SUMMARY STATEMENT


COMMITTEE: Audit

COMMITTEE MEETING DATE: September 9, 2015

BOARD ACTION DATE: September 16, 2015

PROPOSAL: That the Board adopt the Inspector General Standard Operating Procedures (OIG SOP) (attached) as approved by the Audit Committee on September 9, 2015.

PURPOSE: To adopt the Inspector General Standard Operating Procedures (OIG SOP), which further define and clarify the responsibilities of the Inspector General. The OIG’s mission is to assist the Authority’s Board of Commissioners, Audit Committee, and management in assuring that the public trust and confidence in the integrity of the DRPA are above reproach. The OIG SOP is an instrument that allows for the Audit Committee to establish clear and concise operating guidelines that assure the independence of the Inspector General (IG) and the OIG, and to clarify duties, responsibilities, and authority in order for the OIG to effectively discharge delegated and assumed competencies, suitably modified (if necessary) to address emerging and anticipated risks to the DRPA.

BACKGROUND: Beginning in August 2010, to further enhance its commitment to transparency, the DRPA Board adopted and implemented a long list of reforms. In support of the reform effort, the DRPA Board created the Audit Committee and authorized the Committee to oversee independent financial, performance and forensic audits. On January 18, 2012, the Board passed Resolution 12-007 authorizing the Authority to create an Inspector General position in order to address the need for transparency and organizational reforms.

In August 2012, the Board passed resolution 12-076 modifying the job description of the Inspector General:

The Inspector General is an independent and objective officer who will report directly to the Audit Committee and the Chief Executive Officer. The Inspector General is appointed by the Board of Commissioners upon recommendation of the Audit Committee, and can only be removed from office by Board action.
In addition to assuming the audit responsibilities of Director, Internal Audit, the Inspector General will be responsible for directing and conducting activities designed to detect and deter fraud, waste, abuse, corruption, mismanagement, and any illegal activities involving the Authority. The Inspector General will supervise the Authority’s Ethics Hotline and recommend or take affirmative corrective actions, as necessary and appropriate. The Inspector General will also assume responsibility for the execution and coordination of internal and external audits required by the Interstate Compact, Board Resolutions, Bond Indentures, and other governing documents. The Inspector General will provide regular reports to the Audit Committee regarding activities related to the Office of the Inspector General, and periodically meet with the Board of Commissioners to provide status on significant Inspector General and audit goals and objectives.

The attached, Standard Operating Procedures for the Office of the Inspector General (OIG SOP) will require that the OIG be further charged with establishing, directing, conducting and supervising in an independent manner a comprehensive program of internal audits, reviews and reports that provide objective and professional evaluations of DRPA operations, programs, and policies.

The OIG will help foster an environment that encourages ethical behaviors throughout the Authority. The OIG will ensure appropriate communications with Audit Committee and Authority to address questions and concerns pertaining to process, internal control, compliance, and related issues. The OIG will promote economy, efficiency, and effectiveness in a manner that creates value and cost savings for the public we serve.
SUMMARY STATEMENT

Audit 9/9/2015

SUMMARY:  
Amount: N/A  
Source of Funds: N/A  
Capital Project #: N/A  
Operating Budget: N/A  
Master Plan Status: N/A  
Other Fund Sources: N/A  
Duration of Contract: N/A  
Other Parties Involved: N/A  
Estimated Number of Jobs Supported: N/A

Inspector General Standard Operating Procedures
RESOLUTION

RESOLVED: That the Board adopt the “Inspector General Standard Operating Procedures” attached hereto as discussed and approved at a public meeting of the Audit Committee on Wednesday, September 9, 2015.

SUMMARY: Amount: N/A
Source of Funds: N/A
Capital Project #: N/A
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: N/A
Other Parties Involved: N/A
Estimated Number of Jobs Supported: N/A
The Office of Inspector General (OIG) has the responsibility, as set forth in applicable resolutions of the Board of Commissioners, to conduct investigations and audits of instances of fraud, waste, abuse, and corruption, to prepare and issue reports of its findings, and to foster ethical management to ensure effective Authority operations. Nothing in these Standard Operating Procedures (SOP) shall be interpreted to interfere with the objectivity or independence of the OIG.

