



April 13, 2022

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit Department

Subject: Orange County Transportation Authority Internal Audit Department
Peer Review

Overview

An external quality assurance, or peer review, of the Internal Audit Department of the Orange County Transportation Authority has been completed. The peer review found that the Internal Audit Department's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Generally Accepted Government Auditing Standards for the period January 1, 2019, through December 31, 2021. The peer review team also provided a management letter outlining areas in which the Internal Audit Department excels.

Recommendation

Receive and file the Orange County Transportation Authority Internal Audit Department Peer Review, as an information item.

Background

Generally Accepted Government Auditing Standards (GAGAS), issued by the United States Government Accountability Office, set professional standards for the performance of government audits. One of the GAGAS is that audit departments undergo an external quality assurance, or peer review, once every three years. Internal audit departments may either engage an independent audit firm to have the peer review performed or participate in a peer review program of a recognized professional association.

The Internal Audit Department (Internal Audit) of the Orange County Transportation Authority (OCTA) sought the assistance of the Association of

Local Government Auditors (ALGA) to perform the peer review. ALGA's peer review program is well developed and is rotational in nature. By volunteering on peer review teams of other agencies, Internal Audit received this reciprocal peer review at minimal cost to OCTA.

Discussion

The on-site peer review was conducted the week of March 14, 2022. Internal Audit worked with an ALGA peer review coordinator to schedule the review. The coordinator solicited volunteers nationally and evaluated those volunteers' independence with regard to OCTA and Internal Audit personnel. The peer review team assembled for OCTA's peer review included the City Auditor of Scottsdale, Arizona, a principal auditor from San Francisco Bay Area Rapid Transit, and an audit manager from the Los Angeles County Metro Transportation Authority.

Prior to the site visit, the peer review team was provided with Internal Audit's policies and procedures manual, organizational chart and staff information, OCTA background information, an inventory of all audits completed during the three-year period, and a description of Internal Audit's quality control system.

Once on-site, the peer review team conducted interviews of staff, reviewed audit workpapers, reports, and other documents produced by Internal Audit. The peer review team also evaluated Internal Audit's independence and reviewed staff education and training records.

The peer review team concluded that Internal Audit's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with GAGAS for the period January 1, 2019, through December 31, 2021. The report on compliance with GAGAS can be found in Attachment A.

In addition to issuing its report on compliance with GAGAS, the peer review team provided Internal Audit with a management letter (Attachment B). The peer review team recognized Internal Audit for its comprehensive and well executed internal quality control monitoring, and its policies, procedures, templates, audit programs, and working papers designed to demonstrate compliance with GAGAS. The team also complimented Internal Audit for its highly qualified professional staff and commitment to ongoing staff education and development.

Internal Audit's response to the peer review can be found at Attachment C.

Summary

A peer review has been completed of Internal Audit. The peer review found that Internal Audit's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with GAGAS for the period January 1, 2019, through December 31, 2021. The peer review team also recognized areas in which the Internal Audit Department excels.

- A. External Quality Control Review of the Orange County Transportation Authority Internal Audit Department
- B. Letter from Association of Local Government Auditors Peer Review Team to Janet Sutter, Executive Director, Internal Audit, Orange County Transportation Authority, dated March 17, 2022
- C. Letter from Janet E. Sutter, Executive Director, Internal Audit, Orange County Transportation Authority, to Association of Local Government Auditors Peer Review Team, dated March 17, 2022

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591



External Quality Control Review

of the
Orange County Transportation
Authority Internal Audit
Department

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period from January 1, 2019, through
December 31, 2021



Association of Local Government Auditors

March 17, 2022

Janet Sutter, Executive Director
Internal Audit Department
Orange County Transportation Authority
550 South Main Street
Orange, California 92868

Dear Ms. Sutter,

We have completed a peer review of the Orange County Transportation Authority Internal Audit Department for the period from January 1, 2019, through December 31, 2022. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of and compliance with relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The Orange County Transportation Authority Internal Audit Department has received a rating of pass.

Further, based on the results of our review, it is our opinion that the Orange County Transportation Authority Internal Audit Department's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits, and attestation engagements during the period from January 1, 2019, through December 31, 2022.

Sharron E. Walker, CPA (AZ), CFE
City Auditor
City of Scottsdale, Arizona

Cherry Chang, CIA, CISA
Principal Internal Auditor
San Francisco Bay Area
Rapid Transit

Fumi Sotozono, CPA, CIA, CISA
Audit Manager
Los Angeles County Metro
Transportation Authority



**Association of Local Government
Auditors**

March 17, 2022

Janet Sutter, Executive Director
Internal Audit Department
Orange County Transportation Authority
550 South Main Street
Orange, California 92868

Dear Ms. Sutter,

We have completed a peer review of the Orange County Transportation Authority Internal Audit Department for the period from January 1, 2019, through December 31, 2021, and issued our report thereon dated March 17, 2022. We are issuing this companion letter to offer certain observations stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The internal annual quality control monitoring to evaluate compliance with professional standards is comprehensive and well executed.
- The department is staffed with highly qualified professionals holding a variety of certifications, and you have a clear commitment to providing continuous professional training and staff development.
- The policies and procedures, templates, engagement programs and workpapers were well organized and designed to help demonstrate compliance with the applicable professional standards.

We extend our thanks to you, your staff, and the other staff and officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Sharron E. Walker, CPA (AZ), CFE
City Auditor
City of Scottsdale, Arizona

Cherry Chang, CIA, CISA
Principal Internal Auditor
San Francisco Bay Area
Rapid Transit

Fumi Sotozono, CPA, CIA, CISA
Audit Manager
Los Angeles County Metro
Transportation Authority



AFFILIATED AGENCIES

Orange County
Transit District

Local Transportation
Authority

Service Authority for
Freeway Emergencies

Consolidated Transportation
Service Agency

Congestion Management
Agency

March 17, 2022

Sharron Walker, City Auditor
City of Scottsdale, AZ

Cherry Chang, Principal Internal Auditor
San Francisco Bay Area Rapid Transit

Fumi Sotozono, Audit Manager
Los Angeles County Metro Transportation Authority

Thank you for your work on the peer review of the Internal Audit Department (Department) of the Orange County Transportation Authority (OCTA). I am pleased with your conclusion that our internal quality control system was suitably designed and operating effectively during the audit period January 1, 2019 through December 31, 2021.

I appreciate the review team's recognition of areas in which the Department excels, including the Department policies and procedures, templates, audit programs and workpapers, as well as activities related to our annual quality control monitoring review. I also agree with the review team's opinion that staff are highly qualified, and I am proud of the work they produce to assist management and the Board of Directors in fulfilling their duties and responsibilities.

The Department finds the ALGA Peer Review to be a very valuable and constructive process. We appreciate the time you took away from your own departments to review our operation. Thank you for the professional and thorough manner in which you conducted this work, and for the opportunity to share ideas that we can apply in our respective organizations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Janet E. Sutter".

Janet E. Sutter, Executive Director
Internal Audit

c: Ms. Lori Brooks Jaquess, ALGA Review Coordinator