



ITEM ID: 2024-183-0

TRANSMITTAL DATE: May 17, 2024

MEETING DATE: May 24, 2024

TO: Board of Directors

FROM: Elisabeth Lazuardi, Director, Audit
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SUBJECT: Internal Audit Department Quarterly Update for Q3 FY2024

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 FY2024 (January 1, 2024, to March 31, 2024).

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 March 31, 2024 (Attachment A) is included with this report.
- B. SCRRRA System Safety Program (SSP) Plan agreed-upon procedures engagement: In January 2024 Internal Audit received a CEO request to assist the Safety and Compliance Department (Department) in completing the 2023 SSP internal safety audit as required by the 49 CFR Part 270. IA assisted performing the internal safety audits for three safety elements: Element 12 – Accident Reporting, Element 13 – Safety Data Acquisition, Elements 15 & 16 – Risk Based Hazard Management. The engagement was completed in March 2024 and the result was reported to the Chief Safety Security & Compliance Officer and the CEO. 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 report is also available to the Board upon request.
- C. 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.
- D. 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.
- E. FY 2025 Audit Plan Development: In accordance with the Internal Audit Charter, Internal Audit is required to submit a risk-based Internal Audit Plan annually for review and approval to the Board of Directors. The risk assessment process includes conducting surveys with departments, assessing and scoring the risks. The risk assessment process is in progress. The proposed FY2025 Audit Plan is tentatively scheduled to be presented to the Board of Directors in July 2024.

II. External Audit Activities

- A. Internal Revenue Service (IRS) Examination: The IRS completed the examination related to the filling and furnishing of form 1099s and the reclassification of Board members as W2 employees for the tax periods ending 2020, 2021 and 2022. The examination was initiated in November 2022. The total penalties assessment was approximately \$80,000 as a result from the examination.
- B. LACMTA Memorandum of Understanding (MOU) Examination: The Authority and

LACMTA entered into MOU No. 9400000000SCRA2023 (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 was completed with no findings.

- C. FTA Subrecipient Review: The Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) recently completed the virtual site visit of the Subrecipient Compliance Review of the Authority as required by the Federal Transit Administration (FTA). The purpose of the review was to ensure that the Authority is administering its FTA-funded programs in accordance with federal transit law provisions as well as OCTA and RCTC subrecipient agreements. The draft report is scheduled to be completed in May 2024 and final report in June 2024.

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-Q3-Annual Audit Plan](#)