



Calendar Year 2022 Audit Plan

PERFORMANCE & BUDGET - JANUARY 2022

Approved to Issue:

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Performance and Audit Department



1. Introduction

1.1. Mission and Purpose of Internal Audit

The mission of internal audit is to enhance and protect organizational value by providing independent risk-based and objective assurance, advice, and insight to management. The Internal Audit Division assists the San Francisco Bay Area Rapid Transit District (BART) to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes through conducting, coordinating, and managing compliance, regulatory, legislative, and special audits and assessments with priority given to identifying and addressing internal controls and areas of fraud, waste, and abuse.

1.2. Internal Audit Activities

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 (FTA), Metropolitan Transportation Commission (MTC)), 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 implementing corrective action, and contributing to public accountability. Operational audits generally include elements of both internal control and compliance reviews. BART's Performance & Innovation team is available to assist auditees with implementing audit recommendations.

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. In most cases, investigations will be referred to BART's Office of Inspector General.

1.3. Calendar Year 2022 Objectives

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

- Advance quantitative methods in the Audit Plan risk assessment criteria.
- Revise and update the core Internal Audit documents, including the Audit Charter and the Audit Manual.
- Complete Annual Risk Assessment and CY22 Audit Plan.
- Prepare and plan for a General Accountability Office (GAO) Yellow Book Peer Review by an outside entity.
- Increased emphasis and frequency of follow-up of past audit recommendations; and
- Complete the audit plan, as detailed below, limited by constraining resources.

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

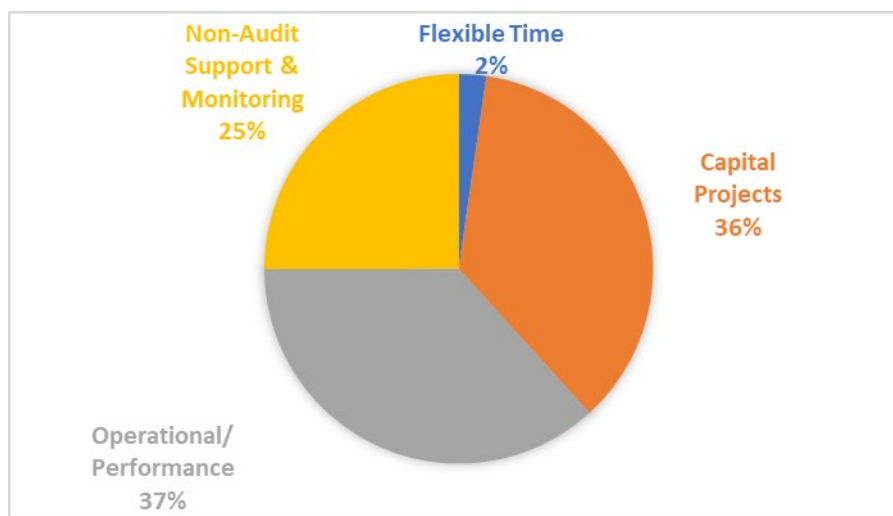
Internal Audit uses different methods in determining which areas to audit. Audit engagements are primarily chosen based on the annual risk assessment, which informs the annual audit plan. Information gathered throughout the year by the Internal Audit division helps inform the audit plan. Internal Audit 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 CY22 calls for approximately 6,672 hours for audit and non-audit activity exclusive of continuing professional education and administrative activities. Of the 6,672 hours, the Audit Plan includes 2,400 hours for capital compliance, rate review, and termination claim activities; 2,450 hours for operational/performance audits, internal control audits, compliance audits/reviews, and follow-up to previous audit recommendations; 1,670 hours of non-audit support and monitoring; and 152 hours of flex time/contingency. The plan is subject to change based on scope of audit activities, complexity of audit work, and District priorities.

BART CY22 Audit Plan by Activity



To ensure that internal audit resources are sufficient and effectively utilized to achieve the approved plan, an analysis was conducted to determine the amount of direct audit time that would be available by the audit staff. The CY22 State holiday schedule, average staff leave time, and estimated administrative time were used to determine the resources available.

Please see the table below for further details:

Total Annual Available Hours Per Full-Time Equivalent (FTE)	
Annual Totals	Hours
Total Paid Time	2,080
• Annual Leaves (sick, holiday, etc.)	(276)
Work Time per Auditor	1,804
• Training and development	(60)
• Workforce Administration	(320)
Audit Manager Project Oversight and Management	1,424
Available Project Time per Auditor	1,424
TOTAL HOURS FROM 3 AUDITORS & 1 MANAGER	5,696
TOTAL HOURS FROM CAPITAL CONSULTANTS	976
TOTAL HOURS FOR CY 2022 (WITH 3 AUDITORS, MGR & CONSULTANTS)	6,672
Capital Projects	(2,400)
Operational/Performance Audits	(2,450)
Non-Audit Support and Monitoring	(1,670)
Flexible Project Time	(152)
TOTAL ESTIMATED HOURS FOR CY22 AUDIT PLAN PROJECTS	(6,672)

NOTES:

- Currently the audit team is composed of 2 Principal Auditors and 1 Audit Manager. 1 additional Senior Auditor, with expertise in Construction and Capital Rate Reviews, for a January 2022 start.
- Details of CY22 Audit Plan activities are presented on the next page.

