

Orange County Transportation Authority Audit Responsibilities of the Finance and Administration Committee

The Finance and Administration Committee (Committee) of the Board of Directors (Board) of the Orange County Transportation Authority (OCTA), will assist the Board in fulfilling its audit oversight responsibilities with regard to (1) the integrity of OCTA's financial statements, (2) OCTA's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of OCTA's internal audit function. In providing this assistance to the Board, the Committee will assume audit responsibilities as provided herein and recommend action on all audit matters to the full Board.

All Committee members will participate in fulfilling these responsibilities. At least one of the Committee members will have financial experience sufficient to provide guidance and assistance to other Committee members on matters related to accounting, auditing, budgeting, and finance.

Audit responsibilities of the Committee will include, but not be limited to, the following:

Financial Statements

- Review with management and the external auditors:
 - The annual financial audit reports and related footnotes, schedules, unadjusted differences, and management letter, including OCTA accounting principles and significant estimates or judgments impacting the financial statements.
 - Any serious difficulties or disputes with management encountered during the audit.
 - Matters required to be discussed by Statements on Auditing Standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants, or other state or federal agencies.
- Inquire of the Chief Executive Officer and the Chief Financial Officer regarding the fiscal health of OCTA, as well as the financial status of OCTA in relation to its adopted budget.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with the Internal Audit Department (Internal Audit).
- Inquire of the external auditors, internal auditors, and management about significant risks or exposures facing OCTA, and assess the steps management has taken or proposes to take to minimize such risks.
- Review the performance of the external auditors, including any issues arising during their most recent quality control or peer review, their independence as it relates to OCTA, and recommend to the Board the appointment or discharge of the external auditors.

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- Make recommendations to the Board on procurement of the external auditors and ensure compliance with Government Code Section 12410.6 with regard to assignment of partners.

Internal Audit

- Review with management and the Executive Director of Internal Audit the annual audit plan and quarterly reports of audit activity.
- Review the activities, staffing, budget, independence, and organizational structure of the internal audit function, including the effectiveness of the function and its compliance with the Government Accountability Office's *Government Auditing Standards* (Yellow Book).
- Review all internal audit reports, including management responses, thereto.
- Ensure there are no unjustified restrictions or limitations placed upon Internal Audit.
- Review and concur in the appointment, replacement, or dismissal of the Executive Director of Internal Audit.

Internal Control

- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Consider the effectiveness of OCTA's internal control system, including information technology security and control.

Other

- Review the Audit Responsibilities of the Finance and Administration Committee annually to reassess their adequacy and recommend any proposed changes.
- Review the Committee's effectiveness in carrying out its responsibilities.
- Other matters deemed appropriate by the Committee Chairman or as directed by the Chairman of the Board.