

**TOWN OF NORTH HEMPSTEAD
COMMUNITY DEVELOPMENT AGENCY
AUDIT COMMITTEE CHARTER**

March 25, 2009

This Audit Committee Charter (the "Charter") was adopted by the members of the Town of North Hempstead Community Development Agency (the "Members"), a public benefit corporation established under the laws of the State of New York (the "Agency"), pursuant to Resolution No. 9 (2009), adopted at its meeting held on March 25, 2009.

Purposes

Formed as a standing committee of the Agency pursuant to Article VI, Section 1 of the Agency's by-laws (the "By-Laws"), the purposes of the Audit Committee (the "Committee") are to:

- assure that the Members fulfill their responsibilities for the Agency's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and
- provide an avenue of communication between management, the independent auditors, the internal auditors, and the Members.

Powers of the Committee

It shall be the responsibility of the Committee to:

- Recommend the appointment, compensation, and oversee the work of any public accounting firm engaged by the Agency.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from Agency employees, all of whom should be directed by the Members to cooperate with Committee requests.
- Meet with Agency staff, independent auditors or outside counsel, as necessary.
- Retain, at the Agency's expense, such outside counsel, experts and other advisors as the Committee may deem appropriate at the consent of the Members.

The Members will ensure that the Committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The Committee shall be established as set forth in and pursuant to Article VI, Section 1 of the By-Laws. The Committee shall consist of at least three Members who are independent of Agency operations. The Members will appoint the Members of the Committee (the "Committee Members") and the Committee chair.

Committee Members shall be prohibited from being an employee of the Agency or an immediate family member of an employee of the Agency. In addition, Committee Members shall not engage in any private business transactions with the Agency or receive compensation from any private entity that has material business relationships with the Agency, or be an immediate family member of an individual that engages in private business transactions with the Agency or receives compensation from an entity that has material business relationships with the Agency.

The Committee shall have access to the services of at least *one financial expert*; who should be appointed at the annual meeting by the Members.

The Committee's financial expert should have 1) an understanding of generally accepted accounting principles and financial statements; 2) experience in preparing or auditing financial statements of comparable entities; 3) experience in applying such principles in connection with the accounting for estimates, accruals and reserves; 4) experience with internal accounting controls and, 5) an understanding of Committee functions.

Meetings

The Committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter.

Committee Members are expected to attend each Committee meeting, in person or via telephone or videoconference. The Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Committee will meet with the Agency's independent auditor at least annually to discuss the financial statements of the Agency.

Meeting agendas will be prepared for every meeting and provided to the Committee members along with briefing materials 5 business days before the scheduled Committee meeting. The Committee will act only on the affirmative vote of a majority of the Committee Members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

Responsibilities

The Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) oversight of management's internal controls, compliance and risk assessment practices; (c) special investigations and whistleblower policies; and (d) miscellaneous issues related to the financial practices of the Agency.

A. Independent Auditors and Financial Statements

The Committee shall:

- Recommend the appointment, compensation and oversee independent auditors retained by the Agency and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Agency's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Committee. Non-audit services include tasks that directly support the Agency's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Agency, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and recommend approval of the Agency's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.

- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

B. Internal Controls, Compliance and Risk Assessment

The Committee review management's assessment of the effectiveness of the Agency's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

C. Special Investigations

The Committee shall:

- Ensure that the Agency has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the Members, officers, or employees of the Agency or any persons having business dealings with the Agency or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to [the New York State Inspector General [the "Inspector General"] or, other investigatory organization.)
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

D. Other Responsibilities of the Committee

The Committee shall:

- Present annually to the Members a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the Committee Members' understanding of the role of internal audits and the independent auditor, the risk

management process, internal controls and a certain level of familiarity in financial reporting standards and processes.

- Review the Charter annually, reassess its adequacy, and recommend any proposed changes to the Members. The Charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Charter and request the Members' approval for proposed changes.