METROLINK

metrolinktrains.com/meeting

ITEM ID:	**2026-276-0**
TRANSMITTAL DATE:	**September 18, 2025**
MEETING DATE:	**September 25, 2026**
TO:	**Board of Directors**
FROM:	**Elisabeth Lazuardi, Director, Audit**
SUBJECT:	**Fiscal Year 2026 Annual Audit Activities Review**

Issue

The Internal Audit Department (Internal Audit) is providing the Fiscal Year (FY) 2026 annual report to the Board as required by the Internal Audit Charter.

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. Through the audits performed in FY 2026, process improvements were made in various areas.

Background

Internal Audit provides independent and objective assurance to the Authority. In conducting its day-to-day operations, Internal Audit is governed by the Board approved Internal Audit Charter and Internal Audit Policies. Internal Audit also follows the auditing standards:

- Government Auditing Standards (GAGAS) established by the U.S. Government Accountability Office; and
- The Institute of Internal Auditors' (IIA) Global Internal Audit Standards (GIAS).

Discussion

Reporting Organizational Independence

Auditing standards require auditors and audit organizations to maintain independence of mind and independence in appearance when performing audit services (GAGAS paragraphs 3.18 and 3.21). The Internal Audit function is organizationally independent, reporting functionally to the Board and administratively to the Chief Executive Officer. Staff is confirming the Internal Audit function's organizational independence for Fiscal Year 2026 in accordance with GIAS Standard 7.1.

Fiscal Year 2026 Annual Internal Audit Plan and Audit Activities Summary

1. External Audits – Served as audit liaison by coordinating and monitoring external audits, including those conducted by independent financial statement auditors and state and federal officials. Please refer to the Corrective Action Status Update - Fourth Quarter Ended June 30, 2026 report for the status of audit findings.
    - FY 2025 Annual Financial Report Audit and Single Audit.
    - FY 2026 Agreed Upon Procedures – Annual National Transit Database (NTD)
    - FY 2025 Member Agency Memorandum of Understanding (MOU) Audit with Los Angeles Metropolitan Transportation Authority (LACMTA).
    - The Federal Transit Administration (FTA) Triennial Review preparation
2. Internal Audits and Contract Cost Analysis - Conducted internal audits and contract cost analysis in accordance with the Board-approved Fiscal 2026 Annual Audit Plan. See Attachment A.
3. CEO Special Requests:
    - Assisted the Safety, Security, and Compliance Department in completing the System Safety Program internal safety audits as required by 49 CFR Part 270. IA assisted in performing the internal safety audits for these elements: Security Assessment and Safety Assurance.
4. Monitoring Corrective Action – Monthly follow-up on implementation of audit recommendations (internal and external audits) until the recommendations have been satisfactorily addressed. Activities included:
    - Review of support provided by management to close out corrective actions.
    - Meetings with management regarding pending items and deadlines; and
    - Quarterly updates to the Board of Directors on the status of corrective actions. Please refer to the Corrective Action Status Update - Fourth Quarter Ended June 30, 2026 report for the status of audit findings.
5. Internal Audit Department Projects - Conducted an agency-wide risk assessment, developed the FY 2027 Annual Audit Plan, updated Internal Audit Charter, Policies and Procedures, and Procedures Handbook to conform with the revised auditing standards, peer review preparation, and performed the annual internal quality assessment.
6. External Quality Assessment (Peer Review) - The Peer Review for the period of January 2023 through December 2025 was conducted on the week of February 9, 2026, there were no findings.
7. Internal Audit Administration – Activities included
    - participation and preparation for board and staff meetings
    - on-going On-Call Audit Services contract management
    - annual departmental budget preparation and ongoing budget monitoring
    - participation in panels and committees assisting other departments procurements,

agencywide events, and employee recruitments
  - attended trainings as part of the Continuing Professional Education required by the auditing standards.

Internal Audit Productivity Fiscal Year 2026

Internal Audit has four full time auditor positions. The organizational structure is as follows: one (1) Director, two (2) Senior Auditors, and one (1) Auditor II. Table 1 shows the analysis of the total annual available and productive work hours, and Table 2 shows the allocation of the annual productive work hours for Internal Audit.

Table 1: Total Annual Available and Productive Work Hours

Item	Calculation for Projected Hours (4 FTEs)	Projected Hours FY 2026	Actual Hours FY 2026
Total Annual Available	2,080 Hours (per FTE) X 4 FTEs	8,320	8,352
Less: Vacation and Other Leaves of Absence	30 days (240 hours per FTE) x 4 FTEs	(960)	(998)
Less: Holidays	12 days (96 hours per FTE) x 4 FTES	(384)	(384)
Total Annual Productive Work Hours		6,976	6,970

Table 2: Allocation of the Annual Productive Work Hours

Audit Activity	***Projected*** **Productive Work Hours FY2026**	%	***Actual*** **Productive Work Hours FY 2026**	%
(1) External Audits	90	1%	217	3%
(2) Internal Audits and Cost Analysis	2,690	39%	2,663	38%
(3) Special Requests	300	4%	124	2%
(4) Monitoring (Corrective Action Tracking)	300	4%	145	2%
(5) Internal Audit Department Projects	900	13%	1,311	19%
(6) External Quality Control Review (Peer Review)	296	4%	117	2%
(7) Internal Audit Administration	2,400	35%	2,393	34%
Total Annual Productive Work Hours	**6,976**	**100%**	**6,970**	**100%**

Next Steps

Internal Audit will report on the Board approved FY27 Audit Plan status on a quarterly basis.

Prepared by: Claudia Casasola, Auditor II

Approved by: Elisabeth Lazuardi, Director, Audit

Attachment(s)

Attachment A - IA Status Update
Presentation - FY2026 Annual Audit Activities Review