

RESOLUTION NO. 18 - 09

**RESOLUTION AMENDING AND RESTATING THE ESTABLISHMENT OF THE AUDIT COMMITTEE
AND ADOPTING THE COMMITTEE’S PROCEDURES, POWERS AND RESPONSIBILITIES**

WHEREAS, the New Jersey Infrastructure Bank (the “I-Bank”) is organized and existing under the New Jersey Infrastructure Trust Act, constituting Chapter 334 of the Pamphlet Laws of 1985 of the State of New Jersey (codified at N.J.S.A., 58:11B-1 et seq.), as the same may from time to time be amended and supplemented (the “Act”); and

WHEREAS, pursuant to section 4 of the Act, the powers of the I-Bank are vested in the Board of Directors of the I-Bank (the “I-Bank Board”); and

WHEREAS, pursuant to Section 5(s) of the Act, the I-Bank Board is authorized to take any necessary or convenient action to exercise its powers; and

WHEREAS, in accordance with Executive Order No. 122 (McGreevey) and Executive Order 37 (Corzine) the I-Bank is required to appoint an Audit Committee of no fewer than three members, which shall assist the I-Bank Board in overseeing i) the integrity and quality of the I-Bank’s financial statements; ii) the I-Bank’s compliance with legal, regulatory and ethical requirements; iii) the auditor’s performance and ability to complete the financial statements; and iv) the performance of the I-Bank’s own internal audit and internal control functions; and

WHEREAS, Resolution No. 04-02 established an Audit Committee (the “Committee”); and

WHEREAS, the I-Bank Board amended the composition of the Committee in Resolution No. 12-07 by appointing the Vice-Chair, Treasurer and Secretary as Committee members; and

WHEREAS, the I-Bank Board seeks to re-establish the Committee and provide certain guidelines that the Committee shall follow in satisfaction of its responsibilities.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the I-Bank amends Resolution No. 04-02 and Resolution No. 12-07 and re-establishes the Audit Committee of the Board of Directors; and

BE IT FURTHER RESOLVED, that the I-Bank adopts the attached Procedures, Powers and Responsibilities of the Audit Committee.

Adopted Date: February 8, 2018

Motion Made By: Tim Cunningham

Motion Seconded By: Mark Longo

Ayes: 7

Nays: 0

Abstentions: 0

THE PROCEDURES POWERS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF THE NEW JERSEY INFRASTRUCTURE BANK

I. Function

The Audit Committee (“Committee”) shall be governed by the By-Laws of the New Jersey Infrastructure Bank (I-Bank) and assist the Board in fulfilling its oversight responsibilities pursuant to Executive Orders 37 and 122 relating to the accounting, financial auditing, financial reporting processes, and internal controls of the I-Bank.

II. Authority

A. Resources – The Committee has the authority (through the Board’s approval of this Resolution) for and on behalf of the I-Bank to take any and all actions to satisfy its responsibilities, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee shall direct the Executive Director to assign executive management and support staff to serve as a continuing resource for the Committee as needed.

B. Sub-Committees – The Committee, pursuant to the I-Bank By-Laws, has the authority to form sub-committees and assign tasks to those sub-committees as deemed appropriate by the Committee, but not otherwise delegate to such sub-committees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under this Resolution. Each sub-committee shall provide periodic reports to the Committee as directed by the Committee, but not less than once annually, with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Membership

The Committee shall be comprised of at least three members of the Board consisting of Vice Chairman, Treasurer and Secretary. At no time shall the Committee be comprised of a number of members large enough to be considered a quorum. The Vice Chairman shall serve as Chairman of the Audit Committee.

IV. Meetings

A. Timing – The Committee shall meet privately with the I-Bank’s independent financial auditor (“External Auditor”) at least twice each year; once prior to the completion of the audit, and once after the completion of the audit as determined by the Committee’s Chairman, or at the request of the Executive Director, in connection with the satisfaction of the Committee’s

responsibilities. Meetings of the Committee shall be conducted in accordance with the By-Laws of the I-Bank. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting. The Secretary, in coordination with the Executive Director, shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matters are to be considered.

V. Reports

A. Communication – The Committee shall provide reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which, in its opinion, may be desirable regarding policies and procedures to govern the I-Bank with respect to the Committee’s responsibilities.

VI. Powers and Responsibilities of the Committee

A. Auditor & Independence – In connection with its responsibilities related to External Auditors and External Auditor independence, the Committee shall:

