

Board of Governors of the Civil Air Patrol  
Audit Committee Charter  
1 June 2004

**1. Purpose.** The audit committee is a permanent standing committee of the Board of Governors (BoG). Its function is to assist the BoG in fulfilling the board's oversight responsibilities for the:

- A. Financial reporting process;
- B. System of internal controls over accounting, finance, financial reporting, and compliance with laws governing these activities; and
- C. External audit functions.

**2. Authority.** The BoG delegates to the audit committee authority to:

- A. Appoint, compensate, and oversee the work of any certified public accounting firm employed by the CAP;
- B. Appoint, compensate, oversee, and terminate external auditors;
- C. Resolve any disagreements between management and the external auditor regarding financial reporting or accounting principles;
- D. Meet with company officers, external auditors, Inspectors General, and General Counsels or Judge Advocates General of the CAP or USAF;
- E. Seek any information it requires from employees or volunteers—all of whom are directed to cooperate with the committee's requests;
- F. Seek and obtain advice, counsel, or assistance as required from appropriate offices of the USAF and OMB;
- G. Authorize and initiate special investigations or audits by the external auditor into any matters within its scope of responsibility.

**3. Composition and Membership.** The audit committee will consist of at least two members of the BoG selected from among those members appointed by the Secretary of the Air Force and those members jointly appointed by the Secretary of the Air Force and the CAP National Commander and at least one member selected by CAP who is not a corporate officer. The BoG will appoint the members and the committee chair.

Each committee member will be:

- A. Independent of the CAP—that is, having no financial, professional, or personal relationships with the CAP, or CAP management (including the National Executive Committee, the National Board, Wing, Region, Group, and Squadron commands or staff, the Executive Director, or the CAP full-time staff), except as a member of the BoG, that would impair, impede, interfere or influence committee decisions, judgments, conclusions, or actions in exercise of the committee's fiduciary duties and responsibilities.
- B. Within six months of appointment, financially literate—that is, able to read, understand, interpret, and question basic financial statements, and the basic accounting principles used to construct those statements.

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One member of the committee must be an expert in finance and/or accounting disciplines as evidenced by professional experience in these fields, professional certification, or management and leadership experience that included responsibility and accountability for organizational or program budgets, financial operations and results.

**4. Meetings.** The committee will meet at least two times a year. All committee members are expected to attend each of these required meetings, in person or via telephone or videoconference. A simple majority, but at least two members, comprises a quorum.

The committee will have sole discretion in determining meeting agendas and attendees, but it is expected that each of the required meetings will include:

- An “open session” involving the CAP National Commander (or designated representative), the CAP Executive Director (or designated representative), the CAP CFO, the Inspectors General of the CAP and CAP-USAF (or designated representative), and the external auditor. Other uninvited members of the BoG, CAP- USAF, or other interested members of the government or community may attend after giving 1 week prior notice of their intent to do so to the Committee Chair via the CAP Executive Director. The Committee Chair may waive the requirement for advance notice for any person wishing to attend the open session.
- Private discussions with the external auditors (see below); and
- Executive sessions including only committee members.

The Committee may hold such other meetings as deemed necessary to accomplish its purposes. The CAP Executive Director will assist the Committee Chair in preparing and distributing in advance meeting agendas and briefing materials.

The CAP Executive Director will designate staff to prepare, distribute for Committee approval, and maintain minutes of open sessions.

**5. Responsibilities and Duties.** The committee will carry out the following responsibilities:

5.1. Financial Statements:

- Review with management and the external auditor significant accounting and reporting issues, including complex or unusual transactions, disagreements with management, and highly judgmental areas.
- Discuss with the independent auditor their qualitative judgments about the appropriateness, not just the acceptability, of accounting principles and

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financial disclosure practices used or proposed to be adopted. Obtain from management and the external auditor a list of uncorrected misstatements that are a result of the audit. Discuss with the external auditor areas of significant financial risks and exposures, and discuss with management management's plans for mitigating these risks.

- Review with the external auditors the results of the audit, including any difficulties encountered. Approve and accept the completed audit.
- Review with the external auditors all matters required to be communicated to the committee under generally accepted auditing standards and specifically including areas of disagreement with management, material weaknesses and reportable conditions.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Forward and recommend BoG approval of the CAP's annual financial statements for publication and distribution.

5.2. Internal Control

- Consider, and discuss with management, Inspectors General, and the external auditor audit findings reflecting upon the adequacy of internal controls over financial reporting and over ensuring compliance with laws and regulations governing finance, accounting, and financial reporting.
- Discuss with management, Inspectors General, and the external auditor the risks these findings pose to the financial integrity of the CAP, the accuracy of its financial statements, and its ability to carry out its operations. Review with management management's plans (including costs and schedules) for mitigating these risks, and the appropriateness of those plans to the risk identified.

5.3. External Audit

- Consider, in consultation with CAP management and the external auditor, plans for conducting and coordinating the Single Audit required by federal policy and regulation.
- Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the audit firm. Ensure management and the external auditor understand the auditor's client is the BoG and the BoG's designated agent in these matters is the Audit Committee.
- Review and confirm the independence of the external auditors by inquiring of the auditors on relationships between the auditors and the CAP. Exercise prior approval for any non-audit services provided to the CAP by the external auditor.
- On a regular basis, meet separately with the external auditors to discuss any matters the committee or auditors believe should be discussed privately.

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- Remain accessible and responsive to communications from the external auditor, CAP or CAP-USAF Inspectors General, CAP management, and the CAP CFO.

5.4. Other Responsibilities:

- At the BoG meeting following each of the two required committee meetings, prepare and provide to the BoG an oral report summarizing the committee's activities, actions, findings, and recommendations.
- Review and assess annually the adequacy of the committee charter, requesting BoG approval for proposed changes. Ensure appropriate disclosure of this charter as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- The Board of Governors will evaluate the committee's and individual member's performance at least annually.
- Through the CAP Executive Director, arrange for and participate in appropriate training activities to enable committee members to become financially literate and competent in the discharge of their duties.
- Perform other activities related to this charter as requested by the BoG.