



**Metropolitan Transportation Authority**

# **Audit Committee Meeting**

## **November 2009**

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### **Committee Members**

J. Sedore, Jr., Chair

M. Page, Vice Chair

A. Albert

R. Bickford

A. Cappelli

D. Frasca

I. Greenberg

S. Metzger



## MEETING AGENDA

### MTA AUDIT COMMITTEE

NOVEMBER 16, 2009 – 1:15 p.m.

347 Madison Avenue  
Fifth Floor Board Room  
New York, NY

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#### AGENDA ITEMS

#### PAGE

PUBLIC COMMENTS PERIOD	
1. APPROVAL OF MINUTES – SEPTEMBER 21, 2009	1
2. AUDIT COMMITTEE WORK PLAN	4
3. REVIEW OF AUDIT COMMITTEE CHARTER	14
4. AUDIT APPROACH PLANS/COORDINATION WITH EXTERNAL AUDITOR <i>(materials previously distributed)</i>	
5. INFORMATION TECHNOLOGY REPORTS <i>(materials previously distributed)</i>	
6. EXECUTIVE SESSION	

Date of next meeting: To be announced

**MINUTES OF MEETING  
AUDIT COMMITTEE OF THE BOARD  
MONDAY, SEPTEMBER 21, 2009 – 2:15 P.M.  
5TH FLOOR BOARD ROOM  
347 MADISON AVENUE  
NEW YORK, NEW YORK 10017**

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**The following were present:**

**Honorable:**

**James L. Sedore  
Susan G. Metzger  
Ira Greenberg**

**Mark Page  
Doreen Frasca  
Ronald Bickford**

**M. Fucilli – MTA  
G. Lanigan - MTA  
L. DeSimone - BSC  
M. Jaszcar - MTA**

**D. Jones – D&T  
G. Friedrich – D&T  
T. Boisselier - PwC**

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**1. APPROVAL OF MINUTES**

The minutes of the July 27, 2009 Audit Committee meeting were approved.

**2. AUDIT COMMITTEE WORKPLAN**

The Committee Chair reported that there is no meeting scheduled for October and the next Audit Committee meeting is scheduled for November 16, 2009. The November agenda will include the annual review of the Audit Committee charter, a review of information systems security and controls by the agencies' CIOs, a briefing from Deloitte & Touche on their audit approach for the 2009 year-end audits, and a status report on the progress at the MTA Business Service Center.

**3. MTA BUSINESS SERVICE CENTER**

Len DeSimone (MTA BSC) advised the Committee that the BSC is still on schedule to open January 1, 2011. The system's functional design phase will end in October and building will commence in November. Len thanked the agency SMEs (Subject Matter Experts) for their input and MTA Audit Services for their assistance.

Len indicated that the BSC is working with MTA Real Estate to identify a temporary work location for the next four to five years until a permanent location is built. The selection has been narrowed down to five or six possibilities, and they have been successful in getting good pricing. The location requires about 500 seats and needs to be ready by June 2010 so that system testing can commence.

Len also reported that the Workforce Transition group is just wrapping up a plan on how the agency workforces will transition over to the BSC. In addition, the Procurement Review Panel is looking into automating its system to better identify joint procurement possibilities. Len

further reported that the staffing level is up to 80% and reflects a good mix of agency staff and outside individuals. Staff is still short in the IT area, but everyone should be on board by October.

4. **INDEPENDENT ACCOUNTANTS' REVIEW REPORT FOR SECOND QUARTER 2009**

David Jones (D&T) reviewed the results of the Independent Accountants' Review Report for the quarter ended June 30, 2009. He indicated that the report is a quarterly review of MTA's financial statements and is significantly less in scope than an audit. The review is conducted primarily through discussions with management, reviewing trends in the financial statements, and an audit opinion is not expressed. Based on the results of this review, D&T did not note any significant issues that would have a material effect on the financial statements. A motion was made and approved to accept the quarterly review.

David also indicated that the FTA is looking at the financial matters relative to grants at selected transit agencies, and the MTA has been selected as one of the test subjects. The FTA has engaged another group within D&T to perform this function. However, David arranged to have this work performed in coordination with the testing that is already scheduled to be performed for the 2009 Single Audit as the testing procedures are the same.

5. **SINGLE AUDIT REPORTS**

Glen Friedrich (D&T) reported on the MTA Single Audit for 2008. He directed the Committee's attention to the "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements" which defines a control deficiency and a material weakness. He indicated there were no material weaknesses noted and any other matters were previously reported under the management letters. He also directed the Committee's attention to the "Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133". The report noted one instance of noncompliance relative to the LIRR's failure to conduct a biennial physical inventory count of federally funded equipment. LIRR's response outlined the corrective actions taken to comply with the requirement and is included in the body of the report.

