



**ITEM ID:** 2025-385-0

**TRANSMITTAL DATE:** January 16, 2026

**MEETING DATE:** January 23, 2026

**TO:** Board of Directors

**FROM:** Elisabeth Lazuardi, Director, Audit  
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**SUBJECT:** Internal Audit Department Quarterly Update for Q2 FY 2026

**Issue**

The Internal Audit Department (Internal Audit) provides quarterly updates on internal and external audits and other activities. This item represents the second quarter of FY 2026 (October 1, 2025, to December 31, 2025).

**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**

### **I. 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 Security Assessment module in September 2025. IA is currently performing the next safety audit for Safety Assurance. 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. IA will undergo an independent peer review in February 2026. During this review, the updated Charter, Policies & Procedures, and Handbook will be evaluated for conformance with the revised standards. Based on the results of the peer review, the updated Charter and Policies & Procedures will be presented to the Board for approval.
- 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 Association of Local Government Auditors (ALGA)'s assistance to perform the peer review. The on-site review will be conducted February 9 through 13, 2026.

### **II. External Audit Activities**

- A. FY 2025 Annual Comprehensive Financial Report (ACFR) and Single Audit. The ACFR audit was completed by the deadline of December 31, 2025. The Single Audit received a waiver for a 60-day extension from the ACFR issuance date of 12/18/2025. The Single Audit delay was due to the government shutdown in fall 2025. External audit firm Eide Bailly, LLP, was engaged to perform the audits.
- 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 SCRRA annual NTD report. External audit firm Eide Bailly LLC was engaged to perform agreed-upon procedures to assist SCRRA in evaluating the information included in the NTD report FFA-10 form for the year ended June 30, 2025, which conforms with those standards. The engagement was timely completed in October 2025.
- C. 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 scheduled to be completed by February 28, 2026.

- D. FTA Triennial Review: The Federal Transit Administration is conducting the FY 2026 Triennial Review to assess the Authority's administration of FTA-funded programs and compliance with applicable FTA requirements. The period of review covers activities from the issuance of the 2023 Triennial Review Final Report through the 2026 review exit conference. The Review is expected to include an on-site visit; the date of the on-site visit is currently pending. The Recipient Information Request materials are required to be submitted by February 27, 2026. The review is being conducted using the FY 2026 FTA Contractor's Manual as the controlling criteria, with the review conducted by FTA's contractor, Tuba Group, Inc.

Prepared by: Andrew Hong, Senior Auditor

Approved by: Elisabeth Lazuardi, Director, Audit

**Attachment(s)**

[Attachment A - IA Status Update Attachment A - FY26-Q2-Annual Audit Plan Presentation - Q2 FY2026 IA Status Update](#)