I. Principles and Procedures

Among other responsibilities, and subject to all applicable Board resolutions:

1. The OIG shall be responsible for conducting, supervising, and coordinating independent audits and investigations relating to the programs and operations of the Authority for the purposes of promoting economy, efficiency and effectiveness and exposing and correcting fraud, waste, abuse, or corruption, or such as other duties as assigned by the Board. The foregoing shall be considered to be the designated scope of the OIG’s authority.

2. The OIG shall be responsible for conducting, supervising, and coordinating inspections, evaluations, and other reviews related to the programs and operations of the Authority, while reporting to and under the general supervision of an “Oversight Team.” The Oversight Team shall consist of the Chairman and Vice Chairman of the Audit Committee, or if either have a conflict with the inspections, evaluations, and other reviews, then the Oversight Team shall consist of the Chairman and Vice Chairman of the Board of Commissioners; or if either have a conflict with the inspections, evaluations, and other reviews, then the Oversight Team shall consist of the Chair of the Finance Committee. Collectively, the Chair and the Vice Chair of the Board and the Chair and the Vice Chair of the Audit Committee shall constitute an “Oversight Committee,” which shall not have any authority beyond that of the Oversight Team except as specifically provided herein.

3. The Oversight Team (or the Oversight Committee), acting alone, has no authority to prevent or prohibit the Inspector General or the OIG from initiating, carrying out, or completing any audit, Investigation, or other Review or OIG function. Provided, however, that the Oversight Team may seek to have any audit, investigation, report, or other review or OIG function it believes to be unreasonable, unwarranted, or outside the scope of the OIG’s authority, terminated or modified by an approval of a majority of the Board of Commissioners.

4. The OIG shall be responsible for reviewing existing and proposed policies, resolutions and regulations to make recommendations concerning the impact of such policies, resolutions and regulations on economy and efficiency or the prevention and detection of fraud, waste, and abuse.
5. The OIG shall be responsible for recommending and monitoring activities designed to promote economy, efficiency, and effectiveness, and to promote efforts to reduce fraud, waste, and abuse in the programs and operations of the Authority.

6. The OIG shall be responsible for informing the Board and Authority management of issues and problems in the Authority programs and operations and the necessity for and progress of corrective actions.

7. The OIG shall be responsible for coordinating relevant relationships between the Authority and Federal agencies, State and local government agencies, and non-government agencies to promote economy and efficiency, to prevent and detect fraud and abuse, or to identify and assist in the prosecution of participants engaged in illegal behavior or fraud, waste, abuse or corruption.

8. The OIG is also responsible for performing any other related duties consistent with this SOP, as assigned by the Chairman, Vice Chairman, and Audit Committee, or by resolution of the Board of Commissioners.

9. The OIG is designated as the independent centralized office within the DRPA to execute the Mission of the OIG.

10. Subject to the other provisions in this SOP, the OIG shall have the independence and the authority to conduct investigations and audits of instances of fraud, waste, abuse, and corruption at the DRPA; to prepare and issue reports of its findings; and to foster ethical management to ensure effective Authority operations.

11. The OIG is operationally independent of all DRPA departments, offices, divisions, management, and boards and committees, except as provided herein.

12. Beyond DRPA personnel, the OIG has further authority to audit or investigate any and all entities or persons who do business with or accept funds from the DRPA, including but not limited to vendors, bidders, professionals, contractors, and grant or loan recipients and applicants. Such authority shall be limited to matters relating to or touching upon the DRPA or business with the DRPA.

13. The OIG shall establish and follow policies and procedures which are consistent with this SOP for receiving and reviewing allegations, and ensure that an appropriate disposition is made for each allegation.

14. The OIG shall adhere to the highest ethical principles, personifying objectivity, independence, professional judgment, and confidentiality. Audits and investigations shall comply with applicable professional standards, such as those by the Institute of Internal Auditors or the Council of the Inspectors General on Integrity and Efficiency, as well as the OIG’s established procedures and the provisions of this SOP.
15. All audit and investigation reports shall be supported by sufficient, reliable, relevant, and useful information and evidence.

