



ITEM ID: 2025-295-0

TRANSMITTAL DATE: September 19, 2025

MEETING DATE: September 26, 2025

TO: Board of Directors

FROM: Elisabeth Lazuardi, Director, Audit

SUBJECT: Fiscal Year 2025 Annual Audit Activities Review

Issue

The Internal Audit Department (Internal Audit) is providing the Fiscal Year (FY) 2025 annual report to the Board as required by the Internal Audit Charter.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees. Through the audits performed in FY 2025, process improvements were made in various areas.

Background

Internal Audit provides independent and objective assurance to the Authority. In conducting its day-to-day operations, Internal Audit is governed by the Board approved Internal Audit Charter and Internal Audit Policies. Internal Audit also follows the auditing standards:

- Government Auditing Standards (GAGAS) established by the U.S. Government Accountability Office; and
- The Institute of Internal Auditors' (IIA) Global Internal Audit Standards.

Discussion

Reporting Organizational Independence

Auditing standards require that internal auditors be independent in fact and appearance to the entities for which they perform audit services (GAO GAGAS Paragraph 3.03). The Internal Audit function is organizationally independent, reporting functionally to the Board, and administratively to the Chief Executive Officer (IIA GIAS 8.1). Staff is confirming our independence for Fiscal Year 2014-2025.

Fiscal Year 2025 Annual Internal Audit Plan and Audit Activities Summary

1. External Audits – Served as audit liaison by coordinating and monitoring external audits, including those conducted by independent financial statement auditors and state and federal officials.
 - FY 2023-24 Annual Financial Report Audit and Single Audit. Please refer to Item 6.Q the Corrective Action Status Update - Fourth Quarter Ended June 30, 2025.
 - FY 2023-24 Agreed Upon Procedures – Annual National Transit Database (NTD)
 - FY 2023-24 Member Agency Memorandum of Understanding (MOU) Audit with Los Angeles Metropolitan Transportation Authority (LACMTA). Please refer to Item 6.Q the Corrective Action Status Update - Fourth Quarter Ended June 30, 2025.
 - FY 2022-2024 California Transportation Development Act (TDA) Triennial Performance Review.
2. Internal Audits and Contract Cost Analysis - Conducted internal audits and contract cost analysis in accordance with the Board approved Fiscal 2024-25 Annual Audit Plan. See Attachment A.
3. CEO Special Requests:
 - Assisted the Safety, Security, and Compliance Department in completing the System Safety Program internal safety audits as required by the 49 CFR Part 270. IA assisted performing the internal safety audits for these elements: Accident Reporting, Safety Data Acquisition, Risk Based Hazard Management, and Security Assessment.
4. Monitoring Corrective Action – Monthly follow-up on implementation of audit recommendations (internal and external audits) until all recommendations have been satisfactorily addressed. Activities included:
 - Review of support provided by management to close out corrective actions.
 - Meetings with management regarding pending items and deadlines; and
 - Quarterly updates to the Board of Directors on the status of corrective actions.
5. Internal Audit Department Projects - Conducted an agency-wide risk assessment, developed the FY 2025-26 Annual Audit Plan, updated Internal Audit Charter, Policies and Procedures, and Procedures Handbook to conform with the new Global Internal Audit Standard, and performed the annual internal quality assessment.
6. External Quality Assessment (Peer Review) - Participation in the peer review teams to review audit departments from other agencies to evaluate their compliance with the auditing standards.
7. Internal Audit Administration – Activities included
 - participation and preparation for board and staff meetings
 - on-going On-Call Audit Services contract management
 - annual departmental budget preparation and ongoing budget monitoring

- participation in panels and committees assisting other departments procurements, agencywide events, and employee recruitments
- attended trainings as part of the Continuing Professional Education required by the auditing standards.

Internal Audit Productivity Fiscal Year 2024-25

Internal Audit has four full time auditor positions. The organizational structure is as follows: one (1) Director, two (2) Senior Auditors, and one (1) Auditor II. Table 1 shows the analysis of the total annual available and productive work hours, and Table 2 shows the allocation of the annual productive work hours for Internal Audit.

Table 1: Total Annual Available and Productive Work Hours

Item	Calculation for Projected Hours (4 FTEs)	Projected Hours FY 2024-25	Actual Hours FY 2024-25
Total Annual Available	2,080 Hours (per FTE) X 4 FTEs	8,320	8,352
Less: Vacation and Other Leaves of Absence	30 days (240 hours per FTE) x 4 FTEs	(960)	(1,211)
Less: Holidays	12 days (96 hours per FTE) x 4 FTEs	(384)	(384)
Total Annual Productive Work Hours		6,976	6,757

Table 2: Allocation of the Annual Productive Work Hours

Audit Activity	<i>Projected</i> Productive Work Hours FY2024-25	%	<i>Actual</i> Productive Work Hours FY 2024-25	%
(1) External Audits	250	4%	102	2%
(2) Internal Audits and Cost Analysis	2,750	39%	2,187	32%
(3) Special Requests	350	5%	618	9%
(4) Monitoring (Corrective Action Tracking)	300	4%	318	5%
(5) Internal Audit Department Projects	900	13%	1,044	15%
(6) External Quality Control Review (Peer Review)	50	1%	89	1%
(7) Internal Audit Administration	2,376	34%	2,399	36%
Total Annual Productive Work Hours	6,976	100%	6,757	100%

Next Steps

Internal Audit will report on the Board approved FY26 Audit Plan status on a quarterly basis.

Prepared by: Claudia Casasola, Auditor II

Approved by: Elisabeth Lazuardi, Director, Audit

Attachment(s)

[Attachment A - IA Status Update FY25 Q4 Annual Audit Plan](#)