

6 19 08

DUTCHESS COUNTY RESOURCE RECOVERY AGENCY AUDIT COMMITTEE CHARTER

Introduction

This Audit Committee Charter was adopted on the 19th day of June, 2008, by the Board of Directors (Board) of the Dutchess County Resource Recovery Agency (Agency), a public benefit corporation established under the laws of the State of New York. The Board of the Agency is composed of seven (7) members appointed pursuant to Section 2047-c of the Public Authorities Law (PAL). Board members serve terms of three years.

Purpose

Pursuant to PAL Sec. 2824, the purpose of the Audit Committee is to (1) assure that the Agency's board fulfills its responsibilities for the Agency's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, the internal auditors, and the board of directors.

Powers of the Audit Committee

It shall be the responsibility of the audit committee to:

- Recommend to the Board the hiring of a certified independent accounting firm for the Agency and the compensation to be paid to the accounting firm.
- Provide direct oversight of the performance of the accounting firm. (PAL Sec. 2824).
- Conduct or authorize investigations into any matters within its scope of responsibility, including seeking information it requires from Agency employees.
- Meet with Agency staff, independent auditors or outside counsel, as necessary.
- Retain, at the Agency's expense, such outside counsel, experts and other advisors as the Audit Committee may deem appropriate.

The Agency Board will ensure that the Audit Committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The Audit Committee shall consist of at least two members of the Board of Directors who are independent of Agency operations. It is permissible to appoint a non-board member to the Committee, provided that these non-board members are independent and do not constitute the majority of the Committee. The Agency's Board will appoint the Audit Committee members and the Audit Committee chair. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified.

An independent member is one who: a) is not, and in the past two years has not been, employed by the Agency or an affiliate in an executive capacity; (b) is not, and in the past two years has not been, employed by an entity that received remuneration valued at more than fifteen thousand dollars for goods and services provided to the public authority or received any other form of financial assistance valued at more than fifteen thousand dollars from the public authority; (c) is not a relative of an executive officer or employee in an executive position of the Agency or an affiliate; and (d) is not, and in the past two years has not been, a lobbyist registered under a state or local law and paid by a client to influence the management decisions, contract awards, rate determinations or any other similar actions of the Agency or an affiliate. (PAL Sec. 2825)

To the extent practicable, members of the Audit Committee should be familiar with corporate financial and accounting practices. (PAL Sec. 2824, Subd. 6) Ideally, all members on the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

The Audit Committee shall have access to the services of at least one financial expert; whose name shall be disclosed in the annual report of the Agency. The Audit Committee's financial expert should have 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals and reserves; 4) experience with internal accounting controls and, 5) an understanding of Audit Committee functions.

Meetings

The Audit Committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter.

Members of the Audit Committee are expected to attend each committee meeting, in person or via telephone or videoconference. The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Audit Committee will meet with the Agency's independent auditor at least annually to discuss the financial statements of the Agency.

Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with briefing materials in advance of the scheduled Audit Committee meeting. The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. The Committee shall keep or cause to be kept minutes of any actions taken at these meetings.

Responsibilities

The Audit Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) oversight of management's internal controls,

compliance and risk assessment practices; (c) special investigations and whistleblower policies; and (d) miscellaneous issues related to the financial practices of the Agency.

A. Independent Auditors and Financial Statements

The Audit Committee shall:

- Recommend to the Board the appointment and compensation of the independent auditors retained by the Agency, pre-approve all audit services provided by the independent auditor, and oversee performance by the auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Agency's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support the Agency's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Agency, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve the Agency's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit, including significant accounting and reporting issues, complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.
-

B. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall:

- Review management's assessment of the effectiveness of the Agency's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.
- Review and confirm that procedures have been established to ensure compliance with PAL Sec. 2824, Subd. 5 prohibiting loans to employees, officers and Board members.

C. Special Investigations

The Audit Committee shall:

- Ensure that the Agency has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse of office by the directors, officers, or employees of the Agency or any persons having business dealings with the Agency or breaches of internal control.
- Ensure that procedures are in place for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization.)
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

D. Other Responsibilities of the Audit Committee

The Audit Committee shall:

- Conduct an annual self-evaluation of its performance and present annually to the Agency's board a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the committee's charter annually, reassess its adequacy, and recommend any proposed changes to the board of the Agency. The Audit Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.