

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT
300 Lakeside Drive, P. O. Box 12688, Oakland, CA 94604-2688

NOTICE OF MEETING AND AGENDA
AUDIT AD HOC COMMITTEE

August 20, 2020

1:00 p.m.

COMMITTEE MEMBERS: Directors Saltzman (Chairperson), Allen, and Dufty

Chairperson Saltzman has called a Meeting of the Audit Ad Hoc Committee on Thursday, August 20, 2020, at 1:00 p.m.

Please note, pursuant to Governor Newsom’s Executive Order N-29-20 and the California Shelter-in-Place mandate, which prevents all but essential travel, this meeting will be via teleconference only.

Presentation materials will be available via Legistar at <https://bart.legistar.com>

You may join the Committee Meeting via Zoom by calling 1-877-853-5257 and entering access code 969-0115-5829.

If you wish to make a public comment:

- 1) Submit written comments via email to board.meeting@bart.gov, using “public comment” as the subject line. Your comment will be provided to the committee and will become a permanent part of the file. Please submit your comments as far in advance as possible. Emailed comments must be received before 11:00 a.m. on August 20 in order to be included in the record.
- 2) Call 1-877-853-5257, enter access code 969-0115-5829, and dial *9 to raise your hand when you wish to speak.

Public comment is limited to three (3) minutes per person.

AGENDA

1. Call to Order.
2. [Audit Committee Charter](#). For information and/or action.
3. [Fiscal Year 2020 Annual Financial Report – Audit Planning Briefing](#). For information.
4. [Review of Internal Audit’s Fiscal Year 2021 Audit Plan](#). For information.
5. [Office of the Inspector General – Risk Assessment](#). For information.
6. Public Comment.

Patricia K. Williams
District Secretary

BART provides services/accommodations upon request to persons with disabilities and individuals who are limited English proficient who wish to address BART Board matters. A request must be made within one and five days in advance of a Board or committee meeting, depending on the service requested. Please contact the District Secretary’s Office at (510) 464-6083 for information.

August 20, 2020



Audit Committee Charter



Introduction



Purpose of Charter – Specify functions of the Audit Committee:

- Governance and Authority
- Selection of Audit Committee Members
- Roles and Responsibilities

Governance and Authority



- Assist Board in discharging oversight responsibilities
- Five voting members – Three Board members and two public members
- Hear items pertaining to audits and investigations of fraud, waste, and abuse
- Make recommendations to Board

Member Selection Process



Board Members:

- Nominated by Board President, appointed by Board
- President appoints Board member as Committee chair

Public Members:

- Expertise in governmental accounting; financial management; performance auditing; fraud, waste, and abuse investigations; or internal control
- Professional certification
- Two-year terms; up to six years

Roles and Responsibilities



General:

- Hear presentations of, or review audit and investigation reports, discuss results and management's response and action plans
- Discuss items of disagreement, if any
- Review and monitor implementation of corrective actions
- Clarify roles of Internal Audit and OIG to prevent overlap
- Inquire about significant risks and efforts to address

Roles and Responsibilities



Financial Reporting:

- Participation in selection of external audit firm
- Meet with firm to discuss scope of work, review interim and annual financial statements, and reports of internal control over financial reporting
- Understand new accounting and reporting requirements and how changes may affect the District
- Periodically review Board-adopted financial policies and recommend changes to Board as needed

Roles and Responsibilities



Internal Audit - Review letter of authority, roles, and responsibilities; risk assessment and audit plans, and quality assessment and improvement program

Office of the Inspector General – Provide oversight of activities:

- Review and recommend Board approve Charter; review risk assessment and audit plans, quality assessment and improvement program, including peer review results
- Discuss access to information, records, and personnel
- Hear OIG's quarterly reports of activities

Roles and Responsibilities



Internal Control:

- Ensure compliance with a recognized internal control requirements and understand the District's internal control structure

Compliance:

- Periodically review and recommend changes to Code of Conduct and Whistleblower policies and responsibilities of District's Ethics Officer
- Ensure availability of noncompliance reporting methods

DRAFT AUDIT COMMITTEE CHARTER¹

1. Purpose

The purpose of this charter is to specify the functions of the BART Audit Committee.

2. Governance and Authority of the Audit Committee

- 2.1 Audit Committee assists the Board of Directors (“Board”) in discharging its oversight responsibilities for financial management, operational effectiveness, ethics, and regulatory compliance of the San Francisco Bay Area Rapid Transit District (“District”), specifically in the areas under the direction of the Office of the Inspector General (OIG), the Controller-Treasurer, and Performance and Budget.
- 2.2 The role of the Audit Committee is to provide independent oversight and advice to the Board of Directors regarding the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations. It achieves this by providing a forum to discuss and pursue opportunities for improvements in business and performance operations, financial and nonfinancial reporting, and internal controls, as identified through audit and investigation reports of the District, whether conducted internally or by an external entity.
- 2.3 The Audit Committee shall be comprised of five voting members, including three Board Directors and two public members with governmental financial expertise. The public members shall be residents within the District’s boundaries and be appointed by the Board of Directors based on the selection process described in this charter.
- 2.4 The Audit Committee shall review the scope of its roles and responsibilities, its structure, and its processes at least biennially and make recommendations to the Board for modifications as necessary to ensure the Audit Committee’s effectiveness.
- 2.5 The Audit Committee may hear items pertaining to financial and performance audits; audits by federal, state, and local government agencies; internal controls; general financial issues; and investigations of fraud, waste, or abuse. The Committee may provide recommendations to the full Board of Directors for action on matters within the Audit Committee’s purview.
- 2.6 The Audit Committee is a legislative body for the purposes of the Brown Act. Accordingly, all committee meetings are open public meetings subject to the noticing and meeting requirements under this law.

¹ The terminology used in this charter is based upon standard audit and internal control language and not meant to be specific to transit agency operations. 8/14/20: Note that the charter will be updated with language clarifying and defining the terminology currently contained in this draft charter.

