



## **New Orleans Regional Transit Authority**

### **Office of Internal Audit and Compliance 2025 Annual Audit Report & Workplan**

January 27, 2025

**From:** Malon Thompson, Manager of Audit Compliance

**To:** The RTA Board of Commissioners  
Lona Hankins, Chief Executive Officer

**CC:** Gizelle Banks, Chief Financial Officer

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## **EXECUTIVE SUMMARY**

The Office of Internal Audit and Compliance (OIAC) has prepared this report as an overview of the 2024 audit activity in accordance with IIA (Institute of Internal Auditors) Standards and RTA policies.

Since 2022, the OIAC has continued to undergo personnel shifts, and as positions became vacant, the department has had to undergo restructuring and reprioritization to allow for a greater emphasis on not only internal audit, but on compliance, corrective action monitoring, and consulting activities. Currently the position of Director of Internal Audit Compliance is vacant. However, the internal audit activity has been led by Malon Thompson, who serves as the Manager of Audit Compliance.

Pursuant to the 2024 Audit Work Plan and risk assessment, resources were assigned in the areas of highest risk and vulnerability to assess, and where appropriate, provide recommendations to improve internal controls, operations, and systems.

## **BACKGROUND**

### **Mission**

The Office of Internal Audit and Compliance (OIAC) is an independent, objective assurance and consulting department designed to add value and improve the Regional Transit Authority's (RTA) operations and to help the organization accomplish its objectives. This is done by developing a systematic, disciplined approach to evaluate and improve the efficiency and effectiveness of risk management, control, and governance processes.

### **Authority**

The authority of the OIAC is stated in the Internal Audit Charter. The OIAC is entitled to full, free, and unrestricted access to all records, physical properties, and personnel pertinent to carrying out any engagement at RTA. RTA employees are required to assist in providing the OIAC with the information needed to fulfill its roles and responsibilities.

### **Independence and Objectivity**

Per standards set forth by The Institute of Internal Auditors (IIA), the work performed by the OIAC must be independent and the auditors must be objective<sup>1</sup>. To maintain Independence and objectivity the OIAC ensures the following:

- The OIAC is free from interference in matters of audit selection, scope, procedures, frequency, timing, or report content.
- The OIAC maintains no direct responsibility or authority over any of the activities audited, and does not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

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<sup>1</sup> Standard 7.1 – Organizational independence, “the chief audit executive must document in the internal audit charter the reporting relationship and organizational positioning of the internal audit function, as determined by the board”

## **2024 AUDIT PLAN AND PERFORMANCE**

In accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards), and RTA's Internal Audit Policy, the OIAC is required to prepare a summary of planned audits for the next calendar year by December of the preceding year.

Due to changes in the organizational structure of the Board of Commissioners and a failure to maintain a quorum for parts of the year, the OIAC was unable to have its 2024 audit plan approved until June 13, 2024.

## **RISK ASSESSMENT OVERVIEW**

### **Risk Assessment**

Risk assessments are the foundations of an effective internal audit department. Internal audit departments use risk assessments to assess the risk of each auditable area within an internal audit universe to help determine the priority and therefore timing of when internal audits should occur. Risk assessments are not only based on current known information within the organization, but also information from the external environment e.g., evolving regulations, emerging risks, laws, and regulations. Risk assessments should be updated as and when new key information becomes available and not simply limited to a once-a-year exercise. As audits are conducted, the information compiled from the audits will have an ongoing effect on the organization's risk assessment.

### **Risk Assessment Process**

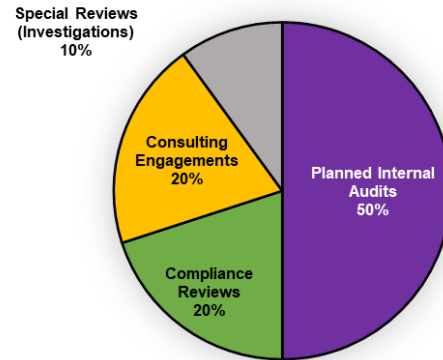
In conducting the risk assessment, the OIAC implemented a six-step process. The process is outlined briefly below:

1. **Understand the Audit Universe**  
The audit universe comprises 31 departments, each providing functions and services to the organization.
2. **Identify Risks**  
The OIAC created reviewed financial statements, prior audits, relevant articles, and interviewed various managers and directors to identify considerable risk areas.
3. **Identify Risk Assessment Criteria**  
The OIAC identified 14 specific risk areas across 4 different risk categories: Financial, Operational, Compliance, and Reputational
4. **Assess Risk and Risk Interactions**  
The OIAC used professional judgment and assigned likelihood and impact scores to each of the risk areas based on surveys, interviews, and research.
5. **Prioritize Risk**  
The OIAC ranked each entity from the highest risk to the lowest risk.
6. **Develop the Risk Based Work Plan**  
The OIAC considered the results of the risk assessment and conducted an internal brainstorming meeting to develop the 2025 audit plan and establish priorities.

