

## 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 and Internal Control (MO 111676)

- Ensure the department has developed and implemented policies and procedures to expand the practice of providing certifications by the Executive Director and Chief Financial Officer (CFO) to include certifications to the Commission for all quarterly and annual financial reports filed with the Commission, including the operating budget, investment report, and quarterly cash report, with the certification to contain, as applicable, the 302 certifications or similar certifications that the CFO considers applicable to department operations.
- Ensure 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 financial reporting procedures, iii) setting forth the responsibility of management for the internal control structure and for financial reporting procedures, and iv) specifying the role of the CFO in ensuring that the Executive Director has sufficient reliable financial information to make budgetary and spending adjustments and providing for monitoring of this role for effectiveness.
- Ensure the department has developed a code of ethics for senior finance personnel that include such standards as 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.
- Ensure the department establishes procedures for the receipt, retention and treatment of complaints received by the department regarding accounting, internal accounting

## EXHIBIT A

### **Texas Transportation Commission Audit Subcommittee Charter**

controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

#### b. Internal Audit (MO 109230)

- Review with management and the Chief Audit Executive (CAE) the charter, activities, staffing, and organizational structure of the internal audit function.
- 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 CAE will present the audit plan to the Commission at a regular Commission meeting.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- The Executive Director shall prepare a performance plan for the CAE for review and concurrence of the Subcommittee.
- At least once per year, the Executive Director shall evaluate the performance of the CAE for review, feedback, and concurrence of the Subcommittee. Upon concurrence, the Subcommittee shall forward the performance evaluation to the Commission for its information.
- At least once per year, the Executive Director shall determine the annual compensation and salary adjustment of the CAE after consultation with and concurrence of the Subcommittee.
- Review the effectiveness of the internal audit function by reviewing its external quality assessment (peer review) which includes compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the CAE to discuss any matters that the Subcommittee or internal audit believes should be discussed privately.

#### c. 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.

#### d. 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.

#### e. 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.