- 2.7 The Audit Committee shall meet at least four times per year, with authority to convene additional meetings as needed. A quorum of at least three committee members is required to conduct official committee business. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary.
- 2.8 The Chair of the Audit Committee shall report during the Board Matters segment of Board meetings on the results of Audit Committee meetings. This report may be written or oral, depending on the significance of what is to be reported, such as the status of outstanding recommendations and breaches of internal controls that resulted in fraud, waste, or abuse.

3. Selection of Audit Committee Members

- 3.1 Board members serving on the Audit Committee shall be nominated by the Board President and appointed by the Board.
 - 3.1.1. The President of the Board shall annually appoint one of the selected Board members to serve as chair of the Audit Committee.
- 3.2 Public members serving on the Audit Committee shall be appointed by the full Board of Directors through an application process following current Board rules.
 - 3.2.1 Public members shall possess the independence, experience, and collective technical expertise necessary to carry out the duties of the Audit Committee as demonstrated by the following criteria. They shall:
 - 3.2.1.a. Have a minimum of ten years of expertise in governmental accounting, financial management, or performance auditing, or conducting investigations of fraud, waste, or abuse.
 - 3.2.1.b. Have technical knowledge of accounting, financial or performance auditing, financial reporting, and internal controls, including an understanding of and ability to apply the Government Auditing Standards, accounting standards issued by the Government Accounting Standards Board, and a recognized internal control framework.
 - 3.2.1.c. Possess a relevant professional certification, such as Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner, Certified Inspector General, or Certified Internal Controls Auditor.
 - 3.2.1.d. Within the past 10 years and other than their role as a committee member, have no affiliation with the District or with a firm that has done business with the District.

3.2.2 Public members shall serve two-year terms and are eligible to serve up to six years total. To the extent possible, appointments shall be made so no more than one term of office expires in any one year.

3.2.3 Public members are subject to conflict of interest laws and must file an annual Statement of Economic Interests, Form 700 with the District Secretary.

4. Audit Committee Roles and Responsibilities

4.1. General

4.1.1. Hear presentations of, or review, audit and investigation reports produced by the external financial auditors; federal, state, and local government agencies; Internal Audit; and the OIG to provide full accountability to the public regarding the results of audits and investigations of District operations.

4.1.2. Review and discuss with management and the OIG the results of audits and investigations, as well as management's response and action plans to address the underlying findings, if any.

4.1.3. Discuss items of disagreement, if any between auditors and management or the OIG and management regarding audit and investigation findings and recommendations in order to ensure that the respective positions of each are fully aired and considered by each party.

4.1.4. *8/14/20: This section is intended to address corrective actions taken by management and will be updated prior to and/or discussed at the 8/20/20 Audit Committee meeting.*

4.1.5. Clarify the roles of Internal Audit and the OIG to prevent overlap of concurrent responsibilities while ensuring the OIG can meet its state-mandated responsibilities.

4.1.6. Make inquiries to management, internal and external auditors, and the Inspector General about significant risks or exposures facing the District and efforts to address identified risks.

4.2. Financial and Other Reporting

4.2.1. Controller-Treasurer – Provide oversight of financial activities related to the Controller-Treasurer:

4.2.1.a. Jointly review with staff the external audit firms' responses to Request for Proposals, participate in conducting interviews, and recommend to the Board of Directors the firm to conduct the annual financial statement audit.

- 4.2.1.b. Upon selection, and annually thereafter:
 - i. Confirm the external audit firm's independence by reviewing their engagement letter and peer review report that attest to their independence and pass rating.
 - ii. When appropriate, recommend to the Board removal of the external audit firm.
- 4.2.1.c. Meet with external financial auditors as needed to review and discuss their audit scope of work and the annual audited financial statements, including any significant financial reporting issues.
- 4.2.1.d. Review interim and annual financial statements, including management's discussion and analysis, management's representation letters, and reports of internal control over financial reporting, for appropriateness, reliability, and timeliness.
- 4.2.1.e. Understand new accounting and reporting requirements and assess how changes may affect the District.
- 4.2.1.f. Review the District's Board-adopted financial policies and make recommendations to ensure the policies remain current and relevant.
- 4.2.2. Internal Audit – Review activities of Internal Audit:
 - 4.2.2.a. Review the letter of authority that describes Internal Audit's authority, roles, and responsibilities.
 - 4.2.2.b. Review Internal Audit's risk assessment and annual (or periodic) audit plan.
 - 4.2.2.c. Review Internal Audit's quality assessment and improvement program, as required by professional auditing standards. Hear the results of such reviews and monitor implementation of recommendations for improvement.
- 4.2.3. Office of the Inspector General (OIG) – Provide oversight of activities of the OIG pursuant to [California Public Utilities Code Sections 28840 - 28845](#)
 - 4.2.3.a. Review and recommend the Board approve the charter that describes the OIG's authority, roles, and responsibilities and clarifies the broad roles and responsibilities listed in the state legislation.
 - 4.2.3.b. Review the OIG's risk assessment and resulting audit plan, including the scope of audits to be conducted.

- 4.2.3.c. Discuss the OIG's access to information, records, and personnel and advise the Board on recommended solutions.
 - 4.2.3.d. Review the OIG's quality assessment and improvement program, including hearing the results of its external peer reviews as required by professional auditing and investigation standards and monitoring implementation of recommendations for improvement.
 - 4.2.3.e. Hear the OIG's quarterly reports of activities.
- 4.3. Internal Control – To provide reasonable assurance to the Board regarding the adequacy of the District's internal control systems, the Audit Committee should:
- 4.3.1. Understand the District's internal control structure, including key operational, reporting, and compliance risks, and the controls implemented to mitigate those risks.
 - 4.3.2. Ensure compliance with the Federal Transit Administration's internal control requirements. Review the District's efforts to follow another standard internal control framework, e.g., *Standards for Internal Control in the Federal Government*, published by the U.S. Government Accountability Office, or *Internal Control – Integrated Framework*, published by the Committee for Sponsoring Organizations of the Treadway Commission (COSO).
 - 4.3.3. *8/14/20: This section is intended to address actions related to internal control and will be updated prior to and/or discussed at the 8/20/20 Audit Committee meeting.*
- 4.4. Compliance with Laws, Regulations, and Procedures – To provide reasonable assurance to the Board that its policies are being carried out, the Audit Committee shall:
- 4.4.1. Periodically review the roles and responsibilities of the District Ethics Officer, whose responsibilities may be in addition to their other day-to-day responsibilities.
 - 4.4.2. At least biennially, review and, as needed, recommend changes to the District's Code of Conduct policies.
 - 4.4.3. Review and recommend changes, as needed, to the District's Whistleblower Policy.
 - 4.4.4. Review Procurement procedures to ensure that all agreements with outside contractors include a right-to-audit clause that provides the District's audit functions access to financial and performance-related records, property, and

equipment purchased in whole or in part with District funds when conducting an audit or investigation related to the prime contract or subcontracts.