- i. Oversight –
 - a. Have oversight of the quality and integrity of the I-Bank’s framework of accounting, auditing and financial reporting;
 - b. Have oversight of the activities of the External Auditor and receive direct reports from the External Auditor;
 - c. Work to resolve any disagreements that arise between the I-Bank’s Executive Director and the External Auditor and report any prolonged impasse to the Board with recommendations for resolution; and
 - d. Have oversight of the I-Bank Compliance and Governance Sub-Committee (see Section VII below) and all other sub-committees of the Committee.
- ii. Procurement –
 - a. The Audit Committee shall assist the Board in retaining an independent auditor to conduct an audit of the I-Bank’s financial statements by making a recommendation to the Board after engaging in an auditor selection process described below and otherwise in full conformance with Executive Order 122 (2004). ~~Select an External Auditor~~ The Audit Committee shall conduct a ~~to~~ competitive process in order to select such independent ~~-auditor, conduct an audit of the I Bank’s financial statements, pursuant to a competitive process,~~ whose responsibilities shall be:
 - (i) To audit the financial statements, books and accounts of the I-Bank;
 - (ii) To audit the financial statements, books and accounts of the financing program(s) pursuant to federal requirements;
 - (iii) Review such accounting controls as appropriate for financial audits;

- (iv) Provide post-audit recommendations; and
 - (v) To be solely accountable to the Committee;
 - b. ~~Determine~~ To Recommend to the Board the compensation of the External Auditor and approve the External Auditor's fees; and
 - ~~c. Where the Committee believes that the auditor's performance is not adequate in quality or independence, recommend to the Board such steps as may be necessary to elicit appropriate performance, including replacement of the auditor. Have the power to discharge the External Auditor when circumstances warrant.~~
- iii. Review –
 - a. Review the annual management letter, and review and approve all engagements of the External Auditor with the I-Bank;
 - b. Evaluate the External Auditor's qualifications, performance and independence and present a report to the Board annually. To be in a position to make such evaluation, the Committee shall:
 - (i) Obtain and review a report by the External Auditor describing: the audit firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;
 - (ii) Review and evaluate the lead partner of the External Auditor; and
 - (iii) Review the External Auditor's performance with the I-Bank's senior staff involved in the financial management of the I-Bank;
 - c. Review any proposed services not specifically included in the engagement agreement which are to be provided to the I-Bank by the External Auditor.

B. Reporting – In connection with its responsibilities related to Financial Reporting, the Committee shall:

- i. Oversight –
 - a. Meet with the External Auditor and executive staff involved in the I-Bank's financial management prior to the annual audit to review the scope and audit procedures of the proposed audit;
 - b. Meet with the External Auditor independent of I-Bank staff at the completion of the audit to review audit results and discuss the External Auditor's judgment, comments, and recommendations about the quality and the acceptability of the I-Bank's accounting principles as applied in its financial reporting; and
 - c. Review the annual audited financial statements, the written certification by the Executive Director and Chief Financial Officer with respect thereto, and any interim financial statements released to the public, with executive staff involved in the financial management of the I-Bank and the External Auditor and with each of them separately;

- ii. Review & Recommendations -
 - a. Recommend to the Board inclusion of the annual audited financial statements in the I-Bank's annual report and other publications, as appropriate;
 - b. Obtain and review a report of the External Auditor prior to the release of any audited financial statements of the I-Bank with respect to:
 - (i) All critical accounting policies and practices to be used;
 - (ii) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with those involved in the financial management of the I-Bank, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor; and
 - (iii) Other material written communications between the External Auditor and those involved in the financial management of the I-Bank, such as any management letter or schedule of unadjusted differences.
 - c. Review any major changes to the I-Bank's auditing and accounting principles and practices as suggested by the External Auditor or executive staff involved in the financial management of the I-Bank;
 - d. Review with the External Auditor and the executive staff involved in the financial management of the I-Bank, the extent to which changes or improvements in financial or accounting practices have been implemented;
 - e. Discuss with the External Auditor their evaluation of the I-Bank's financial, accounting and auditing personnel and the cooperation that the External Auditor received during the course of their audit, and any audit problems or difficulties, including any restrictions on the scope of work or access to required information and management's response to the problem or difficulty;
 - f. Establish regular and independent systems of reporting to the Committee by executive staff involved in the financial management of the I-Bank, and the External Auditor regarding any significant judgments made by executive staff involved in the financial management of the I-bank in preparation of the financial statements and the view of each as to appropriateness of such judgments;
 - g. Review with the External Auditor and executive staff involved in the financial management of the I-bank, the adequacy and effectiveness of the accounting and financial controls of the I-Bank, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures would be desirable. Particular emphasis will be given to the effectiveness of such internal controls to prevent, as well as detect, any payments, transactions or procedures that might be deemed illegal or otherwise improper, in recognition of the principle that the cost of internal controls should not outweigh their benefits;
 - h. Have oversight of the Compliance and Sub-Committee on Compliance and Governance and all other sub-committees of the Committee; and

- i. Review and assess the adequacy of this Resolution from time to time and recommend any revisions to the Board for its approval.

VII. The Sub-Committee on Compliance and Governance

A. Sub-Committee Function - The Sub-Committee on Compliance and Governance (the “Sub-Committee”) is established by the Committee in accordance with its authority to form sub-committees to assist the Committee with fulfilling its oversight responsibilities relating to oversight of the compliance and the internal controls of the I-Bank.

B. Sub-Committee Authority - The Sub-Committee has the authority for and on behalf of the I-Bank to take any and all actions to satisfy its responsibilities under this Resolution. The Chairman of the Sub-Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Sub-Committee as needed.

