

TRI-CITY HEALTHCARE DISTRICT

AUDIT, COMPLIANCE & ETHICS COMMITTEE CHARTER

Tri-City Healthcare District's (the "District") Audit, Compliance & Ethics Committee (the "Committee") has multiple purposes and is delegated certain key responsibilities as enumerated herein.

I. Purpose

The Committee is to provide assistance, and make recommendations, to the District's Board of Directors ("Board") by overseeing the Internal Audit Program, the external audit, the District's financial reporting obligations and the Ethics & Compliance Program. The Committee is responsible for making recommendations to the Board regarding the appointment, compensation, retention and oversight of the District's independent auditors; Report to the Board regarding any issue involving the integrity and trustworthiness of the District's annual financial statements;

1. **Internal Audit Program and Ethics & Compliance Program Oversight.** The Committee will oversee the District's Internal Audit Program and Ethics & Compliance Program, including the following:
 - a. Review and oversee the non-clinical contracts at least twice annually;
 - b. Review the District's compliance with applicable federal, state and local legal and regulatory requirements relating to providers and suppliers of healthcare services;
 - c. Monitor the development and implementation of the District's Internal Audit and Ethics & Compliance programs via periodic reports from the internal auditor, District's Chief Compliance Officer, the Internal Compliance Committee, and legal counsel;
 - d. Review risk assessments and work plans (including audit schedules) and the Ethics & Compliance Program, at least annually, as presented by the internal auditor, the Chief Compliance Officer, Internal Compliance Committee and/or legal counsel;
 - e. Review and oversee revision of the District's Administrative Code of Conduct;
 - f. Receive and revise draft policies from the Chief Compliance Officer and Internal Compliance Committee for presentation and recommendation to the Board;

- g. Review reports from the Internal Auditor, Chief Compliance Officer, **and** Internal Compliance Committee, and monitor implementation of corrective action as applicable;
- h. Make programmatic recommendations to the Chief Compliance Officer, senior management, and Board.

2. **External Audit and Financial Reporting Oversight.** The Committee shall:

- a. Review the accounting and financial reporting processes of the District and external audits of the District's annual financial statements;
- b. Report to the Board regarding any issue involving the integrity and trustworthiness of the District's annual financial statements;
- c. Report to the Board regarding any issue involving the District's compliance with financial reporting and, if applicable, legal and regulatory requirements with respect to District financing, as well as any applicable federal and state regulatory requirements relating to Medicaid, Medicare, and state insurance and charity care requirements;
- d. Review the independence, qualifications and performance of the District's external auditors;
- e. Monitor and report to the Board regarding the adequacy, efficacy, and adherence to policies and procedures related to accounting, internal accounting controls, ethical concerns, or auditing matters;
- f. The Audit, Compliance & Ethics Committee Charter will be reviewed every three years.

II. Membership

The Committee shall consist of three (3) Directors of the District, one (1) physician on-staff at Tri-City Healthcare District, and a maximum of three (3) community members and an option for a subject matter expert who would not be a voting member and whose term would not expire.

Each Committee member shall have at least a basic understanding of finance and accounting, the ability to read and understand financial statements, and experience and familiarity with the specialized issues relating to health care financial issues. At least one member of the Committee shall have accounting or related financial management expertise, as evidenced by the certified public accountant designation or other education and/or work-related credentials. Each Committee member shall have a basic understanding of the design and operation of the Internal Audit Program and an Ethics & Compliance Program, by: (i) review of Office of Inspector General/AHLA materials for Boards; (ii) review of OIG compliance program guidance; and (iii) attendance at relevant educational sessions presented by the Chief Compliance Officer.

Term of Membership: Per Board Policy 15-031 members shall serve terms of two years, with an option to renew the appointment for one additional two-year term and shall continue to serve until a successor is appointed by the Board.

III. Meetings

The Committee is anticipated to meet in January, April, July and October for the compliance component; May and September for the audit component.

IV. Minutes

The Committee will maintain written minutes of its meetings, which will be filed with the minutes of the meetings of the Board. Closed session minutes will be maintained consistent with Board procedures.

V. Reports

The Committee will report regularly to the Board regarding (i) all determinations made or actions taken per its duties and responsibilities, as set forth above, and (ii) any recommendations of the Committee submitted to the Board for action.

VI. Conduct

Each Committee member shall comply with the District's Code of Conduct which can be found at <http://www.tricitymed.org/about-us/code-of-conduct/>.

Approved: Board of Directors: 9/29/11
Amended: Board of Directors: 4/26/12
Approved: Board of Directors: 3/28/13
Approved: Board of Directors: 5/30/13
Approved: Board of Directors: 5/29/14
Approved: Board of Directors: 8/25/16
Approved by Board of Directors: 1/25/18