

# **Tioga County Industrial Development Agency**

## **Audit Committee Charter**

This Audit Committee Charter was adopted by the Board of Directors of the Tioga County Industrial Development Agency (the "Agency"), a public benefit corporation, established under the laws of the State of New York on this 5<sup>th</sup> day of March, 2008.

### **Purpose**

Pursuant to Article IV Section 8 of the Agency's bylaws, the purpose of the Audit Committee shall be to (1) assure that Agency's board fulfills its responsibilities for the Agency's external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, and the board of directors.

### **Powers of the Audit Committee**

It shall be the responsibility of the Audit Committee to:

- Appoint, compensate, and oversee the work of any public accounting firm employed by the Agency.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from Agency employees, all of whom should be directed by the board to cooperate with committee requests.
- Meet with Agency staff, independent auditors or outside counsel, as necessary.
- Retain, upon Board approval and at the Agency's expense, such outside counsel, experts and other advisors as the Audit Committee may deem appropriate.

The Tioga County Industrial Development Agency board will ensure that the Audit Committee has sufficient resources to carry out its duties.

### **Composition of Committee and Selection of Members**

The Audit Committee shall be established as set forth in and pursuant to Article IV Section 8 of the Agency's bylaws. The Audit Committee shall be a committee consisting entirely of independent members, who shall be elected by plurality of the votes cast by the members of the Agency at each Annual Meeting and shall serve until the next Annual Meeting. The Audit Committee shall consist of the Treasurer, as Chair, and two (2) other directors nominated by the Chair and confirmed by the Board.

The committee shall recommend the hiring of a certified independent accounting firm, establish compensation to the firm and provide direct oversight of the performance of the independent audit. To the extent practicable, committee members should be familiar with financial and accounting practices.

Audit Committee members shall be prohibited from being an employee of the Agency or an immediate family member of an employee of the Agency. In addition, Audit Committee members shall not engage in any private business transactions with the Agency or receive compensation from any private entity that has material business relationships with the Agency, or be an immediate family member of an individual that engages in private business transactions with the Agency or receives compensation from an entity that has material business relationships with the Agency.

Ideally, all members on the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

The Audit Committee shall have access to the services of at least one *financial expert* as appointed by the Audit Committee and whose name shall be disclosed in the annual report of the Agency.

The Audit Committee's financial expert should have (1) an understanding of generally accepted accounting principles and financial statements; (2) experience in preparing or auditing financial statements of comparable entities; (3) experience in applying such principles in connection with the accounting for estimates, accruals and reserves; (4) experience with internal accounting controls and, (5) an understanding of audit committee functions.

## **Meetings**

The Audit Committee shall meet at least annually and more often if deemed necessary or advisable by the Treasurer, the Chair, the committees or the Board.

Members of the Audit Committee are expected to attend each committee meeting, in person or via telephone or videoconference. The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Audit Committee will meet with the Agency's independent auditor at least annually to discuss the financial statements of the Agency.

Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with briefing materials 5 business days before the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

## Responsibilities

The Audit Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) oversight of management's internal controls, compliance and risk assessment practices; (c) special investigations and whistleblower policies; and (d) miscellaneous issues related to the financial practices of the Agency.

### A. Independent Auditors and Financial Statements

The Audit Committee shall:

- Appoint, compensate and oversee independent auditors retained by the Agency and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services; said procedures shall be outlined in an addendum to this policy. The Agency's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services including tasks that directly support the Agency's operations such as bookkeeping or other services related to the accounting records or financial statements of the Agency, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve the Agency's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm at least annually to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

## **B. Internal Controls, Compliance and Risk Assessment**

The Audit Committee shall:

- Review with management, the charter, activities, staffing and organizational structure of the bookkeeping function.
- Ensure that the internal bookkeeping review function is organizationally independent from Agency operations.
- Review management's assessment of the effectiveness of the Agency's internal controls and review the report on internal controls by the independent auditor as part of the financial audit engagement.

## **C. Special Investigations**

The Audit Committee shall:

- Ensure that the Agency has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers, or employees of the Agency or any persons having business dealings with the Agency or breaches of internal control in accordance with the IDA Whistle Blower Protection Policy.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization).
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

## **Other Responsibilities of the Audit Committee**

The Audit Committee shall:

- Present annually to the Agency's board a written report of how it has discharged its duties and met its responsibilities as outlined in the Charter.
- Obtain any information and training needed to enhance the committee members' understanding of the role of internal audits and the independent

auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.

- Review the committee's Charter annually, reassess its adequacy, and recommend any proposed changes to the board of the Agency. The Audit Committee Charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.

## Addendum to Audit Committee Charter Engagement of Independent Auditor

The Audit Committee shall accept proposals to provide professional services to the Tioga County Industrial Development Agency (the "Agency") at least once every five years to adhere to the Public Authority Accountability Act and more often if deemed necessary. The proposed services shall include an audit of the general-purpose financial statements of the Agency for each year end. The audit is to be performed in accordance with generally accepted auditing standards and the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards*.

In addition to expressing an opinion on the general-purpose financial statements, the accounting firm will provide the following supplemental information issued separately but subjected to the auditing procedures applied in an audit of the general-purpose financial statements:

1. Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
2. Report on Independent Auditors' Report on Internal Control.
3. Report on Independent Auditors' Report on Compliance for each major program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.

The audit will result in a report of any control deficiencies designating those that are also material weaknesses. An immediate written report of all fraud and illegal acts or indications of illegal acts that the accounting firm is aware of will be made to the Chairperson of the Agency and the Agency's Business Administrator. The accounting firm will also inform the Agency's Audit Committee of all required communications as specified under generally accepted auditing standards.

The accounting firm responsibility as auditors is limited to the period covered by the audit and does not extend to any losses that might be incurred during any later periods for which the firm is not engaged as auditors.

The Agency shall provide the accounting firm with the basic information required for the audit and is responsible for the accuracy and completeness of that information. The accounting firm will advise the Agency about appropriate accounting principles and their application and will assist in the preparation of the Agency's financial statements, but the responsibility for the financial statements remains with the Agency. This responsibility includes the maintenance of adequate records and related internal control policies and procedures, the selection and application of accounting principles,

and the safeguarding of assets. During the audit, if the accounting firm becomes aware of control deficiencies or ways that management practices can be improved, the firm shall communicate them to the Agency in a separate letter.

The accounting firm shall provide all noted reports and letters in a time frame that will allow the Agency to file the required reports to the State in a timely fashion. The accounting firm shall not in any way provide non-audit services to the Agency.