



FY26 Internal Audit Activities Report

YEAR ENDING JUNE 30, 2026

PERFORMANCE & BUDGET – JUNE 2026



INTERNAL AUDIT
DIVISION



FY26 Internal Audit Activities Report

Year Ending June 30, 2026



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Approved to Issue:

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Dennis Markham, Director of Performance and Audit
Performance and Audit Department



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1. Executive Summary

During fiscal year 2026, the Internal Audit Division (IA) continued to support the District’s mission by providing independent, risk-based assurance and advisory services focused on strengthening governance, improving operational efficiency, and enhancing internal controls across critical transit functions. Although operating as a small audit shop, IA delivered meaningful coverage by prioritizing high-risk areas, leveraging data-driven testing where feasible, and collaborating closely with management to promote accountability and continuous improvement.

Over the year, IA worked from the Audit Committee-reviewed FY26 Audit Plan, issuing 2 performance audit reports and multiple advisory memos related to internal controls, operations, contract compliance, and external audit coordination. Follow-up reviews confirmed that BART Management made substantial progress in implementing Management Action Plans (MAP), with several key control enhancements already in place and operational.

Beyond formal engagements, Internal Audit provided real-time guidance on emerging risks, supported process owners in strengthening documentation and monitoring practices, and participated in cross-functional initiatives aimed at improving service reliability and safeguarding public resources.

Looking ahead to fiscal year 2027, Internal Audit will continue to align its work with the District’s priorities, focusing on areas of highest risk, advancing the use of analytics, and maintaining a strong commitment to transparency, integrity, and service to the riding public.

This document summarizes the status of the audit plan’s activities (Sections 3-7) and presents outstanding recommendations from past audits and follow-ups to audits from previous years, some of which were closed before the end of FY26 (Section 8).

2. Introduction

2.1 Purpose of Internal Audit

The purpose of the internal audit function is to strengthen BART’s ability to create, protect, and sustain value by providing BART with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function enhances BART’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

2.1 Internal Audit Authority and Scope

Internal Audit, in the discharge of its duties, shall be accountable to the reporting structure as governed by the most recent and approved BART Organization Chart. The Manager of Internal Audit (Manager) leads the Internal Audit division. Additionally, the Manager reports to the Director of Performance and Audit, who is deemed the chief audit executive for additional reporting. The Director reports directly to the Assistant General Manager of Performance and Budget, a designee of the General Manager.

The scope of internal audit services covers the entire breadth of the organization, including all BART's activities, assets, and personnel. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for BART.

3. Internal Audit Activities

3.1 Internal Audit Activities

Internal Audit is responsible for conducting: 1) capital reviews of the District's contractors; 2) operational/performance audits of the District, including performing compliance reviews; and 3) advisory services. Our advisory services include coordinating audits performed by external government agencies (e.g., Federal Transit Administration (FTA), Metropolitan Transportation Commission (MTC)), managing BART's sales tax recovery services agreement, monitoring and tracking Conflict-of-Interest Notifications (COIN), and coordinating and tracking staff responses to Office on Inspector General (OIG) recommendations. Upon request, Internal Audit provides analytical non-audit support services to other BART departments and activities.

3.2 Internal Audit Resources and FY26 Annual Plan

The Performance & Audit Department submitted our annual risk-based FY26 Audit Plan to the Board's Audit Committee in July 2025. Each year, the Internal Audit plan estimates the number of hours required for various activities. Our allocation of hours is based on the project priorities presented in our BART risk assessment process. The estimated and actual allocation of audit time is presented in the charts below. BART's IA Division is currently composed of:

- 1 Manager of Internal Audit,
- 2 Principal Auditors,
- 1 Senior Internal Auditor.

