

REGIONAL TRANSIT AUTHORITY

RESOLUTION NO. 98-19

Performance Audit Policies BACKGROUND AND COMMENTS

Meeting:	Date:	Agenda Item:	Staff Contact:	Phone:
Finance Committee	4/2/98 4/16/98	No. 7 No. 7	Jan Hendrickson Hugh L. Simpson	206-689-3148 206-684-1717
Board of Directors	4/23/98	TBD		

ACTION:

Approval of an RTA Board Resolution adopting the attached performance audit policies.

BACKGROUND:

The attached polices establish the principles and processes by which the performance audit function will operate. The RTA Board adopted a set of Financial Policies (Appendix B) that establish the requirement of a performance audit function. The policies address the Board's commitment to public accountability by stating, "The RTA will: a) Conduct an annual comprehensive performance audit through independent services; b) Appoint and maintain for the ten-year construction period a citizen's oversight committee, charged with an annual review of the RTA's performance audit and financial plan, for reporting and recommendations to the RTA Board."

The Agency selected Deloitte & Touche LLP through a competitive process for audit services earlier this year. At the March 19 Finance Committee meeting, Deloitte & Touche LLP was introduced to the Finance Committee when they presented the 1997 year end financial audit results. Upon determining performance audit scopes of work, our auditors are ready to begin work.

RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:

Appendix B: Financial Policies

KEY FEATURES:

- Definition of performance auditing is a systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function or activity.

What will the performance audit function provide?

The RTA's performance audit function will provide an independent, third party review of management's performance and the degree to which the performance of the audited entity meets pre-stated expectations.

What are examples of performance audits?

- *Sub-area accounting with regards to Appendix B.*
- *Effectiveness of the broad banding human resources system.*
- *Public outreach and participation in a project's specific scope development.*

- The RTA's performance audit function will be overseen by a Performance Audit Committee (PAC). Responsibility of PAC are as follows:
 - Defining operating principles for the performance audit function.
 - Approving clear and concise scopes of work. Majority of PAC decides scopes of work.
 - Approving annual audit budget in terms of dollars and hours.
 - Evaluating audit results and ensuring an internal review process.
 - Reporting audit results to the RTA Board and its committees, Citizen Oversight Panel, and public.
 - Assessing effectiveness of the performance audit function.
 - Ensuring and reviewing the RTA's response to audit results.
- The membership of PAC will include the following positions: Executive Committee Chair, Finance Committee Chair, Public and Governmental Affairs Committee Chair, Citizen Oversight Panel Chair, the Deputy Executive Director and the Director of Finance and Administration.

ALTERNATIVES:

The Board could choose not to adopt performance audit policies at this point in time.

CONSEQUENCES OF DELAY:

The consequence of the Board not adopting performance audit policies at this time would be non-compliance with Appendix B: Financial Policies.

REGIONAL TRANSIT AUTHORITY

RESOLUTION NO. 98-19

A RESOLUTION of the Board of the Regional Transit Authority for the Pierce, King and Snohomish Counties region adopting performance audit polices for the Authority.

WHEREAS, on November 5, 1996 at a general election held within the RTA District, the voters approved local-option taxes to support implementation of the Ten-Year Regional Transit System Plan; and

WHEREAS, as described in the RTA's adopted Financial Policies, the RTA will conduct comprehensive performance audits through independent audit services; and

WHEREAS, as further provided in the RTA's adopted financial policies, the Citizens Oversight Panel will review the performance audit results and make recommendations regarding the RTA's performance toward its public commitments to the RTA Board; and

WHEREAS, pursuant to prudent business practices for public sector entities the RTA recognizes that a performance audit function will assist in creating a framework of public accountability:

NOW, THEREFORE, BE IT RESOLVED by the Board of the Regional Transit Authority that the RTA does hereby adopt the attached Performance Audit Policies, which detail the implementation and the on-going operation of the performance audit function therein.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on the 23 day of April 1998.



Bob Drewel
Board Chair

ATTEST:



Marcia Walker
Board Administrator

DRAFT
**RTA (Recommended) Performance
Audit Policies and Discussion Points**

1.0 Overview

1.1 Purpose

The purpose of these policies is to establish the principles and processes by which the performance audit function for the RTA will operate.

1.2 Definition

“Performance auditing is a systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function or activity. Evaluation is made in terms of its economy and efficiency of operations, effectiveness in achieving desired results and compliance with relevant policies, laws and regulations, for the purpose of ascertaining the degree of correspondence between performance and established criteria and communicating the results to interested users.” 1 (Governmental Finance Officers Association)

The RTA’s performance audit function will provide an independent, third party review of management’s performance and the degree to which the performance of the audited entity meets pre-stated expectations.

