AU HEALTH SYSTEM
AUDIT, COMPLIANCE AND
ENTERPRISE RISK MANAGEMENT COMMITTEE CHARTER

Purpose

AU Health System, Inc. ("Health System") is a separate legal entity maintained and operated in a manner independent and distinct from its related entities. As such, the Health System Board (the "Board") has fiduciary duties of oversight relating to its own unique corporate activities, including but not limited to financial, audit, compliance and enterprise risk management functions. Further, because Health System was originally envisioned and duly constituted as a supervisory and coordinating entity AU Medical Center, Inc. ("Medical Center") and AU Medical Associates ("Medical Associates"), which was expanded to include supervision and coordination for Roosevelt Warm Springs Rehabilitation & Specialty Hospitals, Inc. ("RWSH"), AU Health Professions Associates, Inc. ("Health Professions Associates"), The AU Nursing Associates, Inc. ("Nursing Associates"), and AU Dental Foundation d/b/a AU Dental Associates ("Dental Associates"), the Board has additional duties as detailed in Sections B and C below.

In order to carry out the above duties, the Board under the authority of Article III, Section 1 of the Health System Bylaws, has created an Audit, Compliance and Enterprise Risk Management Committee ("Committee"). Medical Center, Medical Associates, RWSH, Health Professions Associates, Nursing Associates and Dental Associates are together referred to as the "Clinical Entities."

Subcommittees

The Board has oversight duties in relation to the strategic planning, strategic direction, and strategic cooperation of the operations of the Clinical Entities. The Board has oversight, as detailed in Section B below, over inter-organizational contracts between the Clinical Entities. In relation to the compliance, risk and audit activities of the Clinical Entities, the Board has as detailed in Section C below, further duties of oversight and monitoring.

Specific Activities

A. Oversight of Health System Audit, Compliance and Enterprise Risk Management Functions

Audit

The Committee will provide oversight and guidance over Health System audit functions through the following activities:

1. Review the audited financial statements of Health System to ensure that audits have been carried out in compliance with applicable standards.

2. Interview, appoint, retain, and evaluate on an annual basis the Health System independent audit firm, and ensure that all necessary conflict of interest checks have been carried out. The Committee shall evaluate the audit firm's qualifications, and independence on an annual basis, and may require the audit firm to submit a report to the Committee describing the firm's (1) internal quality control procedures; (2) any material issues raised by the most recent internal quality control review, peer review, or any recent investigations by governmental or professional bodies and (3) all relationships that the firm may have with Health System and Clinical Entities that may impact the firm's independence. In addition, the Committee shall coordinate with the Clinical Entity ACERM Committees in the selection and retention of each entity's independent
audit firm with a preference to appointing a single independent audit firm for Health System Clinical Entities.

3. In addition to the independence measures above, promote audit firm independence from the audited entity by ensuring that no audit partner, regardless of the audit firm where he/she is employed, acts as the lead or concuring partner in the audit for more than five consecutive years.

4. In consultation with the Board-appointed independent audit firm annually review the integrity of the Board’s financial reporting processes, both internal and external.

5. Annually review with the Health System CEO, and separately with the Board-appointed independent audit firm, major issues regarding auditing and accounting principles and practices, the audit firm’s presentation of financial statements, including the adequacy of Health System management’s internal controls, any special audit steps adopted in light of material internal control deficiencies, and any other audit inconsistencies or problems.

6. Review and obtain from the independent audit firm summaries of, and as appropriate, significant reports to management prepared by the independent audit firm and management’s responses;

7. Monitor the effectiveness of management’s system of internal control.

8. Discuss with the appropriate officers and legal counsel the status of pending litigation or issues related to the Health System audit program.

9. Participate in evaluating the work performance of the Chief Audit Officer.

**Compliance**

The Committee will provide oversight and guidance over Health System compliance activities through the following activities:

1. Meet with the Director of Compliance, Ethics and Risk Management, Health System on a periodic basis to review Health System compliance plans and programs, and provide oversight over the same.

2. Discuss with the appropriate officers and legal counsel the status of pending litigation or issues related to the Health System compliance programs.

3. Review the policies with respect to approved compliance programs and review the effect, if any, of those policies on compliance issues.

4. Review with the appropriate officers and legal counsel any correspondence with regulators or government agencies, any employee complaints, or published reports that raise material issues regarding compliance goals.

5. Provide oversight as needed to ensure that Health System compliance programs achieve their stated goals.

**Enterprise Risk Management**

1. Adopt an annual enterprise risk management plan, which will address the conduct of audits or reviews as needed to address significant risks for Health System.

2. Meet with the Director of Compliance, Ethics and Risk Management, Health System on a periodic basis to review the enterprise risk management plan.

3. Review with the Director of Compliance, Ethics and Risk Management, Health System and management selected significant findings reported to the Committee, and provide oversight to ensure that appropriate remedial measures are taken in a timely fashion.