- 4.4.5. Review the District's procedures for reporting noncompliance with laws, regulations, and policies, including whistleblower hotline and other communication methods, and ensure that employees, contractors, and residents know how to report violations.

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AUDIT OVERVIEW

San Francisco Bay Area Rapid Transit District

PRESENTED BY:

David Bullock, CPA
Partner
August 20, 2020

Nathan Law, CPA
Senior Manager

AUDIT COMMITTEE:

San Francisco Bay Area Rapid Transit District



We are pleased to present our audit plan for San Francisco Bay Area Rapid Transit District (BART) for the year ended June 30, 2020.

We appreciate the opportunity to meet with you to discuss the audit plan, especially as a two-way dialogue can provide valuable information for the audit process. We look forward to working with you!

Your Dedicated Team:



Peter George
Technical Review
Partner



David Bullock
Engagement
Partner



Scott Johnson
Advisory Services
Partner



Nathan Law
Senior Manager



Syed Zabiulla
Senior Associate

Required Communications

with Those Charged with Governance



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Planning

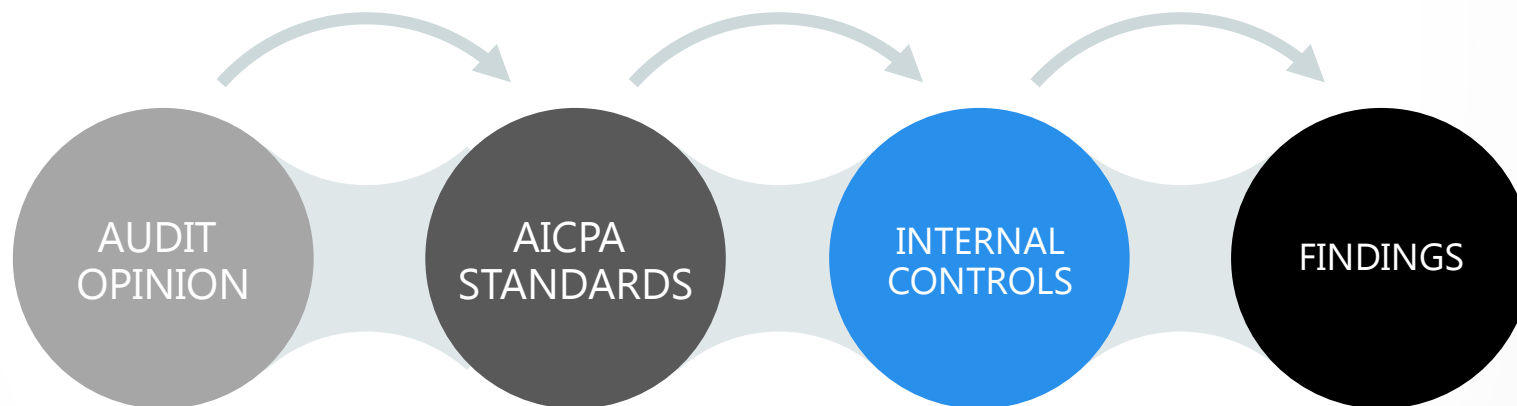
- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Planned scope and timing of audit

Results

- Significant audit findings
- Qualitative aspects of accounting practices
- Difficulties encountered in performing the audit
- Corrected and uncorrected misstatements
- Management representations
- Management consultations with other independent accountants
- Other audit findings or issues

Our Responsibility

Our responsibility under U.S. Generally Accepted Auditing Standards.



To express our opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. This does not relieve you or management of your responsibilities.

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

To obtain an understanding of the State Bar and its environment, including internal controls over financial reporting and compliance, as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on its effectiveness.

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

The Annual Financial Audit

Audit Plan and Approach

- Tailored to the BART
- Risk-based approach
- Identify and research key issues



What is Materiality?

Materiality

The amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.

How It's Calculated:

Using certain quantitative (e.g., total assets, total revenues, or other financial information) and qualitative factors (e.g., covenants, expectations, or industry factors)

It's Used To Identify:

- Significant risk areas
- Nature, timing, extent, and scope of test work
- Findings or misstatements

Significant Audit Areas



Financial closing and reporting – including drafting of financial statements and footnote disclosures



Investment valuation and disclosures



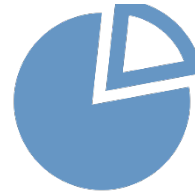
Capital assets and constructions

Significant Audit Areas

(continued)



Bonds, other long term debts and self-insurance liabilities, and the related compliance



Pension and other post-employment benefits (OPEB) accounting, valuation, and disclosures



Revenue recognition – fees, grants, tax revenues and the related compliance

Consideration of Fraud

Auditors must consider fraud to “improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit.”

