



ITEM ID: 2023-107-0

TRANSMITTAL DATE: February 17, 2023

MEETING DATE: February 24, 2023

TO: Board of Directors

FROM: Elisabeth Lazuardi, Senior Manager, Audit

SUBJECT: Internal Audit Department Quarterly Update for FY2023 - Q2

Issue

The Internal Audit Department (Internal Audit) is providing quarterly updates on internal audits, external audits, and other activities. This item represents the second quarter of FY2023 (September 30, 2022 to December 31, 2022).

Recommendation

AUDIT AND FINANCE COMMITTEE received and filed this report.

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. By formally communicating updates on the progress of the FY2023 Annual Audit Plan, the status of internal audits and other audit activities on a periodic basis, we are providing a snapshot of the Authority's ongoing efforts to improve business processes.

Background

The Internal Audit Charter requires the presentation of a quarterly progress report of the Annual Audit Plan to the Chief Executive Officer (CEO) and Board of Directors.

Discussion

I. Internal Audit Activities

- A. Internal Audit is including the FY2023 Annual Audit Plan Update as of December 31, 2022 (Attachment A) with this report.
- B. External Quality Control Peer Review Preparation. In accordance with the Internal Audit Policies and Procedures IA-1.1 and as required by the auditing standards, an external quality control review should be performed for the Internal Audit Department every three years. Internal Audit is currently preparing for this peer review which will be conducted tentatively in March 2023 by Independent Auditors from the Association of Local Government Auditors (ALGA). Internal Audit will report back to the Board of Directors the results of that review once it is completed.
- C. In December 2022, the Contracts, Procurement & Material Management Department (CPMM) requested Internal Audit to perform validation on contract proposed labor rates for six consultants for Contract E745-20 - On-Call Professional Engineering Design Services and Contract E746-20 - On-Call Engineering, Project Management, and Staff Assistance Services. Internal Audit engaged a public accounting firm Davis Farr LLP to perform the validation.

II. External Audit Activities

- A. FY2022 Comprehensive Annual Financial Report and Single Audit. The audit is in progress and will be completed in January 2023.
- B. Internal Revenue Service (IRS) Examination - The IRS has initiated an examination related to payroll taxes and benefits in November 2022. The examination is in progress.
- C. FTA Triennial Review. The Federal Transit Administration (FTA) has officially begun the 2023 Triennial Review. Internal Audit has been working on gathering the information requested by the FTA which is due February 3, 2023. The site visit portion of the review will be conducted virtually and is tentatively scheduled for July 2023.

To assist in preparation for the review, Internal Audit has been actively collecting the necessary materials throughout the year 2022. This proactive approach was aimed at identifying potential areas of concern in advance and addressing them accordingly.

Next Steps

Internal Audit will continue to report on a quarterly basis.

Prepared by: Claudia L. Casasola, Auditor II

Approved by: Elisabeth Lazuardi, Senior Manager, Audit

Attachment(s)

[Attachment A - FY23 Annual Audit Plan Update
Presentation - Internal Audit Department Quarterly Update for FY2023 - Q2](#)