C. Sub-Committee Membership - The Sub-Committee shall be comprised of three members of the Board, consisting of the Secretary of the Board and two members which shall not be members of the Committee. The Secretary of the Board shall serve as Chair of the Sub-Committee.

D. Sub-Committee Meetings - The Sub-Committee shall meet as determined by the Chair of the Sub-Committee, or at the request of the Executive Director, in connection with the satisfaction of the Sub-Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Audit Committee of the Board and the Sub-Committee, the Audit Committee and Sub-Committee shall meet with each other as determined by the Chairs of the Audit Committee and Sub Committee, or at the request of the Executive Director of the I-Bank.

The Chair of the Sub-Committee, shall establish the agenda for each Sub-Committee meeting. The Chair of the Sub-Committee in conjunction with the Executive Director shall provide the members of the Sub-Committee with all material information pertinent to matters appearing on the Sub-Committee agenda in sufficient time for the Sub-Committee to review such materials prior to the Sub-Committee meeting at which such matters are to be considered.

E. Sub-Committee Reports - The Sub-Committee shall provide, unless otherwise requested by the Executive Director of the I-Bank or the Chair of the Committee, written communications, reports and recommendations to the Committee on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the I-Bank.

F. Sub-Committee Powers and Responsibilities - The Sub-Committee shall have oversight of the quality and integrity of the I-Bank’s framework of internal controls and compliance systems.

- i. In connection with its responsibilities related to Compliance and Internal Controls, the Sub-Committee shall:
 - a. Oversight –
 - (i) Have oversight of the I-Bank’s compliance with legal or regulatory requirements relating to internal controls;
 - (ii) Have oversight of compliance matters, which are not primarily related to accounting, auditing, and/or financial reporting;
 - (iii) Meet with the internal controls auditor (“Internal Auditor”) and executive staff involved in the I-Bank’s management prior to the internal audit to review the scope of the proposed review;
 - (iv) Meet with the Internal Auditor at the completion of the audit or, if appropriate, at interim steps of the audit, to review audit results and discuss the Internal Auditor’s judgment, comments and recommendations of the I-Bank’s policies, procedures and controls.
 - b. Procurement –
 - (i) Determine the planned scope of review of the Internal Auditor to conduct an audit of the I-Bank’s internal controls whose responsibilities shall be to:
 - (ii) Audit the Controls, Policies and Procedures of the I-Bank; and
 - (iii) Review such process controls and make recommendations for improvements to the Sub-Committee as appropriate; and
 - (iv) Have the power to recommend discharge of the Internal Auditor to the Committee when circumstances warrant.
 - c. Review –
 - (i) Obtain and review a report of the Internal Auditor with respect to:
 - 1. All critical operational policies and practices of the I-Bank; and
 - 2. Alternative policies and procedures that have been recommended by the Internal Auditor.
 - (ii) Review alternative policies and procedures that have been discussed with those involved in the management of these processes of the I-Bank.
 - (iii) Review any major changes to the I-Bank policies and procedures as suggested by the Internal Auditor or executive staff involved in the management of the I-Bank.
 - (iv) Discuss with the Internal Auditor their evaluation of the I-Bank’s policies and procedures and the adequacy and effectiveness of procedural controls and security of I-Bank processes and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures would be desirable.
 - (v) Review and recommend policies and changes to processes with respect to:
 - 1. The adequacy of staffing;
 - 2. Actions to be taken as a result of internal audit findings;
 - 3. The adequacy of compliance with the I-Bank’s Code of Ethics;

4. The effectiveness of electronic data processing procedures; and
 5. Controls and related security programs.
- (vi) Review with the Executive Director, on not less than a semiannual basis, all material litigation and other significant legal matters that may have a material impact on the I-Bank's financial reporting and internal controls.
 - (vii) Review the findings of any examinations by regulatory and other third-party agencies.
 - (viii) Review compliance with the Code of Ethics for the Board and for the staff.
- ii. In connection with its Governance responsibilities, the Sub-Committee shall:
 - a. Oversight –
 - (i) Assist the Committee in fulfilling its oversight responsibility relating to compliance with legal and regulatory requirements;
 - (ii) Make recommendations to the Committee concerning the size, composition, and organization of Board Committees;
 - (iii) Make recommendations to the Executive Director concerning policies and practices relating to Board operations, policies and practices for members of the Board, and associated matters of corporate governance;
 - (iv) Review and assess the adequacy of this Resolution from time to time and recommend any revisions to the Committee for its approval.

G. Sub-Committee Independence and Objectivity - Independence and objectivity are essential parameters of the compliance function. Independence is achieved through organization structure and with the support of management. While the I-Bank's Legal and Compliance Officer ("LCO") shall report to the Executive Director, the LCO shall have direct communication lines at all times to all members of the Committee and Sub-Committee. The LCO shall report all matters which the LCO deems to have a significant impact on the I-Bank to the Executive Director, and members of either the Committee or Sub-Committee, as appropriate. Unless otherwise directed in writing by the Chair of the Committee or Sub-Committee, the LCO shall copy the Executive Director on each submitted report.