How we gather information to identify fraud-related risks of material misstatement:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal controls
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures to be performed:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate the business rationale for significant unusual transactions

Deliverables

We will issue the following June 30, 2020 reports:

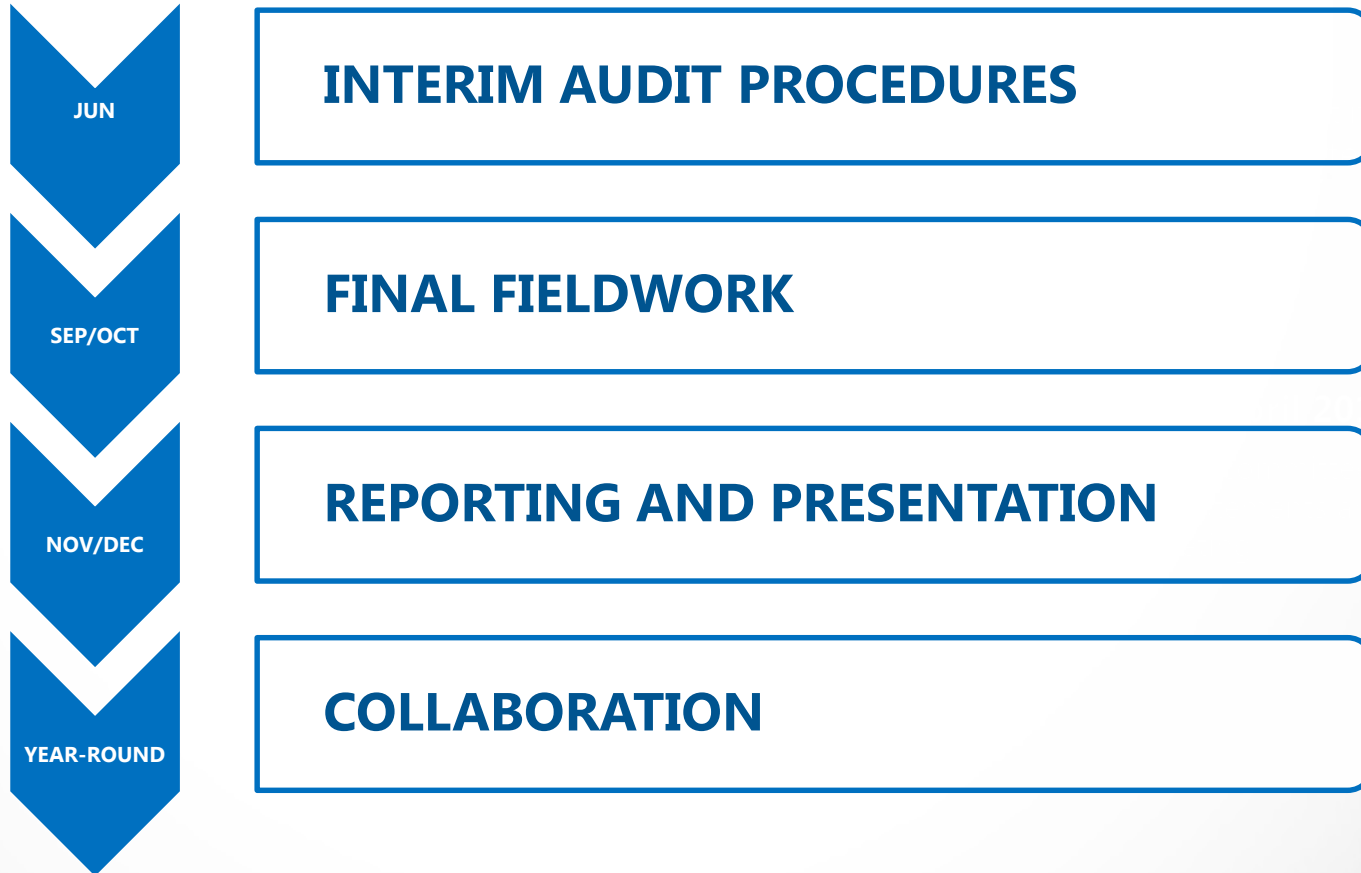
- Audit report on the basic financial statements of
 - The San Francisco Bay Area Rapid Transit District
 - The San Francisco Bay Area Rapid Transit District Retiree Health Benefit Trust
 - Capitol Corridor Joint Powers Authority (CCJPA)
- Agree-upon procedures report on National Transit Database
- Compliance reports of BART on
 - Board of Director's expenses
 - Transportation Development Act
 - Proposition 1B Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) and Low Carbon Transit Operations Program (LCTOP) Guidelines published by the California Department of Transportation
 - Measure B
 - Measure BB
- Compliance reports of CCJPA on
 - The receipt and appropriate expenditures of fund for CCJPA's State Rail Allocation (SRA) program funded by Senate Bill 1 in accordance with the Transportation Development Act (TDA) and Public Utilities Code (PUC) 99245.
- Report to those charged with governance
 - Communicating required matters and matters related to internal controls and compliance with laws, regulations, contracts and agreements



Audit Timing



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2018
approval
exit

Accounting Update



New Standards



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GASB Pronouncements

- GASB 95 – Postponement of the Effective Dates of Certain Authorization Guidance

Future GASB Pronouncements

- GASB 84 – Fiduciary Activities
- GASB 87 – Leases
- GASB 89 – Capitalized Interest
- GASB 90 – Minority Equity Interests
- GASB 91 – Conduit Debt Obligations
- GASN 92 – Omnibus 2020
- GASB 93 – Replacement of Interbank Offered Rates
- GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB 96 – Subscription-based Information Technology Arrangements
- GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

About MGO

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MARKETING OVERVIEW

Questions?



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FY21 Audit Plan

Board of Directors Audit Ad Hoc Committee

August 20, 2020

Internal Audit Mission and Responsibilities

Internal Audit Mission:

To provide independent, reliable, timely, and value-added audit services to BART management.

