To: Chairman Smedberg and the VRE Operations Board

From: Doug Allen

Date: October 18, 2013

Re: Approval of Joint Audit Committee as VRE Operations Board Audit Committee

Recommendation:

The VRE Operations Board is being asked to approve the creation of a VRE Audit Committee, the members of which shall be the members of the Joint Audit Committee created by the Commissions.

Background:

In response to the recent report by the Auditor of Public Accounts (APA) on the governance structure of VRE, the Operations Board recommended that the Commissions establish a joint audit committee for the purpose of reviewing the APA report, making recommendations on the report findings, and arranging for a management audit as recommended in the report. The Joint Audit Committee was created by the Commissions at their respective meetings on October 2, 2013.

Under the terms of the Master Agreement, the Operations Board is required to have an annual financial audit of VRE operations as part of the Board's financial oversight responsibilities. As part of the audit process, the independent financial auditors are required to have direct communication with the Operations Board. Although the Executive Committee has fulfilled this function in prior years, a formally created VRE Audit Committee is the appropriate mechanism for this communication. In order to avoid
confusion, the members of the Joint Audit Committee established by the Commissions and the members of the VRE Audit Committee should be the same.

The purpose and functions of the VRE Audit Committee are attached.

**Fiscal Impact:**

The creation of the VRE Audit Committee has no direct fiscal impact.
Virginia Railway Express  
Operations Board  

Resolution  
8B-10-2013  

Approval of Joint Audit Committee as  
VRE Operations Board Audit Committee  

WHEREAS, at the request of the Operations Board, a Joint Audit Committee was created by the Commissions on October 3, 2013; and,  

WHEREAS, an Audit Committee created by the Operations Board is required to provide a mechanism for the independent financial auditors to communicate directly with the Operations Board; and,  

WHEREAS, in order to avoid confusion, the members of the Joint Audit Committee established by the Commissions and the members of the VRE Audit Committee should be the same.  

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board approves the creation of a VRE Audit Committee with the purpose and functions outlined in the attached materials, and the members of which shall be the members of the Joint Audit Committee created by the Commissions.  

Approved this 18th day of October 2013  

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Paul Smedberg  
Chairman  

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John Cook  
Secretary
Policy

The members of the NVTC/PRTC Joint Audit Committee will also serve as the members of the VRE Audit Committee. The functions and purpose of the Audit Committee are described below. (Operations Board meeting October 18, 2013)

Purpose and Functions of Audit Committee

The purpose of the Audit Committee is to provide an institutional framework that allows the Operations Board to ensure that VRE's internal control and financial reporting are reliable and to ensure that any audit findings are reviewed and remedies implemented, as needed.

Audit Committee functions:

- Provide a mechanism for required direct communication, apart from management, between the independent financial auditors and the Operations Board.
- Assist the Operations Board in ensuring that VRE management is fulfilling its internal control and financial reporting responsibilities.
- Other functions as requested by the Operations Board.