

# **The Metropolitan Transportation Authority**

## **AUDIT COMMITTEE**

This Charter for the Audit Committee was adopted by the MTA Chair and a majority of the members of the Metropolitan Transportation Authority, a public benefit corporation established under the laws of the State of New York (together with any other entity or corporation for which the members of the Metropolitan Transportation Authority serve as a board of directors, the “MTA”), on this 29th day of July, 2004.

### **I. PURPOSE**

The Audit Committee (the “Committee”) shall assist and provide guidance to the MTA Chair and the Board in monitoring and overseeing (a) the conduct of the MTA’s financial reporting process, the application of accounting principles, and the engagement of the MTA’s outside accountants; (b) the MTA’s internal controls and risk management systems; and (c) general matters relating to legal, regulatory and ethical compliance at the MTA.

### **II. COMMITTEE AUTHORITY**

The Committee’s role is one of oversight. In carrying out this oversight function, the chairperson of the Committee (the “Committee Chair”) and the vice-chairperson of the Committee (the “Committee Vice-Chair”) shall have additional responsibilities, as set forth in Section VI of this Charter. The Committee Chair and/or the Committee Vice-Chair regularly shall report to the entire Committee their findings with respect to these additional responsibilities and refer to the entire Committee for its consideration any matter relating thereto as the Committee Chair and/or the Committee Vice-Chair deem necessary or appropriate.

Notwithstanding these oversight responsibilities, the MTA and each of its subsidiary corporations and affiliates are responsible for preparing their own financial statements and the respective outside auditors are responsible for auditing the respective financial statements. The Committee, the Committee Chair, and the Committee Vice-Chair recognize that the Auditor General and the outside auditors have more time, knowledge and detailed information about the MTA and each of its subsidiary corporations and affiliates than do Committee members. Consequently, in carrying out its oversight responsibilities, no member of the Committee shall be deemed to provide (i) any expert or special assurance as to the financial statements of the MTA or of any subsidiary corporation or affiliate or (ii) any professional certification as to the work of any outside auditor.

In discharging its role, the Committee is empowered to investigate any matter brought to its attention. To facilitate any such investigation, the Committee Chairman and/or Vice Chairman shall have access to all books, records, facilities and staff of the MTA (including any of its subsidiary corporations or affiliates). With the prior approval of the MTA Chair or a majority of the Board, the Committee may retain, compensate and/or terminate outside counsel, auditors or other experts as it deems necessary and will receive

adequate funding from the MTA to engage such advisors in accordance with MTA procedures.

### **III. COMMITTEE MEMBERSHIP**

The Committee shall consist of 3 or more members of the Board, appointed by the MTA Chair. If not otherwise a member of the Committee, each MTA Vice-Chair shall be an *ex officio* member of the Committee. The MTA Chair shall appoint the Committee Chair and the Committee Vice-Chair. A member of the Committee may be removed, for cause or without cause, by the MTA Chair. In the absence of the Committee Chair or the Committee Vice-Chair at a meeting of the Committee, the MTA Chair shall appoint a temporary chairperson to chair such meeting. No member of the Committee shall be employed by (a) the MTA, or (b) a private entity that does, or is likely to do, business with the MTA. Insofar as practicable, at least one member of the Committee shall have financial experience.

### **IV. COMMITTEE MEETINGS**

The Committee shall meet on a regularly-scheduled basis at least 6 times per year, and more frequently as circumstances dictate. The Committee will cause to be kept adequate minutes of all its proceedings and records of any action taken, and will report on its proceedings and any action taken to the next full meeting of the Board. Committee members will be furnished with copies of the minutes of each meeting. The Committee shall be governed by the same rules regarding meetings, notice, quorum, and voting requirements as are applicable to full meetings of the Board, including without limitation any applicable provisions set forth in the Public Authorities Law and Article 7 of the Public Officers Law. The Committee may form and assign responsibilities to subcommittees when appropriate.

The Committee may request that any member of the Board, the Auditor General, the Chief Compliance Officer, any officer or staff of the MTA, or any other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information at the Committee requests.

### **V. COMMITTEE REPORTS.**

The Committee Chair shall report on the Committee's proceedings, and any recommendations made.

### **VI. KEY RESPONSIBILITIES OF COMMITTEE CHAIR AND VICE-CHAIR**

The following responsibilities are set forth as a guide. The Committee Chair and the Committee Vice-Chair are authorized to carry out these and such other responsibilities assigned by the Committee, the MTA Chair or the Board, from time to time, and take any actions reasonably related to the mandate of this Charter.

To assist the Committee in fulfilling its purpose, the Committee Chair and/or the Committee Vice-Chair shall:

*Auditors, Financial Statements & Accounting Policies:*

1. review and discuss with the Auditor General, the relevant MTA employees, each outside auditor, and the internal auditors any audit problems or difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information and advise the Committee as to how to resolve any disagreements regarding financial reporting;
2. inquire as to each outside auditor's view of the accounting treatment related to significant new transactions or other significant matters or events not in the ordinary course of business;
3. review and discuss with the Auditor General, the relevant MTA employees, and each outside auditor any material financial or non-financial arrangements that do not appear on the financial statements of the MTA (or of any subsidiary corporation or affiliate);
4. review and discuss with the Auditor General and each outside auditor: (i) any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise), (ii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by any outside auditor to the MTA (including to any subsidiary corporation or affiliate);
5. review with the Auditor General and the outside auditor the periodic financial statements and footnotes of the MTA (and of each subsidiary corporation or affiliate, as applicable) and discussing the adequacy of the system of internal and the appropriateness of the accounting principles used, and the judgments made, in the preparation of such periodic financial statements;
6. meet annually (or more frequently if necessary) with each respective outside auditor (without the Auditor General or any other officers or staff of the MTA present) to discuss the periodic financial statements of the MTA (and of each subsidiary corporation or affiliate, as applicable).

