

# **New York University Langone Medical Center Audit and Compliance Committee Charter**

## **I. PURPOSE AND AUTHORITY**

In keeping with the desire of NYU Hospitals Center (the "Hospital"), New York University (the "University") and its School of Medicine (the "School") to operate the Hospital and the School as an integrated academic medical center, the University has created a School of Medicine Advisory Board ("SOM Advisory Board") to which it has appointed the same individuals who serve as members of the Board of Trustees of the Hospital (the "Hospital Board") and delegated authority for overseeing day-to-day operations of the School. The Hospital Board and the SOM Advisory Board shall, to the extent permitted by law, function jointly as the NYU Langone Medical Center Board ("Medical Center Board").

The NYU Langone Medical Center Audit and Compliance Committee (the "Medical Center Audit Committee" or the "Committee") of the New York University Langone Medical Center (the "Medical Center") is established for the primary purpose of assisting the Hospital Board, the SOM Advisory Board and the New York University Audit Committee (the "University Audit Committee") in overseeing the:

- Integrity of the financial statements of the Hospital and the School whether the statements are separately issued or prepared solely for consolidation into the University issued audited statements;
- Performance of the independent audit work, internal audit and regulatory compliance functions of the Hospital and School;
- Compliance with legal and regulatory requirements of the Medical Center;
- System of internal controls regarding finance, accounting, regulatory compliance, and business ethics that management and the trustees have established.

Consistent with this function, the Medical Center Audit Committee should encourage continuous improvement of, and foster adherence to, the policies, procedures, and practices of the University, the Hospital and the School. The Committee also strives to provide an open avenue of communication among management, the internal audit and regulatory compliance functions, and the boards of directors.

The Medical Center Audit Committee has the authority to initiate investigations and audits to address areas of particular concern related to the Medical Center. In addition, the Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as it deems appropriate to perform its duties and responsibilities. The Hospital and School shall provide appropriate funding, as determined by the Committee, for compensation to any advisors that the Committee chooses to engage.

The Medical Center Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this Charter.

## **II. COMPOSITION AND MEETINGS**

The Medical Center Audit Committee shall be comprised of three or more members as appointed by the Medical Center Board, one of whom is designated by the Board as Chairperson of the Committee. All members of the Committee shall be members of the Medical Center Board, except that, in the event no trustee member of the Committee qualifies as a “financial expert,” one member of the Committee may be a non-trustee. No employee of the Medical Center shall serve as a member of the Committee.

Each Medical Center Audit Committee member shall be independent and free from any relationship that, in the opinion of the Medical Center Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Medical Center Audit Committee shall have a working familiarity with basic financial and accounting practices of both the Hospital and the School. At least one member shall be designated as the “financial expert” – a role that could be supported by an outside adviser – as determined by the Medical Center Board. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the School or by an outside consultant.

The Medical Center Audit Committee shall meet at least four times annually or more frequently as circumstances dictate. Each regularly scheduled meeting shall conclude with an executive session of the Committee, absent members of management, and on such terms and conditions as the Committee may elect. As part of its role to foster open communication, the Committee shall meet periodically with management, the Vice President for Audit and Compliance, and the independent auditors in separate executive sessions to discuss any matters that the Committee believe should be discussed privately.

## **III. DUTIES AND RESPONSIBILITIES**

### **Independent Auditing**

The independent audit firm is selected and retained by the University Audit Committee. The Medical Center Audit Committee will oversee the activities of the independent audit firm as related to the services performed for the Hospital and the School.

To fulfill its duties and responsibilities related to the independent audits of the Hospital and the School, whether the statements are separately issued or prepared solely for consolidation into the University issued audited statements, the Medical Center Audit Committee shall:

1. Prior to the start of audit fieldwork, review the proposed scope and approach of the independent auditor’s external audit.
2. Meet with the independent auditors to discuss the results of their audits of the financial statements. Such discussions should be held in a timely manner and include a review of:

- All critical accounting policies and practices;
  - Each treatment of financial information within generally accepted accounting principles that has been discussed with management, the ramifications of the use of each method of disclosure and treatment, and the treatment preferred by the independent auditors;
  - Other material written communications between the independent auditors and management including, but not limited to, the management letter and schedule of unadjusted differences; and
  - An analysis of the auditors' judgment as to the quality of the each the Hospital's and the School's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements, major issues as to the adequacy of internal controls and, if present, any special audit procedures in light of material control deficiencies.
3. Review with the independent auditors any problems or difficulties in performing the audits and management's response to those problems or difficulties.
  4. Review with the independent auditors any reports issued by the firm related to work performed for the Hospital and School including but not limited to reports related to cost reports, bad debt & charity care procedures, pension plans, internal control reviews and consulting reports.
  5. Review and provide recommendations to the University Audit Committee regarding approval of non-audit services to be provided to the Hospital or the School by the independent auditors. This duty may be delegated to one or more designated members of the Committee with any such pre-approval reported to the full Committee at its next regularly scheduled meeting.

### **Financial Reporting Processes and Accounting Policies**

For each of the Hospital and School:

6. In consultation with the independent auditors and the internal auditors, review the integrity of the financial reporting processes (both internal and external), and the internal control structure.
7. Review with management major issues regarding accounting principles and financial statement presentations, including any significant changes to the selection or application of accounting principles.
8. Review analyses prepared by management setting forth significant financial reporting issues, complex or unusual transactions, and significant judgments made in connection with the preparation of the financial statements.
9. Review with management the effect of new regulatory and accounting initiatives, including as may be necessary, off-balance sheet structures, on the financial statements.

