

# **FORT MONMOUTH ECONOMIC REVITALIZATION AUTHORITY AUDIT COMMITTEE CHARTER**

## **PURPOSE**

The Audit Committee Charter (“Charter”) delineates the composition and duties of the Audit Committee (“Committee”), with primary emphasis on the oversight of the Authority’s independent auditor and its financial operations.

## **GENERAL RESPONSIBILITY**

The primary responsibility of the Committee is to assist the Authority’s Board of Directors (“Board”) in fulfilling its oversight responsibilities for the independent audit process, the financial reporting process, the maintenance of a system of effective internal control, and the process for monitoring compliance with the Authority’s operating policies with emphasis of compliance with the Authority’s Code of Ethics. The Audit Committee monitors the financial operations of the Authority and has a direct relationship with the external, independent auditor.

## **COMPOSITION**

The Committee shall consist of the Chairperson of the Authority, and from two to three additional members appointed by the Chairperson of the Authority for a minimum total of three members and no more than four members, of which two shall be voting members of the Authority. The Chairperson of the Audit Committee shall be appointed by the Chairman of the Authority.

## **QUALIFICATIONS**

In order to serve on the Committee, each member must:

- Be a member of the Board
- Be in good standing
- Be independent of the Authority
- Be knowledgeable of the Authority’s governmental functions.

At least one member of the Committee shall have accounting or related financial expertise.

## **MEETINGS**

Standing meetings of the Committee will be scheduled quarterly at such dates, times and places as determined by the Chairperson of the Audit Committee. At least twice each year, the Committee shall provide for a private meeting with the independent auditor; one meeting shall be prior to commencement of the year-end financial audit, and the other meeting upon issuance of the final audit report. Additional meetings may be held at the specific request of an Audit Committee member, a Board member, or the independent auditor, or as necessary in order to fulfill the mandates of this Charter.

## **AUTHORITY**

Within its scope of its responsibility, the Committee is empowered to:

- retain accountants or other technical specialists or contract for specialized consulting services to include (in conjunction with Deputy Attorney General oversight) independent counsel to advise the committee or assist in the conduct of an investigation
- conduct or authorize investigations into any matter; whether a matter of finance, operations or integrity
- request members of management, other employees, internal and/or external counsel, independent auditors, and anyone else to attend routine and/or executive session meetings and to provide pertinent information as necessary
- meet with the Authority officers, management and staff; State auditors; external auditors; or outside counsel, as necessary
- recommend policy; corrective, pre-emptive or for other reasons
- allocate resources necessary to meet the mandate of this Charter, to include self-development of the Members of the Committee in order to obtain or maintain skills, credentials and knowledge necessary for the fulfillment of their responsibilities under this Charter.

## **SPECIFIC RESPONSIBILITIES**

The specific responsibilities of the Audit Committee shall include, but not be limited to, the following:

### **1. Charter Review**

Review the Committee's Charter as necessary, reassess the adequacy of the Charter and recommend any proposed changes to the Board. Consider any new changes that are necessary as a result of new laws, regulations and accounting/auditing standards.

### **2. Independent Audit Process**

Oversee the competitive selection process of the independent external auditor, as facilitated by the Evaluation Committee, and make a recommendation to the Board for the appointment of the external auditor. Provide the Evaluation Committee with selection/evaluation criteria. Within six months of making the recommendation to the Board, the Audit Committee shall issue a report to the State Treasurer setting forth the steps taken in the selection process. Review and evaluate the performance of the independent auditor and review with the Board any proposed discharge of the independent auditor.

Review with the independent auditor, the scope of the year-end financial audit and audit plan. At the conclusion of the annual audit, review with the independent auditor:

- their report
- the annual audited financial statements and related footnotes
- the adequacy of internal controls including computerized information system controls, security and disaster recovery solutions
- any related significant findings and recommendations of the independent auditors together with managements' response
- all material written communications between the auditors and committee/management such as any management letter or schedule of unadjusted differences
- their judgments about the applicability, acceptability and quality of the accounting principles utilized in the preparation of the financial statements and notes
- any significant changes required in the audit plan
- any serious difficulties or disputes with management and staff encountered during the audit
- matters required to be discussed pursuant to Generally Accepted Auditing Standards

At least once every three years, obtain and review a report of the independent auditor describing for the preceding year the independent auditor's internal quality control procedures; any material issues addressed in the most recent internal quality control peer review, or by reviews conducted by governmental or professional authorities; and steps taken by the auditor to address such issues.

### **3. Financial Reporting Process**

Review with the independent auditor, and if applicable, management:

- Critical accounting policies and practices used in the preparation of the financial statements and notes
- Alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of each alternative, and the treatment preferred
- The adequacy of the internal controls including computerized information system controls, security and disaster recovery solutions
- The effect of any regulatory and accounting initiatives, as well as off-balance sheet structures, if any.

On a quarterly basis, review the Authority's financial position to include, but not limited to, interim financial statements and supporting schedules; comparison of actual revenues, expenses and costs to Plan, and consider implications and whether information is complete and consistent with information known to committee members.

Make inquiries as necessary regarding the quality of earnings, level of liabilities, major financial transactions, etc. from a subjective as well as an objective perspective.

Review the draft comprehensive annual report prior to release and consider the relevancy, accuracy and completeness of the information.

**4. Internal Control**

Inquire of management and the independent auditor about significant risk and exposure facing the Authority to include major financial commitments being contemplated by the management of the Authority; assess the steps management has taken or proposes to take to minimize such risks to the company; and periodically review compliance with such steps. Recommend policies with respect to risk assessment and risk management.

Review procedures for the handling of complaints, charges, allegations and concerns regarding violations of a law or regulation, questionable accounting or auditing matters, acts of fraud or misuse of Authority assets that may be submitted by any external party. Review all submissions that have been received, the current status, and the resultant resolution.

Pursuant to the Conscientious Employee Protection Act, review procedures for the confidential, anonymous submission by employees of concerns regarding violations of a law or regulation, questionable accounting or auditing matters, acts of fraud or misuse of Authority assets, and/or retaliatory actions because an employee refused to participate in an activity, policy or practice if he/she reasonably believes that it is a violation of a law or regulation or such actions are fraudulent. Review any submissions that have been received by the Ethics Liaison Officer, the current status, and the resultant resolution.

Review with the DAG legal and regulatory matters that, in the opinion of management, may have a material impact on the financial statements, related compliance policies, and programs funded by the State.

Review the process for communicating the State's Uniform Ethics Code to staff, and for monitoring compliance therewith. Review internal and external claims of violations of the Ethics Code presented directly to the Committee, the CEO, the DAG's, and/or the Authority's Ethics Liaison Officer, findings as a result of an investigation, and the resultant resolution.

Review with management the policies and procedures with respect to officers' and staffs' expense accounts and perquisites, including their use of Authority assets, and consider the results of any review of these areas by the independent auditor or the various auditors of the State.

**5. Fiscal Plan**

The Committee will review the Authority's proposed annual Fiscal Plan (projected revenues, expenses and costs) and subsequently review comparisons to actual results.

**6. Other Responsibilities**

The Committee will review its effectiveness, collectively and individually by members.

The Committee will perform such other functions as assigned by law, the bylaws, or the Board.