

## ASSOCIATED STUDENTS OF SAN FRANCISCO STATE UNIVERSITY AUDIT COMMITTEE CHARTER

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**CHARTER STATEMENT #403  
APPROVED 04/05/2017**

### **Purpose**

The role of the Audit Committee is to assist the Board of Directors (the “BOD”) of the Associated Students (the “Organization”) in fulfilling its oversight responsibilities related to:

- a) the accounting, reporting, and financial practices of the Organization, including the integrity of the Organization’s financial statements
- b) the Organization’s compliance with legal and regulatory requirements
- c) the performance of the Organization’s independent auditor(s)
- d) the qualifications and independence of any independent auditor of the Organization
- e) the review and response to the CSU internal audits of the Organization
- f) the compliance audit certifications of the Associated Students’ Early Childhood Education Center
- g) the monitoring and enforcement of the Organization’s code of conduct and code of ethics

### **Composition & Qualifications**

The BOD shall appoint an Audit Committee of at least four (4) members, consisting of the Corporate Secretary who will serve as chairperson (as chairperson, the Corporate Secretary may not be a member of the finance committee), the Vice President of Internal Affairs, the University’s Vice President of Student Affairs and the University’s Vice President of Administration & Finance. Both University Vice Presidents may appoint a designee to sit in their stead.

The BOD may also appoint four (4) additional members from the BOD provided that the following criteria established by the Non Profit Integrity Act are met: i) less than 50% of the total members of the committee may be on the Organization’s finance committee; ii) the Organization’s President, Executive Director or Treasurer may not be members of the Audit Committee; iii) none of the members of the committee may have a material financial interest in any entity doing business with the Organization.

The Organization’s Associate Executive Director of Business Administration & Finance will serve as an advisor to the audit committee. With the approval of the Organization’s Executive

Director, the BOD or the chairperson of the audit committee may request additional advisors to assist the committee.

All members of the Audit Committee must be able to read and understand financial statements prepared in accordance with U.S. generally accepted accounting principles. In order to meet this obligation, newly appointed members are required to participate in two (2) training sessions prepared and conducted by the advisor(s) to the Audit Committee prior to being seated on the committee or within the first 60 days of appointment.

### **Meetings**

The committee shall meet as frequently as circumstances dictate, but no less than two times annually. The meetings may be scheduled at such times and places as the Audit Committee determines. With the exception of the two mandatory meetings, which will be conducted in person, meetings may be conducted either in person or telephonically. The first of the mandatory meetings will be scheduled just prior to the commencement of the annual audit to provide an opportunity to discuss with the independent auditors the audit process and scope for the current year. The second mandatory meeting will be scheduled to actively engage the independent auditors in the review and acceptance of the current year audit together with any audit findings.

A majority of the Audit Committee present in person or by teleconference shall constitute a quorum. Meetings of the audit committee shall be conducted in accordance with the appropriate open meeting laws that preside over the Organization as a whole. The most current approved edition of Robert's Rules of Order Newly Revised shall govern the conduct of the meetings.

The Audit Committee should have unrestricted access to and meet regularly with each of management, the principal internal auditor of the Organization and the principal outside auditing firm to discuss any matters that the Audit Committee or any of these groups believes should be discussed.

The committee shall, through its chairperson report regularly to the BOD following the meetings of the committee, addressing such matters as the quality of the Organization's financial statements, compliance with legal or regulatory requirements, the performance and independence of the auditors or other matters related to the committee's functions and responsibilities.

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

To successfully carry out its purpose as defined above the Audit Committee's key responsibilities include:

Conditional upon meeting the requirements codified in the Education Code, Title 5 of the California Code of regulations, resolutions of the Board of Trustees of the California State University (CSU) and executive orders issued by the Chancellor of the CSU, the committee shall be directly responsible for the appointment and dismissal, compensation, and oversight of the Organization's independent auditor, and may not delegate any of such responsibilities to others. The committee may carry out these responsibilities in coordination with, or in concert with other auxiliary organizations of either San Francisco State University or the CSU as a whole. This responsibility extends to the appointment and retention of firms for the purpose of conducting audits, reviews or attestation services for the Organization other than the annual financial audit.

The Audit Committee shall also be responsible for coordinating the review of the CSU internal audit results, following up with management and the campus internal audit office regarding management's responses and determined actions related to the recommendations included in the internal audit report.

The responsibility for resolving any disputes between the outside auditing firms and the Organization's management rests with the Audit Committee

### **List of Duties**

To fulfill its responsibilities the Audit Committee shall:

#### **A. Financial Reporting Processes and Documents/Reports Review**

- Evaluate annually the performance of the Audit Committee and the adequacy of the Audit Committee charter
- Review and discuss with the independent auditor(s): (i) the scope of the audit, the results of the annual audit examination by the auditor and any accompanying management letters, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the auditing firm's activities or on access to requested information, and any significant disagreements with management; (ii) any reports of the auditing firm with respect to interim periods, as deemed appropriate by the Audit Committee; and (iii) any other matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit.
- Review and discuss with management and the independent auditor(s) the annual audited and quarterly unaudited financial statements of the Organization, including (i) an analysis of the auditor's judgment as to the quality of the Organization's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (ii) the Organization's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of



Operations,” including the development, selection and reporting of accounting policies that may be regarded as critical; and (iii) major issues regarding the Organization’s accounting principles and financial statement presentations, including any significant changes in the Organization’s selection or application of accounting principles and financial statement presentations.