3.3 Internal Audit Updates

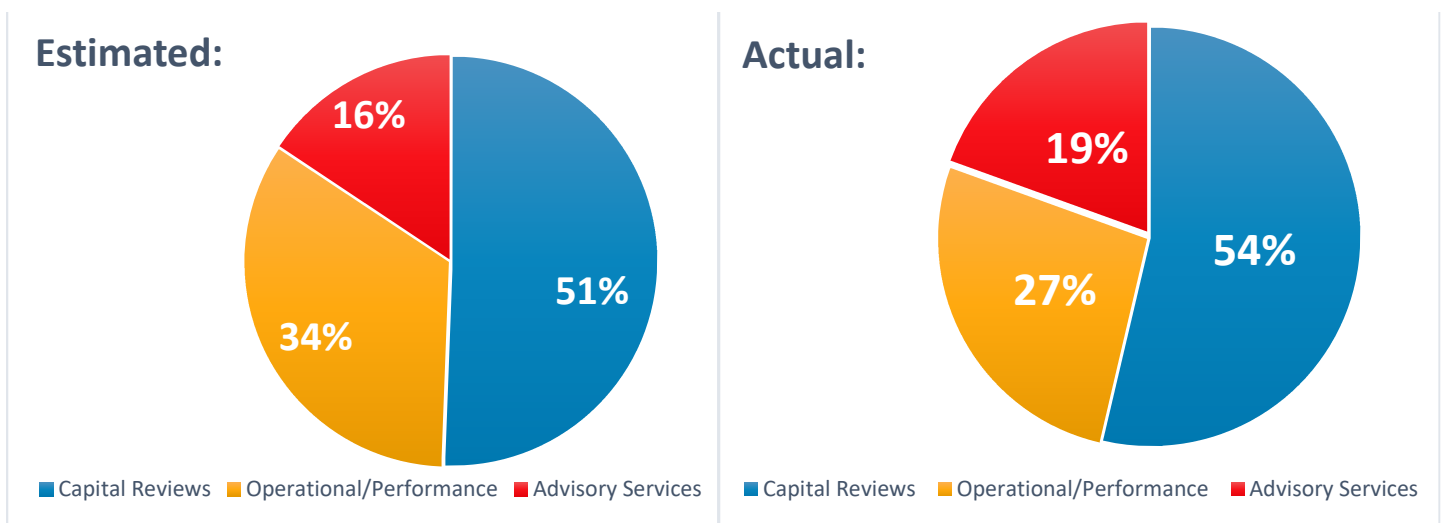
In FY26 we revised our Internal Audit Manual, the primary reference for all performance and non-capital audits. The manual is now tied directly to the most recent changes to both the auditor professional standards: the Red Book (IIA) and the Yellow Book (GAO). This project was identified on our FY26 Audit Plan and was also incorporated into the Office of the Chief Financial Officer (OCFO) Strategic Goals.

The next steps include the following:

- Actualize internal Generative AI Policy (FY26)
- Design an internal quality management program (FY27)
- Update our Federal Acquisition Regulations Capital Audit manual (FY27)
- Conduct an internal testcase peer review (FY27)
- Conduct an actual peer review (FY28)

3.4 Internal Audit Constraints

In recent years, the number of hours required to perform contract audits and related support has increased due to the number of capital projects. Additionally, some long-term on-call contracts are complete and the closing out process, requires contract close-out “true-ups” to be performed before contracts can be fully closed.



3.5 Internal Audit Annual Risk Assessment

A risk assessment is not an audit, but a method to identify areas that may prevent BART from protecting its assets and achieving its objectives.

To help plan ahead, BART asked over 200 employees in leadership positions to identify areas of concern related to processes or operations that may benefit from review by the Internal Audit team. Our responses included over 20 project ideas, with their impact and likelihood rated for prioritization.

The next steps include the following:

- Naturalizing the data and survey information
- Analyzing the data for patterns, trends, comments
- Risk-rank based on the respondents
- Provide review of responses to leadership
- Convert into Annual Audit Plan (FY27) for upcoming Audit Committee review

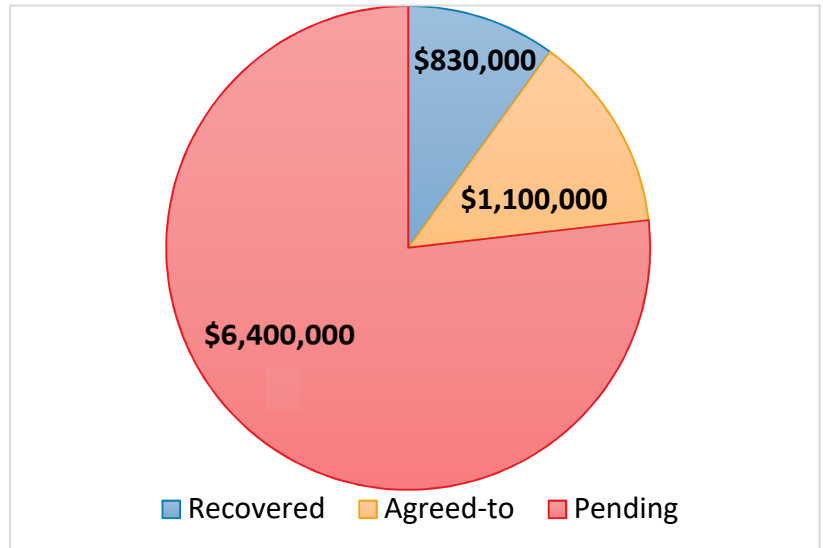
4. Audit Savings Identified

4.1 Capital Overhead Rate Reviews

Capital Overhead Rate reviews, mostly from contract close-outs, led to combined contract recoveries identified totaling \$8.3M. Calculated recovery amounts are sent to consultants for verification and confirmation; final collection payments are pending confirmation from consultants.

