Oregon Department of Transportation **POLICY**	NUMBER AUD 01-01	SUPERSEDES 9/09/2021
	EFFECTIVE DATE 03/12/2026	PAGE NUMBER 01 OF 04
	VALIDATION DATE 03/12/2026	
	REFERENCE ORS 184.639; OAR 125-700-0135; ODOT Policy AUD 01-02	
SUBJECT **Internal Audit Governance**	APPROVED SIGNATURE Approved by the Oregon Transportation Commission at March 12, 2026 formal meeting	

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 withgovernance 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 forconsideration.
- 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.