



December 13, 2017

To: Finance and Administration Committee

From: Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Internal Audit Policy

Overview

A revised Internal Audit Policy has been prepared to better define the roles and responsibilities of the Internal Audit Department and management as they relate to follow-up reviews of outstanding recommendations. The Internal Audit Policy includes the procedures and protocols for the conduct and reporting of internal audit activities.

Recommendation

Direct staff to implement the Internal Audit Policy, as revised.

Background

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) is an independent appraisal function whose purpose is to examine and evaluate OCTA's projects, programs, operations, and activities to assist management and the Board of Directors in the effective discharge of their duty to safeguard the assets of OCTA and ensure those assets are used in an efficient and effective manner.

The Internal Audit Policy (Policy) was originally developed to clarify the roles, responsibilities, and protocols for audit activities within OCTA. On October 25, 2017, the Finance and Administration Committee provided direction to Internal Audit to enhance procedures to ensure more detailed and escalated reporting of audit recommendations that remain outstanding over twelve months.

Discussion

The Policy has been enhanced to include requirements for more detailed and escalated reporting of the status of outstanding audit recommendations. Specifically, each quarterly update to the Internal Audit Plan includes an exhibit reflecting the status of implementation of outstanding audit recommendations which are reviewed by Internal Audit every six months until satisfactorily addressed by management. The Policy now includes reporting to the Chief Executive Officer any audit recommendations outstanding over 12 months and inclusion of management's explanation for the delay, along with an estimate as to the percentage progress toward completion. Audit recommendations involving outside agencies that remain outstanding over 12 months without progress will be reported to the Finance and Administration Committee during presentation of the quarterly update.

Summary

The Internal Audit Policy has been revised to better define the roles and responsibilities of Internal Audit and management as they relate follow-up reviews of outstanding recommendations.

Attachment

- A. Internal Audit Policy

Prepared by:



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