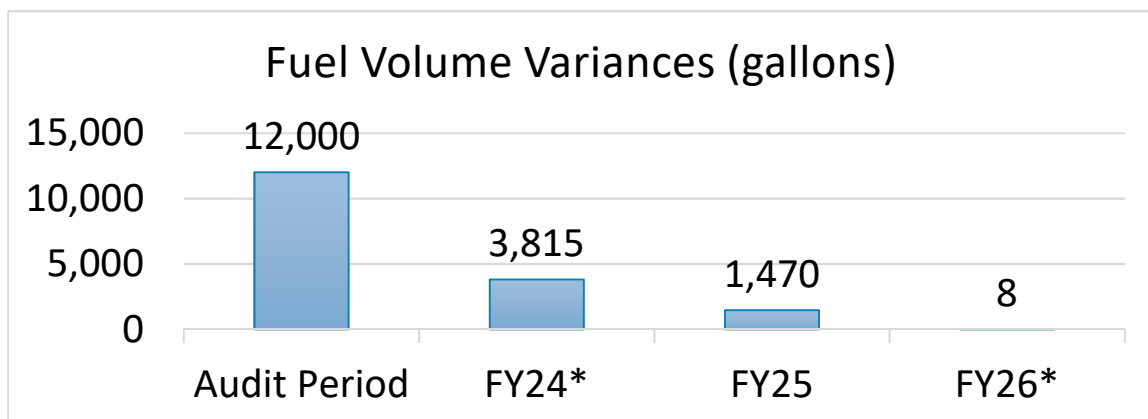
Our recoveries YTD include the following:

- \$8.3M – Identified
- **\$830K – Recovered Cash YTD**
- \$1.1M – Agreed-to Payment
- \$6.4M – Pending Review



4.2 Fuel Vendor Cost Control Audit

The Fuel Vendor Cost Controls audit, released in 2023, originally found a bulk fuel variance of approximately 27% between fuel delivered versus pumped. Following our audit, Maintenance implemented a new system to track fuel including numerous technical and security improvements. Under the new system, which includes license plate reader cameras, employee access cards, and consistent volume monitoring, Maintenance's tracked fuel variance is averaging less than 0.53% per month. By implementing our recommendations, BART is saving an average of \$30,707 per month (~\$368,484 annually) via reduction in fuel variances.



* Partial years

4.3 Sales Tax Recovery

Sales Tax Recovery includes monitoring activities related to recovering sales tax underpayments to BART. We validated Sales Tax Underpayments Recovered by the contractor on BART's behalf. Further details can be found in Section 8.4.

	Q1 FY26	Q2 FY26	Q3 FY26	Total*
Total Recovered Sales Tax	\$21,480.46	\$18,647.61	\$1,160.89	\$41,288.96
Less Commission (18% Recovery)	\$3,866.48	\$3,356.57	\$208.96	\$7,432.01
BART Share of Recovered Revenue	\$17,613.98	\$15,291.04	\$951.93	\$33,856.95

* Some immaterial variances due to rounding

5. FY26 Capital Reviews

Contractor and Subcontractor Overhead Cost 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. IA determines the reasonableness of contractor delay claim amounts and compliance with FAR Part 31 and contract provisions.

Contractor reviews refer to reviewing the 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.

Please note that all Contractor financial information is confidential and will not be included in this report.

5.1 Audit Activity	Affected Department	Count	Average Adjustment	Adjustment Range (Hi/Lo)
Capital Contract Overhead Rates	Office of Infrastructure Delivery (OID)	232	(4.08)%	(108.85)%/ (0.01)%
Contract Delay and Termination Claims	OID	0	N/A	N/A
Change Order (CO) Notifications & Reviews	OID Maintenance	97	N/A	N/A

5.2 Capital Counts	FY23	FY24	FY25	FY26 YTD
Final OH Rates and Provisional Labor Rates	130	207	136	232
Delay Claims	3	2	1	-
Termination Claims	-	-	-	-
Change Orders (CO)	85	56	65	97
Capital Advisory Requests	152	195	216	186
TOTAL	370	460	419	515

5.3 Audit/Activity	Affected Department	Audit Objective	Audit Status	Comments or Details
RECENT AUDITS				
Cost Proposal Review of the East Bay Paratransit Consortium (EBPC) FY26	Customer Access Department	Review to confirm that BART's cost elements in the RFP for the shared Paratransit Broker contract with AC Transit align with actual expenses and FAR.	In Progress	2 nd Review of the Cost Proposal, limited in scope to the Broker.
Capital Contract Overhead Rates	Office of Infrastructure Development (OID) Agreement Management	Final rate reviews lowered contractor-charged overhead rates by 0.01% to 108.85% resulting in savings to the District.	On-going	Prime Firms reviewed for 121 reports and Subcontractor firms for 112 reports.
Contract Delay and Termination Claims	OID Agreement Management	When construction general contractor is delayed in the completion of work. IA advises Project Teams by reviewing the Time-Related Overhead portion of the claim.	On-going	
CO Notifications & Reviews	OID	Support provided by Internal Audit for amounts over \$500k; informed of amounts over \$100k. Internal Audit reviews for completeness, authorization, and existence.	On-going	Change Orders included 25 under \$100K (notifications), 39 between \$100k-\$500k, 33 over \$500K (reviews).
Overhead Cost Rate Collections	Accounts Receivable OID	After Contractor Rates are evaluated any changes in compensation must be paid or collected, per contract clauses and FAR.	On-going	
Capital Advisory Requests	OID Agreement Management	Consultative activities plus analytical non-audit support to BART departments and programs upon request.	On-going	
Periodic Training	OID	Provided capital-specific training for multiple Projects and Agreements teams to	On-going	

5.3 Audit/Activity	Affected Department	Audit Objective	Audit Status	Comments or Details
	Agreement Management	assist with project cost reviews and related issues. Covers all Education and training of BART departments and programs requested.		

