



principles, the reasonableness of significant judgments or estimates, and the clarity of financial disclosures.

- Discussing the results of the annual audit and closely reviewing any significant changes to the financial statements or changes in accounting principles and disclosure practices.
- Reviewing the external auditor's annual management letter regarding internal control weaknesses, recommendations for improvements, and management's corrective action plans. Monitoring management's implementation of corrective action plans.
- Reviewing any non-audit services provided to the organization by the external auditor to ensure that the external auditor is sufficiently independent and that the organization is in compliance with external requirements.
- Reviewing, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.
- Reporting to the board at least annually and providing the board with the annual external audit report.

**Internal Audit.** The internal auditor reports to the CEO on a daily basis and to the Audit and Corporate Compliance Committee at scheduled meetings and whenever the auditor or the committee deems a matter should be brought to the committee's attention. The committee's specific responsibilities in this area include:

- Overseeing the internal audit program, including approval of the annual internal audit plan and review of the independence and authority of its reporting.
- Reviewing staffing and other resources for internal audit to ensure that sufficient resources are available.
- Reviewing and evaluating findings and recommendations from completed audits, including management response and action plans.
- Meeting with the internal auditor in executive session, without the CEO or any other management present, at least once a year.
- Reporting to the board at least annually on the internal audit program.

**Corporate Compliance.** The corporate compliance officer reports to the CEO on a daily basis and to the Audit and Corporate Compliance Committee at scheduled meetings and whenever the auditor or the committee deems a matter should be brought to the committee's attention. The committee's specific responsibilities in this area include:

- Overseeing the corporate compliance program, including policies and practices designed to ensure the organization's compliance with all applicable legal, regulatory, and ethical requirements.
- Recommending approval of the annual corporate compliance plan and reviewing processes and procedures for reporting concerns by employees, physicians, vendors, and others.
- Recommending organizational integrity guidelines and a Code of Conduct. Reviewing and reassessing the guidelines and Code of Conduct at least annually.

- Reviewing resources for corporate compliance with the corporate compliance officer and CEO to ensure that sufficient resources are provided.
- Reviewing and evaluating findings and recommendations from completed compliance activities and audits, including management responses and action plans.
- Meeting with the corporate compliance officer in executive session, without the CEO or any other management present, at least once a year.
- Reporting to the board at least annually on the corporate compliance program.

**Conflicts of Interest.** The committee will review the annual conflict of interest disclosure statements completed by directors and officers, as well as supporting documents provided by the corporate compliance officer or general counsel, in accordance with the organization's conflict of interest policies and procedures. The committee will make a determination as to the disposition of each conflict, determining whether the conflict disqualifies the individual from continuing to serve on the board, or if additional actions beyond disclosure are required to comply with the conflict of interest policy (e.g., competitive bidding or ensuring the individual abstains from certain board votes). The committee will make a summary report of all declared conflicts and the committee's recommended disposition to the full board for approval. The committee will also review and make a recommendation to the board chairperson with regard to any potential violations of the conflict of interest policy by a director or officer, including the failure to disclose a potential conflict in a timely manner.

The committee should review and, as needed, update this committee charter annually to reflect changes in accounting practices, laws, and regulatory requirements.

## Meetings

---

The Audit and Corporate Compliance Committee meets at least four times a year or when necessary at the call of the committee chair. Meeting dates and times should be specified a year in advance.

## Members

---

The committee is composed of three or more directors, each of whom is an independent director and free from any relationship that, in the opinion of the board, would interfere with the exercise of his or her independent judgment as a member of the committee. No member of the Audit Committee may be employed by or have any other direct or indirect financial or compensatory relationship with the organization or its subsidiaries.

(Note: Ideally, all members of the Audit and Corporate Compliance Committee should be independent directors. If this is not feasible in your community, then at a minimum the chair and a majority of members should meet the board's definition of an independent director.)

All committee members should have a working familiarity with basic finance and accounting practices. At least one member of the committee will have accounting or related financial management expertise. Appropriate steps should be taken to enhance members' familiarity with finance and accounting through participation in educational programs conducted by the corporation or outside experts.

## **Reports**

---

The committee will receive and review the following reports:

- Annual financial audit plan and report, respectively.
- Annual plan and report, respectively, from the internal auditor.
- Annual compliance plan and periodic reports from the internal auditor.
- Updates on important compliance issues that have developed since the previous meeting and management responses.
- Conflict of interest disclosures and pertinent background information developed by the corporate compliance officer or general counsel.

## **Annual Committee Goals**

---

The Audit and Corporate Compliance Committee will establish annual goals specifying its principal work focus areas for the coming year. Typical examples might include:

- Seek bids for external audit service contract.
- Review special areas of potential risk, such as policies on executive travel, or the document retention and destruction policy.
- Review with the corporate compliance officer the procedures for ensuring that contracts with physicians reflect fair market value and comply with external requirements.