



**NACE INTERNATIONAL
AUDIT COMMITTEE
OPERATING MANUAL**

APPROVED BY: NACE BOARD OF DIRECTORS
DATE: June 26, 2014
AMENDED: October 26, 2014

**NACE INTERNATIONAL
AUDIT COMMITTEE
OPERATING MANUAL**

TABLE OF CONTENTS

1. SCOPE.....	3
2. MEMBERSHIP OF COMMITTEE.....	3
3. TERM OF OFFICE	4
4. MEETINGS.....	4
5. VOTING PROCEDURE.....	5
6. RESPONSIBILITY OF COMMITTEE CHAIR.....	5
8. REVISIONS TO MANUAL	5
9. NACE POLICIES	5

NACE INTERNATIONAL AUDIT COMMITTEE OPERATING MANUAL

1. SCOPE

- 1.1. The Audit Committee (hereinafter called the Committee) is a committee of the NACE INTERNATIONAL and NACE International Foundation (hereinafter referred to as NACE) Board of Directors (hereinafter referred to as the Boards).
- 1.2. The Committee shall be responsible for the appointment and dismissal, compensation, and oversight of the independent auditor including review of independent auditor's qualifications, independence, and performance.
- 1.3. In addition to the responsibilities outlined in 1.2 above, the following are additional and separate responsibilities.
 - 1.3.1. On an annual basis upon the completion of the fiscal year-end financial audit, the Committee performs the following and makes a recommendation to the Boards to accept the auditor's reports submitted by the independent auditor:
 - 1.3.1.1. Review the NACE annual audited financial statements and related footnotes.
 - 1.3.1.2. Review any significant findings and recommendations of the independent auditor together with management's response thereto.
 - 1.3.1.3. Review with the independent auditor and management the adequacy of NACE's internal controls including computerized information system controls and security.
 - 1.3.2. At a minimum of once every three (3) years, the Committee shall perform the following in relation to fraud prevention:
 - 1.3.2.1. Review with management the policies and procedures with respect to officers and key employees expense accounts and benefits.
 - 1.3.2.2. Review the NACE code of conduct/ethics policy.
 - 1.3.2.3. Review transactions with related parties and the procedures used to identify related parties.
 - 1.3.2.4. Establish and maintain procedures whereby employees can confidentially and anonymously submit to the Committee concerns or issues regarding NACE accounting, compliance, and auditing matters.

2. MEMBERSHIP OF COMMITTEE

- 2.1. The Committee shall consist of three members of the NACE International Board, the Treasurer (ex officio) and the Chief Executive Officer (ex officio and nonvoting).
- 2.2. The members and the Chair shall be appointed by the NACE International Board. The Chair will be selected from the Board-appointed members. (The inaugural Chair will be selected by the Committee.)

- 2.2.1. Members of the Committee may be removed by the NACE International Board.
- 2.3. All Committee members shall be independent of management. Committee members who have transactions with NACE, or whose companies have transactions with NACE, shall disclose such business relationships so as to demonstrate their ability to act in the best interest of NACE.
- 2.4. All members of the Committee shall be, or must be within a reasonable period of time after appointment to the Committee, generally familiar with the accounting and reporting principles and practices applied by NACE in preparing its financial statements and with NACE information technology systems.
- 2.5. The Chief Executive Officer shall assign a financial staff person to serve as Staff Liaison to the Committee.

3. TERM OF OFFICE

- 3.1. Appointed members will serve for three (3)-year terms, with at least one appointed each year. (The inaugural Committee will be appointed as follows: one board member will be appointed for a one-year term, one board member will be appointed for a two-year term, and one board member will be appointed for a three-year term.)
- 3.2. The Chair shall have served as a member of the Committee for at least one year prior to serving as Chair (except for the inaugural Chair) and will serve as chair for a one-year term.
- 3.3. Members and officers terms shall coincide with the respective terms on the Boards.
- 3.4. In the event of a vacancy, the NACE International Board will appoint a new Member to complete the unexpired term.

4. MEETINGS

- 4.1. The Committee shall meet during the year as often as necessary to conduct its business, but no less than two times per year.
- 4.2. The Committee shall meet at least once a year privately with the independent auditor upon completion of the annual financial statement audit.
- 4.3. The Chair shall develop an agenda that must be distributed by Headquarters to Committee members at least 21 days prior to a meeting.
- 4.4. Minutes of meetings shall be recorded and distributed to all Committee members by the Committee Staff Liaison within 30 days of the meeting.
- 4.5. Current portions of Roberts Rules of Order that pertain to committees shall be followed unless otherwise directed in this Operating Manual.
- 4.6. A quorum to conduct business will be a simple majority of its voting members.

5. VOTING PROCEDURE

- 5.1. A majority of the voting members present shall be required for approval of actions by the Committee except for Operating Manual revisions which require a two-thirds (2/3^{rds}) majority of all voting members. Proxies are not allowed.
- 5.2. Committee members cannot vote on any matter in which they, directly or indirectly, have a material interest.
- 5.3. Letter ballots may be used when necessary. Letter ballots are defined as being sent by post, courier, electronic means or facsimile transmission. Letter ballots shall be distributed to all voting members with thirty (30) days allowed for return, or as required. Ballots may be returned by post, courier, electronic means or facsimile transmission.

6. RESPONSIBILITY OF COMMITTEE CHAIR

- 6.1. The Chair of the Committee shall be a member of the NACE International Board in good standing.
- 6.2. The Chair is responsible for the functioning of the Committee, chairs the Committee meetings, and in cooperation with Headquarters, arranges for meeting time, date, place, and provide a meeting agenda.
- 6.3. The Chair shall be responsible for submitting written reports on the activities of the Committee to the Boards. These reports shall be forwarded to the Chief Executive Officer for attachment to the Boards meeting agendas.
- 6.4. The Chair shall submit the Committee's recommendations to the Boards for possible action.

7. REVISIONS TO MANUAL

- 7.1. This Manual is to be reviewed by the Committee at least once every five (5) years for revisions or reaffirmation.
- 7.2. Revisions or reaffirmations of this Manual shall require a two-thirds (2/3^{rds}) affirmative vote of the voting members of the Committee. The revised or reaffirmed Manual shall be submitted to the Policy Committee for review and endorsement of changes. The Policy Committee will submit the operating manual to the Board for approval.
- 7.3. The latest date of Board approval will be placed on the cover of the Manual and said revisions will replace all previous versions. If minor revision/reaffirmation only is made to the manual, then the date of the overall approval and the date of the revisions/reaffirmation will then be shown on the cover. The latest Manual approved will govern.

8. NACE POLICIES

- 8.1. The Committee shall operate within the rules of NACE policies which are either included as an attachment or as Section 2 of the NACE INTERNATIONAL Operating Manuals Handbook.