Status Glossary:

Closed – Audit is complete, final report issued, and no outstanding findings and/or recommendations remain.

Complete – Audit is complete, final report issued, but outstanding findings need to be addressed and/or MAPs remain for follow-up.

In Progress – Audit work started and underway, maybe in the Planning, Fieldwork or Reporting Phase.

On-going – Recurring audit work with no definitive end date.

On Hold – Audit work was planned but not commenced, or audit work was started but suspended by audit staff.

6. FY26 Operational/Performance Audits

Operational/Performance Audits: Operational audits provide an objective analysis of business operating processes, procedures, programs, and related controls. Operational audits focus on improving program performance, reducing costs, facilitating decision-making for implementing corrective action, and contributing to public accountability. Operational audits generally include elements of both internal control and compliance reviews. Audits listed are those that changed status in FY26. Please refer to the details below in Sections 8 & 10 for further details.

6.1 Audit/Activity	Affected Department	Audit Objective / Management Action Plan (MAP) Status	Audit Status	Audit Report Details
RECENT AUDITS				
Payroll Audit FY26	Payroll Time Accounting and Administration Department (TAAD)	Evaluate the design and operating effectiveness of controls in place over the payroll process and compliance with organization policies and procedures, laws, regulations or guidelines.	In Progress	Planning in progress, selecting a statistical sample of payroll transactions to conduct multi-purpose (substantive and internal control) testing of the payroll expenses.
Parking Facilities Fire Systems Audit FY26	Maintenance Fire Line Safety	Determine if BART has adequate controls in place to sufficiently monitor the various parking structures. Limited the scope to be focused on the highest risk facilities – focusing on parking structures and fire safety	In Progress	Fieldwork in progress, including multiple site visits and direct physical reviews.
Third-Party Risk Management Audit FY25	Multiple	Evaluate the effectiveness and efficiency of BART’s process and controls for managing risks associated with third-party relationships.	In Progress	Draft report released to key stakeholders, pending final report and Management Action Plans (MAP).

6.1 Audit/Activity	Affected Department	Audit Objective / Management Action Plan (MAP) Status	Audit Status	Audit Report Details
Fuel Card Program Audit FY25	Multiple	Determine whether controls over the issuance and use of fuel cards and the payment of statements are adequately designed and effective in monitoring and controlling the application of the BART Fuel Card Program.	Complete	Report issued and follow up on implementation of MAPs is on-going.
Fuel Vendor Cost Controls FY23 – Return for Site Visit FY26	Maintenance	<p>Site Visit and inspection completed in March</p> <p>Determine and reassess the implementation of recommendations and corrective actions related to fuel management.</p> <p>This involves reviewing documentation, verifying data, and confirming that identified issues are resolved. The goal is to ensure efficient and compliant fuel usage.</p>	Complete	<p>Confirmed implementation and operation of controls and technical MAPs.</p> <p>No additional findings, one final MAP implementation is confirmed as partially implemented.</p>

MONITORING PRIOR AUDITS

Audit Recommendation Follow-up and Reporting	Multiple	Determine the status of prior internal audit recommendations, management action plans (MAP), and provide status reports to managers.	On-going	
Driver License Monitoring Program (DLMP)* FY20	Maintenance Safety Employee Relations	<p>Total MAPs: 14</p> <p>Implemented: 7</p> <p>Partially Implemented: 7</p> <p>Not Implemented: 0</p>	Complete, pending Closure.	The updated Driver policy was adopted on 2/12/25. Driver monitoring software to be linked to internal systems, revised policy includes rules for casual drivers.

* - Expanded as part of the Driver Safety Program.



6.1 Audit/Activity	Affected Department	Audit Objective / Management Action Plan (MAP) Status	Audit Status	Audit Report Details
				HR is finalizing, directly with the AGMs, the review of the necessity of the legacy requirements of DL for select positions.
BPD Inventory and Equipment FY22	BART Police Department	Total MAPs: 36 Implemented: 19 Partially Implemented: 17 Not Implemented: 0	Complete	Improved internal systems and procedures. An IT System is in place for the inventory and qualification of specialized police equipment. Other inventory items are in progress.
Fuel Vendor Cost Controls FY23	Maintenance	Total MAPs: 23 Implemented: 22 Partially Implemented: 1 Not Implemented: 0	Complete	The fuel pump system was updated, standard operating procedures (SOPs) were drafted, and key card access was tied to pump access; security was updated to include a license plate reader. Site visit confirmation of new security. Pending distance fuel sites and fuel trucks solutions.
Workers' Compensation Trauma and Mental Stress FY24	Human Resources	Total MAPs: 9 Implemented: 0 Partially Implemented: 3 Not Implemented: 6	Complete	Designed and implemented revised SOPs for 1) Return-to-Work, 2) Trauma, and 3) Mental Stress claims. The other MAPs are in progress.
Internal Audit Review of Price Proposal of East Bay Paratransit Consortium (EPBC) FY25	Customer Access Department	Total MAPs: 2 Implemented: 2 Partially Implemented: 0 Not Implemented: 0	Closed	Significant cost reductions: Rent (\$777K) and Depreciation (\$413K). Residual concerns over the proposer's unsupported costs and lack of accurate documentation. Memo communicated to both BART Customer Access and the Alameda-Contra Costa Transit District.
Fuel Card Program Audit FY25	Maintenance	Total MAPs: 24 Implemented: 4	Complete	Management has made changes to NRVE-provided guidance and is in the