Thibaut Boisselier (PwC) presented the results of the Single Audits for NYC Transit and LI Bus for 2008. He reported that there were no material weaknesses or reportable conditions noted during the audit, and PwC received full cooperation from NYC Transit and LI Bus management during the audit.

6. **APPOINTMENT OF EXTERNAL AUDITORS**

The Chair reminded the Committee about the MTA Board's appointment of Deloitte & Touche as the single independent auditor for MTA HQ and all the agencies effective with the 2009 year-end audit. This is the first year of a seven-year contract, and in subsequent years key agency financial staff will advise the Committee in September of their recommendation whether to renew the annual option. He also advised the Committee that they have been provided with a copy of D&T's most recent internal quality control review. A motion was made and approved to appoint D&T as the independent auditor for the MTA and all its agencies for the 2009 year-end audit.

7. **SUMMARY OF AUDIT COMMITTEE ACTIVITY**

The Chair directed the Committee's attention to the annual Summary of Audit Committee Activity report that was included in this month's package. This is a report that the Audit Committee prepares each year which outlines all activities conducted at Audit Committee for the 12-month period August 2008 to July 2009. Upon Committee approval, the Chair will distribute this report to the full Board. A motion was made and approved to accept the report.

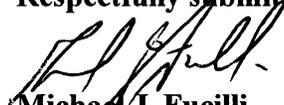
8. **EXECUTIVE SESSION**

A motion was made and approved to go into Executive Session to discuss a number of audit issues involving legal and personnel matters.

9. **NEXT MEETING**

The next meeting of the Audit Committee is scheduled for November 16, 2009.

Respectfully submitted,

  
Michael J. Fucilli  
Auditor General



## 2009 – 2010 AUDIT COMMITTEE WORK PLAN

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### I. RECURRING AGENDA ITEMS

	<u>Responsibility</u>
Approval of Minutes	Committee Chair & Members
Audit Work Plan	Committee Chair & Members
Follow-up Items	As Appropriate
Status of Audit Activities	Auditor General/MTA IG/ Chief Compliance Officer/ External Auditor/As Appropriate
Executive Sessions	As Appropriate
Pre-Approval of Audit and Non- Auditing Services	As Appropriate

### II. SPECIFIC AGENDA ITEMS

	<u>Responsibility</u>
<u>November 2009</u>	
Review of Audit Committee Charter	Committee Chair
Audit Approach Plans/ Coordination with External Auditors	External Auditor
Information Technology Reports	Chief Information Officers

#### December 2009

*(No Meeting Scheduled)*

## II. SPECIFIC AGENDA ITEMS (CON'T.)

### Responsibility

#### January 2010

Quarterly Financial Statements – 3<sup>rd</sup>  
Quarter 2009  
2008 Pension Audits  
Changes in Accounting Principles,  
Financial Reporting, and Regulatory  
Matters  
2009 Audit Plan Status Report  
2010 Audit Plan

External Auditor/CFOs  
External Auditors

External Auditor  
Auditor General  
Auditor General

#### February 2010

Financial Interest Reports  
MTA Ethics Program  
Agency Report on Open Audit  
Recommendations  
Discussion with MTA Inspector General

Chief Compliance Officer  
Chief Compliance Officer

Agency ICOs/Chief Compliance Officer  
MTA/IG

#### March 2010

*(No Meeting Scheduled)*

#### April 2010

2009 Financial Statements w/Audit  
Representation Letters  
Contingent Liabilities/Third Party  
Lawsuits (Executive Session)  
2010 Audit Plan Status Report

External Auditor/CFOs/Controller

General Counsels/External Auditor  
Auditor General

#### May 2010

*(No Meeting Scheduled)*

#### June 2010

Quarterly Financial Statements – 1<sup>st</sup> Quarter  
Investment Compliance Report  
Review of Inspector General's Office  
Management Letter Reports

External Auditor/CFOs  
External Auditor  
External Auditor  
External Auditor/CFOs/Controllers

## II. SPECIFIC AGENDA ITEMS (CON'T.)

### Responsibility

#### July 2010

Report on Compliance with the Requirements  
of the Internal Control Act  
Agency Report on Open Audit  
Recommendations  
2010 Audit Plan Status Report

Agency ICOs/Chief Compliance Officer

Agency ICOs/Chief Compliance Officer  
Auditor General

#### August 2010

*(No Meeting Scheduled)*

#### September 2010

Quarterly Financial Statements – 2<sup>nd</sup> Quarter  
2009 Single Audit Reports  
Appointment of External Auditors  
Annual Audit Committee Report  
2010 Audit Plan Status Report

External Auditor/CFOs  
External Auditor/CFOs  
CFOs/Controllers  
Audit Committee  
Auditor General

#### October 2010

*(No Meeting Scheduled)*

# **2009 - 2010 AUDIT COMMITTEE WORK PLAN**

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## **Detailed Summary**

### **I. RECURRING AGENDA ITEMS**

#### **Approval of Minutes**

Approval of the official proceedings of the previous month's Committee meeting.

