

**HMS HOLDINGS CORP.
AUDIT COMMITTEE CHARTER**

A. PURPOSE

The purpose of the Audit Committee of the Board of Directors (the “Board”) of HMS Holdings Corp. (the “Company”) is to assist the Board’s oversight of the accounting and financial processes of the Company and the audits of the financial statements of the Company.

B. STRUCTURE AND MEMBERSHIP

1. **Number.** The Audit Committee shall consist of at least three members of the Board.
2. **Independence.** Except as otherwise permitted by the applicable Nasdaq rules, each member of the Audit Committee shall be independent as defined by such rules, meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (subject to the exemptions provided in Rule 10A-3(c)), and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.
3. **Financial Literacy.** Each member of the Audit Committee shall be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement, and cash flow statement, at the time of his or her appointment to the Audit Committee. In addition, at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company’s annual report filed with the SEC), at least one member of the Audit Committee shall be an “audit committee financial expert” (as defined by applicable SEC rules).
4. **Chair.** Unless the Board elects a Chair of the Audit Committee, the members of the Audit Committee shall elect a Chair by majority vote.
5. **Compensation.** The compensation of Audit Committee members shall be as determined by the Board. No member of the Audit Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board or of a committee of the Board.
6. **Selection and Removal.** Members of the Audit Committee shall be appointed by the Board, upon the recommendation of the Nominating and Governance Committee. The Board may remove members of the Audit Committee from such committee, with or without cause.

C. AUTHORITY AND RESPONSIBILITIES

1. General.

The Audit Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the Company's registered public accounting firm (the "independent auditor"), in accordance with the business judgment of its members. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Company and for establishing and maintaining adequate internal control over financial reporting. The independent auditor is responsible for auditing the Company's financial statements and the Company's internal control over financial reporting and for reviewing the Company's unaudited interim financial statements. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Audit Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law, or to guarantee the independent auditor's reports.

2. Oversight of Independent Auditor.

- (a) **Selection.** The Audit Committee shall be solely and directly responsible for appointing, evaluating, retaining, and, when necessary, terminating the engagement of the independent auditor. The Audit Committee may, in its discretion, seek stockholder ratification of the independent auditor it appoints.
- (b) **Scope of Engagement.** The Audit Committee shall establish with the independent auditor, the scope and plan of the work to be performed by the independent auditor as part of the audit for the current fiscal year.
- (c) **Independence.** The Audit Committee shall take, or recommend that the full Board take, appropriate action to oversee the independence of the independent auditor. In connection with this responsibility, the Audit Committee shall obtain and review the written disclosures and the letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") regarding the independent auditor's communications with the Audit Committee concerning independence. The Audit Committee shall actively engage in dialogue with the independent auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor.
- (d) **Compensation.** The Audit Committee shall have sole and direct responsibility for setting the compensation of the independent auditor. The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of the independent auditor established by the Audit Committee.
- (e) **Pre-approval of Services.** The Audit Committee shall preapprove all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all non-audit services to be provided to the Company by the independent

auditor; provided, however, that de minimis non-audit services may instead be approved in accordance with applicable SEC rules.

- (f) **Oversight.** The independent auditor shall report directly to the Audit Committee and the Audit Committee shall have sole and direct responsibility for overseeing the work of the independent auditor, including resolution of disagreements between Company management and the independent auditor regarding financial reporting. In connection with its oversight role, the Audit Committee shall, from time to time as appropriate, receive and consider the reports required to be made by the independent auditor regarding:
- i. critical accounting policies and practices;
 - ii. alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with Company management, including ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and
 - iii. other material written communications between the independent auditor and Company management.

3. **Audited Financial Statements.**

- (a) **Review and Discussion.** The Audit Committee shall review and discuss with the Company's management and independent auditor the Company's audited financial statements, including the matters required to be discussed by Auditing Standard No. 16 (codified as Auditing Standard No. 1301), *Communications with Audit Committees*, as adopted by the PCAOB, the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the selection, application and disclosure of critical accounting policies and practices used in such financial statements. Additionally, based on such review, the Audit Committee shall consider whether it will recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K filed with the SEC (the "Form 10-K"). The discussion of financial statements and the related critical accounting policies and practices shall occur prior to the public release of such financial statements or results, and the discussion of the related disclosure, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," shall occur prior to the filing of the Form 10-K.
- (b) **Audit Committee Report.** The Audit Committee shall prepare an annual committee report for inclusion where necessary in the proxy statement of the Company relating to its annual meeting of security holders.