Examples of performance auditing scopes of work for the RTA may include:

- *Sub-area accounting with regards to Appendix B.*
- *Effectiveness of the broad banding human resources system.*
- *Public outreach and participation in a project’s specific scope development.*

1.3 Background

Prior to finalizing Sound Move, the RTA Board adopted a set of Financial Policies (Appendix B). The Financial Policies reflect the Board’s policy intent for implementing the financial framework, for ensuring that the ten-year construction program is completed on time and within budget, and for providing the tools to the Board to appropriately manage toward and respond to future conditions. In addition, the policies address the Board’s commitment to public accountability by stating, “The RTA will: a) Conduct an annual comprehensive performance audit through independent services; b) Appoint and maintain for the ten-year construction period a citizen’s oversight committee, charged with an annual review of the RTA’s performance audit and financial plan, for reporting and recommendations to the RTA Board.”

2.0 Performance Audit Committee Structure

2.1 Development of the Performance Audit Committee (PAC)

The RTA's performance audit function will be overseen by a Performance Audit Committee (PAC). The membership of PAC will include the following RTA Board positions, chairpersons of the Finance, Public and Governmental Affairs, and Executive Committees, the chairperson for the Citizens Oversight Panel, as well as RTA staff positions of deputy executive director and director of finance and administration. The Controller/Treasurer will staff the committee. The partner-in-charge of the accounting firm that is under contract through the audit services contract will serve as an advisor to the PAC. Responsibility of PAC includes:

- a) Defining operating principles for the performance audit function.
- b) Approving clear and concise scopes of work. Majority of PAC decides scopes of work.
- c) Approving annual audit budget in terms of dollars and hours.
- d) Evaluating audit results and ensuring an internal review process.
- e) Reporting audit results to the RTA Board and its committees, Citizen Oversight Panel, and public.
- f) Assessing effectiveness of the performance audit function.
- g) Ensuring and reviewing the RTA's response to audit results.

2.2 PAC Annual Commitment

The PAC will meet as necessary to initiate the performance audit process, receive and assess results, and communicate results to the RTA Board and its committees and to the Citizen Oversight Panel. Listed below are audit program milestones with associated dates for PAC throughout the year:

- a) The PAC will meet in February of the current year to approve and prioritize performance audit scopes of work submitted by the director of finance and administration.
- b) Performance audits will be conducted from April through August. The PAC will meet in July to receive a status report and to discuss emerging issues.
- c) Preliminary results will be reported to the RTA (auditee) staff directly responsible for the subject matter in the scope of work in September. RTA staff will have 30 days to respond. The Controller/Treasurer will coordinate responses between performance auditor and staff.
- d) The RTA's performance auditors will present audit results to the PAC in October.
- e) The PAC will present audit results to the RTA Board and its committees and to the Citizen Oversight Panel in November.

The RTA's PAC will have, as it's first year goal:

To develop the guiding principles of the performance audit function and to create an environment where performance audits are helpful to staff and add value to the organization, while providing accountability to the public.

3.0 RTA Staff Responsibilities

RTA Staff responsibilities fall into two different categories: auditee staff and program management staff (members of PAC).

3.1 Auditee Staff

Auditee staff are those individuals responsible for the areas being audited as defined by the scopes of work. Auditee staff are responsible for the following:

- a) Providing information to performance auditor.
- b) Reviewing and providing responses to program management staff, and ultimately to the PAC.
- c) Providing future performance audit topics.

3.2 Program Management Staff

Program management staff include the positions of deputy executive and the director of finance and administration, also PAC members. Program management staff are responsible for the following:

- a) Developing scopes of work with auditee staff.
- b) Recommending scopes of work to PAC.
- c) Reviewing audit results.
- d) Coordinating audit responses between auditee staff and performance auditor.
- e) Presenting final audit results to PAC, RTA Board and its committees, and Citizen Oversight Panel.

4.0 RTA Performance Auditor's Responsibilities

The performance auditor will be retained through an audit services contract which is administered by the position of controller/treasurer. Responsibilities include:

- a) Performing all work with due professional care in accordance with Generally Accepted Governmental Auditing Standards.
- b) Remaining independent throughout the engagement.
- c) Reporting both negative and positive results of audits.
- d) Developing proactive procedures with staff to scopes of work.
- e) Assisting program management staff with reporting results to PAC, RTA Board and its committees and to the Citizen Oversight Panel.