6.1 Audit/Activity	Affected Department	Audit Objective / Management Action Plan (MAP) Status	Audit Status	Audit Report Details
		Partially Implemented: 20 Not Implemented: 0		process of developing more robust policy and training materials.

Status Glossary:

Closed – Audit is complete, final report issued, and no outstanding findings and/or recommendations remain.

Complete – Audit is complete, final report issued, but outstanding findings need to be addressed and/or MAPs remain for follow-up.

In Progress – Audit work started and underway, maybe in the Planning, Fieldwork or Reporting Phase.

On-going – Recurring audit work with no definitive end date.

On Hold – Audit work was planned but not commenced, or audit work was started but suspended by audit staff.

7. FY26 Advisory Services

Advisory Services Support – Non-audit support services may be provided at the request of management to perform tasks that directly support BART operations or to provide information or data without verification, analysis, or evaluation that may or may not result in the issuance of a report.

Advisory services that are agreed upon by the client and are intended to add value and improve the District’s governance, risk management, and control processes without the Internal Audit assuming management responsibility, for example, counsel, advice, facilitation, and training.

Advisory services also include coordinating or supporting Compliance Audits as required by regulatory and funding agencies such as the FTA, MTC, and Caltrans. Requirements or guidelines for these audits may be specified by the regulatory agencies, and Internal Audit will act as the main point of contact and liaison between departments and regulators.

7.1 Activity	Affected Department	Objective	Status	Details
COMPLIANCE REVIEWS				
FTA Compliance - Triennial Review FY22-25	Multiple	Provide liaison between the FTA reviewers and BART staff.	Closed	Final Report released, 0 reportable findings. Best results from a FTA Triennial Report to date for BART.
MTC TDA Triennial Audit FY22-25	Various	PUC Section 99246 requires that a performance audit be conducted every three years of each public transit agency that receives TDA funds. MTC, as the Regional Transportation Planning Agency for the nine-county Bay Area, contracts with an independent auditor to conduct the triennial performance audit of transit operators that receive TDA Articles 3, 4, 4.5, or 8 funds.	Closed	Complete – no findings, 2 recommendations.
MTC TDA Triennial Audit of East Bay Paratransit Consortium (EBPC) FY22-25	Various	PUC Section 99246 requires that a performance audit be conducted every three years of each public transit agency that receives TDA funds.	Closed	Complete – no findings

7.1 Activity	Affected Department	Objective	Status	Details
Review of State Sales Tax Remitted to the District FY26	External Contractor - HdL	Review reporting of sales tax recoveries to management. These activities include monitoring activities related to sales tax recovery services. Validate the State Sales Tax underpayments recovered by the contractor on BART's behalf.	On-going	For FY26 YTD, the State remitted an additional \$34K in sales tax to the District based on deficiencies identified by BART's sales tax recovery consultant.
BART Board Property FY25	BART Board of Directors	Compliance with Board Rule 5-3.5, Use of District Property Other than Automobiles.	Closed	FY25 Annual review per the Board rules, no findings or issues noted. FY26 report pending.
EDUCATION AND SUPPORT				
SB 827 Education Requirement	BART Finance	New State Law as of January 2026 that requires 2 hours of mandatory fiscal and financial training for local agency officials on laws and principles relating to financial administration and short- and long-term fiscal management.	On-going	Coordinating the support for training and developing the system of records, as required.
Office of Inspector General (OIG) Monitoring, Responses, and Recommendations:	Multiple	To ensure that all Office of Inspector General recommendations are responded to by management in a timely manner, and that corrective action implementations are tracked, and follow-up is performed. <i>Recommendation Implementation Assessment Project</i> , launched in January 2026, followed up on the oldest IG projects – included more than 30 recommendations to re-substantiate with data.	On-going	Maintain the master corrective action tracking list and reconcile with OIG's new tracking system. Schedule reminders provided to pertinent BART staff. Monitor all OIG recommendations: 192 recommendations, 129 implemented, 63 open, 6 re-opened, 12 not accepted.
Election Costs – 3 County Review FY26	BART Finance	Review invoices for election costs from the 3 counties, compare for reasonableness and accuracy.	Closed	No findings.

