

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
BOARD OF DIRECTORS  
FINANCE, AUDIT AND ADMINISTRATION COMMITTEE CHARTER**

**I. PURPOSE**

The Finance, Audit and Administration Committee (the “FAA Committee”) has been established by the Capital Metropolitan Transportation Authority (“CapMetro”) Board of Directors (the “Board”) to assist in fulfilling its oversight responsibilities for accounting and financial reporting processes, the system of internal controls, the audit processes, and systems for monitoring compliance with laws, regulations, and the CapMetro Code of Ethics.

Executive management is responsible for preparing complete and accurate financial statements, managing business and financial risk, and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. The Board of Directors has oversight responsibility in these areas and is charged with establishing and supporting an adequate control environment within the organization for ensuring accountability and demonstrating proper stewardship over public funds.

**II. AUTHORITY**

The FAA Committee has authority to conduct or authorize investigations into and study any matter within its scope of responsibility and make recommendations for action to the full Board. It is empowered to:

1. Ensure the independence of any registered public accounting firm employed by CapMetro.
2. Resolve any disagreements between management and the external auditor regarding financial reporting.
3. Provide oversight and direction of the internal audit function.
4. Use independent counsel, accountants, auditors, or others to advise the FAA Committee or to assist in the conduct of an investigation.
5. Seek any information it requires from CapMetro staff—all of whom are directed to cooperate with FAA Committee requests—or external parties.

**III. MEMBERSHIP**

The FAA Committee shall consist of at least three (3) members of the Board of Directors.

The Chairperson of the Board will nominate the FAA Committee Chairperson and members annually, subject to confirmation by the Board. The FAA Committee shall elect a Committee Vice Chairperson from among its members at its first meeting following board action on annual committee appointments to perform the duties of the Chairperson in case of the absence, disability or disqualification of the Committee Chairperson.

Each member of the FAA Committee must be financially literate, as the Board interprets such qualification in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment. In addition, one member of the FAA Committee must be a metropolitan planning organization appointee with at least 10 years of experience as a financial or accounting professional.

Committee members shall be free of any relationship that would interfere with his or her individual exercise of independent judgment in accordance with CapMetro’s Code of Ethics and applicable law.

#### **IV. EDUCATION**

CapMetro executive management is responsible for providing the FAA Committee with educational resources related to accounting principles and procedures, risk management, ethics, employee health and benefit plans and other information that may be requested by the FAA Committee. CapMetro executive management shall assist the FAA Committee in maintaining appropriate financial and compliance literacy.

#### **V. MEETINGS**

The FAA Committee will meet at least four (4) times a year, with authority to convene additional meetings as circumstances require. All meetings will be conducted in accordance with the Texas Open Meetings Act, as applicable. FAA Committee members are expected to attend each meeting. The FAA Committee may direct members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. CapMetro staff will post meeting agendas and backup materials for Board members and the public to view no later than seven (7) calendar days before the committee meeting.

#### **VI. RESPONSIBILITIES**

The FAA Committee will carry out the following responsibilities:

1. Financial & Other Reporting: *The FAA Committee shall provide reasonable assurance to the Board that financial information reported by management substantively portrays CapMetro's financial condition, results of operations, plans, and long-term commitments. The FAA Committee may review other reports requiring Board approval prior to submission to public sector entities. The FAA Committee will:*
  - Review fiscal, investment, and other financial management policies and practices including but not limited to:
    - Operating & Capital Budgeting
    - Procurement and contracting
    - Revenue (e.g., grants, fare structure, new revenue opportunities including partnerships with external entities)
    - Debt and investments
    - Disadvantaged Business Enterprise (DBE) Program
    - Insurance and risk management
  - Review financial statements, including interim financial statements, auditors' opinions and management letters, and consider whether they are complete and consistent with information known to FAA Committee members, and reflect appropriate accounting principles.
2. Internal Control: *The FAA Committee shall understand CapMetro's key financial reporting risk areas and the internal control structure. The FAA Committee will:*
  - Consider the effectiveness of CapMetro's internal control systems, including information technology security and control.
  - Understand the scope of internal and external auditors' review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

- Review and provide oversight for technology investments and processes that support the Authority's strategic financial goals and objectives.
  - Review the reports and results of internal and external audits.
3. Internal Audit: *The FAA Committee shall provide direct oversight of CapMetro's internal audit function. To facilitate the effectiveness and independence of the internal audit function, the internal audit function is ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:*
- Make recommendations to the full Board of Directors regarding the appointment, removal, or other personnel actions of the Chief Audit Executive (CAE).
  - Review annually with management and the CAE the charter, audit plans, activities, staffing, and organizational structure of the internal audit function.
  - Ensure there are no unjustified restrictions or limitations on the internal audit function.
  - Review audit results, reports, and recommendations and ensure adequate management follow-up and resolution.
  - Meet with the CAE to discuss any matters that the FAA Committee or internal audit believes should be discussed.
  - Request internal auditors to perform special studies, investigations, or other services in matters of interest or concern to the FAA Committee or Board that may be outside the scope of the approved Audit Services Plan. Such projects could include investigation of areas of high control risk, potential or suspected fraud or other irregularities, compliance with laws, regulations, policies and procedures, or evaluation of external auditors.
  - Conduct an annual performance review and evaluation of the CAE.
  - Review the effectiveness of the internal audit function through periodic external quality assurance reviews.
4. External Audit: *The FAA Committee shall assure independence in fact and in appearance of all external financial assurance services. External auditors are ultimately accountable to the Board of Directors and the FAA Committee. The FAA Committee will:*
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
  - Consider the facts and circumstances of each case in order to determine if firm or audit partner rotation is needed in order to ensure an independent financial audit in accordance with the Policy on Rotation of Auditors.
  - Approve in advance any non-audit services by external auditors or their consulting practice/affiliates.
  - Ensure that external auditors do not (1) provide non-audit services that involve performing management functions or making management decisions, or (2) audit their own work or provide non-audit services that are significant or material to the subject matter of the audits.
  - Meet with the external auditors to discuss any matters that the FAA Committee or auditors believe should be discussed in detail.
  - Review with management and the external auditors the results of the audit, including any serious difficulties or disputes with management encountered during assurance work.

5. Compliance: *The FAA Committee shall provide reasonable assurance to the Board of Directors that its policies are being carried out and that systems are in place to ensure compliance with laws and regulations. The FAA Committee will:*
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
  - Review the findings of any examinations by regulatory agencies, and any auditor observations.
  - Review the process for communicating the Code of Ethics to company personnel and for monitoring compliance therewith.
  - Obtain regular updates from the Board Ethics Officer and the Staff Ethics Officer regarding ethics and compliance matters.
6. Reporting Responsibilities: *The FAA Committee will:*
- Report and recommend action, as appropriate to the Board of Directors about FAA Committee activities, issues, and related recommendations.
  - Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
  - Review any other reports CapMetro issues that relate to FAA Committee responsibilities.
7. Other Responsibilities: *The FAA Committee will:*
- Perform other activities related to this charter as requested by the CapMetro Board of Directors.
  - Review and assess the adequacy of the FAA Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
  - Confirm annually that all responsibilities outlined in this charter have been carried out.