

# **WASHINGTON HEALTH BENEFIT EXCHANGE AUDIT AND COMPLIANCE COMMITTEE CHARTER**

**Adopted November 20, 2013**

## **Audit and Compliance Committee Charter**

The Board of Directors, (“Board”) of the Washington Health Benefit Exchange establishes the Audit Committee, (“Committee”) under the authority of Section 3.3 of the Health Benefit Exchange Board Bylaws.

### **Purpose**

To assist the Board of the Washington Health Benefit Exchange (the “Exchange”) in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Exchange’s process for monitoring compliance with laws and regulations and code of conduct.

### **Authority**

The Committee will have the appropriate resources, as determined by the Board, to carry out its duties. The Committee has the authority to:

- Seek information regarding its duties from employees, all of whom are directed to cooperate with the Committee’s requests.
- Meet with the Exchange’s officers, external auditors or outside counsel, as necessary to carry out its duties.

### **Composition**

The Committee will consist of three board members. The Board chair will appoint Committee members, and designate one member as the Committee chair.

Each Committee member will be fully capable of reading and understanding financial reports.. At least one member shall have expertise in the financial and other expertise necessary to ensure that the Committee can carry out the responsibilities noted below.

The Committee members shall serve one-year terms, beginning December 1, 2013. Committee members may be reappointed to additional one-year terms. The Board chair should endeavor to maintain continuity of membership of the Audit Committee.

## **Meetings**

The Committee will meet at least four times a year, and may convene additional meetings as required to carry out its responsibilities. All Committee members are expected to attend each meeting, in person or via tele- or video-conference. Meeting agendas will be provided in advance to members, along with appropriate briefing materials. The Committee shall keep regular minutes of its proceedings and regularly report to the Board on its activities. One or more Committee member may confer with management, employees, and external auditors outside of the Committee's meetings in order to carry out the Committee's functions.

## **Responsibilities**

The Committee will carry out the following responsibilities:

### Financial Statements

- Review with management and external auditors recent professional and regulatory pronouncements, and understand their impact on the financial statements to ensure best practices are applied.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- Review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards and Government Auditing Standards (if applicable).

### Internal Controls

- Consider the effectiveness of the Exchange's internal control over annual and interim financial reporting, fraud prevention and detection, compliance with laws and regulations, including information technology security and control.
- Ensure that accounting policies, procedures, and related controls are documented and reviewed at least annually with the Committee focusing on key areas.

### External Audit

- Review the external auditor's engagement letter, proposed audit scope (including any OMB Circular A-133 single audit obligations) and approach, including coordination of audit effort with internal audit (if applicable).
- Review the performance of the external auditor, and recommend final approval on the appointment or discharge of the auditors to the Board.
- Review and confirm the independence of the external auditor by obtaining statements from the auditors on relationships between the auditors and the Exchange, including non-audit

services, and discussing the relationships with the auditors.

- Review all reports of external audits, agreed-upon procedures, examinations, and/or investigations, and forward to the Board for approval and provide a forum for follow-up on any findings.
- Follow up with management on the status of the corrective action plans related to external audit findings and comments to ensure timely action and confirm with the external auditors in the subsequent year.

#### State Auditor's Office (SAO)

- For any SAO audit or agreed-upon procedures: review the scope and approach, including coordination of effort with internal audit (if applicable).
- Review and meet with the SAO staff regarding the results of any procedures they may perform (including an accountability/performance audit) as it relates to the Exchange and ensure timely response and corrective action to any matters reported.

#### Compliance

- Ensure that the Exchange has a policy and framework for compliance with laws and regulations and mechanisms for periodic assessment of compliance.
- 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.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to all affected parties, and for monitoring compliance therewith:
  - Obtain regular updates from management and legal counsel regarding compliance matters.
  - The Committee will establish a process to receive and review complaints received by the Exchange regarding compliance matters, and to receive confidential anonymous reports from employees regarding questionable auditing or compliance matters.

#### Reporting Responsibilities

- Regularly report to the Board about Committee activities, issues and related recommendations.
- Provide an open avenue of communication between the external auditors and the Board.
- Report annually to the Board, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule.
- Review any other reports the Exchange issues that relate to Committee responsibilities.

#### Other Responsibilities

- Perform other activities related to this charge as requested by the Board.