

# SAN FRANCISCO STATE UNIVERSITY

## Audit, Risk and Compliance ARC Committee Charter

July 10th, 2015

### **Purpose**

It is evident that risk events are interconnected across the University and the University's strategic plan is impacted daily by a variety of risk and compliance issues, and it is to our advantage to systematically share risk and internal control knowledge across our functions and departments to obtain best practices.

### **I. Mission**

The Audit, Risk and Compliance ARC Committee will advise the President by collaborating to identify and manage the full range of risks that the University faces. The ARC Committee will champion the resultant strategies and be charged with communicating them to each member's respective areas. A common language for managing risk and identifying appropriate controls will be established with a balanced view; one that attempts to minimize hazards, influence and control uncertainties, and manages opportunities.

### **II. Role and Authority**

The role of the Audit, Risk and Compliance ARC Committee ("ARC Committee") of the San Francisco State University ("University") is to assist the President by:

1. Overseeing enterprise risk management, compliance with laws and regulations and University Policy including providing review and support to the policy management office.
2. Overseeing internal accounting and financial controls, financial reporting, the work of internal auditors and independent accountants;
3. Ensuring that financial policies of the University and its auxiliaries are consistent with generally accepted accounting practices;

The authority of the ARC Committee will be:

4. The ARC Committee has no executive powers or supervisory functions. Rather, it functions in a review and recommendation role to the President.
5. The ARC Committee will be represented by delegates of the major operational functions and assure that decisions are aligned with our strategic plan, made on an informed basis and shared across the University.
6. The ARC Committee shall authorize (recommend) audits and risk reviews into any matters within the ARC Committee's responsibilities and, in doing so; have full

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access to the University's records, the records of its auxiliaries, employees, and independent auditor.

7. The ARC Committee shall also have access to those employees of the University (and any of its auxiliaries), who provide services to the University.

### III. Responsibilities

#### A. Enterprise Risk Management

1. Design a comprehensive and common-sense approach to manage risks across the entire organization
2. Conduct meetings with management to discuss significant risk exposures and the steps management is taking to monitor and control such exposures.
3. Ensure management has engaged in sound business continuity management planning including crisis response and disaster recovery planning.
4. Coordinate with other University committees and groups regarding risk management and oversight.
5. Establish measurement methodologies for quantifying, comparing, benchmarking and prioritizing our risks.
6. Retrospectively review incurred financial or operational losses and prepare recommendations or corrective action plans for their future prevention.
7. Continuously assess our risk management strategies to assure they remain current with regulatory, operational and legal changes as well as our objectives

#### B. Compliance

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Ensure effective procedures are in place for: (1) The receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls, or auditing matters; and (2) The confidential, anonymous submissions by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.
3. Review the finding of any examinations by regulatory agencies, and any auditor observations.
4. Obtain regular updates from management and University legal counsel regarding compliance matters, including compliance with University policy.
5. Work to recommend and develop policies consistent with our culture.

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### C. Internal Controls

1. Review effectiveness of, or, weakness in, internal controls.
2. Review and approve internal audit structure, staffing, audit plan, and budget.
3. Review material findings and management responses to audit reviews.
4. Approve appointment and/or replacement of senior internal auditing staff.
5. Review performance of senior internal auditing staff.

### D. Independent Accountants

1. Select the independent accountants.
2. Review performance of independent accountants.
3. Periodically consult with independent accountants.
4. The ARC Committee shall:
  - a) Review and approve the scope, plan, and procedures of the campus annual audit plan;
  - b) Review the results of the annual audit; and
  - c) Authorize supplemental reviews or audits.

### E. Financial Reporting

1. Review and discuss the audited financial statements.
2. The ARC Committee shall review and discuss as it deems appropriate:
  - a) Significant estimates, judgments, accruals, reserves, and accounting principles;
  - b) Critical accounting policies;
  - c) Major changes to accounting principles and practices;
  - d) Significant disagreements or difficulties encountered in connection to the preparation of the financial statements;
  - e) Any material financial arrangements which do not appear on the financial statements; and
  - f) The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements.
3. Meet with management and independent accountants (at least annually) and the senior internal audit executive (at least biannually) in separate sessions to discuss private matters.

### F. Other Responsibilities

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1. Approve a code of ethical conduct and ensure that management has established a system to enforce the code.
2. Review this charter at least annually.
3. Initiate, in consultation with Legal Counsel, investigations into operational matters.
4. Review compliance and other legal matters that could impact financial statements and ethics efforts.
5. Review reports of disclosure of conflicts of interest and related party transactions and monitor for appropriate resolution.

### IV. Composition and Meetings

- A. The ARC Committee will consist of members who are appointed by the President.
- B. Each ARC Committee member will be free from any relationship that would interfere with the exercise of his or her independent judgment.
- C. If any member of the ARC Committee enters into or develops a business relationship that might interfere, that member shall have an affirmative obligation to promptly disclose such relationship to the ARC Committee.
- D. The ARC Committee shall meet at least four times annually or more frequently as circumstances dictate, and report to the President.

### V. Establish Workgroups

The ARC Committee may sponsor standing work groups to collaborate on projects and programs that have benefits to the University. This structure will allow for expansion and contraction of groups as needed and reduce the number of groups and meetings required to address the wide variety of risks that the University must address. The workgroups will not be formed without clear written process and expectations for these work groups. The goals of any workgroup formed will include:

- A. Produce work products that improve effectiveness of the University in delivering on the Strategic Plan;
- E. Provide a forum for exchange of professional ideas;
- F. Allow participants to share common experiences and solutions related to a particular focus specialty, i.e., safety, financial controls, continuity planning, security, etc.;
- G. Act as subject matter expert advisor to the ARC Committee;
- H. Review challenges common to University and recommend a course of action;
- I. Review new or updated regulatory requirements and recommend action plans;

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**J.** Review new and emerging technologies.