AUDIT COMMITTEE CHARTER
Approved and Renewed at November 17, 2026
Meetings of the Boards of
The State Public School Building Authority and
The Pennsylvania Higher Educational Facilities Authority

Official Name

The official title of the committee is the State Public School Building Authority (SPSBA) and the Pennsylvania Higher Educational Facilities Authority (PHEFA) Audit Committee (Committee).

SPSBA/PHEFA Overview

While the SPSBA and the PHEFA are sister agencies[1], the operational budget is with SPSBA. SPSBA charges PHEFA a management fee equal to PHEFA revenues in exchange for management and operating costs.

Committee Background

In 2003, the SPSBA/PHEFA members determined that it was necessary to adopt the Charter to document the responsibilities of the Committee in light of enactment of the Sarbanes-Oxley Act of 2002. The major purpose of the Committee is to ensure that members can meet their fiduciary responsibilities by being more aware of issues before the SPSBA/PHEFA and to monitor the progress of the annual audit conducted by independent auditors.

Objectives

The objectives of the Committee are to promote and facilitate:

1) accurate and transparent disclosure of all financial matters of the SPSBA and PHEFA (herein referred to as the *Authority*);
2) effective financial management by providing advice and counsel to the *Authority's* management on activities related to financial management and performance;
3) familiarity by all Committee members with the *Authority's* financial status;
4) active monitoring by Committee members of progress of the annual independent audit; and
5) informed approval of the annual audited financials by the entire Boards.

This will include: financial reporting; auditing of the *Authority*, a system of internal controls, and compliance with laws and regulations that could have a material effect on the *Authority's* financial statements.

Time Period

The Committee shall update the Charter annually at the exit conference at which the annual audited financials are approved by the Committee and recommend any proposed changes to the Charter to the Board at its next meeting consistent with changes in applicable laws, policies, and accounting/auditing standards.

[1] The SPSBA is a public corporation and *governmental instrumentality* of the Commonwealth of Pennsylvania. Interestingly, there is a slight distinction between the SPSBA and PHEFA in that the SPSBA has more of a governmental status. The PHEFA is a public corporation and *public instrumentality* of the Commonwealth of Pennsylvania.

Reporting
The Committee shall report to the Board as necessary to effectuate the objectives of the Charter.

Support
The Comptroller (or equivalent position) shall provide support for the Committee's requests and provide the Committee with a draft copy of the financial statements prior to the auditors issuing an opinion.

Authority
The Committee has authority to review, analyze, and make recommendations on any matters within its scope of responsibility. It is empowered to:

- seek information relating to the above objectives it requires from *Authority* management, staff, and auditors; and
- meet with *Authority* management, staff, and auditors.

Membership
The Committee is composed of five (5) members with the Auditor General/Proxy (as Chair), State Treasurer/Proxy, Minority Leader of the Senate/Designee (or his/her Proxy), the Speaker of the House of Representatives/Designee (or his/her Proxy), and Governor/Proxy, all as voting members/proxies of the Committee. The required quorum will be a majority of at least three Committee members.

Members and their proxies are **encouraged** to:
- possess or obtain a basic understanding of governmental financial reporting/auditing;
- periodically acquire any information and training (**not** at the *Authority's* expense except with prior Board approval) to enhance their understanding of government auditing; and
- acquire a certain level of familiarity with financial reporting standards and processes.

Scope and Responsibilities
The Committee will carry out the following responsibilities:

Internal Controls and Compliance
- Review management's assessment of the effectiveness of the *Authority's* internal controls, including internal control and security over financial information systems, and consider the adequacy of management's assessment;
- Review management's assessment of compliance with laws and regulations and consider the adequacy of management's assessment;
- Review with management its plans and progress for correcting material internal control weaknesses and noncompliances and consider the appropriateness of such plans; and
- Review with auditors any observations on internal control and compliance issues, including their planned work in these areas.

Financial Report of the Agency
- Become familiar with significant accounting and reporting issues of the *Authority*;
- Review with management the financial statements and consider whether they are complete and consistent with known information;

- Review with management the results of the audit, including any difficulties encountered; and
- Discuss with auditors and gain an understanding of:
  - their responsibilities, audit scope, and approach;
  - the results of the audit, including any difficulties encountered and other relevant matters required by generally accepted auditing standards and government auditing standards; and
  - other recommendations to improve the *Authority's* financial management.