*Internal Controls & Risk Management:*

7. together with the Auditor General and the Chief Compliance Officer, review, discuss and (if necessary) investigate compliance with MTA policies and/or refer instances of non-compliance to the MTA Inspector General for investigation;

8. review and discuss with the Auditor General, the Chief Compliance Officer, the relevant employees of the MTA, and each outside auditor: (i) any significant deficiencies in the design or operation of the internal controls of the MTA (ii) any fraud, whether or not material, involving any MTA employees and (iii) related findings and recommendations of the outside auditors together with management's responses;
9. review and discuss with the Auditor General, the Chief Compliance Officer, the relevant MTA employees, and each outside auditor the MTA's risk assessment and risk management systems, and oversee the underlying policies with respect to risk assessment and risk management;
10. together with the Auditor General and the Chief Compliance Officer, serve as the point of contact for the MTA Inspector General, including by reviewing all reports and draft reports delivered to the MTA by the MTA Inspector General, and being available to meet with the MTA Inspector General as part of the Inspector General's audits of the MTA's books and records;
11. recognizing the statutory obligations of the MTA Inspector General, and without denigrating from those obligations, seek to communicate with the MTA Inspector General with respect to any matter the Committee Chair and/or Vice Chair, the entire Committee, the MTA Chair, the Board or the MTA Inspector General deem appropriate;

*Miscellaneous:*

12. submit to the entire Committee for its consideration any matters (including matters relating to the foregoing) that the Committee Chair and/or Committee Vice-Chair deem should appropriately be considered by the entire Committee; and
13. report regularly to the Committee on the findings and recommendations of the Committee Chair and the Committee Vice-Chair relating to the foregoing, and on any other matters the Committee Chair and/or the Committee Vice-Chair deem appropriate or the Committee, the MTA Chair or the Board request.

## **VII. KEY RESPONSIBILITIES OF THE COMMITTEE**

The following responsibilities are set forth as a guide with the understanding that the Committee may diverge as appropriate given the circumstances. The Committee is authorized to carry out these and such other responsibilities assigned by the MTA Chair or the Board, from time to time, and take any actions reasonably related to the mandate of this Charter.

To fulfill its purpose, the Committee shall:

*Auditors, Financial Reporting & Accounting Policies:*

1. in consultation with the Auditor General and the officer primarily responsible for the finances of the MTA and each subsidiary corporation and affiliate, oversee the work of the MTA's outside auditor and provide guidance to the MTA Chair and the Board with respect to the appointment (and if appropriate dismissal), evaluation, compensation of the outside MTA's auditors;
2. review and provide guidance to the Board with respect to any auditing and non-auditing services provided to the MTA by any of the MTA's the outside auditor;
3. review and provide guidance to the Board with respect to the annual audit plan as proposed by the Auditor General in consultation with the MTA Executive Director and the President of each subsidiary corporation and affiliate;
4. review and discuss with the Auditor General, the relevant MTA employees, each outside auditor, and the internal auditors: (i) any significant audit findings during the year, including the status of previous audit recommendations; (ii) any changes required in the scope of the audit plan; (iii) the audit budget and staffing; and (iv) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources;
5. review and discuss with the Auditor General, the relevant MTA employees, and the outside auditor accounting policies that may be viewed as critical, as well as any recent or proposed significant changes in MTA accounting policies; and inquire as to the outside auditors' views as to the application of accounting principles;
6. monitor the consistency and comparability of the financial reporting processes of the MTA;
7. monitor the integrity, consistency and comparability of the financial reports and other financial information provided by the MTA to any other governmental or regulatory body, the public or other users thereof, including reconciliations where necessary;
8. review and provide guidance to the Board with respect to in the appointment, compensation and (if necessary) dismissal of the Auditor General;
9. at least annually, review with the Auditor General a report by each outside auditor describing: (i) such outside auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all

relationships between the outside auditor and the MTA (or any subsidiary corporation or affiliate);

10. on an annual basis, in each case together with the Auditor General: (i) review a formal written statement from each outside auditor delineating all relationships between such outside auditor and the MTA; (ii) actively engage in a dialogue with each outside auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of such outside auditor and take appropriate action in response to such outside auditor's report to satisfy itself of such auditor's independence; (iii) consider whether, in the interest of assuring continuing independence of each outside auditor, the MTA's respective outside auditors should be rotated; and (iv) set clear hiring policies for employees or former employees of the outside auditors;

*Internal Controls & Risk Management:*

11. review and discuss with the Auditor General, the Chief Compliance Officer, the relevant MTA employees, and each outside auditor the adequacy of the MTA's internal and disclosure controls and procedures;
12. together with the Chief Compliance Officer, review and discuss with the relevant MTA employees, and each outside auditor any significant risks or exposures and assess the steps such employees have taken to minimize such risks;
13. review periodically with the Chief Compliance Officer and the General Counsels of the MTA and each subsidiary corporation and affiliate: (i) legal and regulatory matters that may have a material impact on the financial statements of the MTA (or any subsidiary corporation or affiliate); and (ii) the scope and effectiveness of compliance policies and programs;

*Ethics & Conflicts of Interests:*

14. together with the Chief Compliance Officer, review periodically with the relevant MTA employees the level of compliance with all applicable ethics codes, guidelines, and regulations;

*Miscellaneous:*

15. conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter;
16. review and reassess the adequacy of this Charter annually;
17. consider any matter referred to the entire Committee by the Committee Chair and/or Vice-Chair; and

18. report regularly to the Board on Committee findings and recommendations and any other matters the Committee deems appropriate, or the MTA Chair or the Board request.