16. The OIG, Audit Committee, Chair and Vice Chair of the Board, Oversight Team, Citizens Advisory Committee, and appropriate senior management shall annually review this SOP, to assess whether its procedures are sufficient and effective, or whether any amendments should be made to improve effectiveness.

17. An external assessment of the OIG shall be conducted at least once every three years by a qualified, independent assessor or assessment team from outside the organization, retained by the Audit Committee with Board approval.

II. Removal of the Inspector General

The IG shall only be removed from office by the DRPA Board of Commissioners pursuant to the DRPA Excepted Employee Policy, which is hereby incorporated herein. The Oversight Team or the Audit Committee may recommend, but shall have no authority to remove the IG. Additionally, no Commissioner shall vote or otherwise participate on the question of removal, or any other material vote impacting the IG’s authority, in the event such Commissioner has a conflict of interest, as defined in the DRPA Ethics Policy, which shall be deemed to include that the Commissioner is the material subject of or target of an ongoing criminal or formal ethics investigation to which the vote is related.

III. Ethics, Independence, and Confidentiality

The OIG shall adhere to the highest ethical principles and conduct its work with integrity. Integrity is the cornerstone of all ethical conduct, ensuring adherence to accepted codes of ethics and practice. Objectivity, independence, professional judgment, and confidentiality are all elements of integrity.

1. Objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.

2. Independence is a critical element of objectivity. Without independence, both in fact and in appearance, objectivity is impaired.

The OIG must be free both in fact and appearance from personal, external, and organizational impairments to independence. The OIG has a responsibility to maintain independence, so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. The OIG shall avoid situations that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the OIG is not able to maintain independence in conducting its work.

The Reform Resolutions of 2010, approved by the Board of Commissioners, established the Inspector General and OIG to create organizationally an independent and objective
unit. This independence is intended to ensure the integrity and objectivity of OIG activities. The relevant resolutions, as they may be superseded, supplemented or amended by Board action, are incorporated by reference herein.

3. **Professional judgment** requires working with competence and diligence. Competence is a combination of education and experience and involves a commitment to learning and professional improvement. Professional standards for audits, investigations, and inspections and evaluations require continuing professional education. Diligence requires that services be rendered promptly, carefully, and thoroughly and by observing the applicable professional and ethical standards.

4. **Confidentiality** requires respecting the value and ownership of privileged, confidential, or classified information received and protecting that information, and safeguarding the identity of confidential individuals. In some instances and upon consultation with counsel, legal or professional obligations may require the OIG to disclose information it has received.

IV. **Reporting, Conflicts of Interest, and Ethics forms**

1. **Reporting**
   a. The Inspector General will report directly to the Oversight Team on all matters concerning audits, investigations or ongoing issues being reviewed by the OIG, as well as issues relating to the OIG budget.
   b. The Inspector General will report to the CEO on administrative matters such as administrative leave, requests for Authority resources, with input from the Chairman, Vice Chairman and Audit Committee, to maintain the independence of the OIG.

2. **Conflicts of Interest and Ethics**
   a. The Inspector General will maintain Political Contribution Forms and Certifications from vendors and these forms will be reviewed by the OIG, the Inspector General will timely advise in writing if vendors are in compliance with DRPA policy and procedures.
   b. The OIG will maintain Financial Disclosure Forms and Ethics Filings from Commissioners and other required personnel in secure storage and these forms will only be reviewed by the OIG, unless otherwise made public by applicable law or regulation.
   c. The Inspector General will timely notify Commissioners and other covered personnel in writing of any known potential Conflict of Interest pertaining to matters presented to the Board or Authority. The Inspector General may consult with General Counsel pertaining to potential Conflicts of Interest.
   d. The Inspector General will be consulted concerning all panels of reviewers for RFQs or RFPs but solely for the purpose of enabling the IG to evaluate member conflicts or appearance of conflicts of interest, as required by Procurement resolutions.
e. The Inspector General will receive, along with the Corporate Secretary, copies of all Commissioner or employee recusal notifications from Commissioners or employees of the Authority.

