



ITEM ID: 2024-318-0

TRANSMITTAL DATE: November 1, 2024

MEETING DATE: November 8, 2024

TO: Board of Directors

FROM: Elisabeth Lazuardi, Director, Audit
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SUBJECT: Internal Audit Department Quarterly Update for Q1 FY2025

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 2025 (July 1, 2024, to September 30, 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 2025 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 2025 Annual Audit Plan Update as of September 30, 2024 (Attachment A) is included with this report.
- B. SCRRRA System Safety Program (SSP) Plan agreed-upon procedures engagement: In July 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. Internal Audit assisted in performing the internal safety audits for three safety elements: Element 9 – Emergency Management Program, Element 10 – Drug and Alcohol Program, and Element 11 – Public Safety Outreach Program. The engagement was completed in September 2024, and the results were reported to the Interim Chief Safety Security & Compliance Officer and the CEO. As per the Board-approved Internal Audit Policy IA-1.1, the CEO has the authority to 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. This task was completed in July 2024. Internal Audit has engaged Davis Farr LLP, a public accounting firm, to perform these tasks.
- 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. In August 2024, the Contract, Procurement & Material Management Department (CPMM) requested that the Internal Audit Department verify the proposed labor rates for consultants under Contract E758-25 (On Call State of Good Repair Project Management, Construction Management, and Staff Assistance Services). Internal Audit engaged Davis Farr LLP to perform the analysis. The analysis is in progress.
- F. The FY 2024 Internal Quality Assurance Review was completed. The auditing standards require that Internal Audit self performs the assessment of the department's quality control on an annual basis, in addition to the external peer review which occurs every three years. The result of the FY 2024 Internal Quality Assurance Review, which shows no findings, was reported to the Board in October 2024.

II. External Audit Activities

- A. FY 2024 Comprehensive Annual Financial Report and Single Audit. The audit is in progress and will be completed by December 31, 2024.
- 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 LL 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, 2024, which conforms with those standards. The engagement is in progress.

- C. FTA Subrecipient Review: The Orange County Transportation Authority (OCTA) and the Riverside County Transportation Commission (RCTC) completed the Subrecipient Compliance Review of the Authority as required by the Federal Transit Administration (FTA) in May 2024 and final report in June 2024. The purpose of the review was to ensure that the Authority is administering its FTA-funded programs by federal transit law provisions as well as OCTA and RCTC subrecipient agreements. All findings are now closed.

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 - IA Status Update Annual Audit Plan FY25 Q1](#)