

Tennessee State University

Audit Committee Charter

I. Purpose

Pursuant to T.C.A. 4-35-103, the Tennessee State University Board of Trustees Audit Committee, a standing committee of the Tennessee State University Board of Trustees (Board), must establish an Audit Charter addressing the Audit Committee's purpose, powers, duties and mission, as part of its role in assisting 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 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 Committee has the authority 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.
- C. Oversee the University's internal audit function.

IV. Responsibilities

The Audit 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.
6. Meet, as needed, with the Comptroller's auditors to discuss any matters that the Audit Committee or State Auditors deem appropriate.

B. External Audits

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

C. Internal Audit Activities

1. Ensure that the Director of Internal Audit reports directly to the Audit Committee and has direct access to the chair of the Audit Committee, and the Director of Internal Audit reports internally to the President.
2. Review and approve the internal audit charter for the University's Internal Audit department.
3. Review and approve the annual audit plans for the University's Internal Audit department, including management's request for unplanned audits.
4. Receive and review significant results of internal audits performed.
5. Work with University management and the Internal Audit department 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.
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. Review the Director of Internal Audit's administrative reporting relationship to the President to ensure that independence is fostered.
2. Ensure that Internal Audit has adequate resources in terms of staff and budget to effectively perform its responsibilities.
3. Review and approve the appointment and compensation of the Director of Internal Audit.
4. Recommend to the Board the dismissal of the Director of Internal Audit only for cause.

5. Review and approve the compensation and termination of campus internal auditors.
6. Ensure the President has administrative authority for approval of the Director of Internal Audit's time, travel, and other expenses of the Office of Internal Audit.
7. Authorize the President to initiate an annual performance evaluation of the Director of Internal Audit, in coordination with the Chair of the Audit Committee, and pursuant to a process determined by the Audit Committee or Chair of the Audit Committee.

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. Develop a process for, as well as review and evaluate, risk assessments performed by institutional management and the Board.
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 effective processes in place to prevent, detect, and report fraud, waste, abuse and illegal activity, and to communicate to employees their responsibilities in this regard.
2. Facilitate audit and investigative matters, including advising auditors and investigators of any pertinent information received by the Audit Committee.
3. Immediately inform the Comptroller of the Treasury's Office when fraud is detected.

G. Other

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

VI. Membership

- A. Tennessee Code Annotated, Section 49-8-101, establishes the Tennessee State University Board of Trustees. From its membership, pursuant to T.C.A. 4-35-102, the Board shall create an Audit Committee.
- B. The Audit Committee shall be comprised of at least three voting members.
- C. The Board shall approve the membership of the Audit Committee and the chair of the audit committee.
- D. The Audit Committee members shall serve a two (2) year term.
- E. The chair of the Audit Committee shall serve a one (1) year term.
- F. The Board Chair shall serve as an ex officio Voting member of the Audit Committee.
- G. The Audit Committee shall include at least one member, the chair of the committee, who shall have accounting and financial management expertise.
- H. The other members of the Audit Committee shall be generally knowledgeable in financial, management, and auditing matters.

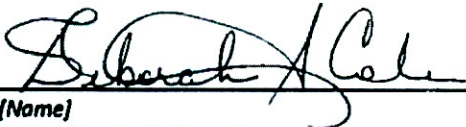
VII. Meetings

- A. The Audit Committee shall meet as often as is necessary to carry out its responsibilities, but shall meet no less than twice each calendar year, and may meet more frequently as deemed necessary. Meetings may be requested by the Board Chair, chair of the Audit Committee or the Comptroller of the Treasury.
- B. The Audit 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 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 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 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.

VIII. Application

- A. The terms of this Audit Committee Charter shall control to the extent the Charter conflicts with the Board's Committees of the Board policy or any other applicable policy.

Approvals

Approved by:  Date: 10-5-2017
[Name]
Chair of the Audit Committee

Approved by:  Date: 10-5-17
[Name]
Chairman of the Board