

***Portland Community College***  
**Charter of the Audit Committee**  
**Board of Directors**

**I. Board of Directors Audit Committee**

**A. Purpose**

The Audit Committee of the Board of Directors of Portland Community College is established by resolution to assist the Board in fulfilling its oversight responsibilities relating to:

- Integrity of the College financial records including the financial statements;
- Retaining the independent (external) auditor and assuring qualifications and independence;
- Ensuring the independence and performance effectiveness of the external and internal audit functions;
- Sufficiency of the system of disclosures and internal controls regarding finance, accounting, legal compliance and ethics as established in Board policy; and
- Operation performance of the College, particularly with regard to the business risks for the College and the sufficiency of the College's risk mitigation programs.

**B. Organization**

The Audit Committee is a committee of the Board of Directors as a whole.

**C. Policy**

1. The Audit Committee is comprised of four members. Two members are members of the Board of Directors. Two members are citizens residing in the College District.
2. The term of membership is four years.
3. Members may serve two consecutive terms.
4. Committee members from the PCC Board will be designated by the Board through resolution.
5. Committee members from the District are appointed by the Board based on a public "request for participation" prepared by the Board. Interested

citizens will be interviewed by the Board and appointed by the Board through resolution.

6. If permitted by the qualifications and experience of members of the PCC Board of Directors who might serve on this committee, three of the four committee members must have financial management expertise sufficient to fulfill their responsibilities, as determined by the PCC Board as a whole.
7. One of the Board members on the committee shall be designated as Audit Committee Chair by Board resolution.
8. The College President will be an ex-officio member of the committee, in order to ensure effective staff support for the committee's efforts.

#### **D. Procedure**

1. The Audit Committee will meet at least twice annually:
  - To hear and comment on the annual audit plan(s) as proposed by staff and the external and internal auditors. At this meeting, the Committee may provide recommendations as to particular areas of focus for the upcoming audit activity. Both College staff (as designated by the College President) and the external audit firm's partner-level audit principal will attend.
  - To hear and comment on the draft annual audit report as prepared by the external audit firm prior to its submission to the College Board of Directors. To also hear and comment on the annual internal audit report prepared by the internal auditor prior to its submission to the College Board of Directors.
2. The Audit Committee will report out on its meetings at the next regular meeting of the Board as a whole.
3. The Committee may consider an additional meeting to review and comment on the College's proposed Consolidated Annual Financial Report (CAFR).
4. The committee may call special committee meetings with the concurrence of three of the four committee members, and with the concurrence of the Board of Directors.

## **E. Authority**

1. The Audit Committee is an advisory committee to the Board of Directors and has no independent authority not granted to it by resolution of the Board of Directors.
2. As a committee of the Board, the Audit Committee does not possess management control authority over College staff, nor does it have supervisory authority over the external or internal audit functions.

## **F. Specific Responsibilities**

The committee shall:

- Review external and internal audit plans and results and make recommendations to the Board prior to their submission to the Board as a whole.
- Report to the Board its findings and opinions regarding the College response to the internal and external audit results.
- Review specific areas of future external audit focus for consideration, and recommend specific areas of future internal and external audit focus for consideration by the College President and Board of Directors.

## **G. Sunset**

The Audit Committee may be dissolved by resolution of the Board as a whole.

# **II. Office of Internal Audit and Risk Assessment**

## **A. Purpose**

To provide policy for establishment and support of the Portland Community College Office of Internal Audit (OIA) and its risk assessment function. In carrying out their duties and responsibilities, members of the OIR shall have full, free, and unrestricted access to all College records, property, and personnel except where such access may be limited or barred by federal or state law, or the provisions of a relevant collective bargaining agreement. No private agreement between PCC and a third party shall be used to limit the applicability of this section.

## **B. Objectives**

1. Establish an ongoing, independent capability to review all College operations, including affiliated organizations where appropriate, to:
  - a. ensure compliance with statutes, regulations, and policies;
  - b. review reliability and integrity of financial data, operating information, and the means used to identify, measure, classify and report it;
  - c. make value-added recommendations for improvements regarding economy, efficiency, and effectiveness; and
  - d. perform appropriate follow-up procedures and assess the effectiveness of actions taken.
2. Establish an ongoing, collaborative risk assessment process managed by the OIR and include the College President and campus presidents.
  - a. The OIR will facilitate conversations and exercises in a multi-layered risk assessment approach, initiating with the College President, campus presidents and senior management, then secondarily with line management and personnel in the identification of potential risks.
  - b. The adequacy of internal controls supporting operations will be evaluated.
  - c. Identify operations with significant operating exposure to a campus and/or the overall College where appropriate internal controls are not evident; these will be defined as potential high risk.
  - d. Potential high risk exposures at the institution will be communicated and discussed with the College President and Board of Directors.
  - e. Consideration will be given by the President and/or Board for further evaluation of the risk exposure as part of a more detailed internal audit analysis.
  - f. Risk assessment outcomes will be utilized in development of a prioritized annual internal audit work plan based on recognized levels of risk exposure and possible resulting liabilities.
  - g. Audit outcomes will include recommendations for consideration by the College President and/or the Board to strengthen internal controls through a change in operational and/or financial practices, documented policies, guidelines, etc.

3. Serve as in-house management consultants to the Board and College President, who may request assistance from the OIR on an as-needed basis to review special issues, including strategic plan initiatives, and/or conduct such audits on the campuses and in the District Offices as may be requested.

### **C. Policy**

1. There shall be created an organizational element within the Portland Community College known as the Office of Internal Audit (OIR). The director of the OIR shall report functionally to the Audit Committee of the Board of Directors and administratively to the College's President.
2. The OIR shall serve as in-house management consultants to the College. The College President or the campus presidents may request assistance from the department on an as-needed basis to review special issues, including strategic plan initiatives, and/or conduct such audits on the campuses and in the District Offices as may be requested.
3. The College President, in consultation with the Board of Directors Audit Committee, shall review and approve requests for assistance to conduct special reviews and investigations.
4. The OIR shall follow the College's *Internal Audit Procedures*, when assisting the Audit Committee, College President, and campus presidents in conducting investigations.
5. The OIR's cost shall be funded through the College's biennial budget process.
6. The scope of work of the OIR shall encompass all College operations, including affiliated organizations where appropriate, academic instruction by the faculty excepted.
7. The College President and campus presidents may be requested to supplement the OIR staff with personnel who have special skills or training. This suggested "consultant" approach will help to minimize the permanent staffing of the department.
8. All completed reviews, special projects, and investigations conducted by the OIR shall be made available to the Audit Committee of the Board of Directors and College President; these will also be made available to the campus presidents for issues applicable to their campus.