
Alameda-Contra Costa Transit District

Administrative Regulation No. 400A:	Internal Audit Department Function and Purpose
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Issuing Officer: General Manager Date of Adoption: 9/1996 Most Recent Amendment: 5/12/2026 See Also: 400	Subject Category: Section 400 - Operations Subsection: Internal Audit Department Function and Purpose Control Department(s): Internal Audit
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I. PURPOSE

The purpose of the Administrative Regulation is to communicate to all departments the purpose, authorizations, responsibilities, and general guidelines for the Internal Audit Department function of the District.

II. PERSONS AFFECTED

All Executive Staff, management, supervisory, administrative, and designated personnel.

III. DEFINITIONS

“**Audit Plan**” refers to a list of audits scheduled to be conducted in the coming fiscal year.

“**Internal Audit**” refers to an independent, objective assurance and consulting activity designed to improve an organization’s operations, risk management, controls, and governance processes.

“**Internal Controls**” refers to policies, procedures, and systems implemented by management to ensure reliable financial reporting, operational efficiency, compliance with laws, and safeguarding assets.

IV. REGULATION

A. Designation of Duties

The Internal Audit Department is an integral part of the organization. The Department functions under the policies established by the Board of Directors and directives implemented by the General Manager. The General Manager has designated the Internal Audit Department to perform internal audits of AC Transit’s financial and operational programs to assist management by furnishing an independent and objective analysis of the activities reviewed.

B. Reporting Relationships

The Internal Audit Department reports directly to the General Manager but will have direct access to the Board of Directors to ensure the Internal Audit Department’s independence in the

performance of audits. Independence permits internal auditors to render impartial and unbiased judgments essential to the proper conduct of audits.

C. Access to District Records

The General Manager of AC Transit grants authority to the internal auditors for unrestricted access to all of AC Transit's manual and electronic records, physical inventories, and personnel relevant to a review. Documents and information given to internal auditors during the course of audits or reviews will be handled in the same prudent manner as by employees normally accountable for the data.

V. RESPONSIBILITIES

A. Scope of Duties

The Internal Audit Department is responsible for conducting audits of AC Transit's financial and operational programs. The scope of such audit activity should encompass examining and evaluating the adequacy and effectiveness of the District's system of internal controls and the quality of performance in carrying out assigned responsibilities. This includes, but is not limited to, the following:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information accurately.
- Reviewing the systems established to ensure compliance with Board policies, District plans, procedures, laws, and regulations which could have a significant impact on operations and reporting, and determining whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Conducting special reviews as requested by the General Manager or Board of Directors (in full).
- In addition to performing audits, the Internal Audit Department will also serve as staff liaison to coordinate audit activities with the independent audit firm conducting the annual audit of AC Transit, federal, state and other agencies.

B. Implementation Responsibilities

The internal auditors will have no direct responsibility or authority over any of the activities or operations reviewed. The auditors will not be involved in the development, installation, or operation of systems, the preparation of records, or the engagement in activities which they would normally audit. However, the auditors will provide advice and recommendations concerning suitable internal controls to AC Transit management and its Board of Directors.

C. Requests for Audit/Annual Audit Plan

The Board of Directors (in full), General Manager and other Officers of the District may request that the Internal Audit Department conduct an audit at any time. All requests should be addressed, in writing, to the General Manager who will review and then forward the request to the Internal Audit Manager. In addition, the Internal Audit Department may also identify areas for audits.

A proposed annual audit plan will be submitted to the General Manager for comment and input. The intent of the annual audit plan is to provide clarity on priorities for upcoming audits. However, the plan will remain flexible throughout any year; and the Internal Audit Manager, in concert with the General Manager may initiate changes to the annual audit plan to meet operational needs or issues which may arise at any time. The finalized audit plan will be communicated in the General Manager Report annually.

D. Report Processing

Upon completion of the audit field work, the audit staff will prepare a draft report based on the results of their work. The Internal Audit Manager will conduct an editorial review to ensure that the report is clearly presented and properly written. The manager will also conduct an independent review to certify that each statement of fact in the report is adequately documented by audit work papers. The manager must determine that data in the audit work papers are adequate to support all findings, opinions, conclusions and recommendations present in the report.

E. Department Review and Exit Conference

Upon completion of the Internal Audit Manager's review, the results are shared and discussed with the manager of the audited department. The manager of the audited department shall examine, evaluate, and respond to the audit findings in a timely manner. Specifically, the department is requested to submit a written statement of plans for corrective action, or rebuttal to the audit findings at an agreed-upon date with the Internal Audit Department.

F. Completion of Report

When the department's written response is received, the final draft report is prepared. The department's response will be included in the final report. The final report will be transmitted to the General Manager for review and for any additional comments or edits.

G. Issuance of Audit Report

The final audit report will be distributed to the General Manager and to the director and manager of the audited department. Upon specific request, a copy of the complete final report may be transmitted to the Board of Directors.

H. Audit Follow-Up

The Internal Audit Department requires that the department provide progress reports relative to the implementation of the Internal Audit Department's recommendations. The department should report its progress concerning corrective action to Internal Audit when requested and in a timely manner.

I. Internal Audit Status Reports

The Audit Department shall submit a quarterly status report to the General Manager presenting the status of the Department's audit activities, including the status of audits in progress and completed. The General Manager shall review the report and determine with the Internal Audit Manager if any priorities need to be adjusted. If circumstances require the Audit Manager to change priorities of projects in the interim, these changes will be reflected in the next quarterly status report to the General Manager.

VI. ATTACHMENTS

None

Approved by:



Salvador Llamas, General Manager/Chief Executive Officer
Alameda-Contra Costa Transit District