



ITEM ID: 2025-186-0

TRANSMITTAL DATE: May 16, 2025

MEETING DATE: May 23, 2025

TO: Board of Directors

FROM: Elisabeth Lazuardi, Director, Audit
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SUBJECT: Internal Audit Department Quarterly Update for Q3 FY2025

Issue

The Internal Audit Department (Internal Audit) provides quarterly updates on internal and external audits and other activities. This item represents the third quarter of FY 2025 (January 1, 2025, to March 31, 2025).

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 2025 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 2025 Annual Audit Plan Update as of March 31, 2025 (Attachment A) is included with this report.
- B. The Contract, Procurement & Material Management Department (CPMM) requested that the Internal Audit Department verify the proposed labor and overhead rates for consultants under Contracts E747R-20 (Score Program Management Consultant (PMC) Services). Internal Audit engaged Davis Farr LLP in February 2025 to perform the analysis. The analysis is currently in progress.
- C. SCRRRA System Safety Program Plan (SSPP) agreed-upon procedures engagement: In February 2025, Internal Audit received a CEO request to assist the System Safety, Security, and Compliance Department (Department) in performing an agreed-upon procedures engagement on compliance with 49 CFR Parts 1570 and 1582 Security Assessment requirements under the System Safety Program Plan (SSPP). The engagement is in progress. As stated in the Board-approved Internal Audit Policy IA-1.1, the CEO may request Internal Audit to review projects, programs, or activities. The final report will be provided to the Chief Safety, Security, and Compliance Officer and the CEO, and will be available to the Board upon request when completed.

II. External Audit Activities

- A. The Los Angeles County Metropolitan Transportation Authority (LACMTA) Memorandum of Understanding (MOU) Audit: The Authority and LACMTA entered into MOU No. 9400000000SCRA2024 (SCRA 2024) to provide funding to the Authority during FY 2023-2024 for LACMTA's financial commitments to the FY 2023-2024 budget, as required by the Joint Powers Agreement (JPA). The audit was completed on February 18, 2025. There was one audit finding and the corrective action is tracked on the quarterly Corrective Action report.

Historically, this engagement was an examination; however, the scope has since expanded and is now a full audit. Per Internal Audit Policy IA-1.1, Section 1.10, *"Internal Audit will notify the AFCOM/Board and the CEO regarding the initiation of any required external audits or other external engagements by independent third parties. Full copies of external audit reports will be included in Board agendas."* Accordingly, a full copy of this report can be found at Attachment B.

- B. FY 2022-2024 California Transportation Development Act (TDA) Triennial Performance Review: Internal Audit served as the liaison for the Triennial Performance Review of Metrolink, as required under California Public Utilities Code (PUC) Section 99246. The review covered the period from July 1, 2021, through June 30, 2024, and was conducted in accordance with the Caltrans TDA Performance Audit Guidebook. No compliance findings were identified under PUC Section 99246. Two recommendations were made in the Functional Review section, both of which were carryover issues from the prior Triennial Performance Review as follows: 1.) Continue developing financial strategies to

address infrastructure needs and deferred maintenance and 2.) Continue efforts to address senior management turnover and implement long-term succession strategies.

Next Steps

Internal Audit will continue to report on a quarterly basis.

Prepared by: Claudia L. Casasola, Auditor II

Approved by: Elisabeth Lazuardi, Director, Audit

Attachment(s)

[Attachment A - IA Status Update - FY25 Q3 Annual Audit Plan](#)

[Attachment B - LACMTA MOU Audit Report FYE 2024](#)