V. Planning

1. The OIG shall develop an annual, risk-based plan reflecting DRPA’s priorities and goals, while also allowing flexibility to accommodate emerging issues, concerns, and changes at the Authority. **The plan must be based on a documented risk assessment, and should be undertaken annually.** The input of senior management and the Board should be considered in this process, and the OIG shall receive and consider from the Board and senior management requests and suggestions of areas of interest for audit, review or investigation.

2. OIG plans shall be submitted to the Oversight Committee. Collectively, the Oversight Committee and the OIG shall discuss and determine the objectives and priorities for internal investigations and audits of the Authority over the coming year. Should the OIG and the Oversight Committee disagree about these objectives and priorities, decisions shall be determined at an Audit Committee meeting by majority vote of both states. If the OIG believes that DRPA faces an unacceptable risk based on the aforesaid determination of priorities, the OIG shall present these concerns to the full Board, who may vote on the portion of the plan at issue. Should the Board take a position with which the OIG disagrees, the OIG may document its position and disagreement. The OIG shall report any violation of law to appropriate law enforcement.

3. Should time-sensitive issues arise that are higher priorities than the items contained in the plan or that require quick action to prevent or remedy serious harm, the OIG shall inform the Oversight Committee of such circumstances and any necessary plan revisions.

VI. Receiving and Reviewing Allegations

1. General Standard

   The OIG shall establish and follow policies and procedures for receiving and reviewing allegations. This system should ensure that an appropriate disposition, including appropriate notification, is made for each allegation.

2. Elements of a System for Receiving and Reviewing Allegations

   The Inspector General will utilize EthicsPoint or a similar anonymous reporting service as the “hotline” for complaints and will ensure that:

   a. The OIG has a well-publicized vehicle through which agency employees and other interested persons can submit allegations of fraud, waste, abuse, and mismanagement, preserving anonymity when possible.

   b. Each allegation is retrievable and its receipt, review, and disposition are documented.
c. Each allegation is initially screened to ensure that urgent and/or high priority matters receive timely attention and facilitate early determination of the appropriate courses of action for those complaints requiring follow-up action.

d. Based on the nature, content, and credibility of the complaint, allegations are appropriately reviewed, and feedback is given to those submitting complaints or information.

e. Should complaints received relate to personnel matters not within the scope of the OIG’s oversight (e.g., workplace harassment, discrimination, bullying, and general workplace misconduct unrelated to fraud, waste, abuse, and corruption within the scope of the OIG’s authority), such complaints shall be confidentially referred to Human Resources and/or General Counsel. Should there be a conflict with either Human Resources or General Counsel, the Oversight Team should be made aware of the complaint and the Oversight Team should decide the process for handling it.

VII. Access to Records and Information

The OIG shall have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material needed for the OIG to exercise its responsibilities and duties hereunder, with the limited exception of records that are defined as privileged or confidential by law.

The OIG shall also have direct and prompt access to the DRPA executives and staff as necessary to carry out his or her responsibilities, and DRPA executives and staff must provide full cooperation with the OIG.

All OIG requests for information or assistance shall be subject to a reasonableness standard. In order to meet this standard, requests must provide both:

Reasonable Time for Compliance. Absent unusual or compelling circumstances (e.g., emergency, significant risk of destruction, etc.), the OIG shall provide sufficient time for executives and staff to respond to requests and shall make reasonable efforts to ensure that requests do not unnecessarily and unreasonably interfere with the normal work of the Authority.

Reasonable Specificity. OIG requests must provide reasonable specificity regarding the assistance or information needed. This shall not be deemed to require that the OIG disclose the subject or nature of any investigation to the extent that the OIG’s request provides sufficient information for the executive or staff member to understand what assistance is being requested or what document(s) and/or information is being sought. Executives and staff shall be permitted to make reasonable requests for clarification from the OIG without facing sanction for non-cooperation.

