

INTERNAL AUDIT DEPARTMENT CHARTER

PURPOSE

This charter sets out the nature, role, responsibility, status and authority of internal audit at Valuecare Health Systems, Inc.

OBJECTIVE

Internal audit is an independent objective assurance and consulting activity designed to add value and improve the Valuecare Health Systems, Inc. operations. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

MISSION

The Internal Audit mission is to provide the company's stakeholders with value-added services by:

- Assessing the key risks associated with the company's strategic objectives, growth plans.
- Partnering with financial and operational executives to understand their internal control environments, risks and risk mitigation activities.
- Promoting risk and controls awareness in the company.
- Evaluating the adequacy and effectiveness of existing controls and advising on control improvements.

Internal Audit, while maintaining independence, will provide the company with services in the following areas:

- Compliance and Control
- Operational Efficiency and Effectiveness of Internal Control
- Special Reviews

Internal Audit will report the results of these services to the appropriate business unit, senior management and the board of directors and will monitor resulting action plans and its implementation.

ACCOUNTABILITY

Internal audit is accountable to the board of directors and chief executive officer.

INDEPENDENCE

To maintain independence the internal audit personnel report to the internal audit manager, who reports functionally to Board Audit and Compliance Committee (BACC) and administratively to the President and Chief Executive Officer. Also, internal audit does not conduct work where there is, or could be perceived to be, a conflict of interest. Further, internal auditors will refrain from assessing specific operations for which they were previously responsible.

RESPONSIBILITY

The internal audit department is responsible to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the board, BACC and Chief Executive Officer for review and approval.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by senior management and the board of directors.
- Maintain a professional audit team with sufficient knowledge, experience, skills, professional certifications and other competencies through continuing professional education to meet the requirements of this charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion.
- Issue report/s to the board and Top Management summarizing results of audit activities.
- Keep the board and chief executive officer informed of emerging trends and successful practices in internal auditing.
- Assist in the investigation of suspected fraudulent activities within the organization and notify senior management and the board of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, to provide optimal audit coverage to the organization.

AUTHORITY

The internal audit department is **authorized to**:

- Have unrestricted access to all functions, activities, records, property and personnel.
- Have full and free access to the board and management team.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits.
- Obtain competent advice and assistance from subject matter experts from within or outside the organization as needed to ensure appropriate due professional care.

The internal audit department is **not authorized to**:

- Perform any operational duties for the organization or its affiliates.
- Manage the business
- Implement recommendations arising from audit reviews
- Initiate or approve accounting transactions external to the internal audit department.

- Direct the activities of any organization employee not employed by the internal audit department, except to the extent such employees have been appropriately assigned to audit team/s or to otherwise assist the internal auditors.

QUALITY REVIEW PROGRAM

The internal audit manager will maintain a quality review program that covers significant aspects of the internal audit activity. This program will incorporate internal resources for continuously monitoring effectiveness covering:

- Ongoing monitoring of work papers
- Completion of audit assessments by business unit personnel and tracking of their feedback
- Review of audit tools and performance metrics

INTERNAL AUDIT SERVICES

COMPLIANCE AND CONTROL

Internal Audit will perform financial, operational and systems compliance and control audits such as:

- Determine the accuracy and reliability of financial records/reports by conducting financial audits.
- Review internal control processes to determine if they are properly designed and functioning as intended.
- Review computer systems, including logical access controls, physical security, change management, problem management, disaster recovery and development methods.
- Review compliance with policies and procedures as well as management directives of the company.
- Review compliance with laws, contracts, including external financial requirements and/or regulatory agencies.

OPERATIONAL EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

By aligning Internal Audit's risk assessments with business unit and companywide objectives, Internal Audit will identify opportunities to improve the company's internal control processes, which are designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

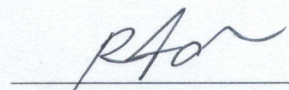
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws, contracts and regulations

SPECIAL REVIEWS

Internal Audit generally provides services when, in the opinion of the internal audit manager or the board or top management, it is necessary to conduct a review to establish a basis that fraudulent financial activity, conflicts of interest or unethical behavior may be occurring within the company.

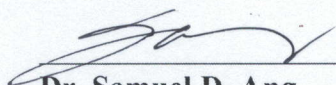
Also, Internal Audit will evaluate and report any known material or immaterial fraud by employees who have a significant role over internal controls

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