2. BART CY22 Audit Plan

Audit/Activity	Affected Department	Audit Objective	Audit Source	Est. Time Required
Capital Audits				2,400 hrs.
Capital Contract Delay Claims	Design & Construction	Determine reasonableness of contractor delay claim amounts and compliance with Federal Acquisition Regulation (FAR) and contract provisions.	Regulatory Compliance	600 hrs.
Capital Contract Final Rates	Design & Construction/ Procurement	Determine reasonableness of contractor final rates and compliance with FAR and contract provisions.	Regulatory Compliance	600 hrs.
Capital Contract Provisional Billing Rates	Design & Construction/ Procurement	Determine reasonableness of contractor billing rates and compliance with FAR and draft contract provisions.	Regulatory Compliance	900 hrs.
Capital Contract Termination Claims	Design & Construction	Determine reasonableness of contractor delay claim amounts and compliance with FAR and contract provisions.	Regulatory Compliance	300 hrs.
Operational/Performance Audits				2,450 hrs.
Audit Recommendation Follow-up and Reporting	Multiple	Determine status of prior internal audit recommendations and provide status reports to managers.	Audit Responsibility	300 hrs.
Board Property FY22	District Secretary	Conduct the required annual audit for compliance with the Rules of the Board of Directors on use of District property.	Board Rule Requirement	100 hrs.
Fuel Vendor Cost Controls	Operations	Determine whether internal controls over fuel management are effective and contractual obligations are being performed and adequately monitored.	Risk-based	300 hrs.
Cybersecurity - Online Public Facing	OCIO	Determine if the general computing controls in place to protect and manage the public-facing digital presence are sufficient.	Risk-based	350 hrs.
Capital Projects Headcount	D&C/ M&E/ Budget	Determine if support and similar department staff are charging as budgeted/ permitted to capital projects and if the capital charges are appropriate and monitored.	Risk-based	350 hrs.

Project Close-Out Policies & Procedures	D&C/ M&E/ Budget	Review the capital project close-out process to ensure it is timely and sufficient to successfully identify, control, and close capital projects, especially those that have little or no recent activity.	Risk-based	350 hrs.
BART Police Equipment and Inventory	BART Police	Ensure that controls are in place to properly track and monitor BART-issued law enforcement equipment.	Risk-based	350 hrs.
Invoice Approval Policies & Procedures	Finance/ Procurement/ OCIO	Review the invoice approval process to determine if proper policies and related controls are in place to ensure minimal risk to the District.	OIG Recommendation	350 hrs.
Non-Audit Support and Monitoring				1,670 hrs.
FTA Triennial Review	Multiple	Act as liaison and facilitator for data and information requests between FTA reviewers and departmental staff related to BART's performance and adherence to current FTA grant recipient requirements and policies.	Regulatory Compliance	400 hrs.
Annual Risk Assessment and Audit Plan Revisions	Internal Audit	Annually analyze the risks confronting BART and mid fiscal year revise the Audit Plan to adapt to emerging circumstances and events.	Internal Procedures	100 hrs.
Safe Harbor Rate Reviews	D&C/ M&E/ OCR	Analyze BART's compliance with federal Safe Harbor Rate rules given BART's focus on small businesses that sometimes have no audited financials.	Regulatory Compliance	250 hrs.
Clipper Card Transition	Treasury/ Operations	Monitor transition to the regional account-based Clipper Card system (C2) currently scheduled for late 2023. Review policies and procedures that may impact BART.	Risk-based	200 hrs.
Sales Tax Invoice Verification and Quarterly Reporting	Accounting	Review vendor invoices to verify amount of commission charged and report recovered sales tax collection information to management on a timely basis.	Contract Compliance	194 hrs.
Buy America Post-delivery Review	Multiple	Provide assistance with compliance to federal Buy America rules.	Regulatory Compliance	276 hrs.
Change Order Tracking and Monitoring	D&C/ M&E/ Budget	Review and compile submitted change notices and change orders for tracking and internal process compliance for authorization, completeness, and existence.	Internal Procedures	250 hrs.
Project Flex Time			Hours to cover any unknown projects or needed additional project time.	152 hrs.
Total				6,672 hrs.

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