

TEXAS TRANSPORTATION COMMISSION

All Counties

MINUTE ORDER

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All Districts

The Audit Subcommittee (subcommittee) of the Texas Transportation Commission (commission) was created on January 28, 2009. The subcommittee was created to oversee and ensure compliance with the intent of Sarbanes-Oxley as to reliability and transparency in financial reporting, as well as to ensure the independence of the Texas Department of Transportation's internal audit program by providing oversight of the program and evaluating the implementation of audit recommendations.

The subcommittee charter was approved by the commission on March 25, 2010, in Minute Order 112196, and amended on August 25, 2016, with Minute Order 114690. The charter sets forth the purpose and composition of the subcommittee, as well as meeting requirements and principal duties and responsibilities of the subcommittee in carrying out its oversight role.

The subcommittee is required to review and assess the adequacy of the charter annually and request commission approval for proposed changes. On August 29, 2018, the subcommittee voted to amend the charter to include the Compliance Division in the scope of the charter. The amended charter is attached as Exhibit A.

IT IS THEREFORE ORDERED by the commission that the Audit Subcommittee Charter, as amended and set forth in Exhibit A, is approved.

Submitted and reviewed by:



Chief Audit and Compliance Officer

Recommended by:



Executive Director

115323 AUG 30 '18

Minute Number Date Passed

EXHIBIT A

Texas Transportation Commission Audit Subcommittee Charter

I. PURPOSE

The Audit Subcommittee of the Texas Transportation Commission was created to oversee and ensure compliance with the intent of Sarbanes-Oxley as to the reliability and transparency in financial reporting, as well as to ensure the independence of the department's internal audit program by providing oversight of the internal auditor and evaluating implementation of audit recommendations. The purpose of this charter is to assist the Subcommittee in fulfilling those responsibilities.

II. COMPOSITION

The Subcommittee will consist of at least two members of the Commission. The Chair of the Commission will appoint the Subcommittee Members and the Subcommittee Chair. Each Subcommittee Member will be both independent and aware of financial reporting requirements.

III. MEETINGS

The Subcommittee will meet quarterly, with authority to convene special meetings as circumstances require. All Subcommittee Members are expected to attend each meeting. The Subcommittee will invite members of management, auditors or others to attend the meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to Subcommittee Members, along with appropriate briefing materials. Minutes of formal meetings will be prepared by staff. Notice of quarterly meetings will be posted with the Secretary of State and will be open to the public. Notice of special meetings will not be posted and open unless directed by the chair of the Subcommittee.

IV. RESPONSIBILITIES

The following shall be the principal duties and responsibilities of the Subcommittee in carrying out its oversight role:

a. Financial Reporting (MO 113939)

- Ensure that the department has developed and implemented policies and procedures to expand the practice of providing certifications by the Executive Director and Chief Financial Officer for the annual financial report.
- Ensure that the department has developed and implemented policies and procedures: (i) for establishing and maintaining an adequate internal control structure and procedures for financial reporting; (ii) for assessing, as of the end of each fiscal year, the effectiveness of the internal control structure; and (iii) for reporting results of effectiveness testing to the Subcommittee.
- Ensure that the department has developed a code of ethics for senior finance personnel that includes such standards that are reasonably necessary to promote honest and ethical conduct; full, fair, accurate, timely, and understandable disclosure in reports and other documents, and compliance with applicable rules and regulations.

b. Internal Controls

- Ensure the department establishes procedures for the receipt, retention and treatment of complaints received by the department regarding accounting, controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

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Texas Transportation Commission Audit Subcommittee Charter

c. Internal Audit and Compliance

- Review with management and the Chief Audit and Compliance Officer (CACO) the Audit and Compliance charter, including activities, staffing, and organizational structure.
- Review and recommend approval to the Commission of the annual audit plan and review all major changes to the plan. The Executive Director shall provide input on the audit plan. The CACO or delegate will present the audit plan to the Commission at a regular Commission meeting.
- Ensure there are no unjustified restrictions or limitations on the CACO.
- Review and concur in the appointment, replacement, or dismissal of the CACO.
- Prepare a performance plan for the CACO.
- At least once per year, led by the Subcommittee chair, evaluate the performance of the CACO. The Subcommittee shall forward the performance evaluation to the Commission for its information.
- At least once a year, determine the annual compensation and salary adjustment of the CACO.
- Review the effectiveness of the internal audit and relevant compliance functions by reviewing their external quality assessment (peer review) which includes compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Government Auditing Standards.
- On a regular basis, meet separately with the CACO to discuss any matters that the Subcommittee or the CACO believe should be discussed privately.

d. Legal (MO 111675)

- Ensure the Executive Director or Commission takes appropriate actions if the General Counsel reports to the Subcommittee a material breach of a legal obligation to the department or a fiduciary duty or violation of law by any officer, employee or agent of the department that is likely to result in substantial injury to the department or its reputation.

e. Reporting Responsibilities

- The Subcommittee will provide an annual report to the Commission on Subcommittee activities, issues, and related recommendations.
- The Subcommittee may provide additional or more frequent reports as it deems appropriate.

f. Other Responsibilities

- Perform other activities related to this charter as requested by the Commission.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Subcommittee Charter annually, requesting Commission approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.