Internal Audit Update

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Briefing Overview

- Major events and milestones for Internal Audit
- Status of internal audit services
- Proposed changes to audit structure and governance
- Next steps

Internal Audit Timeline

Major Events and Milestones

- **Oct 2017:** Commission revised audit governance and organizational structure
  - Internal Audit function removed from Finance department
  - Internal Audit Director reporting through Audit Committee
  - Adoption of COSO internal controls framework

- **Sep 2025**: Internal Audit Director resigns
  - Continues pattern of high turnover in IA department since 2018
  - Last internal audit completed early 2025

- **Oct 2025:** Key recommendations from Audit Committee
  1. Outsource internal audit
  2. Adopt Green Book internal controls framework

Internal Audit Services Contract

Recommendation 1

Audit Committee recommends outsourcing internal audit services to re-establish the internal audit function

Benefits of outsourcing

- Ensures continuity of internal audit function
- Increases resource capacity
- Enhances transparency

Process timeline

- **Oct – Dec 2025** *(complete)*
  - Published RFP – received 10 proposals
  - Audit Committee conducted interviews (top 3 firms), selected firm for recommendation
  - Staff completed due diligence
- **Jan 2026 – present** *(ongoing)*
  - Contract and initial scopes of work under review (MSA, Audit Risk Assessment, Audit Plan, and Fraud Hotline investigations)
  - FY27 budget, audit planning in progress

Audit Structure and Governance

Recommendation 2

Audit Committee recommends updating Audit Charter to reflect internal control framework and revised audit structure

Proposed Audit Charter revisions

- Adopt “Green Book” internal control standards
  - Written by Governmental Accountability Office (GAO)
  - Aligns to public sector structure, needs
  - Mirrors COSO (private sector) frameworks
  - Cost effective for training, implementation resources

- Expand Audit Committee oversight to Internal Audit contractor
  - Add “contractor” to existing “Internal Audit Director” references

Next Steps

March 5: Commission Regular Meeting

- Updates to October 2017 audit resolution (action item)
- Resolution to revise Audit Charter (action item)
- Contract for Internal Audit Services (action item)
- Audit Committee annual report (presentation only)

March – June 2026

- Kickoff audit risk assessment and audit planning

July 2026 (FY27)

- Resume scheduled internal audits