4. Discuss with the appropriate officers and legal counsel the status of pending litigation or issues related to the Health System enterprise risk management program, including but not limited to
any issue which has the potential to require, modify or increase Health System involvement in the strategic planning, strategic direction, and strategic cooperation of the operations of the Clinical Entities.

External Resources and Adoption of Policies and Procedures

Where duly authorized by the Board, the Committee is authorized to utilize necessary Health System resources, as well as external resources including outside consultants and professionals to assist the Committee in carrying out its functions and duties. Further, the Committee may adopt appropriate policies and procedures, with Board and executive approval, in the performance of its functions.

B. Oversight of Relationships involving the Clinical Entities

The Committee shall fulfill its duty of oversight through the following activities:

1. Meet with the Chief Audit Officer and Director of Compliance, Ethics and Risk Management, Health System on a periodic basis to review and oversee the Rolling Audit Plan, compliance and enterprise risk management plans with regard to relationships involving any of the Clinical Entities and any significant findings from current audit projects.

C. Oversight of Compliance, Risk, and Audit functions of Clinical Entities

General duty relating to Audit, Compliance, and Enterprise Risk Management

1. Foster close working relationships with the Clinical Entities' ACERM Committees, and provide oversight as needed to ensure that these committees achieve their stated goals.
2. The Committee shall keep itself updated on changes in the legal and regulatory risk environment such that it may provide oversight for institutional policymaking where appropriate.
3. Approve annual audit, compliance, and enterprise risk management plans for the Health System.

Audit

The Committee shall fulfill its duty of oversight through the following activities:

1. Review the audited financial statements of Clinical Entities to ensure that audits have been carried out in compliance with applicable standards.
2. Meet with the Chief Audit Officer on a periodic basis to review the status of the Rolling Audit Plan.
3. Review with the Chief Audit Officer and management selected significant findings reported to the Clinical Entity ACERM Committees, and provide oversight to ensure that appropriate remedial measures are taken in a timely fashion.
4. Direct the Chief Audit Officer to conduct audits or reviews as needed to address significant risks for relationships involving the Health System.

Compliance

The Committee shall fulfill its duty of oversight through the following activities:

1. Direct the Director of Compliance, Ethics and Risk Management, Health System to conduct audits or reviews as needed to address significant risks for relationships involving the Clinical Entities.
2. Oversee Clinical Entity methods and measures to prevent, deter and detect any non-compliance
3. With respect to applicable State and Federal laws and regulations.

**Risk and Enterprise Risk Management**

The Committee shall fulfill its duty of oversight through the following activities:

1. Adopt an annual enterprise risk management plan, which will address the conduct of audits or reviews as needed to address significant risks with relationships involving the Clinical Entities.
2. Meet with the Chief Integrity Officer on a periodic basis to review the enterprise risk management plan.
3. Review with the Director of Compliance, Ethics and Risk Management, Health System and management selected significant findings reported to the Committee, and provide oversight to ensure that appropriate remedial measures are taken in a timely fashion.
4. Review reports pertaining to the risk management activities of the Clinical Entities, and provide oversight as needed.
5. Review reports pertaining to the risk management activities of any Enterprise risk management committees or groups, and provide oversight on the same.

**Membership, Terms, and Qualifications**

The membership of the Committee will consist of a minimum of five (5) members including the Committee Chair. The presence of three (3) voting members shall constitute a quorum of the Committee. The Committee Chair is appointed by the Chair of the Health System Board. Members may be community members. All Committee members must be approved by the Board. All members of the Committee shall be financially literate, and shall be literate in compliance and enterprise risk management. At least one (1) member shall be a financial expert in terms of the following characteristics:

1. Possessing an understanding of generally accepted accounting principles and financial statements;
2. The ability to assess the general application of the above principles in connection with the health care financial statements;
3. An understanding of internal control over financial reporting; and
4. An understanding of audit committee functions.

The financial expert shall have acquired his/her financial expertise through a combination of education or experience in positions such as principal financial officer, principal accounting officer, controller, public accountant or auditor. He/she may also have experience actively overseeing the management of companies with respect to the preparation, auditing or evaluation of financial statements.

Committee members may serve for a maximum of six (6) years following which they may be reelected after a hiatus of one (1) year. Terms will be for three (3) years, renewable for only one additional three (3) year period. Terms will be staggered to ensure initial members are reappointed or replaced no more than three at a time. The Committee Chair must be a Board member and will fulfill his/her role on the Committee as long as he/she is a member of the Board.

**Meetings**

The Committee shall meet at least as often as the AU Health System Board of Directors, or when necessary at the call of the Committee Chair. Meeting dates and times should be specified in advance.

**Reports**
The Committee will prepare a report for each meeting of the Board.

Approved by:

James M. Hull, Chairman, AU Health Board of Directors  
10/26/2020  
Date

Katrina Keefer, CEO, AU Health System

Dr. Phil Gingrey, Chairman, AU Health ACERM Committee  
10/6/2020  
Date

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