Internal Audit responsibilities:

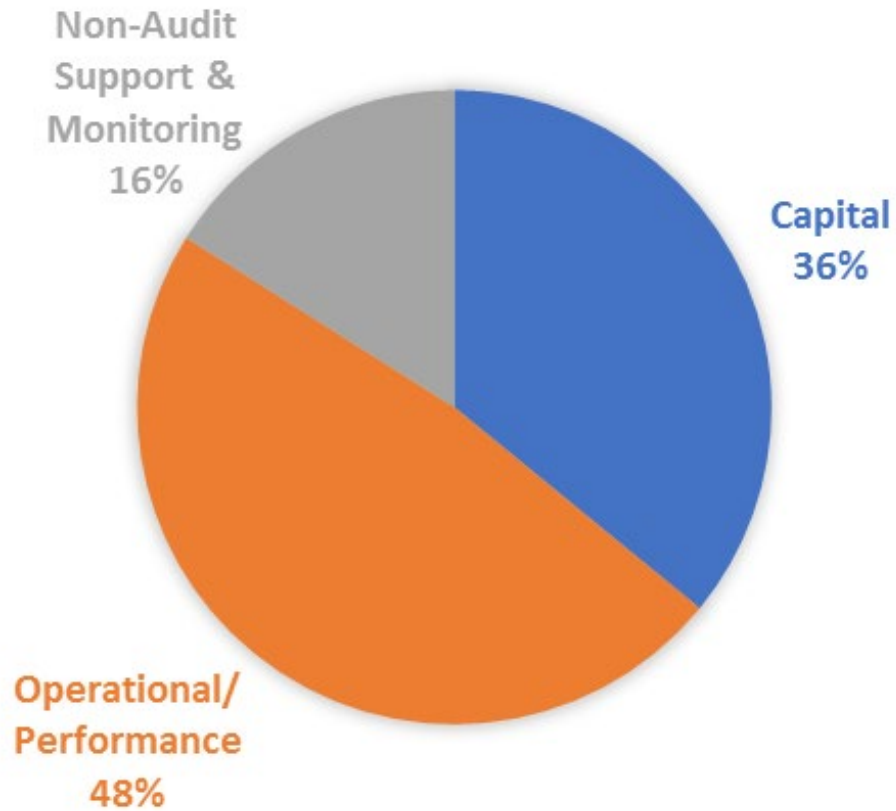
- Conducting Operational/Performance audits of District activities;
- Performing audits of Provisional Billing Rates and Delay/Termination Claims of District's contractors and contracts;
- Coordinating audits performed by external government agencies;
- Managing the sales tax recovery services agreement; and
- Providing analytical non-audit support services to other BART departments and activities as requested.

Internal Audit Plan Development

The annual audit plan is developed based on various factors, including:

- Potential financial impact or risk to the District;
- Recent changes in management, computer systems, or business processes;
- Sensitivity or criticality of data processed;
- Previously identified control issues; and
- Input from BART management and staff.

FY21 Audit Plan by Activity



FY21 Operational/Performance Audits

Operational/Performance Audits in progress to be completed in FY21:

- Board Property
- Capital Reimbursement Management
- Customer Complaint Handling
- Driver's License Validation Program
- Information Technology General Controls
- Worker's Compensation Payments

Operational/Performance Audits planned to begin in FY21:

- Employee Off-boarding
- Tower Foreworker Scheduling and Timekeeping
- Measure RR Charging
- Treasury and Pass Office Procedures Review
- Cash Handling Procedures
- FTA Drug Testing Rate
- SVBX Billing Closeout

FY21 Capital Audits & Non-Audit Support/Monitoring

Types of Capital Audits to be conducted in FY21 (potentially multiple audits of each type):

- Capital Contract Delay Claims
- Capital Contract Final Rates
- Capital Contract Provisional Billing Rates
- Capital Contract Termination Claims

Types of Non-Audit Support and Monitoring Activities to be conducted in FY21:

- Bombardier Railcar Pricing Review
- Budget Performance Report Monthly Review
- Capital Reimbursements Variance Reporting
- FTA Compliance - Triennial Review
- Sales Tax Invoice Verification and Recovery Reporting



Contact:

Dennis Markham

Director of Performance & Audit

dmarkha@bart.gov

510-464-6275





FISCAL YEAR 2021 AUDIT PLAN

August 2020

San Francisco Bay Area
Rapid Transit District



1.0 INTRODUCTION

1.1 MISSION OF INTERNAL AUDIT

Internal Audit's mission is to provide independent, reliable, timely, and value-added audit services to BART management. Internal Audit provides independent assurance that BART's risk management, governance, and internal control processes are operating effectively by conducting, coordinating, and managing compliance, regulatory, legislative, and special audits and assessments with priority given to identifying and addressing areas of fraud, waste, and abuse.

1.2 INTERNAL AUDIT ACTIVITIES

Internal Audit, part of the Performance and Audit Department, provides independent audit services, with the responsibility for auditing, examining and reviewing District activities (other than the District's financial audit) to help ensure that: assets are safeguarded; business operations comply with applicable policies, regulations, and rules; and District records are accurate and complete. Internal Audit is responsible for conducting operational/performance audits and audits of District's contractors, coordinating audits performed by external government agencies (e.g., Federal Transit Administration, Metropolitan Transportation Commission), and managing the sales tax recovery services agreement. Internal Audit also provides analytical non-audit support services to other BART departments and activities as requested.

Audit and non-audit activities may include:

Compliance Reviews: Compliance reviews ensure that the terms and conditions of contracts, bond measures (e.g., Measure RR), memorandums of understanding, or other agreements are being followed and that there is compliance with BART Management Procedures, District policies, and applicable regulatory requirements (e.g., FTA, MTC, State of California).

Contractor Rate and Price Reviews: Contractor rate reviews determine if agreed-upon billing rates applied to planning, architectural, engineering, construction, and other projects meet the specifications of vendor contracts. Contractor price reviews refer to reviewing vendor's proposed pricing to ensure it is fair and reasonable, and based upon the vendor's costs and other criteria. Related activities include assessing contractor delay and termination claims.

Buy America Reviews: Buy America reviews assess in-production and post-delivery compliance with federal Buy America laws and BART contract specifications for rail vehicle and other purchases.

Internal Control Reviews: Internal control reviews provide reasonable assurance that processes, rules, policies, and procedures comply with laws and regulations, ensure integrity of financial and accounting information, promote accountability, prevent fraud and are structured to achieve effective and efficient operations.

Operational/Performance Audits: Operational audits provide an objective analysis of business operating processes, procedures, and programs and related controls. Operational audits focus on improving program performance, reducing costs, facilitating decision making for initiating corrective action, and contributing to public accountability. Operational audits generally include elements of both internal control and compliance reviews.

Internal Audit also performs other activities as part of the Internal Audit Plan:

Monitoring: These activities include monitoring activities related to sales tax recovery services.

Follow-Up Activities: These activities are undertaken to determine whether audit recommendations have been implemented or otherwise satisfactorily addressed.

