



ITEM ID: 2024-116-0

TRANSMITTAL DATE: March 1, 2024

MEETING DATE: March 8, 2024

TO: Audit and Finance Committee

FROM: Elisabeth Lazuardi, Director, Audit
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SUBJECT: Internal Audit Department Quarterly Update for Q2 FY 2024

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 FY 2024 (October 1, 2023 to December 31, 2023).

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. By formally communicating updates on the progress of the FY 2024 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. The FY 2024 Annual Audit Plan Update as of December 31, 2023 (Attachment A) is included with this report.
- B. In December 2022, the Contract, Procurement & Material Management Department (CPMM) requested that the Internal Audit Department verify the proposed labor rates for six consultants under Contracts E745-20 (On Call Professional Engineering Design Services) and E746-20 (On Call Engineering, Project Management, and Staff Assistance Services). This task has been completed. In September 2023, a follow-up request was made for the Internal Audit to validate the proposed labor rates for an additional 14 consultants, which is currently underway. For this project, Internal Audit has engaged Davis Farr LLP, a public accounting firm. The project is ongoing.
- C. In November 2023, the Contract, Procurement & Material Management Department (CPMM) requested that the Internal Audit Department verify the proposed labor rates for consultants under Contracts E752-23 (San Juan Creek Bridge Design Support During Construction) and E753-24 (PTC Communication and Signal Systems Design and Engineering Services). Internal Audit engaged Booth Management Consulting, LLC to perform the analysis. The analysis is in progress.

II. External Audit Activities

- A. Internal Revenue Service (IRS) Examination: The IRS initiated an examination related to payroll taxes and benefits in November 2022. The examination is in progress.
- B. FY 2023 Comprehensive Annual Financial Report and Single Audit. The audit is completed in December 2023 and was presented to the Board in January 2024. The corrective action for the audit finding is being tracked and reported in the quarterly Corrective Action Status Update included in this meeting agenda.
- C. LACMTA Memorandum of Understanding (MOU) Examination: The Authority and LACMTA entered into MOU No. 940000000SCRA2023 (SCRA2023) for the purpose of providing funding to the Authority during FY 2022-2023 for LACMTA's financial commitments to the FY 2022-2023 budget as required by the Joint Powers Agreement (JPA). The compliance audit of MOU No. SCRA2023 between the Authority and the LACMTA is scheduled to be completed by February 28, 2024.
- D. FTA Triennial Review: The FY 2023 Federal Transit Administration (FTA) Triennial Review is completed. The FTA wants to ensure that awards are administered in accordance with the requirements of Federal Public Transportation Law, 49 U.S.C., Chapter 5. The Triennial Review is the FTA's assessment of SCRRRA's compliance with federal requirements. The site visit for the review occurred virtually during the period 07/17/2023 - 07/24/2023. The final report was issued on 09/15/2023. The Triennial Review focused on SCRRRA's compliance in 23 areas. The final report included deficiencies in two areas and no deficiencies in 21 areas. There were two deficiencies from the FY 2023 review and there were no repeat deficiencies from the previous FY 2019 Triennial Review. All corrective actions related to the deficiencies are tracked in the

Internal Audit quarterly Corrective Action Status update report, which is included in this meeting agenda.

Next Steps

Internal Audit will continue to report on a quarterly basis.

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Approved by: Elisabeth Lazuardi, Director, Audit

Attachment(s)

[Attachment A - FY24-Q2-Annual Audit Plan Status Update](#)