#### **Audit Work Plan**

A monthly update of any edits and/or changes in the work plan.

#### **Pre-approval of Audit and Non-Auditing Services**

As appropriate, all auditing services and non-audit services to be performed by external auditors will be presented to and pre-approved by the Committee.

#### **Follow-Up Items**

Communications to the Committee of the current status of selected open issues, concerns or matters previously brought to the Committee's attention or requested by the Committee.

#### **Status of Audit Activities**

As appropriate, external auditors or agency management will discuss with the Committee significant audit findings/issues, the status of on-going audits, and the actions taken by agency management to implement audit recommendations.

#### **Executive Sessions**

Executive Sessions will be scheduled to provide direct access to the Committee, as appropriate.

### **II. SPECIFIC AGENDA ITEMS**

## **Detailed Summary**

### **NOVEMBER 2009**

#### **Review of Audit Committee Charter**

The Committee Chair will report that the Committee has reviewed and assessed the adequacy of the Audit Committee Charter and, based on that review, will recommend any changes for 2010 at this time. The review will also show if the Committee's performance in 2009 adequately complied with the roles and responsibilities outlined in its Charter (i.e. monitoring and overseeing the conduct of MTA's financial reporting process; application of accounting principles; engagement of outside auditors; MTA's internal controls; and other matters relative to legal, regulatory and ethical compliance at the MTA).

## Audit Approach Plans/Coordination With External Auditor

The external audit firm will review their audit approach for the review of the 2009-year end audits. This review will describe the process used to assess inherent and internal control risks, the extent of the auditor's coverage, the timing and nature of the procedures to be performed, and the types of statements to be issued.

## Information Technology Reports

The Chief Technology/Information Officers or appropriate management from the respective agencies will review, with the Committee, the actions taken to address issues raised in both internal and external audits concerning system security and control related issues. This will include the status of prior year recommendations that have yet to be implemented and compliance to MTA Agency-wide policies and procedures.

## **DECEMBER 2009**

*No Meeting Scheduled*

## **JANUARY 2010**

### Quarterly Financial Statements

Representatives of the MTA public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the third quarter of 2009.

### 2008 Pension Audits

Representatives of the MTA public accounting firm will provide the results of their reviews of the pension plans that are managed and controlled by the MTA, Metro-North, Long Island Rail Road, and NYC Transit.

### Changes in Accounting Principles, Financial Reporting, and Regulatory Matters

In preparation of financial statement review, the External Auditor will report on the impact of new or proposed changes in accounting principles, regulations, or financial reporting practices.

### 2009 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed, a summary of the more significant audit findings, and a discussion of the other major activities performed by the department.

## 2010 Audit Plan

A discussion by Audit Services of the areas scheduled to be reviewed in 2010 as well as the guidelines and policies that were used to assess audit risk and their application in the development of the audit work plan.

### **FEBRUARY 2010**

#### Financial Interest Reports

The MTA Chief Compliance Officer will brief the Committee as to the agencies' compliance with the State Law regarding the filing of Financial Interest Reports (FIRs), including any known conflicts of interest.

#### MTA Ethics Program

The MTA Chief Compliance Officer will brief the Committee on selected aspects of the MTA Ethics Program.

#### Agency Report on Open Audit Recommendations

The MTA Chief Compliance Officer and Agency Internal Control Officers will report to the Committee on the status of audit recommendations previously accepted by their respective agency.

#### MTA Inspector General

The MTA Inspector General will meet with the Audit Committee, in Executive Session, to discuss issues currently under review by the OIG.

### **MARCH 2010**

*No Meeting Scheduled*

### **APRIL 2010**

#### 2009 Financial Statements and Audit Representation Letters

The agency CFOs/Controllers will be available to the Committee to answer any questions regarding the submission of their audit representation letters to the external audit firm. The MTA public accounting firm will review the results and conclusions of their examination of the 2009 Financial Statements.

## Contingent Liabilities and Status of Third Party Lawsuits

The General Counsels from each agency, along with representatives from D&T and PwC, will review in Executive Session the status of major litigation that may have a material effect on the financial position of their agency, or for which a contingency has been or will be established and/or disclosed in a footnote to the financial statements. In addition, the Committee will be briefed on the status of third party lawsuits for which there has been minimal or sporadic case activity.

## 2010 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed, a summary of the more significant audit findings, and a discussion of the other major activities performed by the department

## **MAY 2010**

*No Meeting Scheduled*

## **JUNE 2010**

### Quarterly Financial Statements

Representatives of MTA's public accounting firm, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the first quarter of 2010.

