

NUSD Audit Committee Charter Matrix

Purpose

Pursuant to Board Policy 3460, the NUSD Board of Education has appointed the audit committee to serve in an advisory capacity and:

- a. Make recommendations regarding the selection of the external independent auditor in accordance with Education Code 41020 and 41020.5.
- b. Review the plan for the audit process with the independent auditor to determine the adequacy of the nature, scope, and timetable of the audit
- c. Review the results of the audit and participate with the independent auditor and management in preparing final recommendations and responses
- d. Participate with the independent auditor in presenting the audit report to the Board
- e. Review Board policies and administrative regulations to recommend any revisions needed to ensure effective financial reporting
- f. Provide input on the effectiveness of the independent auditor
- g. Periodically report to the Board regarding the status of previous audit recommendations for improving the accounting and internal control systems

As part of item “g” above regarding internal control systems, the committee may monitor compliance with the District’s Professional Standards (4119.21, 4219.21, 4319.21) pertaining to allegations involving mismanagement or waste of funds, or financial fraud. Each member shall be free of any relationship that, in the opinion of the board, would interfere with his or her individual exercise of independent judgment.

Reporting

The audit committee reports directly to the NUSD Board.

Committee Membership

The NUSD audit committee shall consist of the following voting members:

- 1) Two NUSD Board members. The Board President may not concurrently serve on the Audit Committee.
- 2) One Public member

The Board may appoint an alternate Board member. The alternate's responsibility is to temporarily substitute, with full voting powers, for any NUSD Board Member of the Audit Committee who is absent from a meeting.

All voting members of the committee must reside within the boundaries of the Newark Unified School District.

The Board may appoint non-voting committee members with specific expertise to the committee.

Appointment of Board members and an alternate Board member to the Audit Committee will be made at the Board's annual organizational meeting in December or as vacancies occur. The terms shall be for one year beginning on the date of appointment at the Board's annual organizational meeting and ending the following year at the Board's next annual organizational meeting.

The Public member will be appointed at the first regular Board meeting in January of odd numbered years or when a vacancy occurs. Notification of the appointment process shall be posted at least 30 days prior to the appointment date. The public member term will be for two years. In order to coincide with the annual presentation of the external audit report to the Board, Public member terms shall begin on February 1 and end two years later on January 31 or whenever the Board appoints a new member, whichever is later. The maximum number of consecutive terms a public member may serve is four.

The Audit Committee will select a chair and vice chair from among its voting membership at its first meeting of the calendar year.

The members of the Audit Committee must collectively possess knowledge and experience in accounting, auditing, financial reporting, and school district finances needed to understand and evaluate the district's financial statements, the external audit of those statements, and the district's internal audit activities. Accordingly, the Audit Committee members should:

- 1) Be independent of the day-to-day management of the NUSD,
- 2) Possess the required skills and experience necessary to understand technical and complex financial reporting issues,
- 3) Have the ability to communicate with and offer advice and assistance to the Board and the external auditors
- 4) Be knowledgeable about internal controls, financial statement audits, and managerial/operational audits

Committee Authority and Responsibilities

The audit committee shall meet as often as it determines necessary or appropriate to fulfill its responsibilities. The chairperson shall preside at each meeting and, in the absence of the chairperson, the vice chair shall conduct the meeting. The chairperson may direct appropriate members of management and staff to prepare draft agendas and related background information for each audit committee meeting. To the extent practical, any background materials, together with the agenda for the meeting, should be distributed to the audit committee members at least three days in advance of the meeting. All meetings shall be posted at least 72 hours in advance in accordance with the Brown Act. Written minutes of each meeting shall be maintained as required by statute. The audit committee shall make a regular report to the Board at least once each year.

In performing its functions, the audit committee shall undertake those tasks and responsibilities that, in its judgment, would contribute most effectively to and implement the purposes of the audit committee. In addition to the general tasks and responsibilities noted above, the following are the specific functions of the audit committee:

- Monitor the periodic selection of and contracting with the outside independent auditor.
- Review with the independent auditor the scope and planning of the audit prior to its commencement.
- Upon completion of the audit, review and discuss the following with the independent auditor:
 - Any material risks and weaknesses in internal controls identified by the independent auditor
 - Any restrictions placed on the independent auditor's scope of the activities or access to requested information
 - Any significant disagreements between the independent auditor and management
 - The adequacy of the entity's interim and annual accounting and financial reporting process
 - The results of the audit and any related management letters
 - Any other recommendations made
- Assess the performance and independence of the independent auditor on an annual basis.
- Report to the board on the committee's activities, and recommend the results of audit findings for approval.

- Monitor corrective actions implemented to address issues or findings identified in the required communication and management letter.

Additional Responsibilities

- Monitor compliance with the Professional Standards policy and the whistleblower policy adopted by Board. Act as external point of contact for any whistleblowing issues pertaining to allegations involving mismanagement or waste of funds, or financial fraud, and if necessary, seek Board approval to have an outside investigation of policies, procedures and/or practices conducted.
- Review with management internal control process, and risk management and mitigation process.
- Periodically review audit-related policies.