7.1 Activity	Affected Department	Objective	Status	Details
Cost Recovery Rate for Real Estate Permit Applications FY26	Real Estate	Assisted Real Estate and Property Development with developing an hourly rate for staff work related to permit applications.	Complete	New FY26 rate advised and to be approved by the Board, increasing permit fees by 3.5% to cover BART's increasing costs.
MONITORING				
Audit Recommendation Follow-up and Reporting	Multiple	Determine the status of prior internal audit recommendations and provide status reports to managers.	On-going	Follow-ups on the most recently completed audits, please refer to the details in section 8 and section 10.
Safe Harbor Rate (SHR) Program FY26	Multiple	Helps small businesses comply with contract terms and federal regulations.	On-going	No applicants in FY26.
Suspension and Debarment Policy & Process Support	Multiple	Coordinate the suspension and debarment process as required by the Policy in order to maintain high standards of professional and personal conduct for contractors who conduct business with the District.	On-going	No activity in FY26.
Conflict-of-Interest Notification (COIN) Monitoring	Project Teams or external contractors	Coordinate the COIN system of tracking and reporting all contractor-related potential conflicts of interest, as defined by the BART Contractor's Code of Conduct, for submission to the Office of General Counsel for decisive action.	On-going	The COIN system has processed 4 potential conflicts. No significant disclosures or accommodations.

8. FY26 Performance Audit Reports Detailed Summaries

8.1 Fuel Card Program Audit (25PER005) – Report Released January 29, 2026

Executive Office: Operations - Maintenance

OBJECTIVE

The objective of this audit is to assess the adequacy and effectiveness of controls concerning the issuance and utilization of the BART Fuel Cards, as well as the expense approval and payment process.

BACKGROUND

The State of California Fuel Card Program, currently known as the WEX Fuel Card Program, enables the District to use a state-selected vendor to provide universal fuel-only credit cards for BART's non-revenue vehicles, including BART Police Department patrol cars. The District had participated in the previous State of California Fleet Card Program, known as the "Voyager" fuel purchase program, since 1995. However, in the fiscal year beginning in August 2022, the State of California and District transitioned from US Bank Voyager to the WEX Bank Fleet Payment System as the new state provider for fleet fuel card services.

AUDIT RESULTS

Our assessment indicates that there are opportunities to improve the policies and practices of the District's WEX Fuel Card Program. The audit found that the existing controls for the issuance and utilization of WEX Cards, as well as the management of invoices, are generally adequate and effective. Nevertheless, Internal Audit has identified areas for enhancing internal controls by improving the policies and procedures for WEX Cards.

The audit identified specific areas for management to correct weaknesses and improve operations. The audit has determined that, although the internal controls associated with the WEX Fuel Card Program are in place, they need to be reinforced. The fuel card program has procedures in place for administering the fuel cards; however, the presence of four distinct Work Instructions/policies has resulted in some confusing and inaccurate language, requiring revisions and further development. Additionally, the District does not have an overall fuel card training methodology, which could play a crucial role in minimizing errors and assisting departments with risk management. The current WEX Fuel Card Administrators largely inherited the position with little support, and the same can be said for card users. There is no clear required training or support for adhering to the key policies and their consequences for any misuse.

FURTHER ACTION REQUIRED

IA made recommendations to improve and enhance these internal controls. The Internal Audit Division will continue to monitor implementation.

8.2 Fuel Vendor Cost Control Audit (23PER002) – Follow-up Site Visit & Audit Committee Update April 2026

Executive Office: Operations - Maintenance

OBJECTIVE

Determine and reassess the implementation of recommendations and corrective actions related to fuel management. This involves reviewing documentation, verifying data, and confirming that identified issues are resolved. The goal is to ensure efficient and compliant fuel usage.

BACKGROUND

BART's Internal Audit division conducted a Fuel Vendor Cost Control Audit in 2023, which included bulk fuel facilities for non-revenue vehicles and eBART (East BART). This follow-up audit will focus on assessing the implementation of recommendations and corrective actions related to the original audit. Risk areas of this follow-up will include documentation, status of Management Action Plans for prior recommendations, data accuracy, and onsite confirmations.

AUDIT RESULTS

The Fuel Vendor Cost Controls Audit noted a bulk fuel variance of approximately 12,000 gallons/month (27%) between fuel delivered versus pumped. The site visit and concurrent analysis noted a March 2026 variance is averaging less than 0.53% per month. The District has released potential savings of an average of \$30,707 per month (~\$368,484 annually using \$3/gallon) via reduction in fuel variances. Additionally, IA has confirmed the following in place:

- License Plate Reader Camera
- Employee Keycard Access Required
- New Fuel & Delivery Vendor
- Consistent Volume Monitoring

FURTHER ACTION REQUIRED

None, The Internal Audit Division will continue to monitor implementation pending a solution for the limited distance fuel sites and fuel truck monitoring.

9. FY26 Advisory Services Detailed Summaries

9.1 FTA Triennial Review of BART (FY22-25)

Background: The Triennial Review is one of FTA’s management tools for examining grantee performance and adherence to current FTA requirements and policies. Mandated by Congress in 1982, the Triennial Review occurs once every three years. It examines how recipients of Urbanized Area Formula Program funds meet statutory and administrative requirements. The review currently examines up to 21 areas. In addition to helping evaluate grantees, the review gives FTA an opportunity to provide technical assistance on FTA requirements and aids FTA in reporting to the Transportation Secretary, Congress, other oversight agencies, and the transit community on the Urbanized Area Formula Program. The Triennial Review will cover BART activities between the last triennial review in 2022 through the exit conference of the 2025 review.