### Investment Compliance Report

Representatives of the MTA's public accounting firm will provide a review of MTA's compliance with the guidelines governing investment practices.

### Management Letter Reports

Reports will be made by the MTA's public accounting firm on the recommendations made in the auditors' Management Letter for improving the accounting and internal control systems of the MTA and its agencies. The report will also include management's response to each Management Letter comment. The response will describe the plan of action and timeframe to address each comment. In addition, the report will contain a follow-up of prior years' open recommendations conducted by the external audit firm.

### Review of Inspector General's Office

The MTA's public accounting firm will provide the results of their review of the MTA/IG's operation to ensure compliance with applicable regulations, rules, policies and procedures.

## **JULY 2010**

### Report on Compliance with the Requirements of the Internal Control Act

The Committee will be briefed by the MTA Chief Compliance Officer and Agency Internal Control Officers on the results of the All-Agency Internal Control Reports issued to the NYS Division of the Budget as required by the Government Accountability, Audit and Internal Control Act.

### Agency Report on Open Audit Recommendations

The MTA Chief Compliance Officer and Agency Internal Control Officers will report to the Committee on the status of audit recommendations previously accepted by their respective agency.

### 2010 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed as compared to the audits planned for the year, a summary of the more significant audit findings, results of audit follow-up, and a discussion of the other major activities performed by the department.

## **AUGUST 2010**

*No Meeting Scheduled*

## **SEPTEMBER 2010**

### Quarterly Financial Statements

External auditors, in conjunction with appropriate agency management, will discuss the interim financial statement that was prepared for the second quarter of 2010.

### 2009 Single Audit Reports

Representatives of MTA's public accounting firm will provide the results of their federally mandated single audit reviews at the MTA, NYC Transit and LI Bus.

### Appointment of External Auditors

The Audit Committee will approve the reappointment of Deloitte & Touche as the independent auditor for MTA HQ and all the agencies. This is the second year of a seven year contract, and key agency financial staff will advise the Committee of their recommendation whether to renew the annual option. As part of this process, the Auditor General has reviewed and provided to the Committee, and will retain on file, the latest report of the firm's most recent internal quality control review.

## Annual Audit Committee Report

As a non-agenda information item, the Audit Committee will be provided with a draft report which outlines the Audit Committee's activities for the 12 months ended July 2010. This report is prepared in compliance with the Audit Committee's Charter. After Committee review and approval, the Committee Chair will present the report to the full MTA Board.

## 2010 Audit Plan Status Report

A briefing by Audit Services that will include a status of the work completed as compared to the audits planned for the year, a summary of the more significant audit findings, results of audit follow-up, and a discussion of the other major activities performed by the department.

## **OCTOBER 2010**

*No Meeting Scheduled*

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# The Metropolitan Transportation Authority

## AUDIT COMMITTEE

This Charter for the Audit Committee was adopted by the Board 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 the 29th day of July, 2004. , ~~and This charter was~~ amended on the 17<sup>th</sup> day of December, 2008 and further amended on December \_\_\_\_\_, 2009.

### I. PURPOSE

The Audit Committee (the "Committee") shall assist and provide guidance to the Board 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 (hereinafter referred to as the "Purpose").

### 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. MTA Audit Services' organizational independence is derived from its reporting structure as it reports to the MTA Audit Committee and MTA Executive Director/Chairman/CEO.

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). The foregoing is not intended to alter or curtail existing rights of individual board members to access books, records or staff in connection with the performance of their fiduciary duties as board members. With the prior approval of the Board 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 Board Chair. If not otherwise a member of the Committee, each Vice-Chair of the Board shall be an *ex officio* member of the Committee. The Board 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 Board Chair. In the absence of the Committee Chair or the Committee Vice-Chair at a meeting of the Committee, the Board 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. Meetings of the Committee shall be open to the public, and the Committee shall be governed by the rules regarding public meetings set forth in the applicable provisions of the Public Authorities Law and Article 7 of the Public Officers Law that relate to public notice, public speaking and the conduct of executive session. 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. The Auditor General shall (1) furnish the Committee with all material information pertinent to matters appearing on the Committee agenda relating to the Purpose, (2) provide the chairperson of the Committee with all information regarding the Purpose that is material to the Committee's monitoring and oversight of the Purpose, and (3) inform the chairperson of the Committee of any matters not already on the Committee agenda that should be added to the agenda in order for the Committee to be adequately monitoring and overseeing the Purpose.

## **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 Board 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 Board 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 Board 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 Board 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 Board 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 and risk assessment as proposed by the Auditor General in consultation with the MTA ~~Executive Director~~ Chairman/CEO 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, status of the internal audit plan and the adequacy of internal audit resources (both numbers and capabilities);
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 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 Board Chair or the Board request.



