

The Inc. Village of Hempstead Community Development Agency Audit and Finance Committee Policy

The Audit and Finance Committee Policy was adopted by the Inc. Village of Hempstead Community Development Agency (Agency), a public benefit corporation established under the laws of the State of New York on the 21st day of June 2016.

Purpose

The purpose of the committee shall be to (1) assure the CDA Board fulfills its responsibilities for the Agency's audit process, the financial reporting process and system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors and the CDA Board; and (3) to oversee the Agency's debt and debt practices and to recommend policies concerning the Agency's issuance and management of debt.

Powers of the Committee

- Appoint, compensate, and oversee the work of any public accounting firm employed by the agency.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Retain, at the Agency's expense, such outside counsel, experts and other advisors as the audit and finance committee may deem appropriate.
- Review proposals for the issuance of debt by the Agency and its subsidiaries and to make recommendations concerning those proposals to the board.
- Make recommendations to the board concerning the level of debt and nature of debt issued by the Agency.
- Make recommendations concerning the appointment and compensation of bond counsel, investment advisors and underwriting firms used by the Agency, and to oversee the work performed by these individuals and firms on behalf of the Agency.
- Meet with and request information from Agency staff, independent auditors and advisors or outside counsel, as necessary to perform the duties of the committee.
- Review proposals relating to the repayment of debt or other long-term financing arrangements by the Agency and its subsidiaries.
- Annually review the Agency's financing guidelines and make recommendations to the board concerning criteria that should govern its financings. These should

include security provisions required for a bond financing undertaking, specific requirements of credit enhancements or additional guarantees used, such as a pledge of revenues, financial covenants or debt service reserves.

- Report annually to the Agency's board how it has discharged its duties and met its responsibilities.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.

Composition and Selection

The Audit and Finance Committee shall consist of at least three members of the CDA Board who are independent of Agency operations. The Chairman of the CDA will serve as the Committee's Chairperson. The Chairman shall appoint the Audit and Finance Committee Members with the approval of the CDA Board. Members appointed to the committee shall have the background necessary to perform its duties.

Audit and Finance committee members shall be prohibited from being an employee of the Agency or an immediate family member of an employee of the Agency. In addition, Audit and Finance committee members shall not engage in any private business transactions with the Agency or receive compensation from any private entity that has material business relationships with the Agency, or be an immediate family member of an individual that engages in private business transactions with the Agency or receives compensation from an entity that has material business relationships with the Agency.

All members of the Audit and Finance committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

Meetings

Members of the audit and finance committee are expected to attend each committee meeting, in person or via telephone or videoconference. The committee may invite other individuals, such as Agency staff, auditors or other technical experts to attend meetings and provide pertinent information, as necessary. The 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 committee members along with briefing materials five (5) business days before the scheduled committee meeting. The committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

A report of the committee's meeting shall be prepared and presented to the board at its next scheduled meeting following the meeting of the committee. Meetings of the committee are open to the public, and the committee shall be governed by the rules regarding public meetings set forth in the applicable provisions of the Public Authorities Law and Article 7 of the Public Officers Law that relate to public notice and the conduct of executive session.

Responsibilities

The audit and finance 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.

Independent Auditors and Financial Statements

- Appoint, compensate and oversee independent auditors retained by the Agency and pre-approve all audit services provided by the independent 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 and finance 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.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 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.
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of staff's follow-up activities pertaining to the same.

Special Investigations

- 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 by the directors, officers, or employees of the Agency or any persons having business dealings with the Agency or breaches of internal control.
- Develop procedures 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 (issues may be referred to the State Inspector General or, other investigatory organization).

Other Responsibilities of the Audit and Finance Committee

The Audit and Finance Committee shall:

- 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 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 CDA Board. The Audit and Finance Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request Board approval for proposed changes.

Review the Agency's Annual Budget

- Review the Agency's proposed annual operating budget as presented by Agency staff for the upcoming fiscal year.
- Recommend the annual budget to the Board for approval after incorporating necessary amendments.

Oversee the Agency's Investments

- Review and recommend to the Board approval of the Agency's annual investment report.
- Annually review the Agency's audit of investments as provided by independent auditors.

Assess the Agency's Capital Requirements and Capital Plan

- Assess the financial requirements of the Agency's capital plans.
- Review the financial aspects of major proposed transactions, significant expenditures, new programs and services, as well as proposals to discontinue programs or services and making action recommendations to the Board.

Review Financial and Procurement Thresholds

- Review and make recommendations to the Board regarding any proposed procurements submitted to the committee by the Agency.
- Review and recommend changes to the Agency's thresholds for procuring goods and services and procurement policy.
- Review and recommend changes to the Agency's fee schedules.
- Review the scope and terms of the Agency's insurance policies and liability coverage on an annual basis.
- Review the Agency's proposed annual operating budget as presented by Agency management for the upcoming fiscal year.
- Recommend the annual budget to the Board for approval after incorporating necessary amendments.
- Monitor and report to the Board on the Agency's compliance with its adopted budget during the fiscal year (actual verses estimated budget).