
3. Meet, as needed, with the external auditors to discuss any matters that the Audit and Compliance Committee or external auditors deem appropriate.

C. Internal Audit (Audit and Consulting Services)
1. Ensure that the Chief Audit Executive reports directly to the Audit and Compliance Committee and has direct and unrestricted access to the chair of the Audit and Compliance Committee,
2. Review and approve the internal audit charter for the University’s department of Audit and Consulting Services,
3. Review and approve the annual audit plans for the University’s department of Audit and Consulting Services, including management’s request for unplanned audits,
4. Receive and review significant results of internal audits performed,
5. Work with University management and Audit and Consulting Services to assist with the resolution of cooperation issues and to ensure the implementation of audit recommendations,
6. Review the results of the year’s work with the Chief Audit Executive, and
7. Ensure the University’s internal audit function maintains a quality assurance and improvement program, including internal procedures and assessments and a periodic external quality assessment of conformance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

D. Internal Audit Administration
1. Ensure the Chief Audit Executive’s administrative reporting relationship to the President is independent.
2. Ensure that Audit and Consulting Services has adequate resources in terms of staff and budget to effectively perform its responsibilities.
3. Review and approve the appointment and compensation of the Chief Audit Executive,
4. Recommend to the Board dismissal of the Chief Audit Executive only for cause
5. Review and approve the compensation and termination of campus internal auditors.

E. Risk, Internal Control and Compliance
   1. Consider the effectiveness of the internal control system and compliance with laws and regulations, including computerized information system controls and security,
   2. Review and evaluate risk assessments performed by institutional management and the Board, and
   3. Inform the Comptroller of the Treasury of the results of risk assessments and controls completed by University management.

F. Fraud
   1. Ensure that the Board and the University have an effective process in place to prevent, detect, and report fraud, waste and abuse.
   2. Facilitate audit and investigative matters, including advising auditors and investigators of any pertinent information received by the Audit and Compliance Committee.

G. Other
   1. Review and assess the adequacy of the Audit and Compliance Committee’s charter every four years or as needed, whichever is earlier, requesting Board approval for any proposed changes.
   2. Ensure there are procedures for the receipt, retention, and treatment of complaints about accounting, internal controls, or auditing matters.
   3. Review the University’s code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand and implement, include a confidential mechanism for reporting code violations, are enforced, and include a conflict of interest policy.
   4. Review the University’s conflict of interest policy to ensure that the term “conflict of interest” is clearly defined, the policy is comprehensive, annual signoff is required, and potential conflicts are adequately resolved and documented.

V. Independence

The members of the Audit and Compliance Committee shall be free of any interests, in fact or in appearance, that are in conflict with their duties as members of the Audit and Compliance Committee.

VI. Membership

A. Pursuant to TCA 4-35-104, the Audit and Compliance Committee shall have at least three voting members,
B. The Audit and Compliance Committee members shall be appointed by the Board Chair and serve a two (2) year term,
C. The chair of the Audit and Compliance Committee shall be appointed by the Board Chair and serve a one (1) year term,
D. Appointments of the Audit and Compliance Committee members and its chair shall be approved by the Board,
E. The Board Chair shall serve as an ex officio Voting member of the Audit and Compliance Committee,
F. The Audit and Compliance Committee shall include at least one member, the chair of the committee, who shall have accounting and financial management expertise, and
G. The other members of the Audit and Compliance Committee shall be generally knowledgeable in financial, management, and auditing matters.

VII. Meetings

A. The Audit and Compliance Committee shall meet at least quarterly during each calendar year, and may meet more frequently as deemed necessary. Meetings may be requested by the Board Chair, chair of the Audit and Compliance Committee or the Comptroller of the Treasury,
B. The Audit and Compliance Committee may invite Board management, auditors, or others to attend and provide relevant information,
C. Minutes shall be made of all meetings of the Audit and Compliance Committee and provided to the Board Chair, the President of the University and the Secretary to the Board. The minutes shall be maintained as the official record of such meetings,
D. A majority of the voting members of the committee shall constitute a quorum for the transaction of business.
E. All meetings of the Audit and Compliance Committee shall adhere to the Open Meetings Act, Tennessee Code Annotated Title 8, Chapter 44, except that pursuant to TCA Section 4-35-108(b), the Audit and Compliance Committee may hold confidential, nonpublic executive sessions for the sole purpose of discussing the following:
   1. Items deemed not subject to public inspection under Tennessee Code Annotated, Sections 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under state or federal law,
   2. Litigation,
   3. Audits or investigations, and
   4. Matters involving information under Tennessee Code Annotated, Section 4-35-107(a), where the informant has requested anonymity.

Approvals

Approved by: [Signature]  Date: [Signature]  
Christine K. Karpowicz  Chairman of the Audit Committee

Approved by: [Signature]  Date: [Signature]  
Stephen B. Smith  Chairman of the Board