Investigations: Investigative activities are performed in response to a complaint or allegation.

1.3 FISCAL YEAR 21 OBJECTIVES

Internal Audit has integrated specific objectives into its current four-year work plan:

- Develop more quantitative methods to the Audit Plan risk assessment criteria;
- Select and complete Peer Review by outside entity (could be delayed due to COVID-19);
- Increase the number of operational/performance audits conducted; and
- Increased emphasis on follow-up of past audit recommendations.

1.4 INTERNAL AUDIT AUTHORITY AND RESPONSIBILITY

Internal Audit provides an independent assessment function and has no direct authority over the activities it audits, nor does it relieve management of any assigned responsibility. Internal Audit administratively reports directly to the Director of Performance and Audit (who is an indirect report to the General Manager). Internal Audit is authorized to conduct a broad program of internal auditing within BART and has full and unlimited access to all BART business units, records, systems, property and personnel.

1.5 INTERNAL AUDIT PLAN DEVELOPMENT

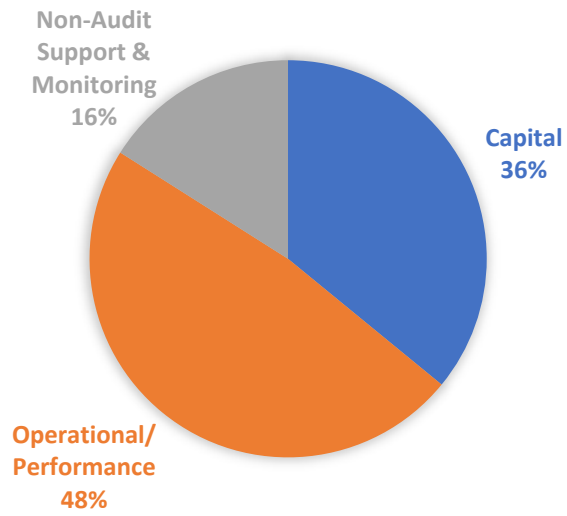
Internal Audit maintains a dynamic master list of potential audits from which it develops an annual audit plan that identifies the content and the timing of audits. The annual audit plan is developed based on various factors, including:

- Potential financial impact or risk to the District;
- Recent changes in management, computer systems, or business processes;
- Sensitivity or criticality of data processed;
- Previously identified control issues; and
- Input from BART management and staff.

The scope of individual audits varies depending on the function being audited.

The Internal Audit Plan for FY21 calls for approximately 6,680 hours for audit and non-audit activity exclusive of continuing professional education and administrative activities. Of the 6,680 hours, the Audit Plan includes 2,400 hours for capital compliance, rate review, and termination claim activities; 3,210 hours for operational/performance audits, internal control audits, compliance audits/reviews, and follow-up to previous audit recommendations; and 1,070 hours of non-audit support and monitoring, including a review of the Bombardier rail car pricing proposal. The plan is subject to change based on scope of audit activities, complexity of audit work, and District priorities.

BART FY21 Audit Plan by Activity



Details of FY21 Audit Plan activities are presented on the next page.

2.0 BART FY21 AUDIT PLAN

Audit/Activity	Affected Department	Audit Objective	Status	Time Required
Capital Audits				2,400 hrs.
Capital Contract Delay Claims (multiple audits)	Design & Construction	Determine reasonableness of contractor delay claim amounts and compliance with FAR Part 31 and contract provisions.	New	600 hrs.
Capital Contract Final Rates (multiple audits)	Design & Construction/ Procurement	Determine reasonableness of contractor final rates and compliance with FAR Part 31 and contract provisions.	New	600 hrs.
Capital Contract Provisional Billing Rates (multiple audits)	Design & Construction/ Procurement	Determine reasonableness of contractor billing rates and compliance with FAR Part 31 and draft contract provisions.	New	900 hrs.
Capital Contract Termination Claims (multiple audits)	Design & Construction	Determine reasonableness of contractor delay claim amounts and compliance with FAR Part 31 and contract provisions.	New	300 hrs.
Operational/Performance Audits				3,210 hrs.
Audit Recommendation Follow-up and Reporting	Multiple	Determine status of prior internal audit recommendations and provide status reports to managers.	New	200 hrs.
Board Property FY21	District Secretary	Conduct the required annual audit for compliance with the Rules of the Board of Directors on use of District property by Board members.	In Progress	100 hrs.
Capital Reimbursements Management	Budget	Determine if capital labor hours reported on timesheets are billed in a timely and accurate manner and that management reports used to monitor and control capital labor costs are adequate.	In Progress	525 hrs.
Customer Complaint Handling Process	Customer Services	Audit customer complaints intake and routing process; determine if customer complaints have been addressed properly and timely.	In Progress	30 hrs.
Driver License Monitoring and Validation Program	Operations	Determine if employees operating non-revenue District vehicles are included in the District's driver's license monitoring program.	In Progress	30 hrs.
Employee Off-boarding Process	HR/OCIO	Audit electronic device, parking permit, and other District property return policies and procedures; determine if terminated employees have retained electronic devices and/or permits, or if unused wireless numbers are still being paid; recommend changes to practice, if necessary.	New	200 hrs.
IT General Controls	OCIO	Risks include unauthorized system changes; lost productivity from IT downtime; employees' access not removed timely upon termination, etc.	In Progress	350 hrs.

