



ITEM ID: 2023-163-0

TRANSMITTAL DATE: May 19, 2023

MEETING DATE: May 26, 2023

TO: Board of Directors

FROM: Elisabeth Lazuardi, Senior Manager, Audit

SUBJECT: Internal Audit Department Quarterly Update for Q3 FY 2023

Issue

The Internal Audit Department (Internal Audit) is providing quarterly updates on internal audits, external audits, and other activities. This item represents the third quarter of FY 2023 (January 1, 2023, to March 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 2023 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 2023 Annual Audit Plan Update as of March 31, 2023 (Attachment A) is included with this report.
- B. External Quality Control Peer Review: 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. The peer review was completed in March 2023 by independent auditors from the Association of Local Government Auditors (ALGA) with a rating of pass. The peer review report was presented to the Board in April 2023.
- C. In December 2022, the Contracts, Procurement & Material Management Department (CPMM) requested Internal Audit to validate the 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. To carry out the validation, Internal Audit engaged the public accounting firm Davis Farr LLP. The project is in progress.
- D. In March 2023, CPMM requested Internal Audit to validate the accuracy of rates billed and submitted by three consultants under Contract E743-16 - Engineering and Technical Support for Rolling Stock Acquisition, Maintenance and Overhaul Activities and determine if there are misbilling occurrences. The project is in progress.

II. External Audit Activities

- A. LACMTA Memorandum of Understanding (MOU) Examination: The Authority and LACMTA entered into MOU No. 9400000000SCRA2022 (SCRA2022) for the purpose of providing funding to the Authority during FY 2021-2022 for LACMTA's financial commitments to the FY 2021-2022 budget as required by the Joint Powers Agreement (JPA). The compliance audit of MOU No. SCRA2022 between the Authority and the LACMTA was completed on February 23, 2023 with no findings.
- B. Internal Revenue Service (IRS) Examination: The IRS initiated an examination related to payroll taxes and benefits in November 2022. The examination is in progress.
- C. FTA Triennial Review: The 2023 Triennial Review was officially initiated by the Federal Transit Administration (FTA). Internal Audit was tasked with gathering the requested information in its liaison position, and all information requested by the external auditors was promptly provided. The site visit aspect of the review will be conducted virtually in Mid-July 2023.

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 - IA Status Update Annual Audit Plan](#)