Government Audit Committee Charter Matrix

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)
<p>1. Each member of the audit committee shall be appointed by the Board. The audit committee shall be comprised of three members, two of which shall be members of the Board, and one a community member with financial experience.</p>	<p>Identify and assign two board members during the board’s annual organizing meeting. Solicit letters of interest from community members with financial experience and forward to the board for consideration.</p>	<p>Indicate in the audit committee minutes whenever a new member is appointed; acknowledge that independence has been verified.</p>	<p>Affirm annually and whenever a change in status by any audit committee member occurs.</p>

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)
<p>2. The board may appoint additional non-voting members to the committee.</p>	<p>No steps required unless the board elects to add a non-voting member, in which case, the Board will make the appointment in public session.</p>	<p>Indicate in audit committee meeting minutes when a non-voting member of the committee has been appointed by the Board of Education.</p>	<p>Affirm annually, unless there is a change in status.</p>
<p>3. Review the audit committee’s charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the governing board. Consider changes that are necessary as a result of new laws or regulations.</p>	<p>Assess the appropriateness of each point in the charter in light of the previous years’ experience. Assess the completeness of the charter in light of new best practices and new legal or regulatory requirements.</p>	<p>Report to the board on the appropriateness of the audit committee charter and any revisions recommended.</p>	<p>Review annually, unless changes are needed during the course of the year.</p>
<p>4. The audit committee shall meet as deemed appropriate, but at least twice per year. The audit committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.</p>	<p>The agendas for meetings shall be prepared and posted on the district’s web site along with appropriate briefing materials, in accordance with the State’s open meeting laws (Brown Act).</p>	<p>Prepare minutes that document decisions made and action steps following meetings and review for approval. Meeting minutes shall be filed and posted on the district’s web site.</p>	<p>Minutes shall be distributed as soon as possible but no later than prior to the next meeting.</p>

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)
<p>5. The audit committee may request that professional consultants be hired as necessary.</p>	<p>Requests for proposals (RFPs) should be used, if time permits. A proposal for services at the request of the audit committee shall be brought to the Board of Education for consideration.</p>	<p>Report submitted by outside counsel or consultant and reviewed by the committee.</p>	<p>Review as needed.</p>
<p>6. Participate in the selection process of the independent auditor, making a recommendation for Board approval.</p> <p>If the auditor provides any non-audit services, determine these (1) do not provide services that involve performing management functions or making management decisions, and (2) do not audit their own work.</p>	<p>At least once each year, review the contract with the independent auditor organization.</p> <p>Review total audit fee in relation to any non-audit services being provided by the independent auditor.</p>	<p>Report recommendation of independent auditor selection to the Board of Education.</p>	<p>Review soon after year-end, so that the recommendation for the appointment of the independent auditor can be met for the following year.</p>
<p>7. Consider establishing a regular schedule for periodically re-bidding the audit contract with an outside CPA firm.</p>	<p>Create a regular schedule to rebid the audit contract and recommend to the Board.</p>	<p>Document these discussions in audit committee meeting minutes.</p>	<p>Review schedule annually as part of the evaluation of independent auditor.</p>

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)
<p>8. Review the audit scope and plan of the independent auditor and CBO. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.</p>	<p>Meet with the independent audit partner and CBO to discuss the scope of the previous year's audit and lessons learned. Later, discuss planned scope for audit of current year.</p>	<p>Document the meeting in the audit committee meeting minutes.</p>	<p>Prior to or in conjunction with the arrival of the independent auditor each year, review the plans for the audit of the current year.</p>
<p>9. Review with the independent auditors:</p> <ul style="list-style-type: none"> • the adequacy of the government entity's internal controls including computerized information system controls and security. • any related significant findings and recommendations of the independent auditors and internal audit services together with management's responses 	<p>Review key internal controls with the CBO, and understand how these controls will be tested during the year.</p> <p>Review these plans with the independent auditor to understand their scope with respect to key controls.</p> <p>Review with the CBO the plans for audits of other elements of the control environment.</p> <p>Determine that all internal control weaknesses are quantified, reviewed, and addressed.</p>	<p>Review auditors' report to the board on issues relating to internal controls, with emphasis on management's ability to override and related monitoring and testing.</p> <p>Submit recommendations for changes in process and procedures.</p>	<p>CBO submits a response to any findings on internal controls or other audit areas to the board at the December/January meeting each year as part of the audit.</p>

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)
<p>10. Review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.</p>	<p>Discuss each item with the independent auditors and management, including the CBO, and conclude on the appropriateness of the proposed resolution.</p>	<p>Discussion reflected in minutes of audit committee.</p>	<p>Review at the completion of the independent audit.</p>
<p>11. Review with management and the independent auditors</p> <ul style="list-style-type: none"> • the independent auditors’ audit of the financial statements and related footnotes and their report thereon. • the independent auditors’ judgments about the quality, not just the acceptability, of the entity’s accounting principles as applied in its financial reporting. • any significant changes required in the independent auditors’ audit plan. • any serious difficulties or disputes with management encountered during the audit. 	<p>Discuss each matter, and others that may come to the attention of the audit committee through this process, with management (including the CBO) and the independent auditors.</p> <p>Review with management the course of action to be taken for any action requiring follow up.</p> <p>Monitor any follow-up action that requires continued audit committee intervention.</p>	<p>Document discussion in minutes of the audit committee meeting.</p>	<p>Review at the completion of the independent audit.</p>

Audit Committee Charter	Steps to Accomplish the Objective	Deliverable	When to Achieve (Frequency Due Date)
12. The audit committee will evaluate the independent auditor.	Discuss the audit committee’s review of the independent auditors with the board.	Report on and recommend the performance and fees paid to the independent auditors. Review the scope of <i>all</i> services provided by the independent audit firm throughout the district.	Review after completion of the annual audit.
13. The audit committee will review its effectiveness and create and annual calendar.	The audit committee will conduct a self-assessment evaluation and complete the Audit Committee Charter Matrix	Discuss how to improve the effectiveness of the audit committee with the board.	Review annually.