



# Oregon

Tina Kotek, Governor

Oregon Transportation Commission

Office of the Director, MS 11

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Salem, OR 97301-3871

**DATE:** March 5, 2026

**TO:** Oregon Transportation Commission

*Lisa Sumption*

**FROM:** Lisa Sumption  
Interim Director

**SUBJECT:** **Agenda Item N** – Audit Accountability Committee

**PRESENTED BY:** Chief Auditor Marlene Hartinger

**Requested Action:**

Approve the revised Internal Audit Governance Policy AUD 01-01 to establish a new Audit Accountability Committee responsible for overseeing corrective actions on audit findings.

**Background:**

Policy AUD 01-01 defines the internal audit governance structure for the department. To ensure timely resolution of audit findings, the department is proposing the creation of an Audit Accountability Committee. The role of the Committee will be to review audit reports and corrective actions taken by management to address the audit findings. Composition of the Committee will include members of the Commission as well as a state government executive independent of the department.

The Committee will strengthen audit accountability by providing a forum for discussion of audit issues, reviewing audit findings and recommendations, evaluating the department's action plans in response to the recommendations, and monitoring the implementation of corrective actions. The Commission will receive ongoing updates on Committee activities two to three times per year via the OTC's standing 'Committee Updates' agenda item.

**Previous Commission Action and Discussion:**

The OTC last approved revisions to Internal Audit Governance Policy AUD 01-01 on September 9, 2021 to better align with statutory requirements. This is the first presentation to the OTC relating to the establishment of an Audit Accountability Committee.

**Outcomes:**

The Commission's decision on this item will determine whether additional rigor and oversight is put in place to resolve audit findings.

**With approval**, audit accountability will be reinforced. A new oversight and monitoring function will be created to ensure that the department takes actionable steps on audit findings in a timely and responsive manner. Staff anticipates the first meeting of the committee would occur in Spring 2026.

**Without approval**, the department's audit response practices will continue as-is without additional scrutiny.

**Attachments:**

- Attachment 01 – Internal Audit Governance Policy AUD 01-01
- Attachment 02 – AUD 01-02 Internal Audit Function Policy

 <b>Oregon Department of Transportation</b>  <b>POLICY</b>	NUMBER AUD 01-01	SUPERSEDES 9/09/2021
	EFFECTIVE DATE XX/XX/2026	PAGE NUMBER 01 OF 04
	VALIDATION DATE	
	REFERENCE OAR 125-700-0135; ODOT Policy AUD 01-02	
SUBJECT  <b>Internal Audit Governance</b>	APPROVED SIGNATURE	

**PURPOSE**

The purpose of this policy is to define the internal audit governance structure for the Department. The roles and responsibilities contained in this policy, in total, serve as the Audit Committee Charter in conformance with OAR 125-700-0135(5)(a).

**POLICY**

ORS 184.639 establishes the Internal Auditor as independent through a direct reporting relationship with the agency’s external governing body, the Oregon Transportation Commission, and providing the Internal Auditor with final authority on which audits to perform. This structure is in conformance with generally accepted government auditing standards, which require the internal auditor to have access to and regularly report to those charged with governance for the role to be independent.

In performing their duties, the Internal Auditor has unrestricted access to needed records and personnel.

**GUIDELINES**

To promote audit independence and public accountability and transparency for the Department, the Internal Auditor has direct reporting to the Oregon Transportation Commission. The Commission is involved with the appointment and removal of the Internal Auditor, receives reports and work plans, and is engaged with various aspects of the audit process. (See *ODOT Policy AUD 01-02* for policy on the internal audit function.)

To ensure the timely resolution of audit findings and improve Department programs and processes, the Commission has established an Audit Accountability Committee. The role of the Committee is to review audit reports and corrective actions taken by management to address the audit findings. Members of the Committee shall maintain an understanding of internal audits’ work and roles. In following up on audits, the Committee may require management to take additional actions in response to the audit findings.

As an additional step for public accountability and transparency, ORS 184.661 requires posting of audit reports on the department’s external web site for public access.

The Commission governance structure is established to enhance the independence of the function in conformance with OAR 125-700-0135 and generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. For audits that do not include roles and responsibilities of the Oregon Transportation Commission in their scope, the internal audit function is considered an external audit organization under GAGAS 3.54(d). For audits that include roles and responsibilities of the Oregon Transportation Commission in their scope, the reports will include a modified GAGAS compliance statement in accordance with GAGAS Section 9.04.

In performing the responsibilities described below, Commission members, agency employees, and involved stakeholders will abide by statutes, administrative rules, and agency policies as applicable in addressing potential or actual conflicts of interest.

## **RESPONSIBILITIES AND ACTIONS**

### **Oregon Transportation Commission**

Actions:

- In consultation with the Director, designate the internal auditor.
- Approve Director's removal of internal auditor by majority vote.
- Provide input on risks that should be addressed in audit work plan and adopt final plan.
- Receive final internal audit reports.
- Ensure that the department takes timely and appropriate corrective action in response to risks raised by internal audits.
- Receive the external peer review report that evaluates the internal audit function's quality control system.
- Submit requests for specific audits to internal auditor for consideration.
- Appoint members of the Audit Accountability Committee to be comprised of:
  - Two Commission members
  - One state government executive member independent of the Department

### **Director**

Actions:

- Consult with Commission on hire of internal auditor and seek majority vote from Commission on internal auditor removal if necessary.
- Submit requests for specific audits to internal auditor for consideration.
- Ensure that agency management takes timely and appropriate corrective action in response to risks raised by internal audits.
- Attend meetings of the Audit Accountability Committee as an ex officio member.
- Provide administrative oversight to Audit Services.
- Ensure that Audit Services has the resources reasonably necessary to comply with Government Auditing Standards.