Audit/Activity	Affected Department	Audit Objective	Status	Time Required
SVBX Billing (Phase 3)	Budget	Analyze SVBX billings for timeliness and compliance with governing rules on billable allowances.	New	250 hrs.
Tower Foreworker Scheduling and Timekeeping	Transportation/TAAD	Review tower foreworker scheduling and timekeeping practices for fraud, abuse, or violation of labor contract terms.	New	350 hrs.
Measure RR Charging	Accounting/Capital Funds Management	Test non-labor Go Card charges to Measure RR projects and review procedures for excluding ineligible non-labor Go Card costs from being charged to RR projects.	New	350 hrs.
Worker's Compensation Payments	Accounting	Test workers compensation payments to determine if employees are also receiving paychecks that are incompatible with their workers compensation case status.	In Progress	175 hrs.
Treasury and Pass Office Procedures Review	Treasury/Pass Office	Review the adequacy of the procedures, monthly reconciliation process, and occasional inventory verification of procedures for handling ticket, Clipper Card, and BART Store inventory sales.	New	200 hrs.
Cash Handling Procedures	Treasury	Determine if internal controls over farebox receipts are sufficient to prevent and detect errors and/or irregularities, are operating effectively, and are in compliance with District policies and procedures.	New	200 hrs.
FTA Drug Testing Rate	Human Resources	Determine if the District is in compliance with FTA drug testing regulations designed to prevent accidents and injuries resulting from the misuse of prohibited drugs by employees who perform safety sensitive functions.	New	250 hrs.
Non-Audit Support and Monitoring				1,070 hrs.
Bombardier Railcar Pricing Review	Operations	Assist Operations staff in the evaluation of the vendor's proposed pricing for up to 425 new railcars to ensure it is reasonable based upon the vendor's costs.	In Progress	300 hrs.
Budget Performance Report Monthly Review FY21	Budget	Perform reviews of Budget Performance Reports for errors/omissions before they are published after the close of each accounting period.	In Progress	76 hrs.
Capital Reimbursements Variance Reporting FY21	Budget	Calculate capital labor reimbursement budget variances after each accounting period close and report results to management.	In Progress	200 hrs.
FTA Compliance - Triennial Review	Multiple	Provide liaison between the FTA reviewers and BART staff by performing duties such as transmitting questions and answers, obtaining and providing support documentation, and setting up meetings as needed.	New	300 hrs.

Audit/Activity	Affected Department	Audit Objective	Status	Time Required
Sales Tax Invoice Verification	Accounting	Review vendor invoices to verify amount of commission charged and report additional sales tax collection information to management.	New	98 hrs.
Sales Tax Recovery Reporting	Accounting	Review reporting of sales tax recoveries to management, design report, set-up process for reporting.	New	96 hrs.
Total				6,680 hrs.

NOTE: Plan subject to change based on scope of audit activities, complexity of audit work, and District priorities.



Districtwide Risk Assessment

Office of the Inspector General

Integrity • Accountability • Transparency • Honesty



Districtwide Risk Assessment



Purpose:

- Prioritize spending of audit resources by identifying opportunities to improve programs, operations, and service delivery

Consultant:

- TAP International, \$71,410
- Experience – 16 performance audit risk assessments in government agencies; 26 performance audits in state and local government transportation agencies



Approach



- Information request to all departments
- Interviews with 12 departments/divisions
 - System Safety
 - OCIO
 - Controller
 - Treasurer
 - Procurement
 - Grant Development
 - Police
 - Maintenance & Engineering
 - Rolling Stock & Shops
 - Transportation
 - Extensions
 - Financial Planning
- Assess risk
- Communicate results
- Prepare report and list of potential audits



Assessing Risk



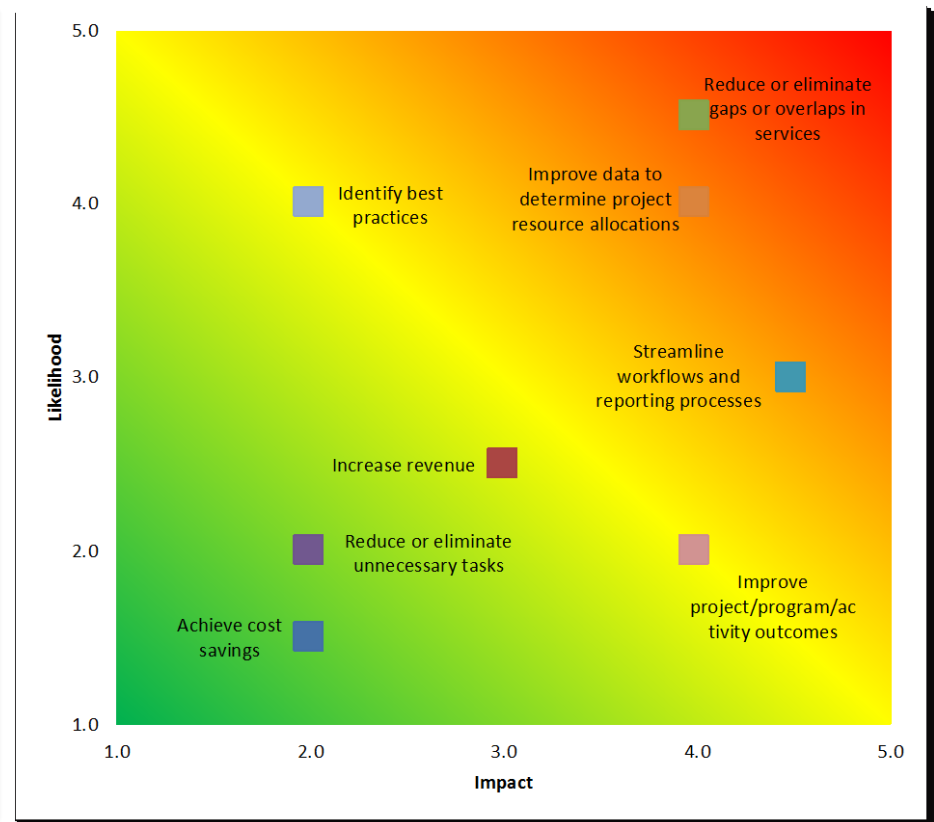
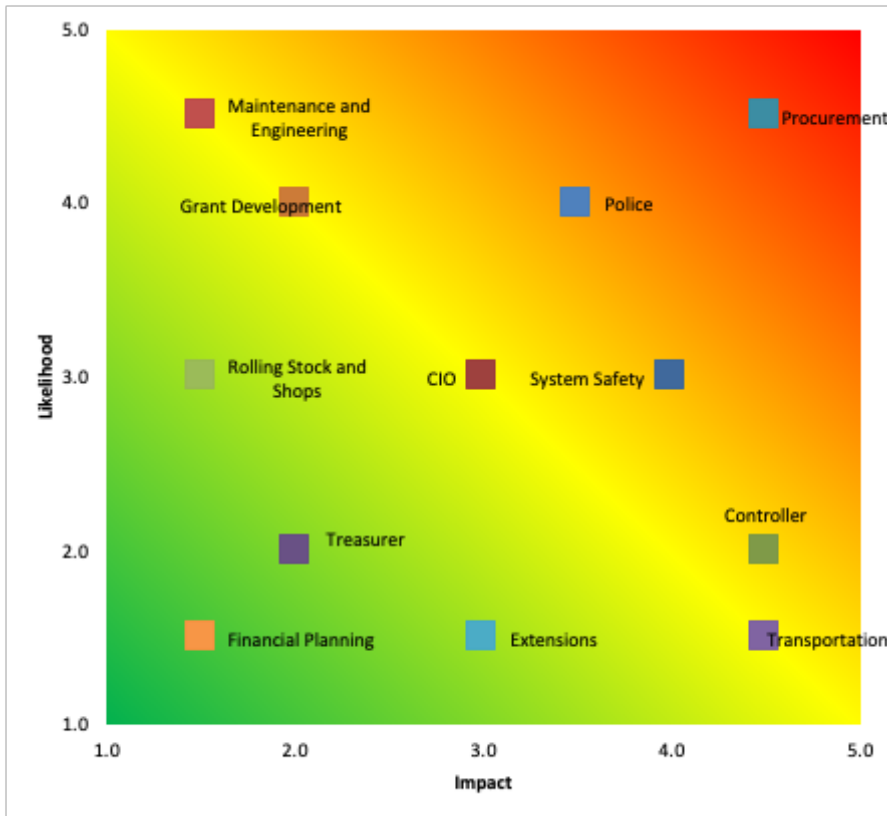
Five-point rating scale on three criteria:

