



ITEM ID: 2026-182-0

TRANSMITTAL DATE: April 17, 2026

MEETING DATE: April 24, 2026

TO: Board of Directors

FROM: Elisabeth Lazuardi, Director, Audit

SUBJECT: Internal Audit Department Quarterly Update for Q3 FY 2026

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 2026 (January 1, 2026, to March 31, 2026).

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

Internal Audit Activities

- A. The FY 2026 Annual Audit Plan Update as of December 31, 2025 (Attachment A) is included with this report.
- B. 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 Safety Assurance module in March 2026. 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.
- C. 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. The updated Charter and Policies & Procedures was presented to and approved by the Board on March 27, 2026.
- D. External Quality Control Review (Peer Review): The auditing professional standards (the standards) require for IA to be peer reviewed independently once every three years. The standards require IA obtain a peer review by a qualified, independent assessment team from outside the organization to provide reasonable assurance of IA's compliance and conformance with the standards. IA sought the assistance of the Association of Local Government Auditors (ALGA) to perform the peer review. The peer review was completed with no findings and was presented to the Board on March 27, 2026.

External Audit Activities

- A. FY 2025 Annual Comprehensive Financial Report (ACFR) and Single Audit. The ACFR and the Single Audit have been completed and were presented to the Board on February 27, 2026. Corrective actions for the audit findings are separately tracked in the quarterly Corrective Action Status report.
- B. The Los Angeles County Metropolitan Transportation Authority (LACMTA) Memorandum of Understanding (MOU) Audit: The Authority and LACMTA entered MOU No. 9400000000SCRA2025 (SCRA 2025) to provide funding to the Authority during FY 2024-2025 for LACMTA's financial commitments for the FY 2024-2025 budget as required by the Joint Powers Agreement (JPA). The compliance audit of MOU No. SCRA 2025 between the Authority and the LACMTA is completed (Attachment B). Corrective actions for the audit findings are separately tracked in the quarterly Corrective Action Status report.
- C. FTA Triennial Review: The Federal Transit Administration (FTA) is conducting the FY2026 Triennial Review to assess the Authority's administration of FTA-funded programs and compliance with applicable requirements. The period of review covers activities from the issuance of the 2023 Triennial Review Final Report through the 2026 review exit conference. Internal Audit coordinated across the agency to gather all requested Recipient Information Request (RIR) materials and submitted the complete package to the external FTA contractor, Tuba Group, Inc. The review is being conducted

using the FY2026 FTA Contractor's Manual as the controlling criteria. The review will include an on-site visit, currently scheduled for **August 19–21, 2026**. Internal Audit continues to coordinate with departments to support follow-up requests and ensure readiness for the review.

Next Steps

Internal Audit will continue reporting quarterly on internal and external audits and other activities.

Prepared by: Andrew Hong, Senior Auditor

Approved by: Elisabeth Lazuardi, Director, Audit

Attachment(s)

[Attachment A - FY26 Q3 IA Status Update](#)

[Attachment B - LACMTA MOU Audit Report FYE 2025](#)

[Presentation - Q3 FY2026 IA Status Update](#)