

**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 JSA Finance and Audit Committee of the Board of Directors as part of their oversight function.

**PROFESSIONALISM**

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' (IIA) Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance. These documents constitute an addendum to this charter. The Institute of Internal Auditors' "Recommended Guidance" will be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to JSA's relevant policies and procedures and the internal audit activity's audit manual.

**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, the 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 Lab functions, monthly leadership meetings, records, property, and personnel at reasonable and mutually convenient times.

Internal Auditing shall also have free and unrestricted access to the Finance and Audit Committee.

**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.
- Making concurrent and immediate notification to the Finance and Audit Committee and President/Lab Director of any known or suspected improprieties that could have material harmful financial or legal consequences, or could negatively impact the reputation of JSA, the Lab, and/or the DOE.

## **ORGANIZATION**

The Internal Audit Office shall report functionally to the Chair of the Finance and Audit Committee and administratively to the President/Lab Director.

## **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.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Office will confirm to the JSA Finance and Audit Committee, at least annually, the organizational independence of the internal audit activity.

## **VISION STATEMENT**

Internal Audit Office strives to be a valued and respected advisor to the JSA Finance and Audit Committee and JSA management.

## **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 for review and transmittal to DOE.
10. Report periodically, but not less than annually, to the Finance and Audit Committee 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 corporate and governance bodies and Lab management in strategic planning through participation in the analysis of corporate and programmatic risks and vulnerabilities.
  15. Perform other such duties and responsibilities as may be deemed appropriate by the Finance and Audit Committee and/or the President/Lab Director in support of JSA's goals and objectives.

#### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**


The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the definition of internal auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Internal Audit Office will communicate to senior management and the JSA Finance and Audit Committee on internal audit activity's quality assurance and improvement program including results of ongoing internal assessments and external assessments conducted every five years.

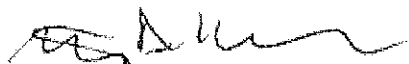
#### **MANAGEMENT RESPONSE**

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 as approved:

  
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Gail Lucento  
JSA Internal Auditor

4/2/17  
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Date

  
\_\_\_\_\_  
Stuart Henderson  
Jefferson Lab Director

4/13/17  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Clinton Bickett, Chair  
JSA Finance and Audit Committee

4/24/17  
\_\_\_\_\_  
Date