- Review with the Organization’s internal auditors and management the adequacy and effectiveness of the Organization’s information management systems.
- Periodically review and discuss with the Organization’s principal internal auditor the scope of the internal audit plan, results of the audits conducted by the Organization’s internal auditors, inclusive of findings, recommendations, management’s response and any significant difficulties encountered during the course of the audit.
- Periodically review and discuss the adequacy and effectiveness of the Organization’s disclosure controls and procedures and management reports thereon.
- Discuss with management any matters that could have a material impact on the Organization’s financial statements.
- Review annually reports of fees for audit, non-audit and legal fees for services rendered.
- Review and discuss with the independent auditors their report regarding (A) all critical accounting policies and practices to be used; (B) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management officials of the Organization, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the principal independent auditors; and (C) other material written communications between the independent auditors and Organization management, such as any management letter comments and schedule of unadjusted differences.
- Ensure that a public announcement of the Organization’s receipt of an audit opinion that contains a going concern qualification is made promptly

#### B. Risk Management Standards

- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of strong control systems.
- Review and discuss with management the Organization’s major financial risk exposures and the steps management has taken to monitor and control such exposures, including any risk assessment or risk management policies.
- Review disclosures made to the Audit Committee by the Organization’s Executive Director and Associate Executive Director for Business Administration & Finance about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Organization’s internal controls.

- Discuss with management and the independent auditor the effect of regulatory and accounting initiatives on the Organization's financial statements.

#### C. Independent Auditors

- Approve in advance all auditing services and internal control-related services to be provided by the principal outside auditing firm, including any written engagement letter related thereto. By approving the audit engagement, the audit service contemplated in any written engagement letter shall be deemed to have been pre-approved.
- Establish policies and procedures for the engagement of the principal outside auditing firm to provide permissible non-audit services, which shall require pre-approval by the Audit Committee.
- Delegate the authority to grant pre-approval of audit and non-audit services to one or more designated members of the Audit Committee who are independent directors. Any such delegation shall be presented to the full Audit Committee at its next scheduled meeting.
- (A) Consider, at least annually, the independence of the principal outside auditing firm, including whether the outside auditing firm's performance of permissible non-audit services is compatible with the auditor's independence; (B) obtain and review a written report by the outside auditing firm describing any relationships between the outside auditing firm and the Organization or any other relationships that may adversely affect the independence of the auditor; (C) discuss with the outside auditing firm any disclosed relationship or services that may impact the objectivity and independence of the auditor; and (D) present to the Board the Audit Committee's conclusions with respect to the independence of the outside auditing firm.
- Ensure rotation of the audit partners as required by law.
- Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditors.
- Review the significant reports to management prepared by the CSU internal auditors and management's responses.
- In coordination with the on-campus office of internal audit and the CSU internal auditors review the adequacy and timeliness of the corrective actions implemented by management.

#### E. Ethical and Legal Compliance

- Establish, review and update periodically a code of conduct and ethics that applies to the Organization's directors, officers and employees and ensure that management has

established a system to enforce the code of conduct and ethics.

- Review with the Organization’s counsel any legal, tax or regulatory matter that could have a significant impact on the Organization’s financial statements.
- Establish procedures for the receipt, retention, treatment and communication to the Audit Committee of complaints received by the Organization regarding violations of the Organization’s Code of Conduct and Ethics (including suspected fraud), accounting, internal accounting controls or auditing matters of the Organization.
- Establish procedures for the confidential, anonymous submission by employees of concerns, including concerns regarding questionable accounting or auditing matters.
- Perform any other activities consistent with this Charter, the Organization’s bylaws and governing law, as the Audit Committee or the Board deems necessary or appropriate.

#### **Limitation of Audit Committee’s Role**

- While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Organization’s financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor. Further, it is not the duty of the Audit Committee to conduct investigations or to ensure that the Organization and its employees comply with laws and regulations and the Organization’s Code of Conduct and Ethics.
- Governance is not the responsibility of the Audit Committee, it is the responsibility of the Board of Directors, the Audit Committee only serves and acts on behalf of the Board.
- Other than participating in the discussion on costs to be included in the annual budget for auditing purposes, the Audit Committee is not actively involved in the development of the annual budget, this is the responsibility of management, the Finance Committee and the Board of Directors

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Approved by Audit Committee  
Revised by Audit Committee  
Approved by BOD  
Revised and Approved by BOD

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