Communication Responsibilities

- Provide an open avenue of communication between management, auditors and Boards;
- Promptly report to the Boards and Executive Director any significant issues or developments that the Committee believes warrant immediate attention;
- Have a brief private meeting without the presence of the *Authority's* management/staff with the auditors at the exit conference to allow for disclosure of any difficulties encountered during the audit and any other concerns; and
- Report on the annual audit and exit conference meeting to the Board.

Process for the Selection of the Independent Auditors

The *Authority's* management/staff sends a Request for Proposal (RFP) to a minimum of seven (7) accounting firms with an office in Pennsylvania. Requests would be sent to firms with a significant governmental auditing practice in the Central Pennsylvania region. Authority staff will develop this list based on inquiries of the Department of General Services (DGS) and a listing of local accounting firms published in the *Central Pennsylvania Business Journal*. The Authority is considered a state-affiliated entity under the Commonwealth Procurement Code and the DGS' *Procurement Handbook* and therefore, it can procure its own services.

The *Authority's* management/staff evaluates each technical proposal and cost proposal and selects the best overall proposal to become the *Authority*'s independent auditors, in consultation with and with the concurrence of the Committee, through the issuance of an RFP. The RFP cycle is five (5) years (*see* Attachment for the General Timeline for RFP Process).

Meetings

The Committee shall meet at least twice a year. Other meetings needed to conduct Committee business may be called by the Chair with the cooperation of the *Authority's* management/staff.

The **first meeting** shall be before the start of the audit and provide the Committee the opportunity to address any concerns with the auditors. It will also serve as an orientation session for any new Committee members and as a beneficial update for continuing Committee members. The annual review of the Investment Policy occurs at this meeting. The Policy provides guidance with respect to the investing of the Authority's investments.[2]

[2] The Policy addresses, among others: 1) the Authority's prudence standard (i.e., prudent-person standard which does not require the trustees as fiduciaries to have extraordinary expertise in the field of investments) and 2) the Authority's ethics requirements under the Public Official and

The **second meeting**, referred to as the exit conference, shall be at the conclusion of the audit and review the results of the audit and will include a brief private meeting with the auditors without the presence of the *Authority's* management/staff. The exit conference requires the participation of no less than three members to constitute a quorum.

Members may participate either in person or by conference call. The Committee shall invite members of management, the *Authority's* auditors, and others to attend meetings and provide pertinent information, as needed. All Board members are welcome to attend and participate in Committee meetings.

Meeting agendas will be prepared for every meeting and provided to the Committee members along with briefing materials at least five (5) business days before the scheduled meeting. Minutes will be prepared for all meetings, including the exit conference meeting, and will be approved at any subsequent meeting held by the Committee. The approved meeting minutes will be available upon request of Board members or members of the public.

Access
The Committee shall have access to those *Authority* personnel and records needed to perform its responsibilities, including meetings with the auditor if applicable.

On-Line Availability
The approved Charter will be posted on the *Authority's* website.

Filing Date
The above Charter was approved and renewed at the SPSBA/PHEFA Board Meetings held on November 17, 2026.

Employee Ethics Act, including that a member must abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of any possible conflict of interest in accordance with 65 Pa.C.S. § 1103(j) (Voting conflict).

Attachment – General Timeline

STATE PUBLIC SCHOOL BUILDING AUTHORITY (SPSBA)/
PENNSYLVANIA HIGHER EDUCATIONAL
FACILITIES AUTHORITY (PHEFA)

Request for Proposal – Independent Auditors
General Timeline for RFP Process
Every Five Years

Approximate Timeframe	Phase of RFP Process
June	Five (5) Member Audit Committee to meet
October	Send Request for Proposal (RFP) to at least Seven (7) Qualified firms Firms may submit questions about the RFP and the information will be disseminated to all interested firms
Mid-December	Technical proposals and Cost proposals must be delivered to SPSBA/PHEFA's office by no later than a selected time and via a required delivery method
Late December	Selection and Approval of the Independent Auditors by the Audit Committee; the term of the contract will commence on the effective date and shall be for five (5) years