

TEXAS TRANSPORTATION COMMISSION

ALL Counties

MINUTE ORDER

Page 1 of 1

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. It oversees the independence and effectiveness of the Texas Department of Transportation's internal audit and compliance functions, managed by the chief audit and compliance officer.

The Audit 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. The Audit Subcommittee Charter was last updated by Minute Order 115323 on August 30, 2018 to include the Compliance Division in the scope of the charter. Additional revisions have been incorporated in this amendment, as set forth in exhibit A, to address changes to global internal auditing standards.

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

Submitted and reviewed by:

Recommended by:

DocuSigned by:

Parsons Townsend

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Chief Audit and Compliance Officer

DocuSigned by:

W. Williams

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Executive Director

116990 July 31, 2025

Minute Number	Date Passed
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Audit Subcommittee Charter

Texas Transportation Commission

Contents

Purpose.....	1
Composition	1
Meetings	1
Oversight and Responsibilities.....	1

Purpose

The Audit Subcommittee (subcommittee) of the Texas Transportation Commission (commission) was created to oversee and ensure compliance with the intent of Sarbanes-Oxley as to reliability and transparency in financial reporting. It oversees the independence and effectiveness of the Texas Department of Transportation's (department) internal audit and compliance functions, managed by the chief audit and compliance officer. The purpose of this charter is to assist the subcommittee in fulfilling those responsibilities.

Composition

The subcommittee will consist of at least two members of the commission. The chair of the commission will appoint the subcommittee members and chair. Each subcommittee member will be both independent and aware of financial reporting requirements.

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 for subcommittee members, along with appropriate briefing materials. The minutes of the 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.

Oversight and Responsibilities

The following shall be the principal duties and responsibilities of the subcommittee in conducting 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.

c) Internal Audit and Compliance

- Discuss with the executive director and the chief audit and compliance officer (CACO) the appropriate authority, role, and responsibilities of the internal audit and relevant compliance functions.
- Review and concur with the appointment, replacement, or dismissal of the CACO to the commission.
- Ensure the CACO has unrestricted access to and communicates and interacts directly with the subcommittee, including in private meetings without senior management present.
- Ensure the internal audit and compliance functions have unrestricted access to all department functions, data, records, information, personnel, and physical property necessary to fulfill the internal audit mandate and relevant compliance responsibilities.
- Review with the executive director and the CACO the annual internal audit plan and compliance work plan.
- The CACO or delegate will present the internal audit plan to the commission at a regular commission meeting.
- Review with the executive director and the CACO the audit and compliance strategy.
- Review with the executive director and the CACO and approve the audit and compliance charter.
- At least once a year, review with the executive director and the CACO and approve the audit and compliance performance measures.
- Ensure the internal audit and relevant compliance functions have established a quality assurance and improvement program (QAIP) to include internal and external quality assessments (EQA) of compliance with relevant professional standards.
- Review with the CACO and approve the plan for the performance of external quality assessment to include scope, frequency, and EQA team competencies.
- At least once a year, evaluate the performance of the CACO. The subcommittee shall forward the performance evaluation to the commission for its information.
- At least once a year, review with the executive director the compensation and salary adjustment of the CACO.

d) Legal (MO 111675)

- Ensure the executive director or commission take 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 an officer, employee, or agent of the department that is likely to result in substantial injury to the department of its reputation.

e) Reporting

- The subcommittee will provide at a minimum an annual report to the commission on subcommittee activities, issues, and related recommendations.

f) Other

- 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 audit charter annually, requesting commission approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.