4. **Review of Other Financial Disclosures.**

The Audit Committee shall discuss with management and the independent auditor the Company's quarterly financial results and quarterly unaudited financial statements, the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's selection, application and

disclosure of critical accounting policies and practices used in such financial statements to be included in the Company's Quarterly Report on Form 10-Q filed with the SEC (the "Form 10-Q"). The discussion of financial statements and the related critical accounting policies and practices shall occur prior to the public release of such financial statements or results, and the discussion of the related disclosure, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," shall occur prior to the filing of the Form 10-Q.

5. **Other Matters.**

- (a) **Oversight.** The Audit Committee shall coordinate the Board's oversight of the Company's internal control over financial reporting, disclosure controls and procedures and Code of Conduct.
- (b) **Internal Audit.** The Audit Committee shall coordinate the Board's oversight of the performance of the Company's internal audit function, including but not limited to (i) overseeing the appointment, retention or termination of the Company's outsourced internal audit service provider, if any, and the Company's senior internal audit executive and (ii) reviewing the proposed internal audit plans and discussing the results of such audits with the senior internal audit executive and management.
- (c) **Risk Oversight.** The Committee shall oversee the Company's Enterprise Risk Management program. The Audit Committee shall discuss with management, including the Company's senior internal audit executive, and the independent auditor, the Company's policies with respect to risk assessment and risk management and the quality and adequacy of the Company's processes and controls that could materially affect the Company's financial statements and financial reporting. This review shall include a discussion of significant financial risk exposure and the steps management has taken to monitor, control and report such exposure.
- (d) **Procedures for Complaints.** The Audit Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (e) **Code of Conduct.** The Audit Committee shall serve as the initial reviewing body for allegations of material violations of the Code of Conduct relating to accounting, internal accounting controls or auditing matters. Requests for waivers of the provisions of the Code of Conduct by a director or executive officer of the Company and any other personnel as may be required under the Code of Conduct that relate to accounting and financial reporting matters must be approved by the Board.
- (f) **Related Person Transactions.** In accordance with the Company's Related Person Transaction Policy, the Audit Committee shall conduct appropriate review and oversight of all transactions with related persons (as defined by applicable SEC rules) on an ongoing basis for potential conflict of interest situations and all such transactions must be approved by the Audit Committee. The Audit Committee shall periodically review the Company's policies and procedures for reviewing and approving or ratifying related person transactions, including the Company's Related Person Transaction Policy, and recommend any changes to the Board.

(g) **Additional Duties.** The Audit Committee shall have such other duties as may be delegated from time to time by the Board of Directors and are not inconsistent with the terms of this Charter, the Company's Bylaws and governing law.

D. PROCEDURES AND ADMINISTRATION

1. **Meetings.** The Audit Committee shall meet at least four times annually, or more frequently as circumstances indicate. The Audit Committee may request that members of management, representatives of the independent auditor, the Company's internal auditor and others attend meetings and provide pertinent information, as necessary. In order to foster open communications, the Audit Committee shall meet at such times as it deems appropriate or as otherwise required by applicable law, rules or regulations in separate executive sessions to discuss any matters that the Audit Committee believes should be discussed privately. Audit Committee meetings will be governed by the quorum and other procedures generally applicable to meetings of the Board under the Company's Bylaws, unless otherwise stated by resolution of the Board. The Audit Committee may also act by unanimous written consent in lieu of a meeting. The Audit Committee shall keep records of its meetings.
2. **Subcommittees.** The Audit Committee may form and delegate authority to one or more subcommittees (including a subcommittee consisting of a single member), as it deems appropriate from time to time under the circumstances. Any decision of a subcommittee to preapprove audit or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting.
3. **Reports to Board.** The Audit Committee shall report regularly to the Board.
4. **Charter.** At least annually, the Audit Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.
5. **Independent Advisors.** The Audit Committee is authorized, without further action by the Board, to engage such independent legal, accounting and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of such advisors as established by the Audit Committee.
6. **Investigations.** The Audit Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Audit Committee or any advisors engaged by the Audit Committee.
7. **Funding.** The Audit Committee is empowered, without further action by the Board, to cause the Company to pay the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.
8. **Committee Self-Evaluation.** The Audit Committee shall evaluate its performance annually.

