

Youngstown State University
Audit Subcommittee Charter

Purpose

The primary function of the Audit Subcommittee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the institution's accounting and financial reporting processes and audits by monitoring:

- the integrity of the University's financial statements,
- the independence, qualifications, and performance of its external and internal auditors,
- the University's system of internal controls, and
- the University's compliance with laws, regulations and codes of conduct.

Subject to State Auditor's role and requirements, the Audit Subcommittee will be responsible for the appointment, compensation, retention, oversight and evaluation of the University's external and internal auditors. The Audit Subcommittee shall maintain an effective, open avenue of communication among the external auditors, internal auditors, senior management and the Board of Trustees.

The Subcommittee's function is one of oversight, and as such it recognizes that management is responsible for preparing the financial statements and that the external auditors are responsible for auditing those financial statements.

The Subcommittee has the authority to retain legal, accounting and other advisors to assist in the performance of its responsibilities. The University shall compensate the independent auditors and advisors employed by the Audit Subcommittee, and provide for associated administrative expenses.

Structure

The Audit Subcommittee is a subcommittee of the Finance & Facilities Committee of the Board of Trustees of Youngstown State University. Board members are appointed by the Governor of the State of Ohio. The Board will seek to ensure financial expertise on the Audit Subcommittee through appointments and training. Further, no member of the Audit Subcommittee may concurrently serve on the Investment Subcommittee.

Meetings

The Audit Subcommittee shall meet at least quarterly and at any other convenient date on an as-needed basis. The Audit Subcommittee may ask members of management or others to attend Audit Subcommittee meetings and provide pertinent information when needed. The Audit Subcommittee shall meet periodically with management, external auditors and the independent Internal Auditor.

Date Last Reviewed _____ 12-2012 _____

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Functions and Responsibilities

Internal Control

1. Review with management, Internal Audit and external auditors the adequacy and effectiveness of the University's policies for assessing and managing risk.
2. Examine internal and external auditors' findings of weaknesses and recommendations for the improvement of internal controls. Monitor management's response to and implementation of internal control recommendations.

Financial Reporting

1. Review annual financial statements prior to public release and discuss such statements with management and the independent auditors.
2. Discuss any changes in accounting principles, significant judgment areas and significant or complex transactions (including any off-balance sheet structures) that occurred. Consider management's handling of proposed audit adjustments identified by the independent auditors.
3. Consult with auditors and accounting personnel on the integrity of the internal and external financial reporting process. Determine if key reporting objectives are being met.

Independent Auditors

1. Serve as the authority to which the independent auditors report.
2. Review, at least annually, all relationships between the independent auditors and the University and assess the independent auditors' independence.
3. Review the audit scope and approach of the independent auditors' examinations and direct the auditors to areas that, in the Audit Subcommittee's opinion, require more attention. Audit engagement letters are to be addressed to the Audit Subcommittee rather than to management.
4. Discuss with the independent auditors any significant findings, difficulties, disagreements with management, restrictions on scope of the audit, or limitations on information or personnel encountered while performing the audit.
5. Pre-approve all significant audit and permitted non-audit services and related fees to be performed by the University's independent auditors. The Chairperson of the Audit Subcommittee shall have the authority to review and approve all such proposals and shall report back to the full Subcommittee at each meeting.

Internal Auditors

1. Review and examine the objectivity, effectiveness and resources of the internal audit function.
2. Concur in the appointment or replacement of the provider of internal audits services.
3. Review the internal audit plan for the current year and review the risk assessment procedures used to identify projects included in the plan.
4. Review the results of internal audit activities and track the progress of the internal audit plan.

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Other

1. Ensure that appropriate code(s) of conduct/ethics are formalized in writing. Review management's monitoring of compliance therewith, including changes or waivers to the code(s).
2. Review legal and regulatory matters that may have a material impact on the financial statements and the related compliance policies and procedures.
3. Ensure that procedures exist for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Periodically review summary reports of such complaints.
4. Review and assess, at least every three years, the Audit Subcommittee's charter and performance, and submit changes to the charter for approval of the Board.
5. Recommend to the Board policies for hiring employees or former employees of the independent auditor.
6. Perform other oversight functions as requested by the Board of Trustees.

Date Last Reviewed _____ 12-2012 _____

YOUNGSTOWN STATE UNIVERSITY INTERNAL AUDIT CHARTER

Mission Statement

Internal Audit will assist The YSU Board of Trustees and University management in the discharge of their oversight, management, and operating responsibilities through *independent* audits and consultations designed to evaluate and promote the system of internal controls, including effective and efficient operations.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Authority and Accountability

To ensure maximum independence and adequate consideration of recommendations, Internal Audit will report to the Audit Subcommittee of the Board of Trustees and will have direct access to the Audit Subcommittee and/or President. Daily interactions and administration of the internal audit contract will be coordinated by the Vice President for Administration and Finance or his designee.

Internal Audit is authorized to have unrestricted access to University information, including records, computer files, property, and personnel of the University in accordance with the authority granted by the Board's approval of this charter and applicable federal and state statutes. Internal Audit is free to review and evaluate all policies, procedures, and practices of any University-related activity, program, or function except where limited by law or University policy.

Scope of Work

Internal Audit will assess the University's processes of risk management, control, and governance to ensure that:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University.

In developing the annual audit plan:

- During the March Audit Subcommittee meeting, Internal Audit will meet with the Audit Subcommittee to present its risk-based methodology. During that meeting, the Board will be notified that Internal Audit will begin to develop the annual audit plan. Feedback from the Board is welcome and desired. Next, Internal Audit will meet with the President and Vice President of Administration and Finance to discuss the risk analysis and specific areas of concern. Following that, Internal Audit will meet with the Chair and Vice Chair of the Audit Subcommittee to further discuss the risk analysis and specific areas of Board concern. Finally, Internal Audit will develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or concerns identified by the Board and/or management, and submit that plan to the President and the Chair of the Audit Subcommittee for signature to

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commence implementation of the plan.

- Internal Audit will implement the annual audit plan and provide quarterly status reports.
- Internal Audit will maintain a professional audit staff with sufficient knowledge, skills, and experience to meet the requirements of this Charter. At a minimum, comply with relevant professional standards, such as the *International Standards For The Professional Practice of Internal Auditing* and the *Code of Ethics* of the Institute of Internal Auditors, Inc.
- Internal Audit will issue periodic reports to management, and Audit Subcommittee as appropriate, summarizing results of audit activities.