



# MATERIALS RESEARCH SOCIETY

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## 2.1.7 Finance and Audit Committee

Purpose: This policy provides the purpose and responsibilities of the Finance and Audit Committee.

Applies to: Finance and Audit Committee and the Board of Directors

### **PURPOSE / SCOPE**

The purpose of the Finance and Audit Committee is to recommend financial policies and goals that support the mission, values, and strategic goals of MRS; oversee development of the three-year budget plan and the annual budget; monitor the financial performance of MRS against the annual budget; monitor the MRS investment Portfolio; monitor the adequacy of the Society's reserve funds; and provide oversight of the auditors in their performance of the independent audit.

### **MEMBERSHIP**

The committee shall be composed of three to five members. The MRS Treasurer shall serve as the chair and two to four Board members shall be appointed by the incoming President. Additional non-Board or non-MRS members may be appointed by the Committee Chair. \*

\*Non-MRS member appointees shall be non-voting members, unless otherwise requested by the incoming President or the Committee Chair and ratified by the Board

### **TERM OF SERVICE**

The term of the Committee Chair shall be for the appointment period of the Treasurer. Member-terms shall be for one year, unless reappointed by the President.

### **MEETINGS AND PROCESS**

The committee shall meet in person or via other electronic means, as required to complete its charges.

All committee members shall receive advance notice of meetings or calls. Minutes shall be recorded. Decisions reached during the committee meetings shall be on the basis of a majority vote of a quorum, which consists of at least half the members of the committee, including the chair or acting chair designated by the committee chair.

### **RESPONSIBILITIES**

The core responsibilities of the Finance and Audit Committee shall be:

- **BUDGET**

- Oversee the development of the preparation of the Society's three-year budget plan and annual operating and capital budgets as done by the Director of Finance/Administration.
  - Working with the Executive Director and the Director of Finance, ensure major strategic initiatives and programs are included in the budget appropriately through discussions between governance/operating committee chairs, HQ, etc., and that program plans include financial and programmatic performance targets to facilitate ongoing monitoring.

- Oversee modification of the budget periodically in response to the performance and a changing fiscal landscape; advise the Board of major recommended revisions.
- **FINANCIAL OVERSIGHT**
  - Monitor the actual financial performance of the organization versus approved budgets; evaluate long-term trends, and monitor industry benchmarks.
  - Recommend and monitor corrective actions necessary to bring the organization into compliance with its budget and other financial targets.
  - Review the financial aspects of major proposed transactions and/or expenditures, major new programs and services, as well as proposals to discontinue programs or services; make recommendations to the Board as needed
  - Ensure that the level of reserve funds remains adequate.
- **INVESTMENTS**
  - Oversee the overall implementation of MRS's investment policies by MRS's financial staff and MRS's outside investment advisor.
  - Monitor and evaluate the performance of MRS's investment portfolio within the authorized risk/return guidelines.
  - Report on MRS investment performance and related matters to the Board during the Spring and Fall Meeting at a minimum.
  - Recommend to the Board any changes in the Investment Policy, including the objectives, or the guidelines, as needed. The Investment Policy will be reviewed at least every three years.
- **POLICIES**
  - Recommend policies that protect and improve the financial integrity and operations of MRS; propose amendments to current financial policies as appropriate.
- **AUDIT RESPONSIBILITIES AND AUTHORITY**
  - The Committee Chair or designee shall report on the audit results and activities annually to the full Board.
  - The committee is directly responsible for recommending an independent auditor for Board approval, negotiation of compensation terms, and oversight of the work of the independent and internal auditors and it shall evaluate the qualifications and performance of the auditors on a regular basis. The independent and any internal auditors shall report directly to the committee.
  - Review and discuss with the independent auditors: (a) their audit plans, and audit procedures, including the scope, fees and timing of the audit; and (b) the results of the annual audit examination including the annual financial statements and accompanying management letters; and (c) all substantive material written communications between the independent auditors and management.
  - Review and discuss with management and the independent auditors various topics and events that may have significant financial impact on MRS or that are the subject of discussions between Management and the independent auditors. Maintain a record of "active issues and findings" of the auditors and/or consultants to assure management closure of these items.
  - Review the information to be reported to the Internal Revenue Service on the annual Form 990 or other tax filings.

- Review MRS accounting and financial reporting policies and practices. Review and discuss with management and the auditors MRS’s major financial risk exposures and the steps management has taken to monitor and control such exposures. Review and discuss with management and the independent auditors or consultants (a) the adequacy and effectiveness of MRS internal controls (including any significant deficiencies and significant changes in internal controls reported to the committee by the independent auditors or management; and (b) MRS’s internal audit procedures. Review matters related to the corporate compliance activities of MRS.
- Shall review and pre-approve all auditing services and non-audit services (including the fees and terms thereof) to be performed by the independent auditors.
- The committee shall have the authority to engage independent legal, accounting and other advisers, as it determines necessary to carry out its duties. The committee shall have the authority to approve related fees and retention terms in an amount up to \$3,500 per year. Anything above that amount must be approved by the Board.
- Ensure that procedures exist for the receipt, retention and treatment of complaints received by MRS regarding questionable accounting, internal accounting controls, or auditing matters and the confidential submission by employees of concerns regarding waste, fraud, abuse, and other wrongdoing and that said procedures are periodically reviewed by legal counsel for compliance with federal and state whistleblower legal requirements. [Note: The responsibility for formulating and implementing the Whistleblower Policy of MRS resides with the Finance and Audit Committee (See Employee Handbook)].
- Investigate any matter brought to the attention of the committee within the scope of its duties. The committee will promptly report any such actions to the Board.
- **OTHER**
  - Execute such other duties as may be delegated by the Board.
  - Review charter every three years.

Deliverables: N/A; Review policy every three years or as needed

Who: Finance and Audit Committee

When: At least 8 weeks before the Board meeting at which amendments should be considered.

To: OpsCom

Policy first adopted: November 30, 2012

Last modified: March 2016; February 2019; January 2020; April 2020; January 2021

Last reviewed: February 2019, December 2019, April 2020, December 2020

Enacting Legislation: B:2012:45; B:2012:64; B:2016:12; B:2019:38; B2020:09; B:2020:30

Policy created by: Treasurer/DoF  
Committee Chair

Party responsible for this policy: Finance and Audit