

# **JEFFERSON SCIENCE ASSOCIATES, LLC**

## **INTERNAL AUDIT CHARTER**

### **STATEMENT OF AUTHORITY AND RESPONSIBILITY**

#### **INTRODUCTION**

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Jefferson Science Associates, LLC (JSA). It assists JSA in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

#### **ROLE**

Internal Auditing responsibilities are defined by the Finance and Audit Committee of the Board of Directors as part of their oversight function.

#### **PROFESSIONAL STANDARDS**

The Internal Auditing Staff shall govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics." The Institute's "*International Standards for the Professional Practice of Internal Auditing*" (*Standards*) shall constitute the operating procedures for the audit staff. These two documents constitute an addendum to this charter. The Institute of Internal Auditors' "Practice Advisories" will be adhered to as applicable.

#### **AUTHORITY**

The Internal Audit Office is authorized to perform a broad, comprehensive program of internal auditing within JSA. Internal auditing examines and evaluates the adequacy and effectiveness of the system of management control provided by JSA to direct its activities toward accomplishment of its objectives in accordance with JSA policies and organizational goals.

In accomplishing these activities, JSA's Finance and Audit Committee states its authorization and support, clearly and categorically, that the Office of Internal Audit will have full, free, and unrestricted access to all JSA functions, records, property, and personnel at reasonable and mutually convenient times.

Internal Auditing shall also have free and unrestricted access to the Chairman of the Finance and Audit Committee of the Board of Directors.

## **AUDIT SCOPE AND RESPONSIBILITY**

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management processes, systems of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

The Internal Audit Office is responsible for:

- Developing and executing a comprehensive audit program for the evaluation of management controls provided for JSA activities.
- Examining the effectiveness of all levels of management in custody of JSA resources and their compliance with established policies and procedures.
- Recommending improvements of management controls designed to safeguard JSA resources, promote JSA goals, and ensure performance consistent with federal and state laws and regulations.
- Reviewing procedures and records for their adequacy to accomplish stated and intended objectives, and appraising policies and plans relating to the activity or function under audit review.
- Authorizing the publication of reports on the results of audit examinations, including recommendations for improvement.
- Appraising the adequacy of the action taken by management in response to reported control weaknesses and opportunities for improvement.
- Conducting special examinations at the request of management, including the reviews or representations made by persons outside of JSA.

## **ORGANIZATION**

The Internal Audit Office shall report administratively to the Chief Operating Officer of JSA and functionally to the Finance and Audit Committee of the JSA Board of Directors.

## **INDEPENDENCE**

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

## **MISSION STATEMENT**

In alignment with the overall goals of the organization, the mission of the Internal Audit Office is to add value to overall organizational performance by providing quality auditing services that result in reduced costs, gains in operational efficiencies, strengthened internal controls, and improved JSA policy. To achieve these goals, on a risk-based strategy, the Internal Audit Office performs independent reviews and reports on the effectiveness of management controls and operational performance throughout JSA.

## **OBJECTIVES**

The specific objectives of the Internal Audit Office are as follows:

1. Review organizations within JSA at appropriate intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing, and controlling in accordance with management instructions, policies, procedures, and in a manner that is consistent with both JSA's mission and high standards of management performance.
2. Determine the adequacy and effectiveness of JSA's systems of internal accounting and operational controls.
3. Review the reliability and integrity of financial information and the means used to identify, measure, classify, and report such information.
4. Review the established systems to ensure performance consistent with applicable policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and determine whether the entity is in compliance. Recommend policy where appropriate.
5. Review the controls of safeguarding assets, and as appropriate, verify the existence of such assets.
6. Appraise the economy and efficiency with which resources are allocated and utilized, identify areas of opportunity where operating performance could be improved, and recommend solutions to control weaknesses where appropriate.
7. Review operations to ascertain whether results are consistent with established objectives.
8. Coordinate audit efforts with JSA's external auditors.
9. Submit annual audit plans to the Finance and Audit Committee of the Board for their review and approval.
10. Report periodically, but not less than annually, to the Finance and Audit Committee of the Board on whether:
  - Appropriate action has been taken on significant audit comments and recommendations;
  - Audit activities have been directed toward the highest exposure to risk and toward increasing efficiency, economy, and effectiveness of operations;
  - Internal and external audits are coordinated to avoid duplication of efforts;

- Annual internal audit plan is adequate and on schedule;
  - There is any unwarranted restriction on the authority of Internal Audit or on access to JSA activities, records, property, or personnel.
11. Report to appropriate management the results of audit examination, the audit opinions rendered, and the recommendations made.
  12. Evaluate all management plans and actions taken with respect to audit comments and recommendations. If the response is viewed as ineffective or unsatisfactory, conduct follow-up until settlement is acceptable.
  13. Provide adequate follow-up to ensure stated corrective action is implemented and effective.
  14. Assist JSA management in strategic planning through participation in the analysis of JSA programmatic risks and vulnerabilities.
  15. Perform other such duties and responsibilities as may be deemed appropriate by the Finance and Audit Committee or COO of JSA in support of JSA's goals and objectives.

#### **MANAGEMENT RESPONSE**

The respective Associate Director or JSA manager of the audited operating unit is responsible for assessing recommended corrective action on reported findings and determining, within 30 days from receipt of an audit report disclosing those findings and recommendations, whether such action should be either planned or taken. The respective Associate Director or JSA manager is also responsible for responding in a written report directly to the Office of Internal Audit. The written report should detail the Associate Director or JSA manager's action plan to address the findings. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.

The above statements constitute the full Internal Audit Office Statement of Authority and Responsibility.