## OVERVIEW OF AUDIT WORK COMPLETED

As previously stated, the Office of Audit and Compliance was established in 2021. Since then, the OIAC has conducted a total of 20 projects. These projects include planned audits, compliance reviews, consulting engagements, and special requests (investigations).

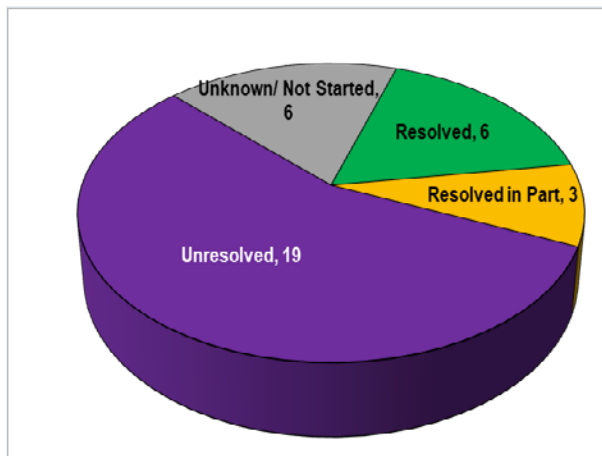
As the OIAC continues to grow and develop, the department anticipates an increase in projects, will work to maintain a similar ratio of planned and unplanned projects.



## Corrective Action Monitoring

All planned audits have findings, recommendations, and corrective action plans. However, the other forms of work (i.e., compliance reviews and consulting engagements) will have findings but, depending on the nature of the work conducted, are not required to have specific or detailed recommendations or corrective action plans.

Since the OIAC was created, it has identified 81 findings and observations, and 88 recommendations. While our office tracks all findings and recommendations made, according to the Internal Audit Charter, the OIAC only provides ongoing corrective action monitoring for findings and recommendations derived from planned audits.



Per the Internal Audit Charter, the OIAC is currently monitoring 34 recommendations. As such, the OIAC has noted 6 recommendations as resolved, 3 recommendations as resolved in part, and 19 recommendations as unresolved. Additionally, OIAC had 6 recommendations as unknown/not started, meaning that the OIAC has not reached out to the appropriate employees to determine if the identified risks and recommendations have been appropriately addressed.

Throughout 2024, the OIAC has updated the Chief Executive Officer (CEO) on the corrective status of these audits through interoffice memos issued by the department. The CEO has sent revised deadlines for all corrective actions that have yet to be resolved and tasked the Executive Leadership Team to work diligently to address these outstanding action items. The OIAC will continue to actively monitor the progress of these corrective actions.

## OIAC AUDIT PLAN AND PERFORMANCE

Each year, the OIAC issues an audit plan detailing audits the department would like to complete based on risk assessments performed. Below is a table of the 2024 Audit Plan, per our Internal Audit Charter, changes to the audit plan must be communicated to the Board of Commissioners. Two of the planned audits are currently underway but, the OIAC, through research, changes in resources, and the availability of audit staff, has since determined that two audits should be removed from the 2024 Audit Plan. The current status of each audit is listed below.

2024 Audit Plan			
Audit ID	Audit Title	Current Status	Description/Notes
2023-004	ATU Contract Compliance Audit	Currently In Process	The OIAC is currently conducting fieldwork and conducting audit tests based on the OIAC's audit plan.
2024-001	Third-Party and Contract Management Audit	Cancelled <sup>2</sup>	This audit was cancelled due to the hiring of a Chief Legal Officer who had been tasked with compiling all active contracts. With limited staffing the OIAC thought it would be more effective to focus on audits that would not be duplicative in effort.
2024-002	Fixed Asset Management Audit	Cancelled <sup>3</sup>	This audit was cancelled due to the implementation of Oracle. The software currently has a fixed assets module and the OIAC thinks it may provide more value to the agency to conduct this audit once this module is fully completed and developed.
2024-004	Grant Funded Capital Projects Audit	Currently In Process	The OIAC is currently in the planning phase of this audit. The OIAC is looking to build the audit plan and engage the Director of Capital Projects.

