



ITEM ID: 2025-357-0

TRANSMITTAL DATE: November 7, 2025

MEETING DATE: November 14, 2025

TO: Board of Directors

FROM: Elisabeth Lazuardi, Director, Audit
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SUBJECT: Internal Audit Department Quarterly Update for Q1 FY26

Issue

The Internal Audit Department (Internal Audit) provides quarterly updates on internal and external audits and other activities. This item represents the first quarter of FY 2026 (July 1, 2025, to September 30, 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 2026 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 2026 Annual Audit Plan Update as of September 30, 2025 (Attachment A) is included with this report.
- B. FY2025 Internal Audit Quality Assessment: Internal Audit completed the FY2025 Internal Quality Assessment from July 1, 2024, through June 30, 2025. The internal assessment is required to be performed annually to comply with the auditing standards. There were no significant findings or deficiencies; the results were reported to the Board in the October 24, 2025, meeting.
- C. CEO Special Requests: Assisting the Safety, Security, and Compliance Department in completing the System Safety Program internal safety audits as required by the 49 CFR Part 270. The Board approved Internal Audit Policy IA-1.1 allows the CEO to request Internal Audit to review projects, programs, or activities. Internal Audit completed the Security Assessment module in September 2025, pending management corrective actions. IA is currently performing the next safety audits for Safety Assurance. Due to the sensitive security nature of the safety audit, the report will be provided limited to the Chief Safety, Security, and Compliance Officer and the CEO.
- D. 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 to perform the analysis. The analysis was completed in August 2025.
- E. Internal Audit Charter, Policies & Procedures, Handbook Update: IA follows two sets of professional standards: the Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS) and the Institute of Internal Auditors' (IIA) *Global Internal Audit Standards*. The recent revision to the Institute of Internal Auditors' (IIA) *Global Internal Audit Standards* requires updates to our Board-approved Internal Audit Charter, Internal Audit Policies & Procedures, and the Internal Audit Handbook to ensure alignment with the new standards. IA will undergo an independent peer review in February 2026. During this review, the updated Charter, Policies & Procedures, and Handbook will be evaluated for conformance with the revised standards. Based on the results of the peer review, the updated Charter and Policies & Procedures will be presented to the Board for approval.

II. External Audit Activities

- A. FY 2025 Comprehensive Annual Financial Report and Single Audit. The audit is in progress and is on schedule to be completed by December 31, 2025. External audit firm Eide Bailly, LLP, was engaged to perform the audit.
- B. National Transit Database (NTD). The Federal Transit Administration (FTA) has established standards about the data reported to it in the Federal Funding Allocation Statistics Form FFA-10 (FFA-10) for the SCRRRA annual NTD report. External audit firm Eide Bailly LLC was engaged to perform agreed-upon procedures to assist SCRRRA in evaluating the information included in the NTD report FFA-10 form for the year ended June 30, 2025, which conforms with those standards. The engagement is in progress and is scheduled to be completed by October 31, 2025.

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 FY26 Q1 Annual Audit Plan Presentation - Q1 FY2026 IA Status Update](#)