- Progress – not implemented to fully implemented
- Likelihood of risk occurring – almost certain to rare
- Impact if risk occurs – insignificant to substantial

High score represents an area where a performance audit is likely to identify significant opportunity for improvement



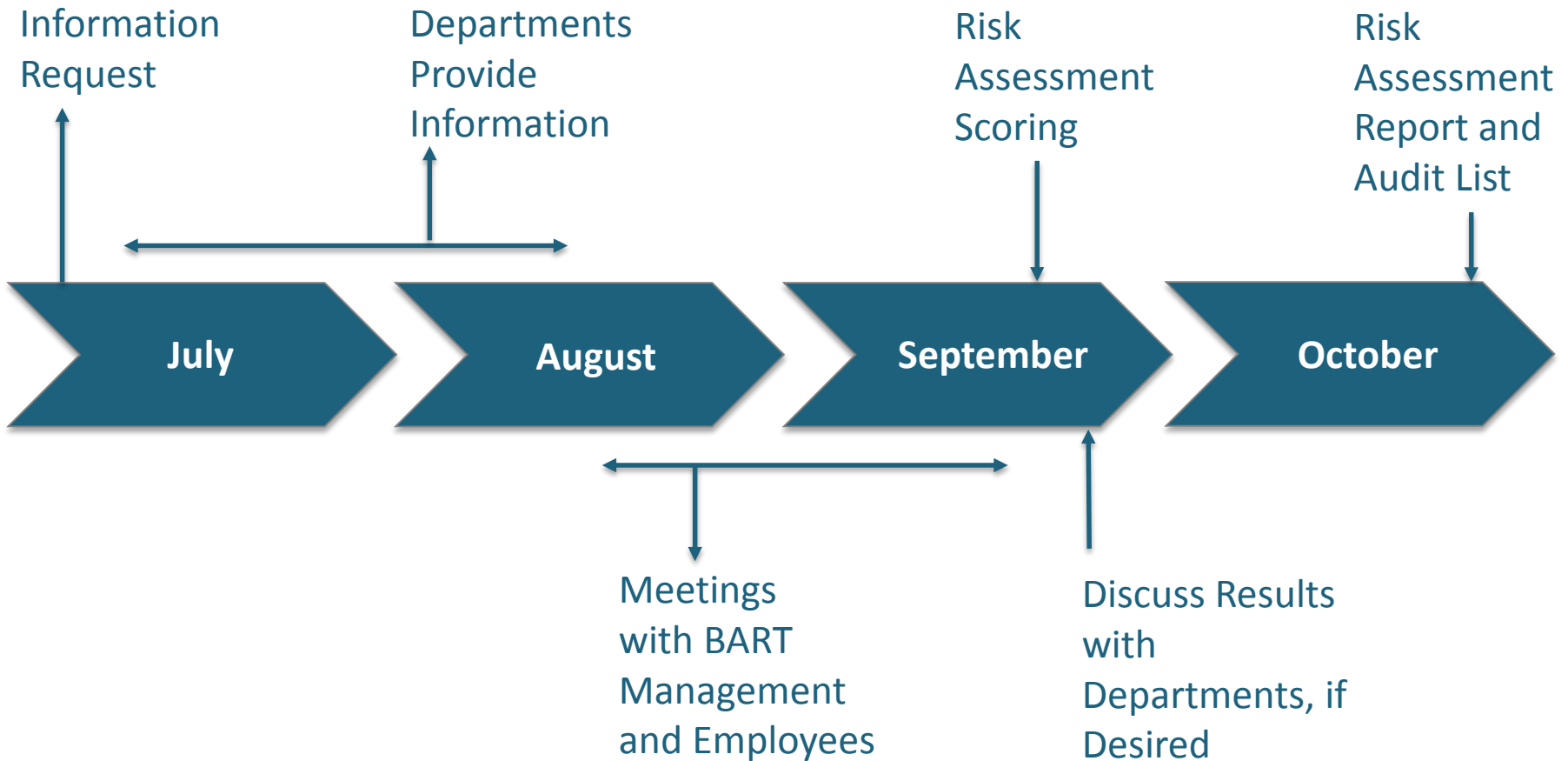
Risk Assessment Model



Illustrative example – heatmap does not represent actual assessment data



Project Timeline





Contact



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The Office of the Inspector General holds in high regard its duty to protect the public's interests.

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