With changes to the 2024 Audit Plan the OIAC has determined that the audit plan for 2025 should include the following:

### Union Contract Compliance (from 2023)

As a result of the Timekeeping and Payroll Audit, it became clear that the OIAC needed to look further into the union Contracts of Amalgamated Transit Union Local Division 1560 fixed route and lift employees as well as the International Brotherhood of Electrical Workers Local Union 1700-4. As these contracts are close to expiring, the OIAC will conduct a compliance audit on each existing contract to determine how well both parties complied with the contract, and areas for greater efficiency and effectiveness.

<sup>2</sup> This audit is cancelled pending board approval of the 2025 Audit Plan

<sup>3</sup> This audit is cancelled pending board approval of the 2025 Audit Plan

**Capital Project Performance Audit (from 2024)**

Given the large amount of Federal and Local funds allocated and budgeted to capital projects, the Capital Projects and Improvements Department scored high within the risk assessment. The OIAC will conduct an audit to determine how the department is performing in accordance with stated policies and procedures, federal regulations, and fiscal guidelines.

**Federal Transit Authority (FTA) Triennial Review**

Every 3 years the FTA conducts a periodic assessment of the use and management of FTA Funds and seeks to evaluate the performance and adherence to FTA requirements and policies. This comprehensive review covers 23 functional areas within RTA. The OIAC will serve as one of the primary point of contact for the FTA's review and serve as a Liaison between FTA and RTA in the coordination of information.

**Customer Experience Departmental Performance Audit**

Based on research conducted by the OIAC, the Customer Experience Department is comprised of both Rideline and Transit Information. Rideline is a customer service function dealing primarily with public complaints, issues, and concerns. Transit Information is tasked with ensuring information is reported to the public concerning delays, changes in routes, and other emergency information.

Given the impact this public facing department has on the operations and the reputation of the agency, the OIAC will seek to review the performance of this department in comparison to stated policies and procedures, applicable regulations, and best industry practices.

**Rail Maintenance Audit (if resources permit)**

Rail Maintenance is a component of Asset Management, primarily tasked with the maintenance of streetcars, the streetcar tracks, and traction power. Permitting time and the availability of audit resources the OIAC would also seek to conduct an audit of the Rail Maintenance function. Ensuring that the Department is acting effectively and efficiently in the performance of their job functions. The OIAC would also like to determine if the department is functioning in line with FTA regulations and best practices.

**RESOURCE LIMITATIONS**

The OIAC does not currently have the appropriate staffing levels and resources to allow for the audit and consulting coverage of all the organizations' departments and functions. The 2025 Audit Plan reflects these constraints, and it does not intend to provide coverage for all departments and functions. The 2025 Audit Plan focuses on critical risk areas, but it also allows flexibility so that the OIAC can add additional projects in response to changing circumstances, current information, or requests made by management, Executive Leadership, or the Board of Commissioners.

2025 OIAC Staffing Levels		
Job Title	FTE Positions (per '25 Budget)	Current Vacancies
Director of Audit Compliance	1	1
Manager of Audit and Compliance	1	0
Internal Auditor(s)	1	1
Data and Compliance Analyst(s)	1	0
<b>Total</b>	<b>4</b>	<b>2</b>

**APPENDIX 1: PREVIOUS AUDIT PLANS**

2021 Audit Plan			
Audit ID	Audit Title	Current Status	Notes
N/A	SOP Baseline Assessment	On-going	Though the status of this project is listed as on-going, the OIAC has halted work on this project pending SOP development by a Third-party contract currently in procurement.
2021-001	On-Time Performance Calculation and Reporting Process Audit	Completed	This audit was completed and resulted in 5 findings.
2021-002	Non-Revenue Vehicle Audit	Not Completed	This audit was neither complete nor was it carried over to the following year. Currently the OIAC recognizes this audit as cancelled and void.
2021-003	NTD Process Assessment Audit	Completed	This audit was completed and resulted in 5 findings.

2022 Audit Plan			
Audit ID	Audit Title	Current Status	Description/Notes
2022-001	Fixed Route Service Planning Audit	Completed	This audit was completed and resulted in 3 findings
2022-002	Procurement Audit	Not Completed	This audit was neither complete nor was it carried over to the following year. Currently the OIAC recognizes this audit as cancelled and void.
2022-003	Inventory Management Audit	Not Completed	This audit was not completed, however the scope of the audit was narrowed and added to the 2023 audit plan.
2022-004	Timekeeping & Payroll Management Audit	Completed	This audit was completed and resulted in 6 findings

2023 Audit Plan			
Audit ID	Audit Title	Current Status	Description/Notes
2023-001	Other Post Employment Benefits Audit	Completed	This audit was completed and resulted in 4 findings.
N/A	Self-Insurance & Structured Settlements Audit	Cancelled	This audit was canceled as it was addressed as an observation within the 2023-001 OPEB Audit. Additionally, the OIAC did not have the necessary staffing resources to proceed with this audit.



