



## Audit Committee Charter

### Detroit Public Library Audit Committee Charter

The audit committee (the “Committee”) of the Board of Commissioners (“Board”) of the Detroit Public Library (the “Organization”) will have the authority, duties and responsibilities described in this Charter.

#### *Purpose.*

The Committee’s purpose is to assist the Board in fulfilling its financial oversight responsibilities.

#### *Composition and Structure*

Annually, the Board will appoint up to five (5) individuals to serve on the Committee. A majority of the Committee members must be members of the Board of Commissioners. The Board may appoint up to two (2) non-Commissioner volunteers, who are financially literate, to serve on the Committee. A minimum of one Committee member must be a “financial expert” with adequate financial literacy to understand, analyze and assess the Organization’s financial statements and assess the competency of the auditing firm. The Organization’s Chief Financial Officer may not serve on the Committee but will be available to provide staff support. Committee members may serve successive terms, subject to reappointment by the Board each year.

The Board will designate one Board member to serve as the Chairperson of the Committee. The Chair of the Finance Committee will not be eligible to serve as Chair of the Audit Committee. No Committee member may be affiliated with an organization seeking to provide services, equipment or facilities to the Organization or have any other conflict of interest with the Organization. No Committee member may be a paid employee or consultant engaged by the Organization; provided, however, that the non-Commissioner Committee members may receive reasonable compensation for serving on the Committee, as approved by the Board.



## Meetings

The Chairperson may call a meeting whenever deemed necessary. The Committee will maintain minutes of its meetings and report periodically to the Board on the Committee activities. At a minimum, the Committee will meet twice annually:

### (a) Pre-audit meeting

(i) Review the scope and general extent of the independent accountant's audit examination, including its engagement letter. The auditor's fees are to be arranged with management and annually summarized for Committee review.

(ii) The Committee's review should entail an understanding from the independent accountant of the factors considered by the accountant in determining the audit scope, including:

- A. Business risk characteristics of the organization external reporting requirements;
- B. Materiality of the various segments of the Organization's consolidated and non-consolidated activities;
- C. Quality of internal accounting controls;
- D. Extent of involvement of internal auditors in the audit examination;
- E. Other areas to be covered during the audit engagement.

(iii) Review prior year's audit report, changes in the Organization's activities and any resulting implications for accounting, financial reporting and internal controls.

### (b) Post-audit meeting

(i) Review with management and the independent accountants, upon completion of their audit, financial results for the prior year, such as:

- A. Significant transactions not a normal part of the Organization's operations;
- B. Changes, if any, during the year of the Organization's accounting principles or their application;
- C. Significant adjustments proposed by the independent

accountants;

D. Difficulties, delays or restrictions encountered;

E. Significant matters and discoveries;

F. The appropriateness of seeking a second opinion on significant auditing or accounting issues, recent developments, significant adjustments made.

(ii) Evaluate the cooperation received by the independent accountants during their audit examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the independent accountants to the Organization's needs.

(iii) Inquire of the independent accountants whether there have been any disagreements with management which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Organization's financial statements.

**Duties. In furtherance of its purpose, the Committee will:**

(a) Ascertain which independent accounting firms have the requisite skill and expertise to act as the Organization's auditors.

(b) Review the Organization's policies and procedures with management and independent accountants to reasonably ensure the adequacy of internal accounting and financial reporting controls and obtain a written opinion from the independent accountant regarding the adequacy of such controls.

(c) Be familiar with the accounting and reporting principles and practices applied by the Organization in preparing its financial statements. The Committee should make, or cause to be made, all necessary inquiries of management and the independent accountants concerning established standards of conduct and performance and deviations therefrom.

(d) Review with management the extent of non-audit services provided or planned to be provided by the independent accountants, particularly in relation to the objectivity needed in the audit and recommend

limitations on the audit firm's performance of non-auditing services (excluding tax return preparation).

(e) Review with management and the independent accountants instances where management has obtained "second opinions" from other accountants.

(f) Discuss with the independent accountants the quality of the Organization's financial and accounting personnel, and any relevant recommendations which the independent accountants may have regarding "material weaknesses" or "reportable conditions". Topics to be considered during this discussion include improving internal financial controls, the selection of accounting principles and management reporting systems. Review written responses of management to the "letter of comments and recommendations" from the independent accountants. Such discussion should also include any other communications required to be conveyed by the independent accountants by applicable Generally Accepted Auditing Standards or other applicable auditing standards.

(g) Discuss with management the scope and quality of internal accounting and financial reporting controls in effect.

(h) Apprise the Board, through minutes and special presentations as necessary, of significant developments in the course of performing its duties.

(i) Recommend to the Board any appropriate extensions or changes in the duties of the Committee, including any proposed changes to this Charter.

(j) Recommend to the Board the selection, retention, or replacement of the independent accountants, and provide a written summary of the basis for the recommendations. Rotate off the lead and reviewing partner of the auditing firm (or rotate auditing firms) every five years.

(k) Review the effectiveness of the Organization's system for



monitoring compliance with relevant laws and regulations.

(l) Determine whether the Organization is conducting its business ethically and whether the Commissioners are aware of the Organization's policies regarding fraud and conflicts of interest.

(m) Consider legal or regulatory matters that may impact the financial statements and ensure that all compliance-related issues are adequately addressed in the Organization's financial statements.

(n) Ensure that annual audited financial statements are:

- (i) Certified by the Director/CEO or Chief Financial Officer that such statements fairly present a complete and accurate financial position of the Organization;
- (ii) Prepared in a timely manner (e.g., within five months after the end of the Organization's fiscal year);
- (iii) Made available to the public upon request;
- (iv) Posted on the Organization's website.

(o) Take measures to ensure the accuracy and timely filing of Form 990 for any affiliated and controlled nonprofits.

(p) Provide oversight of the whistleblower policy, record retention policy and record destruction policy. The Committee will receive and investigate, as appropriate, any complaints or reports.

## Miscellaneous

(a) The Committee may directly retain professionals (including legal counsel) to assist it in conducting any investigation the Committee may undertake in connection with fulfilling its duties.

(b) The Committee will have direct access to the Organization's records, documents and personnel.

Approved by the Board of Commissioners

*Date of Approval: May 15, 2007*