



Virginia  
Regulatory  
Town Hall

## Periodic Review and Retention of Existing Regulations Agency Background Document

<b>Agency Name:</b>	Virginia Department of Transportation (Commonwealth Transportation Board)
<b>VAC Chapter Number:</b>	24 VAC 30-16-10 et seq.
<b>Regulation Title:</b>	Internal Audit Charter
<b>Action Title:</b>	Review and Retain
<b>Date:</b>	March 8, 2001

This information is required pursuant to the Administrative Process Act § 9-6.14:25, Executive Order Twenty-Five (98), and Executive Order Fifty-Eight (99) which outline procedures for periodic review of regulations of agencies within the executive branch. Each existing regulation is to be reviewed at least once every three years and measured against the specific public health, safety, and welfare goals assigned by agencies during the promulgation process.

This form should be used where the agency is planning to retain an existing regulation.

### Summary

*Please provide a brief summary of the regulation. There is no need to state each provision; instead give a general description of the regulation and alert the reader to its subject matter and intent.*

This regulation establishes the organizational framework (mission, reporting relationship, authority, standards of practice, etc.) of VDOT's Internal Audit Division. The Office of the Attorney General has determined that this regulation is exempt from the APA under the exemption granted by: § 9-6.14:4.1 C (2).

### Basis

*Please identify the state and/or federal source of legal authority for the regulation. The discussion of this authority should include a description of its scope and the extent to which the authority is mandatory or*

*discretionary. Where applicable, explain where the regulation exceeds the minimum requirements of the state and/or federal mandate.*

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The statutory basis for this regulation is § 33.1-8 of the *Code of Virginia*, which permits the Commissioner to employ those individuals necessary to assist him in serving as chief executive officer of the agency, and to prescribe their duties. In addition, § 2.1-234.32 of the *Code of Virginia* establishes the Department of the State Internal Auditor. This agency establishes state policies, standards, and procedures to ensure an effective internal audit program in all state agencies. The Internal Audit Division follows these policies, standards, and procedures in the performance of its duties.

This regulation does not exceed the minimum requirements of the state mandate concerning the assignment of duties by the Commissioner, as the statute does not establish such requirements.

### Public Comment

*Please summarize all public comment received as the result of the Notice of Periodic Review published in the Virginia Register and provide the agency response. Where applicable, describe critical issues or particular areas of concern in the regulation. Also please indicate if an informal advisory group was formed for purposes of assisting in the periodic review.*

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VDOT received no public comment during the Notice of Periodic Review, so no response was prepared. No advisory group was formed to assist in the periodic review. VDOT has established a new position on the Commissioner's Executive Team to strengthen the audit functions carried out by the Internal Audit Division, and to consolidate other audit/compliance activities carried out in the agency. Although the position was recently filled, a more comprehensive assessment of roles, duties, and reporting relationships needs to be conducted before a final decision on amending this regulation can be made.

### Effectiveness

*Please provide a description of the specific and measurable goals of the regulation. Detail the effectiveness of the regulation in achieving such goals and the specific reasons the agency has determined that the regulation is essential to protect the health, safety or welfare of citizens. Please assess the regulation's impact on the institution of the family and family stability. In addition, please indicate whether the regulation is clearly written and easily understandable by the individuals and entities affected.*

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This regulation's goals are:

- To ensure the efficient and effective delivery of transportation programs and services; and
- To protect the public's health, safety, and welfare with the least possible cost and intrusiveness to the citizens of the Commonwealth.

This regulation has no effect on the family or family stability.

The regulation has been effective in defining the role of the Internal Audit Division. Therefore, VDOT believes that the regulation addresses needs essential to the public's welfare. However, VDOT's recent reorganization and establishment of a new assistant commissioner position recognizes the increased visibility of transportation programs, the greater sums devoted to administration of these programs, and the need for even greater levels of attention to ensure that public funds are spent efficiently and effectively, and in compliance with applicable federal, state, and agency policies, procedures, and regulations.

VDOT believes that the lack of public comment received concerning the regulation indicates general satisfaction with the format of the regulation and its clarity and ease of comprehension.

## Alternatives

*Please describe the specific alternatives for achieving the purpose of the existing regulation that have been considered as a part of the periodic review process. This description should include an explanation of why such alternatives were rejected and this regulation reflects the least burdensome alternative available for achieving the purpose of the regulation.*

No other means exists for outlining the duties and reporting relationships involved in conducting internal audits. The Internal Audit Charter appears in VDOT's Department Policy Memoranda Manual as an official statement of policy. A 1981 Joint Legislative Audit and Review Commission (JLARC) study of VDOT organization recognized the important role of audits in ensuring effectiveness and efficiency. It recommended that a separate internal audit unit be created, and that financial and internal audit reports be transmitted to the Highway and Transportation Commission (now the Commonwealth Transportation Board). The Internal Audit Division now reports functionally to the CTB Internal Audit Committee, and administratively to the Commonwealth Transportation Commissioner. The existence of a regulation which sets forth reporting relationships, program responsibility, scope of audits, and standards of practice is a valuable means of documenting the professional standards to be followed in conducting internal audits and who in the organization will receive the reports.

Therefore, the regulation fulfills the purposes of the JLARC recommendation: independence and access to high-level managers within the agency and on the policy board. It also meets the reporting role supported by the Institute of Internal Auditors, who recommend that the internal auditors report to a position with sufficient authority with the independence to ensure broad audit coverage, consideration of resulting recommendations, and appropriate action on these recommendations. VDOT believes it is the least burdensome means of achieving the purposes outlined above.

## Recommendation

*Please state that the agency is recommending that the regulation should stay in effect without change.*

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VDOT recommends that this regulation be retained without change at this time. However, because the agency has filled a recently-created position (Assistant Commissioner for Audit, Investigations, and Compliance, also known as the Inspector General), the reporting relationships and scope of the internal audit function will change, along with other audit and contract monitoring activities.

This is especially true, given the extensive scope of reviews of VDOT’s organizational structure by the Commission on Transportation Policy, the General Assembly, and the Governor. Therefore, VDOT will re-evaluate this regulation after a more comprehensive review of the entire audit and investigation function has been conducted. Any recommended changes will be addressed at that time.

**Family Impact Statement**

*Please provide an analysis of the regulation’s impact on the institution of the family and family stability including the extent to which it: 1) strengthens or erodes the authority and rights of parents in the education, nurturing, and supervision of their children; 2) encourages or discourages economic self-sufficiency, self-pride, and the assumption of responsibility for oneself, one’s spouse, and one’s children and/or elderly parents; 3) strengthens or erodes the marital commitment; and 4) increases or decreases disposable family income.*

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This regulation has no effect on the family or family stability, nor does it affect any of the other factors listed above.