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2023-002	Maintenance Inventory Management Audit	Completed	This audit was completed and resulted in 4 findings.
2023-004	Union Contract Compliance Audit	Not Completed	The OIAC determined that the scope of the audit was too large, resulting in the department choosing to narrow the scope of the audit to just the ATU union.
N/A	Information Technology – Systems & Applications Audit	Cancelled	This audit was cancelled due to the agency implementing Oracle and the “all hands on deck” nature of the implementation. IT did not have the bandwidth to complete this audit, and the OIAC determined that with the changes in the Agency due to the implementation this audit may have more value down the line.

2024 Audit Plan			
Audit ID	Audit Title	Current Status	Description/Notes
2023-004	ATU Contract Compliance Audit	Currently In Process	The OIAC is currently conducting fieldwork and conducting audit tests based on the OIAC's audit plan.
2024-001	Third-Party and Contract Management Audit	Cancelled	This audit was cancelled due to the hiring of a Chief Legal Officer who had been tasked with compiling all active contracts. With limited staffing the OIAC thought it would be more effective to focus on audits the would not be duplicative.
2024-002	Fixed Asset Management Audit	Cancelled	This audit was cancelled due to the implementation of Oracle. The software currently has a fixed assets module and the OIAC thinks it may provide more value to the agency to conduct this audit once this module is fully completed and developed.
2024-004	Grant Funded Capital Projects Audit	Currently In Process	The OIAC is currently in the planning phase of this audit. The OIAC is looking to build the audit plan and engage the Director of Capital Projects.

**APPENDIX 2: AUDIT UNIVERSE AND RISK SCORE**

The table below is a depiction of the Audit Universe and Risk Scores compiled based on the 2025 Risk Assessment.

Departmental Breakdown Based on Organizational Hierarchy			
	Risk Score		Risk Score
<b>Human Resources</b>	<b>9.0357</b>	<b>Asset Management</b>	<b>10.7250</b>
Drug & Alcohol Program	8.5000	Rail Maintenance	9.6667
Workforce Development	5.0000	Rail Maintenance	11.2500
Talent Acquisition	9.5000	Traction Power	9.2500
Professional Standards & Training	8.2500	Bus Maintenance	9.5625
Employee Engagement	9.7500	Maintenance	12.2500
Diversity and Inclusion	14.0000	Hostlers	5.5000
<b>Finance</b>	<b>9.9091</b>	Inventory Control	11.5000
Procurements	13.2500	Facility Maintenance	13.3333
Grants	10.2500	Facilities	15.0000
Disadvantage Business Enterprise (DBE)	8.2500	Transit Stops	10.0000
Budget	9.0000	<b>Planning and Capital Projects</b>	<b>10.0208</b>
Accounting	11.7500	Capital Projects	14.3333
General Accounting	13.0000	Capital Projects	14.0000
Accounts Payable	13.2500	Infrastructure Projects	15.0000
Payroll	8.2500	Transportation Planning	11.5000
Revenue Collection	6.0000	Scheduling and Service Planning	10.3333
Fares	7.0000	Planning and Scheduling	10.2500
<b>Transit Operations</b>	<b>10.2083</b>	Service Development	9.5000
Bus & Rail Operations	15.0000	Information Technology	6.9500
Mobility & Alternative Modes	14.2500	CAD/AVL	8.5000
Marine Operations	9.0000	Network Development	6.5000
Operations - Control	9.0000	Systems Engineering	4.0000
Operations - Training	8.2500	Project Management	8.0000
Operations - Support	5.7500	<b>Safety, Security, and Emergency Management</b>	<b>7.5000</b>
<b>Communications</b>	<b>7.1000</b>	System Safety	8.2500
Communications	6.8750	Occupational Safety	7.0000
Digital Content	6.5000	Crisis Intervention	7.0000
Multi-Media Communication	6.5000	Emergency Management	6.7500
Community Outreach	6.5000	Physical Security	8.5000
Marketing	6.1667	<b>Legal</b>	<b>8.9167</b>
Graphic design	4.7500	Employee & Labor Relations	8.2500
Marketing and Sales	5.5000	Risk Management	8.2500
Customer Experience	8.3333		
Transit Information	7.5000		
Rideline	10.2500		

