



Chautauqua, Cattaraugus, Allegany & Steuben Counties  
**Southern Tier Extension Railroad Authority**  
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"This institution is an equal opportunity organization"

Terry Everetts, Chairman  
Richard Zink, Chief Executive Officer

## **AUDIT COMMITTEE CHARTER**

This Audit Committee Charter was adopted by the Board of Directors of the Southern Tier Extension Railroad Authority, a public benefit corporation established under the laws of the State of New York, on June 18, 2007, and later amended on March 30, 2011 and March 5, 2012.

### **1. Purpose of the Audit Committee**

- A. Consistent with Article 9, Section 5 of the Authority's bylaws, the purpose of the Audit Committee shall be to assist the Authority's Board of Directors by:
  - 1. Assuring that the Authority's Board fulfills its responsibilities for the Authority's internal and external audit process; and
  - 2. Recommending to the Authority's Board the hiring of a specific certified independent accounting firm for the Authority and the compensation to be paid to the accounting firm, and providing direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes in conjunction with the CFO
  - 3. Providing an avenue of communication between management, the independent auditors, the internal auditors, and the Authority's Board of Directors.

### **2. Composition of the Audit Committee and Selection of Members**

- A. The Audit Committee shall be established as set forth in and pursuant to Article 9, Sections 1 and 5 of the Authority's bylaws. The Audit Committee shall consist of at least three independent members of the Authority's Board of Directors. The Authority's Board of Directors determines the number of members of the Audit Committee. The Authority's Board Chairman shall appoint the Audit Committee members and the Audit Committee Chairperson. Members of the Audit Committee shall serve at the discretion of the Board of Directors, provided that the members of the Audit Committee shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified. When feasible, the immediate past Audit Committee Chair will continue serving as a member of the Audit Committee for at least one year to ensure an orderly transition.
- B. Audit Committee members shall be prohibited from being an employee of the Authority or an immediate family member of an employee of the Authority. In addition, Audit Committee members shall not engage in any private business transactions with the Authority or receive compensation from any private entity that has material business relationships with the Authority, or be an immediate family member of an individual that engages in private business transactions with the Authority or receives compensation from an entity that has material business relationships with the Authority.
- C. Ideally, all members of the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

### **3. Meetings of the Audit Committee**

- A. The Audit Committee shall meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in this Charter.
- B. Members of the Audit Committee are expected to attend each Committee meeting, in person or via videoconference. The Audit Committee may invite other individuals, such as members of management, auditors, counsel, financial experts, or other technical experts to attend meetings and provide pertinent information, as necessary.
- C. At all Audit Committee meetings, a majority of the voting members of the Audit Committee shall constitute a quorum for the purpose of transacting business; provided that a smaller number may meet and adjourn to some other time or until the quorum is obtained. For the transaction of any business or the exercise of any power of the Audit Committee, the Audit Committee shall have the power to act by a majority of the whole number of voting members of the Audit Committee. A valid quorum and vote may only be established where such members are physically present at a meeting or are present through the use of videoconferencing.
- D. Meetings of the Audit Committee are subject to the New York State Open Meetings Law and must be properly noticed per the Open Meetings Law.
- E. Minutes of Audit Committee meetings will be recorded. Agendas and meeting minutes shall be posted to the Authority's web site.
- F. Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with briefing materials a minimum of 1 week before the scheduled Audit Committee meeting.
- G. The Audit Committee will meet with the Authority's independent auditor at least annually to discuss the financial statements of the Authority.

### **4. Powers and Responsibilities of the Audit Committee**

#### **A. General Provisions**

The Audit Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) special investigations and whistleblower policies; and (c) miscellaneous issues related to the financial practices of the Authority. To carry out these responsibilities, the Audit Committee shall:

- 1. Conduct or authorize investigations into any matters within its scope of responsibility.
- 2. Seek any information it requires from Authority employees or contract staff, all of whom should be directed by the Board to cooperate with Audit Committee requests.
- 3. Meet with Authority employees or contract staff, independent auditors, financial experts, or outside counsel, as necessary.

#### **B. Independent Auditors and Audited Financial Statements**

The Audit Committee shall:

- 1. Recommend to the Authority's Board the hiring of a specific certified independent accounting firm for the Authority and compensation to be paid to the accounting firm, provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes, and pre-approve all audit services provided by the independent auditor.
- 2. Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Authority's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services

include tasks that directly support the Authority's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Authority, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

3. Review, based upon the CFO's recommendation, the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications; recommend to the Authority Board that it approve the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications; and recommend to the Authority Board that it undertake specific appropriate actions to remedy any deficiencies identified in the Authority's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
4. Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
5. Meet with the independent audit firm as needed to discuss any significant issues that may have surfaced during the course of the audit.
6. Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

**C. Internal Controls, Compliance and Risk Assessment**

The Audit Committee shall:

1. Review the report on internal controls by the independent auditor as a part of the financial audit engagement.
2. Recommend to the Authority Board that it approve any internal audit reports and take specific appropriate actions to remedy any deficiencies identified in any internal audit reports and any deficiencies identified in the report on internal controls by the independent auditor as a part of the financial audit engagement.

**D. Special Investigations**

The Audit Committee shall:

1. Ensure that the Authority has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the Directors, officers, or employees of the Authority or any persons having business dealings with the Authority or breaches of internal control.
2. Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
3. Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation (for example, issues may be referred to the State Inspector General or, other investigatory organization.).
4. Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.
5. Report to the Authority Board on any reports or complaints received under this section, and recommend to the Authority Board that it take specific appropriate actions to respond to issues identified in these reports or complaints.

**E. Other Responsibilities of the Audit Committee**

The Audit Committee shall:

1. Obtain any information and training needed to enhance the Committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
2. Review the Committee's charter annually, reassess its adequacy, and recommend any proposed changes to the Board of the Authority. The Audit Committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.

**5. Resources of the Audit Committee**

- A. The Audit Committee shall have the authority to retain, at the Authority's expense, such outside counsel, financial experts, and other technical advisors, as the Audit Committee may deem appropriate.

**Originally Approved by the Board of Directors of the  
Chautauqua, Cattaraugus, Allegany, and Steuben  
Southern Tier Extension Railroad Authority on June 18, 2007**

**Amended by the Executive Committee of the  
Southern Tier Extension Railroad Authority  
on March 30, 2011, acting under the express authority to do so given to it by the  
Board of Directors of the Chautauqua, Cattaraugus, Allegany, and Steuben  
Southern Tier Extension Railroad Authority**

**Amended by the Board of Directors of the  
Chautauqua, Cattaraugus, Allegany, and Steuben  
Southern Tier Extension Railroad Authority on March 5, 2012**

*Thomas M. Barnes*

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**Name**

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Secretary

**Title**

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March 9, 2015

**Date**