

Audit and Compliance Committee Charter
Mayo Clinic Board of Trustees
Adopted February 21, 2003
Amended May 16, 2003
Amended May 20, 2005
Amended November 9, 2006
Amended February 16, 2007

Organization and Membership

The Audit and Compliance Committee (“Committee”) of Mayo Clinic shall be composed of at least four independent trustees appointed by the Board of Trustees. These trustees shall be free of any relationship that, in the opinion of the board of trustees, would interfere with their exercise of independent judgment as a committee member. All Members of the Committee shall be Public Trustees. Each member of the Committee shall be financially literate which means that the member has at least the following three qualities: 1) a basic understanding of fundamental financial statements; 2) ability to read and understand the Mayo Clinic Consolidated Statements of Activities, Financial Position and Cash Flows; and 3) an up-to-date knowledge of industry, and general accounting and auditing developments that can affect the Mayo Clinic’s operations and financial statements. At least one member of the Committee shall be an “audit committee financial expert” as defined in applicable laws and regulations or shall otherwise be approved by the Board of Trustees as having satisfactory education and experience to fulfill the role of an “audit committee financial expert” on the Committee.

The Committee shall meet in person or by telephone on a regular basis during the year and whenever any member of the Committee, the Board Chair, the President/CEO, the CFO, the Chair of Internal Audit Services, the Compliance Officer, or the General Counsel requests a meeting. Written minutes shall be maintained of all Committee meetings.

Statement of Policy

The Committee shall provide assistance to the Board of Trustees in fulfilling its fiduciary responsibilities relating to financial accounting, reporting, internal controls, and compliance. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the Trustees, the independent auditors, the Chair of Internal Audit Services, the Compliance Officer and the financial management of the Clinic.

The Clinic shall make its employees, including Internal Audit Services, available to assist the Committee and provide such administrative support as may be requested by the Committee. The Committee shall have complete access to the Mayo Clinic’s officers and employees including the President and CEO, Chief Administration Officer, Chief

Financial Officer, Chair of Internal Audit Services, Compliance Officer and General Counsel.

Responsibilities

1. Review and recommend to the Trustees the independent auditors to be selected to audit the financial statements and approve their fees and terms of engagement. The audit engagement letter shall include a commitment from the external auditor that it will not assign staff to the Mayo audit who have been suspended or barred under any applicable law or by any applicable professional organization.
2. Function as the Trustees principal agent in assuring the independence of the Clinic's independent auditors and the integrity of the financial statements.
3. Review with the independent auditors, the Chair of Internal Audit Services, and financial personnel, the adequacy and effectiveness of the accounting and financial controls.
4. Review the internal audit function including the independence and authority of its reporting obligations. Approve the proposed audit plans for the coming year and the coordination of such plans with the independent auditor.
5. Review and concur in the appointment, replacement, and dismissal of the Chair of Internal Audit Services, and annually review the performance of the Chair of Internal Audit Services and concur with the annual compensation and salary adjustment recommended by executive management.
6. Review, periodically, the appropriateness and effectiveness of the administrative reporting relationship of IAS and update or affirm that relationship. That reporting relationship should both ensure that IAS is independent of the key areas it audits and facilitate open and direct communications with executive and line management.
7. Review the periodic (every five years) external quality assessments of Internal Audit Services.
8. Review the financial statements contained in the annual report with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements. Any changes in accounting principles should be reviewed.
9. Consider and review with management, the Chair of Internal Audit Services and the independent auditor:
 - 9.1. Significant findings during the year, including the status of previous audit recommendations.

- 9.2. Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information.
 - 9.3. Any changes required in the planned scope of the Internal Audit plan. The Mayo Clinic Chief Financial Officer has delegated authority to approve increases in the planned scope with the approval of the Chair of the Committee.
 - 9.4. The Internal Audit Department charter, budget, and staffing.
 - 9.5. The annual internal control reports.
 - 9.6. The existence of and proper audit treatment of any off-balance sheet transactions, related party transactions, levels of self-insured risk, financial derivatives, or similar financial transactions involving the Clinic.
10. Provide sufficient opportunity for the Chair of Internal Audit Services, the Compliance Officer, and the independent auditors to meet with members of the Committee without management present.
 11. At least annually, perform the following actions:
 - 11.1. With the Compliance Officer, approve the annual plan of the Compliance Office, the compliance function, and compliance monitoring results under and any recommended changes to the Mayo Clinic Integrity and Compliance Program including “Whistleblower” policies;
 - 11.2. With the General Counsel, review audit opinions given by the General Counsel regarding the existence of pending or threatened matters involving potentially material financial impacts to any Mayo entity including material violation of securities laws or breaches of fiduciary duty. Confirm that such audit opinions have been delivered to the CEO by the General Counsel.
 - 11.3. With the Chief Financial Officer, confirm that all pro forma financial information has been presented in accordance with GAAP.
 - 11.4. With the Chair of the Governance Committee and with the General Counsel, confirm that the Compensation Policies and Procedures of the Governance Committee regarding compensation of the President/CEO of Mayo Clinic have been fully complied with.
 12. At least annually, make inquiry of each of the following individuals (outside the presence of management) as to any matter related to the Committee’s responsibility that the individual wishes to bring to the attention of the Committee: Chief Financial Officer; Chair of Internal Audit Services; Chief Accounting Officer; Compliance Officer; General Counsel; the independent public accountants; and the actuary.
 13. At least annually, make inquiry of management (outside the presence of the independent public accountants) to discuss management’s evaluation of the work performed by the independent public accountants and the appropriateness of their fees.

14. Confirm that the external auditor is not engaged for any of the following non-audit services for Mayo Clinic without prior disclosure to and approval of the Board of Trustees:
 - 14.1. Bookkeeping
 - 14.2. Financial information systems design and implementation
 - 14.3. Appraisal or valuation services
 - 14.4. Actuarial services
 - 14.5. Internal audit outsourcing services
 - 14.6. Management functions or human resources
 - 14.7. Broker or dealer services
 - 14.8. Legal services and expert services unrelated to the audit
 - 14.9. Other services that the Accounting Oversight Board may deem as not permitted.
15. In consultation and coordination with the Chair of Internal Audit Services, the Compliance Officer and the General Counsel, investigate potential improprieties in operations of any Mayo entity whenever the Committee deems such investigation to be necessary.
16. In consultation with the Chair of Internal Audit Services, the Compliance Officer, and the General Counsel, review and approve financial document retention policies of the Clinic.
17. Monitoring the professional staffing of all audit engagements by independent public accountants and requiring rotation of the lead (or coordination) audit partner every five years or when otherwise deemed appropriate by the Committee.
18. Ensure that the Clinic waits at least one year before hiring an audit engagement team member (through manager) to be the CEO, CFO, or CAO or equivalent officer of the Clinic.
19. Annually review a report from the independent external auditors describing their internal quality control procedures and any material issues raised by their most recent internal quality control review by the firm or any governmental or professional authority.
20. Obtaining the advice of outside consultants and professionals to advise the Committee on matters within the scope of its Charter.
21. Adopt such policies and procedures as the Committee deems appropriate to fulfill its purposes and responsibilities under this Charter.
22. Annually reviewing and, as appropriate, recommending to the Board of Trustees approval of changes to the Committee Charter.