



## **PACE AUDIT COMMITTEE CHARTER**

December 13, 2017

### **PURPOSE**

The Pace Audit Committee (the “Committee”) will assist the Pace Board of Directors (the “Board”) by providing oversight of Pace’s internal and external auditing and reporting. To this end, the Committee will review and assess Pace’s financial reporting, audit activity, internal controls, systems, compliance with laws and Pace policies, and Code of Conduct. Based on results of these reviews and assessments, the Committee will make periodic reports to the Board and recommend action by the Board when appropriate.

### **COMPOSITION**

The Committee will consist of three (3) members of the Board, inclusive of the Committee Chairperson. Each member of the Committee shall, in the judgment of the Board, have the ability to read and understand fundamental financial information. The Chairman of the Board shall appoint Committee members and set their term in accordance with Pace and the Board guidelines. The Committee Chairperson will be determined by a vote of the Committee members. In the event the Committee members are unable to decide, the Chairman of the Board will determine the Committee Chairperson.

If any member of the Committee is unable to continue serving, he/she may resign by providing three months advance written notice when possible to the Chairman of the Board, Committee members, Executive Director, and Chief Internal Auditor.

### **MEETINGS**

The Committee will meet four times a year or more frequently if necessary, with authority to set the date, time and place of each meeting. Committee members may participate in a meeting only by attending the meeting in person unless advance arrangements are made for a meeting held by means of a conference call. Meeting notices will be posted and provided to interested parties in conformance with applicable laws, regulations, customs and practices. The Committee may request the Executive Director to invite members of management and/or others to attend meetings and provide pertinent information (if necessary). Subject to open meetings regulations, the Committee may determine that a meeting or portion of a meeting will be held in closed session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials and meeting minutes. Minutes of the meeting will be kept and provided to the Board if requested.

## **AUTHORITY**

The Committee has authority to review any Pace information and request Internal Audit investigations into any matter consistent with its purpose and within this charter scope of responsibility.

The Committee is specifically authorized to:

- Review and provide recommendations to the Board, regarding management financial reporting, audits, and external auditors.
- Review unresolved disagreements between management and the auditor regarding financial reporting and auditing and report these disagreements to the Board along with the Committee's views on the nature of the disagreement.
- Seek any information it requires from employees, Pace management, officers, external auditors, and outside counsel as necessary.
- Make recommendations to the Board related to procurements, in accordance with the Pace Standard Procurement process.
- Make recommendations to the Board in accordance with the Audit Committee Charter.
- Make recommendations to the Executive Director regarding Internal Audit work.

## **FINANCIAL REPORTING REVIEW**

The Committee will obtain an understanding of Pace financial information through discussion and information obtained from management, external auditors, and the Chief Internal Auditor. The Committee will provide reasonable assurance to the Board that Pace's financial condition is fairly stated based on financial information received, results of operations, future plans, and long-term commitments reported by management. Therefore, the Committee will:

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and discuss with management their impact on the financial statements.
- Discuss and review with management the results of audits, communicate as required by Generally Accepted Auditing Standards any difficulties encountered.

During this process, the Committee will consider whether the audited financial statements, auditor's opinions and management letters are complete, and consistent with information known by Committee members, and comply with appropriate accounting principles. If the Committee is satisfied with this material, the Committee may recommend approval by the Board as appropriate.

## **EXTERNAL AUDIT REVIEW**

The Committee will:

- Ensure the rotation of the independent auditing firm is every five years.
- Assure independence of external financial assurance services by requiring disclosure of any conflict of interest.
- Discuss and review with external auditors the results of Pace audits including audited financial statements, auditor's opinions, and management letters.
- Meet separately in closed session with the external auditors to discuss matters the Committee, auditors, or legal counsel believe may be discussed in closed sessions.
- Review the performance of external audit firms with the Chief Internal Auditor.

- Provide conclusions and recommendations regarding external auditors (if needed) to the Executive Director and to the Pace Board.

### **INTERNAL AUDIT REVIEW AND ASSISTANCE**

To facilitate effectiveness and independence, the internal audit function is accountable to the Board with administrative oversight by the Executive Director. The Board therefore authorizes the Committee to:

- Assure and maintain, through the organizational structure or other means, the independence of the internal audit process.
- Ensure there are no unjustified restrictions or limitations on the internal audit function.
- Ensure Internal Audit report findings and recommendations are adequately addressed.
- Review and approve the Pace Internal Audit Charter that further defines the authority and responsibilities of the Internal Audit Department to assure compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

In addition, the Committee may, through assistance provided by the Chief Internal Auditor:

- Review annual risk assessment and management steps to mitigate risks.
- Review and recommend for Board approval the annual audit plan and major changes to the plan.
- Review, through externally administered Quality Assurance Reviews (QARs), every three to five years, the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- Request special studies or other professional internal audit services regarding matters of interest and concern to the Committee, with approval of the Chairman of the Board.
- Review the effectiveness of Pace's internal control system, including information technology security and control and ensure measures are taken to provide an effective policy on internal control and compliance.
- Understand the scope of internal and external auditors' review of internal control and financial reporting. Obtain reports for review of significant findings and recommendations, together with management's response.

### **COMPLIANCE REVIEW**

The Committee, through the assistance of the Chief Internal Auditor, will provide reasonable assurance to the Board that Pace policies are being carried out and that systems are in place to ensure compliance with laws and regulations. To this end, the Committee will:

- Ensure Pace is appropriately responsive to audits, investigations, management letters or inquiries from governmental and regulatory agencies.
- 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) on instances of noncompliance.
- Review reports and assess the process for communicating the code of conduct to Pace personnel, and for monitoring and enforcing compliance.
- Review management's use of expense accounts and company assets (i.e. vehicles, etc.).

- Review procedures for the receipt, retention, and treatment of complaints regarding accounting, internal controls, audit matters, and suspected fraud.
- Review procedures for confidential, anonymous submission of tips from employees or other individuals regarding questionable accounting or suspected fraud.

#### **OTHER TASKS**

The Committee will make the reports and recommendations referred to under “Purpose” and, through assistance provided by the Chief Internal Auditor, the Committee will:

- Report annually to the Board, describing the Committee’s composition, responsibilities, and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as required by law or regulation.
- Develop a work plan to be utilized by the Committee and the Chief Internal Auditor to facilitate the successful completion of the duties and responsibilities outlined in the Committee Charter.
- Develop the Committee agenda for the year.

**ORDINANCE SBD #18-05**

ADOPTED by the Board of Directors of Pace, the Suburban Bus Division of the RTA, January 10, 2018.

DIRECTORS VOTING AYE: 11 Canning, Carr, Claar, Hastings, Larson, Marcucci, Schielke, Shepley, Soto, Tamley, Chairman Kwasneski

DIRECTORS VOTING NAY: 0

DIRECTORS ABSENT: 2 Stephens, Wells

(Seal)

  
Richard Kwasneski, Chairman

Attest:

  
Laurie Machnik, Acting Board Secretary