### **Audit Accountability Committee**

Actions:

- Meet at least two times a year.
- Provide a forum for discussion of audit issues.
- Review audit work plan before Commission adoption.
- Review audit reports, findings, recommendations, and audited units' responses.
- Evaluate audited units' action plans for responsiveness to audit findings and recommendations.
- Monitor the implementation of corrective actions to resolve audit findings.
- Provide updates to the Commission.

### **Chief Auditor (Internal Auditor)**

#### Actions:

- Present audit issues and updates at Commission and Audit Accountability Committee meetings for discussion and action as needed.
- Send audit work plan to the Commission for adoption.
- Make final decision on what internal audits to conduct.
- Send final internal audit reports to the Commission for acceptance.
- Post final audit reports on the department web site.
- Attend meetings of the Audit Accountability Committee as an ex officio member.
- See *ODOT Policy AUD 01-02* for additional internal auditor and management responsibilities.

### **Management**

#### Actions:

- Attend Commission, Audit Accountability Committee, and other audit-related meetings upon request and share pertinent information.

<b>Oregon Department of Transportation</b>  <b>POLICY</b>	NUMBER <b>AUD 01-02</b>	SUPERSEDES <b>1/2/2019</b>
	EFFECTIVE DATE <b>9/9/2021</b>	PAGE NUMBER <b>01 OF 03</b>
	VALIDATION DATE	
	REFERENCE ORS 184.639, ORS Chapter 192; OAR 125-700-0000, OAR 125-700-0020 (3)	
SUBJECT <b>INTERNAL AUDIT FUNCTION</b>	APPROVAL SIGNATURE  Kris Strickler, Director	

## **PURPOSE**

To identify the purpose, authority, and responsibilities of the internal audit function for the Oregon Department of Transportation (Department). This policy serves as the Internal Audit Charter required by OAR 125-700-0135(3).

## **BACKGROUND**

ORS 184.639 requires the Oregon Transportation Commission, in consultation with the Department Director, to designate an Internal Auditor for the Department who shall perform internal audits in accordance with ORS 184.360 and report findings to the Commission.

The internal audit function is an independent evaluation activity set up to conduct performance audits of Department operations and procedures in conformance with generally accepted government auditing standards, and to report findings and recommendations to the Commission and agency management. The goals of the internal audit function are improving accountability and transparency of department operations. All levels of management may use the information to more effectively control operations to meet their assigned responsibilities.

## **POLICY**

The Internal Auditor (Chief Auditor) reports administratively to the Department Director and functionally to the Oregon Transportation Commission (see ODOT Policy [AUD 01-01](#) for aspects of overall internal audit governance). These reporting relationships ensure the internal audit function is independent, promote comprehensive audit coverage, and give adequate consideration of audit recommendations. The Chief Auditor retains final authority for the decision on which audits to conduct. The Chief Auditor and staff are allowed unrestricted access to Department management and are granted unlimited access to all needed activities, records, property, and employees. Per ORS 192 and Department policy, the Chief Auditor is accountable for the safekeeping and confidentiality of Department records used in audits.

The Chief Auditor has no direct authority over activities being reviewed. Objectivity is essential to the Chief Auditor in the proper fulfillment of their duties, and performance of their responsibilities may compromise that objectivity.

## **GUIDELINES**

The Chief Auditor and staff shall conform to generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States in the performance and management of the internal audit function.

The Chief Auditor assesses the various functions and control systems of the Department and advises management on the condition of those functions and systems. For audits that do not include roles and responsibilities of the Oregon Transportation Commission in their scope, the internal audit function is considered an external audit organization under GAGAS 3.54(d). For audits that include roles and responsibilities of the Oregon Transportation Commission in their scope, the reports will include a modified GAGAS compliance statement in accordance with GAGAS Section 9.04.

## **RESPONSIBILITY    ACTION**

Chief Auditor

Request input from management and staff to assess the risk of exposure in Departmental operations.

Develop an annual internal audit work plan based on a risk assessment.

Allocate resources to accomplish audits per adopted work plans and communicate any significant changes to the Oregon Transportation Commission as appropriate.

Send to the Oregon Transportation Commission final audit reports containing the audited units' responses.

Perform follow-up audits to assess status of implemented recommendations and send the final reports to the Oregon Transportation Commission.

Coordinate communications with outside audit organizations.

Conduct reviews requested by management, within the budget allocated for such reviews in the annual audit plan.

Coordinate internal audit coverage with audit and review activities of Federal or State agencies, such as the Federal Highway Administration and the Secretary of State Audits Division, to avoid duplication of work.

Develop, review, and modify audit policies and procedures, and set

**RESPONSIBILITY**    **ACTION**

goals for the internal audit function.

Maintain a professional audit staff with the knowledge, skills, and experience to conduct performance audits in conformance with generally accepted government auditing standards.

Assist in the investigation of significant suspected fraudulent activities within the organization and inform management and the Commission, when appropriate, of the results.

Obtain the help of Department personnel as well as other specialized services from within or outside the Department, as needed to conduct audits and other reviews.

Assist the Department in contracting for external independent auditors who adhere to prescribed audit standards, including help in drafting the statement of work and evaluating proposals.

Management

Send requests and ideas for audits to the Chief Auditor to be considered for the annual internal audit work plan.

Give audit staff unlimited access to all needed activities, records, property, and employees.

Provide timely and meaningful feedback on draft audit products as requested.

When requested, provide accurate and current information on the status of implementing recommendations.

Present agency management's perspective to the Oregon Transportation Commission and other bodies as requested on the risks raised in internal audit reports and corrective actions planned, in process, or completed.