Should information or assistance requested by the OIG be refused or not provided, the OIG shall report the circumstances to the Oversight Team and the CEO. The Oversight Team, in consultation with the CEO, shall review any such circumstances and make a determination regarding whether, to what extent, when and how the information or assistance must be provided.
VIII. Conduct of Audits and Investigations

1. All audits and investigations shall comply with applicable professional standards, such as those enumerated by the Institute of Internal Auditors (https://na.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx) and/or the Councils of the Inspectors General (http://www.ignet.gov/pande/standards1.html). Reports and procedures shall also conform to the OIG’s established policies and procedures and the provisions of this SOP.

2. Whether written or oral, all OIG reports should be objective, timely, and useful.

3. All reports must be supported by sufficient, reliable, relevant, and useful information and evidence.

4. Appropriate personnel with direct knowledge about the subject of an investigation or report shall be interviewed before the report is completed, provided no conflict of interest exists, the interview would not compromise a criminal investigation, or the person refuses to comply.

5. Audit and investigation reports shall not contain names nor specific titles of people involved in the subject of the audit. Instead, reports shall use references such as “management,” “DRPA,” the Department involved, etc. Should the OIG believe that an exception should be made to this practice, he or she shall present the request and reasoning to the Oversight Team who may make such exception.

6. Should comments to a report include names or specific titles, these shall be edited or redacted from the final report.

7. Final audit and investigation reports shall also not contain supporting memos, notes, communications, or other documents; these shall be retained with background materials and working papers.

8. If the results of an audit, investigation, inspection, or evaluation indicate that deficiencies in policies or procedures contributed to fraud, waste, or abuse, the reports shall include recommendations for policy and/or procedural changes.

9. Should a criminal investigation or prosecution be initiated relating to the subject matter of an OIG audit or investigation, the OIG shall consult with the general counsel and the Oversight Committee, and where appropriate, outside counsel. In many cases, proceedings related to any such OIG audit or investigation shall be halted pending the conclusion of the criminal investigation or prosecution.
IX. Communicating Results of OIG Activities

1. Standards for notification and receiving comments to draft reports

   a. When the OIG completes his or her draft report of an audit or investigation, he or she shall notify the Board and the CEO.

   b. All persons interviewed in connection with the draft report, affected DRPA directors, chiefs, and Commissioners involved in the subject of a draft report, Chairs of Board committees, the Oversight Committee, members of the Audit Committee, and the CEO, shall be offered a copy of the draft report and an opportunity to submit written comments to the report, subject to the execution of a confidentiality agreement. Such confidentiality agreement shall not preclude the person bound by such agreement divulging to independent legal counsel the contents of the draft report, but only so long as such legal counsel agrees in writing to be bound by the confidentiality agreement as if a party thereto.

   c. The OIG shall schedule an exit interview with the Oversight Committee, the CEO, general counsel, and any other senior management or Commissioners the above persons believe should attend. During this interview, the OIG and the attendees shall discuss and explain the findings and facts contained in the draft report, and what interviews and records support the conclusions.

   d. Any comments must be submitted to the OIG and the Oversight Committee within 20 days of receiving the draft report, or such other time limit established by the Oversight Committee. If a party does not submit comments within the established time frame, such opportunity to provide written comments is waived.

   e. Draft reports shall also be provided to General Counsel for review of legal, confidentiality and privacy issues that might be contained therein.

   f. The OIG must attach or integrate received written comments verbatim into his or her final report, but names and specific titles shall be redacted from the final report, and final reports shall also not contain supporting memos, notes, communications, or other documents. (See above, Section VIII par. 5-7)

   g. The OIG shall respond to the comments and/or amend the draft report as he or she deems appropriate, within 20 days after the deadline for submission of comments, or such other time limit established by the Oversight Committee. The OIG may, in the OIG’s discretion, decide to amend or supplement the draft report after such comments or recommendations are received.

   h. The Oversight Committee shall also have the opportunity, should it choose, to create a Corrective Action Plan to recommend to the Board in conjunction with the report. The Corrective Action Plan shall allow the Authority the opportunity to respond to and set forth a plan of action, as appropriate, to the findings and recommendations of the OIG. Relevant Board Chairs and senior management of the Authority shall be consulted in developing the Action Plan.