The performance audit is being conducted for FTA in accordance with its established procedures for performance audits. The purpose of this review is to determine if BART is in compliance with the FTA requirements.

Follow-Up Activities: Final Report Released July 2025: 0 reportable deficiencies.

9.2 MTC TDA Triennial Performance Audit of BART (FY22-25)

Background: The Transportation Development Act (TDA) Triennial Performance Audit of BART covering fiscal years 2019-20, 2020-21, and 2021-23. PUC Section 99246 requires that a performance audit be conducted every three years of each public transit agency that receives TDA funds. MTC, as the Regional Transportation Planning Agency for the nine-county Bay Area, contracts with an independent auditor to conduct the triennial performance audit of transit operators that receive TDA Articles 3, 4, 4.5, or 8 funds. As TDA audits were paused during the COVID-19 pandemic, all operators will be audited in this cycle to return operators to a normal audit interval.

The performance audit is being conducted for MTC in accordance with its established procedures for performance audits. The purpose of this review is to determine if BART is in compliance with the TDA requirements for data collection and reporting. BART’s performance trends for the five TDA-mandated indicators were analyzed by mode. A six-year analysis period was used for all the indicators.

Follow-Up Activities: No findings in the final report. Two (2) recommendations are suggested for BART at this time based on the results of this triennial performance audit: one for scheduling accuracy for heavy rail and the other for accident reduction for heavy rail.

9.3 MTC TDA Triennial Performance Audit of East Bay Paratransit Consortium (EBPC) (FY22-25)

Background: The TDA Triennial Performance Audit of EBPC covering fiscal years 2019-20, 2020-21, and 2021-23. PUC Section 99246 requires that a performance audit be conducted every three years of each public transit agency that receives TDA funds. MTC, as the Regional Transportation Planning Agency for the nine-county Bay Area, contracts with an independent auditor to conduct the triennial performance audit of transit operators that receive TDA Articles 3, 4, 4.5, or 8 funds. As TDA audits were paused during the COVID-19 pandemic, all operators will be audited in this cycle to return operators to a normal audit interval.

EBPC was formed by AC Transit and BART to meet the requirements for providing ADA-mandated complementary paratransit in their overlapping service areas. In California, a performance audit must be conducted every three years of any transit

operator receiving TDA Article 4 funds to determine whether the operator is in compliance with certain statutory and regulatory requirements, and to assess the efficiency and effectiveness of the operator’s services.

Since EBPC is a shared responsibility of both BART and AC Transit, EBPC’s performance audit is included in the performance audits of both operators, as an appendix. The audit covers the period of Fiscal Years 2020 through 2022 (from July 1, 2019, through June 30, 2022).

Follow-Up Activities: No findings in the final report. No recommendations are suggested for EBPC or BART at this time based on the results of this triennial performance audit.

9.4 Review of Sales Tax Remitted to the District FY26

Background: The State of California legislation authorizes the District to impose a half-percent transaction and use tax within District boundaries for use as revenue. The tax is collected and administered by the California Department of Tax and Fee Administration (CDTFA). In January 2024, the District contracted with HdL to monitor and evaluate sales tax collection data provided by the State to ensure that all the sales taxes due are collected and remitted by the State. The CDTFA evaluates the reported deficiencies, and, if verified, remits the additional amounts of taxes to the District. There may be a long delay from when a deficiency is identified and submitted to the CDTFA for evaluation and when the additional sales tax is subsequently remitted to the District.

Follow-Up Activities: These activities include monitoring activities related to sales tax recovery services. We validated Sales Tax Underpayments Recovered by the contractor on BART’s behalf, resulting in an additional approximately \$34K in sales tax revenue to the District. On its invoices, HdL shows the total recovered sales tax and the amount retained for its fee (18% per contract). The net amount is remitted to the District. Internal Audit reconciled HdL invoices received to CDTFA data obtained from their secure website.

There were no exceptions noted for the periods reviewed as detailed in Table 1 below:

Table 1: Summary of Sales Tax Recover	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Total*
Total Recovered Sales Tax	\$21,480	\$18,648	\$1,161	\$0.00	\$41,289
Less: Contractor Commission <i>(Contract Rate: 18% of Recovery)</i>	\$3,866	\$3,357	\$209	\$0.00	\$7,432
BART Share of Recovered Revenue	\$17,614	\$15,291	\$952	\$0.00	\$33,857

* - Some immaterial variances due to rounding

9.5 FY25 Board Property Review

Background: Per the Board Rules, IA must annually review the Board of Director’s use of District property and assess their compliance with the Other Property Rules of the Board of Directors.

Follow-Up Activities: No findings, no further activities required.

9.6 SB 827 Fiscal and Financial Management Education Program

Background: New State Law as of January 2026 that requires 2 hours of mandatory fiscal and financial training for local agency officials on laws and principles relating to financial administration and short- and long-term fiscal management.

