

AUDIT COMMITTEE CHARTER

Washoe County, Nevada

Purpose of the Audit Committee

The Audit Committee (“Committee”) is established to assist the Board of County Commissioners (“Board”) in fulfilling its oversight responsibilities related to financial reporting and disclosures, internal controls, internal audit activities, and independent external audit functions.

The Committee enhances transparency, accountability, and governance by providing independent oversight and serving as a forum for communication between the Board, County management, the Internal Audit Division, independent external auditors, and the taxpayer.

The Committee serves in an advisory capacity to the Board and does not have decision-making authority, as authority remains with the Board in accordance with Washoe County Code.

Code of Ethics

The Committee shall adhere to a code of ethics that promotes:

- Integrity and ethical conduct
- Transparency and accountability
- Compliance with applicable laws and regulations

Authority of the Committee

The Committee is authorized to carry out the following activities in support of its oversight role:

- **Information Access:** Review information and reports necessary to fulfill its responsibilities
- **Attendance Requests:** Request the attendance of County staff, management, or external parties at meetings
- **Direct Communication:** Maintain open and direct communication with the Internal Audit Division, external auditors, and the Board
- **Recommendations to the Board:** Provide recommendations to the Board regarding audit, internal control, and compliance matters, including oversight of fraud risk and the promotion of a strong culture of ethics and accountability



Membership and Independence

The Committee shall be composed in accordance with Washoe County Code:

- **Voting Members:**
 - One member of the Board of County Commissioners (with an alternate)
 - At least two public members with relevant financial and auditing expertise shall be appointed by the Board of County Commissioners
- **Non-Voting Member:**
 - County Manager or designee
- **Staff Support:**
 - Internal Audit Division

Audit Committee Member Qualifications:

Audit Committee members must be independent of County operations and affiliations (personal and professional) and possess financial expertise, including:

- At least a bachelor's degree from an accredited college or university in accounting, finance or closely related field
- At least four years of accounting/audit experience,
- An understanding and experience in generally accepted accounting principles, financial statements, internal accounting controls, auditing of financial statements, and audit committee functions.
- Current and former Washoe County employees may not serve as public members on the Audit Committee

Terms and Appointments

- **Appointments:** Members are appointed by the Board of County Commissioners
- **Term Length:** Public members serve four-year terms, expiring June 30
- **Term Limits:** Public members may serve up to two consecutive terms; additional terms may be approved by the Board if no qualified applicants are available
- **Removal:** Members serve at the pleasure of the Board and may be removed for cause

Committee Leadership

- **Chair and Vice Chair:** The Committee shall elect a Chair and Vice Chair annually
- **Term:** Each shall serve a one-year term
- **Role of Vice Chair:** The Vice Chair shall act in absence of the Chair



Meetings and Quorum

- **Meeting Frequency:** The Committee shall meet at least four times annually or more frequently as needed
 - If there is no business to be conducted, the Chair may cancel a meeting
- **Scheduling:** The Chair, in consultation with the Internal Audit Manager, shall schedule meetings and approve agendas
- **Quorum:** A majority of voting members constitutes a quorum
- **Voting:** Actions require a majority vote of voting members present
- **Non-Voting Member:** The County Manager does not count toward a quorum
- **Alternate Member:** The alternate Board member may participate in Committee discussions, but may not vote or make motions when the primary Board member is present

Responsibilities of the Audit Committee

The Committee provides oversight in the following key areas:

Financial Reporting Oversight

- **ACFR Review:** Reviewing the Annual Comprehensive Financial Report (ACFR)
- **Significant Issues:** Reviewing significant financial reporting issues, estimates, and judgments
- **Auditor Communications:** Reviewing communications from independent external auditors, including those required under professional auditing standards (i.e., AU-C 260)
- **Management Letters:** Reviewing management letters and related responses
- **Accounting Changes:** Reviewing significant changes in accounting policies and reporting practices
- **Disagreements:** Reviewing disagreements between management and auditors, if any and facilitating resolutions as necessary
- **Regulatory Impact:** Monitoring the impact of new or changing accounting and regulatory requirements

Internal Control Oversight

- **Control Design:** Reviewing the design and effectiveness of internal controls
- **Deficiencies:** Monitoring significant control deficiencies and corrective actions
- **Financial Controls:** Reviewing controls over financial reporting and key business processes



Internal Audit Division Oversight

- **Audit Planning:** Review the Internal Auditor's risk assessment and proposed audit plan
- **Audit Results:** Reviewing internal audit reports, findings, and management responses
- **Corrective Actions:** Monitoring the status of audit recommendations and implementation
- **Annual Reporting:** Reviewing the annual Internal Audit report
- **Professional Standards:** Ensuring the Internal Audit Division operates in accordance with applicable professional standards
- **Independence:** Supporting the organizational independence of the Internal Audit Division, including direct access to the Audit Committee

External Audit Oversight

The Committee provides oversight of external audit activities by:

- **Auditor Independence:** Evaluating the independence and performance of external auditors
- **Selection Recommendations:** Providing recommendations to the Board regarding selection, retention, or replacement of external auditors
- **Audit Results:** Reviewing the results of external audits
- **Rotation Practices:** Periodically reviewing auditor rotation and procurement practices to support independence

Risk and Fraud Oversight

The Committee promotes accountability and risk awareness by:

- **Fraud Risk:** Reviewing management's processes for identifying and mitigating fraud risks
- **Complaints Process:** Reviewing procedures for receiving and addressing complaints related to accounting, internal controls, or auditing matters
- **Monitoring:** Monitoring the status and resolution of significant complaints or allegations
- **Risk Awareness:** Reviewing management's processes for identifying and managing key financial, operational, compliance, and information technology risks

Audit Coordination

The Committee promotes efficiency and coordination by:



- **Coordination:** Encouraging collaboration between the Internal Audit Division and external auditors
- **Coverage:** Reviewing audit coverage to minimize duplication and ensure effective use of resources

Annual Governance Discussion

The Committee shall periodically engage with management, Internal Audit Division, external auditors, and legal counsel, as appropriate, to discuss:

- Significant risks facing the County
- The internal control environment
- Financial reporting processes
- Compliance and regulatory matters

Reporting to the Board

- **Committee Reporting:** The Committee shall report its activities, observations, and recommendations to the Board of County Commissioners through the Internal Audit Division staff

Relationship with the Internal Audit Division

The Internal Audit Division supports the Committee by:

- **Staff Support:** Providing administrative and technical support
- **Audit Plan Submission:** Presenting the proposed audit plan annually for Committee review and recommendation prior to Board approval
- **Audit Reporting:** Presenting audit reports to the Committee prior to submission to the Board
- **Independence:** Maintaining independence and objectivity in accordance with professional standards

The Committee may meet in executive session with the Internal Audit Division without management present.

External Audit and Consulting Services

The Committee may:

- **Service Review:** Review the need for external audit or consulting services
- **Recommendations:** Provide recommendations to the Board regarding such services

The Internal Audit Division may obtain external expertise as necessary, subject to approval in accordance with County Code.



Training and Orientation

The County Manager and Internal Audit Manager shall ensure that Committee members receive appropriate training and orientation related to:

- Financial reporting
- Internal controls
- Audit processes
- Applicable regulations

Charter Review

The Committee shall:

- **Review Frequency:** Review this Charter at least biennially, or more frequently as needed
- **Board Approval:** Submit recommended revisions to the Board for approval