10. Review and approve all significant related party transactions.
11. Establish and maintain procedures for the confidential, anonymous submission by Medical Center employees of questionable accounting or auditing matters. Establish and maintain procedures for the receipt, resolution, and retention of complaints submitted and adopt policies for whistleblower complaints.

## **Internal Audit**

For the Medical Center:

12. Review and advise on the selection and retention of the Vice President for Audit and Compliance.
13. Discuss with management and the Vice President for Audit and Compliance for the Hospital and the University Director of Internal Audit for the School the policies, procedures, and activities with respect to risk assessment and risk management. Such discussions should include significant compliance, financial and accounting risk exposures and steps that management has undertaken to control them.
14. Annually, review and approve the methodology used to assess risks within the Hospital and School as well as the scope of activities monitored, and the internal audit plan.
15. In conjunction with management and the independent auditors, review the activities, organizational structure, and qualifications of the internal audit function.
16. As deemed necessary, review with management and the Vice President for Audit and Compliance the audit reports completed and management's response thereto.
17. Annually review and, if necessary, recommend changes to the internal audit departmental charter.
18. Periodically review with the Vice President for Audit and Compliance any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.
19. Periodically review with the independent auditors the budget, staffing, and responsibilities of the internal audit function.

## **Regulatory Compliance and Business Ethics**

For the Medical Center:

20. Approve the appointment of and maintain a direct reporting relationship with the Vice President for Audit and Compliance, the position responsible for Medical Center compliance oversight.
21. Approve the Medical Center's Corporate Compliance Program Plan and oversee the implementation and execution of the requirements of the program. Require periodic updates from the Vice President for Audit and Compliance as to the accomplishment and maintenance of compliance program requirements.
22. Review and periodically update the Code of Ethical Conduct, ensure that management has established a system to enforce this Code, and review management's monitoring of the Code.
23. Determine whether management has the proper review system in place to affirm that the School's financial statements, reports, and other financial information disseminated to governmental organizations and to the public satisfy regulatory requirements.
24. Advise management and the Vice President of Audit and Compliance that they are expected to provide to the Committee a timely report and analysis of any significant regulatory compliance issues. Review and approve management corrective action plans designed to mitigate the risk of identified compliance issues. Ensure that reasonable steps are taken to respond appropriately to compliance issues and to prevent further similar issues from occurring.
25. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
26. Review with Medical Center counsel any legal matter that could have a significant impact on the financial statements of each the Hospital and the School.
27. Oversee the execution of the Medical Center's Conflict of Interest policy. Receive from management a compilation of disclosures of interests along with management's recommendations to resolve conflicts in accordance with the policy. Review and determine whether management's proposed resolution of the issues raised by the disclosures is satisfactory and, if not, require such further action as the Medical Center Audit Committee shall deem appropriate.

### **Responsibilities to the Medical Center Board**

28. Provide a timely report to the Medical Center Board of any Medical Center Audit Committee concern that may arise with respect to the quality and integrity of the financial statements of the Hospital and the compliance with regulatory requirements for each the Hospital and the School.

29. Provide the Medical Center Board with periodic reports that summarize the key activities of the Committee to demonstrate the accomplishment of the Committee's duties and responsibilities.
30. Following review and upon approval by the Committee, present the following for action by the Medical Center Board:
  - Annually, Hospital independent auditor reports;
  - Annually, management responses and plans to address recommendations resulting from independent auditor management letters;
  - As deemed necessary upon significant revision, the Medical Center *Code of Ethical Conduct* and the *Medical Center Compliance Plan*.

### **Responsibilities to the New York University Audit Committee**

31. Provide a timely report to the University Audit Committee of any Medical Center Committee concern that may arise with respect to the quality and integrity of the financial statements, the performance of the independent auditors of the Hospital or the compliance with regulatory requirements regarding each of the Hospital and the School.
32. Provide the Minutes of each Committee meeting for review by the University Audit Committee.
33. Annually, following review and upon approval or acceptance by the Committee, provide the independent auditor's reports, audited financial statements, management letters and management responses and plans to address recommendations resulting from independent auditor management letters or other engagements performed by the independent auditor at the Hospital.
34. Annually provide the University Audit Committee with reports that summarize the key activities of the Committee to demonstrate the accomplishment of the Committee's duties and responsibilities related to each of the Hospital and the School.
35. Annually, the Chairperson of the Committee shall present the following internal audit and compliance program reports for review by the University Audit Committee.
  - The Internal Audit Plan for the upcoming year;
  - The Medical Center Compliance Program and Compliance Monitoring Plan for the upcoming year;
  - A summary of significant compliance and internal audit matters along with a description of the progress or resolution achieved during the prior year;
  - Degree of accomplishment of the prior year Internal Audit Plan and the Compliance Monitoring Plan.

## **Other Responsibilities**

36. Periodically, perform a self-assessment as to the Committee's purpose, duties, and responsibilities outlined herein.
37. Perform any other activities consistent with this charter, the Hospital's Bylaws and governing law, as the Committee or the Medical Center Board deems necessary or appropriate