Follow-Up Activities: Select senior staff must complete training by 6/30/2026. Others have 2 years to complete training. Recordkeeping of training must be available for public review.

9.7 Office of Inspector General (OIG) Monitoring, Responses, and Recommendations

Background: To ensure that all Office of Inspector General recommendations are responded to by management in a timely manner, and that corrective action implementations are tracked, and follow-up is performed.

Additional, unplanned "Recommendation Implementation Assessment Project," launched in January 2026, followed up on the oldest IG reports – included more than 30 recommendations to re-substantiate with data.

Updates to the Employee Code of Conduct.

Follow-Up Activities: Current key activities include the master corrective action tracking list maintenance, quality reviews of submissions, and scheduled reminders provided to pertinent BART staff. Monitor all OIG recommendations: 192 recommendations, 129 implemented, 63 open, 6 re-opened, 12 not accepted.

9.8 Conducting 3 County Election Cost Review

Background: Reviewed invoices for election costs from the 3 counties for reasonableness and accuracy. No report.

Follow-Up Activities: None.

9.9 Cost Recovery Rate for Real Estate Permit Applications

Background: The fee program is under the supervision of the Real Estate and Property Management Department, and the fees effective as of July 1, 2026, no longer capture the actual costs to the District of staff time and non-labor costs. Pursuant to the Board resolution 5560, the Fee Schedule may be amended annually based on wage increases in collective bargaining agreements and fringe benefits, and non-labor costs that are solely incurred for the processing of third-party permits.

Consistent with the Board resolution, the Fee Schedule for FY27 will increase the hourly staff time compensation rate from \$220 to \$230. In addition, non-substantive changes were made to the Fee Schedule for clarification purposes.

Follow-Up Activities: None, pending the Board Meeting and acceptance of new rates.

Follow-Up Activities: None.

9.10 Audit Recommendation Follow-up and Reporting

Background: Determine the status of prior internal audit recommendations, management action plans (MAP), and provide status reports to managers.

Follow-Up Activities: Continuous activity, based on the agreed-upon completion or follow up dates.

9.11 Safe Harbor Rate (SHR) Program

Background: SHR serves small businesses providing engineering and construction services (mostly subconsultants) that lack a Federal Acquisition Regulations (FAR) compliant indirect cost rate, such as businesses with insufficient: 1) financial resources to hire a certified public accountant (CPA) to conduct a FAR compliant audit; 2) financial sophistication to track costs and develop an indirect cost rate; 3) documented cost history.

As mentioned, BART's risk exposure is minimal. Potential risk if OIG investigates a particular project or subconsultant, but SHR will likely be lower than actual audited rate if such an audit was conducted.

Follow-Up Activities: None. No FY25 or FY26 applicants.

9.12 Suspension and Debarment Policy and Process Support

Background: Internal Audit was a key contributor to the working group established to develop and release the updated Suspension and Debarment Policy. The District's Suspension and Debarment Policy ("Policy") outlines a process for BART management to review the quality of work and conduct of a contractor and contractor staff who is participating or has participated in a BART contract as outlined in the Policy. The Policy establishes rules and regulations for the imposition of a Suspension or Debarment to protect the public interest and the District's interests. The Policy works in conjunction with applicable provisions of the District's Contractor's Code of Conduct, Procurement Manual, and Board Rules, policies, and procedures.

Follow-Up Activities: None. No FY26 activities.

9.13 Conflict-of-Interest Notification (COIN) Monitoring

Background: In response to the Office of the Inspector General (OIG) IA monitors BART's conflict of interest procedures. A dedicated resource, an email (coi@bart.gov or conflictofinterest@bart.gov) for reporting potential conflicts of interest notifications (COIN) has been created and included on the BART Contractor's Portal, all reports are in-taken, standardized on a form, and additional required information is collected to support the final determination made by the Office of General Counsel (OGC) and provided to the Ethics Officer.

Follow-Up Activities: 4 COINs in FY26. No significant findings.

10. Audit Report Follow-up Status Summary

For operational & performance audits conducted by Internal Audit, **86 in total (93%)** of the MAPs have been fully or partially implemented.

Audit Report	Management Action Plans (MAPs)			Last Update from Audit Client	Next Response Date
	Total	Partially Implemented	Fully Implemented		
BPD Inventory and Equipment FY22	36	17	19	Specialized software in place for inventory and qualification of firearms. Revisions to key SOP and Bulletins. Rangemaster has full operational responsibility. Other inventory items in progress, pending new BDPHQ.	July 2026
Fuel Vendor Cost Controls FY23	23	1	22	System updated, SOPs were drafted, and key card access was tied to pump access, and a license plate reader has been installed. Further monitoring equipment for distance fueling sites pending testing.	July 2026
Workers' Comp. Trauma and Mental Stress Programs FY24	9	3	0	Designed and implemented revised standard operating procedures (SOP) for Trauma, Mental Stress claims, and Return-to-Work. The other action plans are under review and in progress.	Sept 2026
Fuel Card Program FY26	24	20	4	Management has made changes to NRVE-provided guidance and is in the process of developing more robust policy and training materials.	Sept 2026
TOTAL	92	41	45		