

**TOWNSHIP OF LOWER MACUNGIE
LEHIGH COUNTY, PENNSYLVANIA**

**RESOLUTION NO. 2010-09
(Duly Adopted April 1, 2010)**

RESOLUTION AMENDING THE AUDIT COMMITTEE CHARTER;
CHANGING THE AUDIT COMMITTEE'S NAME TO AUDIT
ADVISORY COMMITTEE; AND REVISING THE AUDIT ADVISORY
COMMITTEE'S DUTIES AND RESPONSIBILITIES.

WHEREAS, prior to the transition of Lower Macungie from a Second Class to First Class Township there was a lack of appropriate internal financial controls which ultimately resulted in an embezzlement that negatively impacted the finances of the Township and morale of our residents; and

WHEREAS, the Audit Committee was one of the protocols established in 2007 in response the embezzlement and other lack of controls at the Township; and

WHEREAS, during the period of 2008-09, the interim appointed Board of Commissioners under the new First Class Township form of government aggressively sought to prevent such events from occurring in the future by adopting numerous policies to strengthen the internal financial controls of the Township and hired competent and professional staff to provide adequate financial supervision which did not exist previously; and

WHEREAS, it is recognized by this Board of Commissioners that the internal control policies adopted by the interim Board of Commissioners, in addition to the competent professional staff they hired has, in fact, strengthened the Township's internal financial controls; and

WHEREAS, it is the desire of this Board of Commissioners to continue to work toward restoring the public's trust in our Township government by continuing the existence of the Audit Committee as long as necessary to serve as an independent advisory body whose purpose to assist the Board of Commissioners in strengthening our internal financial controls; and

WHEREAS, this Board of Commissioners has determined that the Audit Committee should be renamed the "Lower Macungie Audit Advisory Committee" to properly reflect its role, responsibilities, and duties; and


WHEREAS, this Board of Commissioners aspires to reach a day when the services of the Audit Committee are no longer be necessary because the Township internal financial controls have effectively minimized risk to the extent possible; and

NOW, THEREFORE, be it resolved that the Board of Commissioners hereby enacts the following amendments to the Audit Committee Charter, including, but not limited to, changing its name to the Lower Macungie Audit Advisory Committee Charter, to strengthen the Audit Advisory Committee's mission and purpose.


DULY ADOPTED this 1st day of April, 2010, by the Board of Commissioners of Lower Macungie Township, in lawful session duly assembled.

**LOWER MACUNGIE TOWNSHIP
BOARD OF COMMISSIONERS**

Attest:



Roger C. Reis, President



Renea Flexer, Township Secretary

Lower Macungie Audit Advisory Committee Charter Outline of Duties and Responsibilities

Purpose

The Lower Macungie Audit Advisory Committee (the "Committee") is appointed by the Board of Commissioners (the "Board") of Lower Macungie Township (the "Township") to assist the Board in monitoring (1) the integrity of the financial statements of the Township; (2) the qualifications, performance, and independence of the Township's independent auditors; and (3) the Township's compliance with legal and regulatory requirements.

The Audit Advisory Committee shall:

1. Be composed of five members, all of whom should be Township residents who have direct professional accounting or finance experience by virtue of their employment or previous employment, training, or educational attainment as determined by the Board. The Chair of the Committee shall be appointed by the Board. Members shall be protected under the Township's indemnification policy for its Boards and Commissions, as well as under the Township's Director's and Officer's insurance policies, or the equivalent.
2. Serve for a term of three years, but none shall serve for more than two consecutive terms. During the first year of appointments, terms shall be staggered as follows: two members shall be appointed to serve a one year term or portion thereof; three members shall be appointed to serve a three year term or portion thereof. If any vacancies shall occur on the Committee, the Board shall fill such vacancy by appointing a new member to serve the remainder of the term. Terms expire on the first Monday of January.
3. A quorum shall consist of a majority of the Committee members and is required to conduct official Committee business. All meetings shall be held in public at the Township municipal building or other Township facility with proper public notice in accordance with the Pennsylvania Sunshine Act and other applicable statutes.
4. Develop an annual plan of audits. In developing said plan, the Committee should assess risk areas; obtain input from the Township's independent auditors, Township management and staff, and the Board; and work with respective staff to create a schedule of planned audits. Upon conclusion of such audits, the Committee shall provide a letter to Township management and the Board summarizing its findings, conclusions, and recommendations.
5. Meet as needed to address matters related to the duties and responsibilities outlined herein, but not less than quarterly each year. File meeting minutes with the Board within five days of being approved at the next Committee meeting.

6. Review the Audit Advisory Committee Charter annually and recommend to the Board any changes that are necessary or appropriate in light of developing best practices and changes in legal or regulatory requirements.
7. Conduct working sessions with the Township's independent auditors and/or the Township Finance Director, as deemed necessary, but no less than once a fiscal year. The Committee shall determine what third parties shall attend the working sessions. The Committee may request any officer or employee of the Township or the Township's solicitor or independent auditors to attend any official meeting of the Committee without the consent of Township management or the Board.
8. When requested by the Board, make recommendations to Township management and the Board regarding the appointment and hiring of independent auditors and evaluate the services they provide.
9. If in the course of its duties the Committee does not receive satisfactory response and/or results from the Township's independent auditors, management, or Board, the Committee may consult with the Township Solicitor, at the Township's expense, without the approval of Township management or the Board.
10. If a satisfactory response and/or results are not obtained by the Committee after exhausting the options outlined in Section 9, the Committee shall have the authority with consent of the Board, at the Township's expense, to the extent the Committee deems necessary or appropriate, to retain independent legal, accounting, or other consultants to advise the Committee in connection with fulfilling its obligations under this Charter. All fees and expenditures shall be approved by the Board before they are incurred.
11. Review with the Township's independent auditors the audit plan and scope, including communications between the independent auditors and Township management, and discuss with the Township's independent auditors all significant accounting policies and procedures, alternative treatments of financial information, and ramifications of each alternative.
12. Discuss with the Township's independent auditors, Township management and Board, when appropriate, the adequacy of the Township's internal controls, information systems controls and security, the effect of regulatory or accounting initiatives, unique transactions or financial relationships, and the Township's interim financial statements.
13. Review with the Township's independent auditors and Township management the Township's annual financial statements and footnotes, the audit process, the Township's independent auditors' report, the Township's auditors' judgments of the quality of the Township's accounting principles applied in its financial reporting, any significant changes required in the Township's auditors' audit plan, any difficulties or disputes with Township management during the audit, and any matters relating to the

conduct of the audit as required by Statement on Accounting Standards No. 61, "Communication With Audit Committees."

14. Request approval from the Board to review with the Township's solicitor any legal or regulatory matters that may have a material impact on the Township's financial statements and regulatory policy compliance, as well as any programs or reports received from regulators.
15. Establish and periodically review the Township's policies and procedures for the receipt, retention and treatment of any complaints or concerns received, either internally or externally, regarding accounting, internal controls, auditing, legal or regulatory matters that have material impact on Township finances. Review any such complaints or concerns received, including anonymous submissions by employees as outlined in the Township's Whistle Blower Policy, and determine status and recommend potential resolutions to Township management and the Board.
16. Review the Township's document retention policy with Township management annually to ensure that it is adequate and up-to-date.
17. Review Township financial documentation, as necessary to complete the annual plan of audits, to determine appropriateness of internal controls, and to ensure that official Township financial policies and procedures are adhered to and followed.
18. The Board shall annually evaluate the effectiveness of the Audit Advisory Committee.