



Internal Audit Charter

Purpose:

This charter sets forth the purpose, authority, and responsibility of the internal audit activity at inContact, Inc. The charter establishes the internal audit activity's position within the Company; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of the internal audit activities

Mission:

The internal audit activity is guided by a value driven philosophy of partnering with other departmental units to continuously improve the operations of the Company. Our mission is to assist the Company in achieving the set objectives by providing management, the Audit Committee and the Board of Directors an independent and objective reviews and assessments of the Company's activities, operations, financial systems, and internal controls. Providing risk management and information about the effectiveness of internal controls and by recommending courses of actions which will increase revenue, decrease cost, and/or mitigate risk thereby increasing the value of the Company and protecting investors.

Scope of Work:

The scope of audit coverage is company-wide and no department or business unit of the Company is exempt from audit and review.

In order to fulfill its mission, the Internal Audit Department must determine whether the Company's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed.
- Interaction occurs as needed between the various departments and external regulatory authorities.
- Operations are transacted in accordance with sufficient and adequate controls.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Significant legislative or regulatory issues impacting the Company are recognized and addressed properly.
- Programs, plans and objectives are achieved.
- Resources are acquired economically, used efficiently, and adequately protected.

Accountability:

The IA Department, in the discharge of its audit duties, shall be accountable to management, the Audit Committee and the Board of Directors to:

- Report significant issues related to processes for controlling activities of the organization including potential improvements to those processes, and provide information concerning such issues.
- Periodically provide information on the status of results of the annual internal audit plan and the sufficiency of the internal audit resources.
- Coordinate with other monitoring functions (risk management, compliance, security, legal, ethics, environmental, and external audit).
- Risk Assessment based upon operations, strategy, and industry changes.

The reporting relationship of the Internal Control Officer and the IA Department enhances departmental independence, promotes comprehensive audit coverage and encourages adequate consideration of audit reports and recommendations. The Internal Control Officer provides reports to the Audit Committee of the Board of Directors and will periodically meet privately with the Audit Committee, without members of management or the external auditors.

Independence:

The IA Team Members must be independent of the activities they audit. The Internal Control Officer will report to management, the Audit Committee and the Board of Directors any situations in which a conflict of interest or bias is present or may be reasonably inferred.

Responsibility:

The IA Department is responsible for evaluating the control structure for the Company, other business relationships and validating the system of internal control at three levels: goal alignment, control design, and control effectiveness.

In order to validate controls, IA will have the necessary authority as indicated in that section of this memo.

Internal audits are conducted in conformance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

The IA Department will:

- Develop internal audit plan annually utilizing the appropriate risk-based methodology, including any risks or control concerns identified by management, the Audit Committee and the Board of Directors, for review and approval as well as periodic updates.
- Liaise with management and the external auditor when developing the annual internal audit plan to ensure that work performed will be relied upon by the external auditors.
- Retain a professional audit staff with sufficient knowledge, skills and experience.

- Evaluate and assess significant business changes impacting business processes, operations, and controls during the development and implementation of that change.
- Issue periodic reports to management, the Audit Committee and the Board of Directors summarizing results of audit activities.
- Investigate significant suspected fraudulent activities within the organization and notify management, the Audit Committee and the Board of Directors of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable cost.
- Establish a quality assurance program by which the Internal Auditor assures the operations of internal auditing activities are acceptable.
- Perform consulting services, beyond the traditional assurance services provided by Internal Audit, to assist management in meeting its objectives. Examples may include facilitation, process design training, and advisory services.
- Identify key processes supporting financial reporting, assist business process owners to identify and document effective internal controls, and test key financial reporting controls in identified financial systems (Sarbanes-Oxley Act, Section 404).
- Assess the effectiveness of the disclosure controls and procedures on a quarterly basis (Sarbanes-Oxley Act, Section 302).
- Review and investigate complaints reported through the Whistleblower program and report to the Audit Committee on a quarterly basis, or promptly if the complaint has a material consequence for the Company. As needed, the Company's Management is advised of complaints received in the view of helping to bring corrective actions.
- Review the Company's Antifraud program and practices with management and the Audit Committee.
- Serve as a resource to the Company in identifying the need for and characteristics of adequate systems of control.
- Attend Audit Committee meetings, when required.
- Keep management, the Audit Committee and the Board of Directors informed of emerging trends and practices in internal auditing.

Authority:

The IA Department is authorized to:

- Have unrestricted access to all functions, records, property, personnel, files and other documentation. Information used in the course of audits is to be used strictly for audit purposes.
- Have unfettered access to all business operations.
- 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, as well as other specialized services from within or outside the organization.
- Have direct and unfettered access to the Audit Committee through the Chair of the Committee.
- Meet with the Audit Committee without management being present.

Audit plan:

The annual Audit Plan is developed in the beginning of each year based upon input from key management and a detailed, thorough risk assessment by the Internal Audit Department.

The annual Audit Plan may include a mix of the following types of audit activity:

- Financial audits, including determining the accuracy and reliability of data developed within the Company, and determining that corporate assets are properly safeguarded.
- Reviews of internal controls related to significant systems and processes to determine whether or not they are properly designed and functioning as intended.
- Reviews of compliance with the Company's significant policies and procedures.
- Reviews of compliance with significant external requirements/regulations, including accounting rules and regulations applicable.
- Strategic audits, including due diligence activities and review of the execution of the Company's strategic objectives.
- Reviews of computer-based systems focusing on data security, disaster recovery, and effective use of resources.
- Operational audits focusing on improving efficiencies or effectiveness with a goal of contributing to cost reduction efforts.

Reporting:

A written report will be prepared and issued following the conclusion of each audit and will be distributed as appropriate. The report will include our findings and recommendations along with the audited business unit/department management action plans. Each recommendation will be rated and an overall rating will be attributed to the audit. The significance of the recommendations will impact the timelines of our follow-up.

Adopted by resolution of the Board of Directors on October 29, 2013.