**APPENDIX 3: CORRECTIVE ACTION MONITORING UPDATE**

<b>2021-001 On-Time Performance Calculation &amp; Reporting Process Audit</b>			
#	Finding Title	CAP Status	Revised Deadline
1	RTA reports OTP to the RTA Board without any guardrails around which the metric is calculated, and without reporting other metrics to contextualize levels of service.	Resolved	
2	RTA lacks any internal, formalized policies or procedures for calculating OTP.	Unresolved	March 31, 2025
3	RTA's process for calculating OTP features several manual data adjustments, introducing risk of inconsistent monthly reporting	Unresolved	March 31, 2025
4	Organizational roles and responsibilities for calculating OTP are non-existent, leading to potential controls and conflict of interest issues.	Unresolved	March 31, 2025
5	RTA lacks any Agency-wide data integrity policies, which introduces risk to RTA and creates potential risks around re-creating or backing up historic calculations.	Unresolved	March 31, 2025

<b>2021-003 NTD Process Assessment</b>			
#	Finding Title	CAP Status	Revised Deadline
1	RTA has minimal centralized project management for submission of the NTD Report.	Resolved	
2	RTA has informal assignment of responsibilities for submitting the data report, leading to reporting gaps or last-minute data requests.	Resolved	
3	RTA does not have any standard operating procedures for the completion of the NTD Report.	Unresolved	March 31, 2025
4	RTA does not have a central data repository for its submission which illustrates responsibilities, data sources, and process for developing data.	Resolved	
5	The completion date for RTA's annual audit has historically caused issues associated with the NTD Report.	Unresolved	March 31, 2025

<b>2022-001 Fixed Route Service Planning Audit</b>			
#	Finding Title	CAP Status	Revised Deadline
1	Roles and responsibilities for service planning and scheduling are undefined, leading to process inefficiency, duplicative efforts, and staff confusion.	Resolved In Part	March 31, 2025
2	RTA does not have the requisite policies, processes, or procedures for service planning and scheduling.	Resolved In Part	March 31, 2025

3	RTA's service scheduling and planning technology is complex and fragmented. RTA may consider conducting a more thorough analysis to determine whether a replacement is appropriate.	<b>Unresolved</b>	March 31, 2025
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2022-004 Timekeeping & Payroll Management Audit			
#	Finding Title	CAP Status	Revised Deadline
1	Lack of Segregation of Duties Between Payroll and Human Resources	<b>Unresolved</b>	June 30, 2025
2	Standard Operating Procedures (SOP) for payroll processing needs to be updated	<b>Resolved</b>	
3	Lack of approval/exception controls	<b>Unresolved</b>	June 30, 2025
4	Inadequate Control over Access to ADP	<b>Resolved</b>	
5	Lack of automated timekeeping processes for all employees	<b>Unresolved</b>	June 30, 2025
6	Lack of policies and procedures to limit and monitor overtime	<b>Unresolved</b>	June 30, 2025

2023-001 Other Postemployment Benefits			
#	Finding Title	CAP Status	Revised Deadline
1	RTA Should Review Its Insurance Practices to Determine if Self-Insurance is Still Within the Organization's Risk Appetite	<b>Unresolved</b>	September 30, 2025
2	RTA Should Seek Ways to Mitigate Its Growing Health Insurance Costs	<b>Unresolved</b>	September 30, 2025
3	Lack of Contract and Data Management	<b>Unresolved</b>	September 30, 2025
4	Failure to Maintain an Accurate Active Employee Roster for Health Insurance Benefits	<b>Unresolved</b>	September 30, 2025
5	Failure to Maintain Accurate Records for Life Insurance	<b>Unresolved</b>	September 30, 2025
6	Lack of Adequate Supporting Documentation to Support the Processing of Payments	<b>Resolved In Part</b>	September 30, 2025

2023-002 Maintenance Inventory Management Audit			
#	Finding Title	CAP Status	Revised Deadline
1	RTA Should Review Its Organizational Structure to Determine if the Inventory Controls Function is Properly Situated	<b>Unknown / Not Started</b>	December 31, 2025
2	Lack of Effective and Efficient Receiving Controls	<b>Unknown / Not Started</b>	December 31, 2025
3	Failure to Accurately Account for Inventory	<b>Unknown / Not Started</b>	December 31, 2025

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4	Failure to Regularly Conduct and Maintain Reconciliation Records	Unknown / Not Started	December 31, 2025
5	Failure to Utilize Inventory Management System Effectively.	Unknown / Not Started	December 31, 2025