   i. The General Counsel shall review the final draft report to assess any legal, confidentiality and privacy issues that may be contained therein.
2. Standards for distribution and release of reports

   a. After the draft report is finalized by the OIG including comments and responses attached, the final draft report shall be distributed by the OIG to all Board members and the CEO.

   b. Thirty days after distribution to the Board, the report shall be deemed final, and the final report shall at that point become public subject to the DRPA Right to Know/Open Records Policy. Prior to this point, all findings and underlying facts and materials contained within draft reports are confidential and are subject to and protected by law, Authority policy, and confidentiality agreements. The Board may delay or deny the release (and finalization) of a draft report for good cause, upon affirmative vote of the majority of both states of the full Board. Both before and after the finalization of any report, all draft versions of such report shall be exempt from the Authority’s Right-to-Know/Open Records Policy.

   c. The OIG shall give the CEO and the Board at least 3 business days’ notice before making the report public and posting it on the DRPA website.

X. Other Communication of OIG Activities

   The OIG shall keep the Oversight Committee, the Audit Committee and as necessary and/or appropriate, the CEO, Authority senior management, program managers, and the Board, fully and currently informed of appropriate aspects of OIG operations and findings, subject to any necessary confidentiality requirements.

   Such updates shall be made via periodic briefings and reports, and updates at Audit Committee meetings, and will advise of investigation outcomes, and any problems encountered. Such reporting should include any serious programmatic or administrative problems that contribute to fraud, corruption, waste, abuse, or mismanagement in Authority operations and programs.

   The OIG should timely advise the Oversight Committee and, as necessary and appropriate, senior management, consistent with requirements of confidentiality, of any Authority official or employee who attempts to impede or fails to require a contractor under his or her responsibility to desist from impeding an audit, investigation, inspection, evaluation, or any other OIG activity.

   The OIG shall promptly report any suspected violation of criminal law to law enforcement officials. Furthermore, the OIG shall promptly report any suspected violation of law to the Oversight Committee and the Audit Committee, on a confidential basis, unless there is a conflict of interest of reporting same to any of these persons, or involvement in the suspected violation. These officials shall then notify appropriate senior management and Commissioners of the suspected violation, unless there is a conflict of interest of reporting same to any of these persons.

XI. Monitoring Progress and Follow up

   Progress for the Authority will only happen if necessary corrective actions are taken. Therefore, the OIG or other designated Authority official should establish and maintain a system to monitor the disposition of results communicated to management. Additionally, there must be a
follow-up process to monitor and ensure that any Action Plan and/or other recommendations have been effectively implemented, or that senior management has accepted the risk of not taking action.

If the OIG concludes that management has accepted a level of risk that may be unacceptable to the organization, the OIG must discuss the matter with the Oversight Committee, and the Audit Committee, who shall review and make a recommendation to the full Board.

The OIG, the Oversight Committee, the Audit Committee, the Citizens Advisory Committee, and appropriate senior management shall meet annually to review this SOP, to assess whether its procedures are sufficient and effective, or whether any amendments or additions should be made to improve the effectiveness of these operations.

XII. Annual Reports

The OIG shall prepare annual reports to the Board and public summarizing the activities of the OIG during the immediately preceding calendar year and shall include, but need not be limited to:

1. a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Authority disclosed during the reporting period;

2. a description of the recommendations for corrective action made by the OIG during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1);

3. an identification of each significant recommendation described in previous annual reports on which corrective action has not been completed; and

4. information concerning any significant management decision with which the OIG is in disagreement.

XIII. Quality Control and Feedback

The OIG will annually assess its own performance by evaluating actual to planned performance goals. The OIG will report this assessment to the Board and the CEO, and will invite and discuss areas for change or improvement.

The OIG should collect and retain sufficient information to conduct performance evaluations, e.g., a history of past results to show prior performance, a strategic and annual planning process to show expected performance, and a management information system to show actual performance.

An external assessment of the OIG shall be conducted at least once every three years by a qualified, independent assessor or assessment team from outside the organization, retained by the Audit Committee with Board approval. The reports of such assessments shall be provided to the Board. The first external assessment shall commence in 2018.