

# Tennessee Tech University

## *Audit Committee Charter*

### I. **Purpose**

The Audit & Business Committee (“Committee”), a standing committee of the Tennessee Tech Board, will operate in compliance with the “State of Tennessee Audit Committee Act of 2005” (Tennessee Code Annotated Title 4, Chapter 35) and will assist the Board in fulfilling its responsibilities by reporting regularly to the Board about Committee activities and issues that arise.

The Committee will provide oversight in 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.

### II. **Authority**

The Committee has the authority to conduct or authorize 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. Have access to all books, records, and physical properties of Tennessee Tech,
- C. Meet with Board and institutional officials, external and internal auditors, legal counsel, or others as necessary, and
- D. Delegate authority to subcommittees, providing that such decisions by any subcommittee are presented to the full Committee at its next scheduled meeting.

### III. **Responsibilities**

The 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 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 Committee or external auditors deem appropriate.

C. Internal Audit Activities

1. Ensure that the Director of Internal Audit reports directly to the Committee and has direct and unrestricted access to the chair and other committee members,
2. Review and approve the charter for the Tennessee Tech's Internal Audit department,
3. Review and approve the annual audit plans for Tennessee Tech's Internal Audit department, including management's request for unplanned audits,
4. Receive and review significant results of internal audits performed,
5. Work with Tennessee Tech management and Internal Audit 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 Director of Internal Audit, and
7. Ensure the Tennessee Tech 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 Director of Internal Audit's administrative reporting relationship to the President is independent.
2. Ensure that Tennessee Tech Internal Audit has adequate resources in terms of staff and budget to effectively perform its responsibilities.

3. Review and approve the appointment, compensation, reassignment, or dismissal of the Director of Internal Audit.

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 Tennessee Tech management.

F. Fraud

1. Ensure that the Board and the institution 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 Committee.

G. Other

1. Review and assess the adequacy of the 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 Tennessee Tech'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 Tennessee Tech'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.

**IV. Independence**

Each Committee member shall be independent in fact and appearance of any interests that are in conflict with their duties as a Committee member.

**V. Membership**

- A. Pursuant to Tennessee Code Annotated Section 4-35-104, the Committee shall have at least three but not more than five members,
- B. The Committee and its chair shall be nominated and approved by the Board.
- C. Each Committee member shall serve for a term not to exceed two years and may be reappointed,

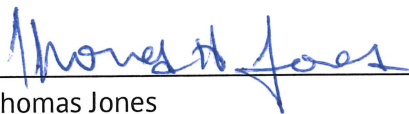
- D. The Committee chair shall serve for a term not to exceed two years and may be reappointed,
- E. The Committee chair preferably shall have accounting and financial management expertise, and
- F. The other members of the Committee shall be generally knowledgeable in financial, management, and auditing matters.

**VI. Meetings**

- A. The Committee shall meet as necessary, but at least annually, and also whenever requested by the chair of the Committee or Board or the Comptroller of the Treasury.
- B. The Committee may invite Board management, auditors, or others to attend and provide relevant information.
- C. The Board Secretary or designee shall take minutes at each meeting of the Committee and maintain approved minutes as the official record of such meeting.
- D. A majority of the members of the Committee shall constitute a quorum for the transaction of business.
- E. All meetings of the Committee shall adhere to the Open Meetings Act, Tennessee Code Annotated Title 8, Chapter 44, except that pursuant to Tennessee Code Annotated Section 4-35-108(b), the 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:  Date: 8-17-17  
 Teresa Vanhooser  
 Chair of the Audit & Business Committee

Approved by:  Date: 8/17/17  
 Thomas Jones  
 Chairman of the Board