



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Fiscal year ended June 30, 2018

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Fiscal year ended June 30, 2018

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise LACMTA's basic financial statements, and have issued our report thereon dated December 19, 2018. Our report includes a reference to other auditors who audited the financial statements of the defined benefit pension plan financial statements of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans, as described in our report on LACMTA's financial statements. The financial statements of the defined benefit pension plan of the Los Angeles County Metropolitan Transportation Authority Retirement Income Plans were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACMTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACMTA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
December 19, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Los Angeles County Metropolitan Transportation Authority
Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited Los Angeles County Metropolitan Transportation Authority’s (LACMTA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LACMTA’s major federal programs for the fiscal year ended June 30, 2018. LACMTA’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of LACMTA’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LACMTA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LACMTA’s compliance.

Opinion on Each Major Federal Program

In our opinion, LACMTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2018.

Report on Internal Control over Compliance

Management of LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LACMTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs, as item 2018-001, that we consider to be a significant deficiency.

LACMTA's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. LACMTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

(Continued)

Report on Schedule of Expenditures of Federal and State Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of LACMTA as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Los Angeles, California
December 19, 2018

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2018**

							Total expended under federal/state/local for the fiscal year ended June 30, 2018					
							Federal share		passed through			
							to subrecipients		State Share		Local Share	
Federal Grants	Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Direct Program and Pass-through Grant Identifying Number	Total Award	Total	Federal Share	Federal Share	State Share	Local Share			
U.S. Department of Transportation												
Federal Transit Administration												
Passed through the State of California Department of Transportation:												
Highway Planning and Construction Cluster												
Highway Planning and Construction												
20.205	Extension of Transit way on 1-110 to Downtown LA	20.205	FHWA 07-278008	6,272,631	898,221	718,577	-	-	179,644			
20.205	Active Transportation Education Program	20.205	CMLNI 6065 (190)	4,000,000	(135,487)	(133,747)	-	-	(1,739)			
20.205	Union Station Master Plan: Alameda Esplanade	20.205	07-6065F15-F022_A.TPL-6065(209)	2,150,000	416,634	258,567	-	-	158,067			
20.205	Freight Advanced Traveler Information System (FRA-TIS)	20.205	ATCMTDL-6065(216)	3,000,000	11,530	5,765	-	-	5,765			
20.205	Project Approval/Environmental Document for I-105 Express Lanes	20.205	CML-6065(223)	2,607,000	873,235	275,593	-	-	597,642			
Direct Programs:												
20.205	Pedestrian and Pedestrian Mobility	20.205	CA-15-X005	800,000	224,691	224,691	224,691	-	-			
20.205	Reconstruct Cabrillo Male Terminal	20.205	CA-70-X017	2,400,000	210,390	168,312	168,312	-	42,078			
Highway Planning and Construction Cluster Total				21,229,631	2,492,214	1,517,757	393,003	-	981,457			
Direct Programs:												
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program												
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Regional Connector	20.223	2013-1008A	160,000,000	55,894,820	55,894,820	-	-	-			
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Westline Purple Line Extension - Section 1	20.223	2013-1009A	856,000,000	258,421,577	258,421,577	-	-	-			
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Westline Purple Line Extension - Section 2	20.223	2013-1003A	307,000,000	207,000,000	207,000,000	-	-	-			
TIFIA Program Total				1,323,000,000	521,316,397	521,316,397	-	-	-			
Direct Programs:												
Federal Transit Cluster												
Federal Transit - Capital Improvement Grants												
20.500	Metrolink Rapid System Gap Closure	20.500	CA-03-0796	16,700,000	779,146	506,445	-	-	272,701			
20.500	Ped./pass enhan & 22' alt. Fuel bus	20.500	CA-03-0783	1,214,721	448,233	358,587	358,587	-	89,647			
20.500	Trans Ctr / Bus Park & Shelters	20.500	CA-04-0088	5,570,560	1,525,284	1,220,227	1,220,227	-	305,057			
20.500	Flng Engineering of Transit Centers	20.500	CA-04-0094	7,131,578	118,955	95,164	-	-	23,791			
20.500	Transit Centers & Expansion Buses	20.500	CA-04-0161	2,819,500	568,687	455,631	455,631	-	112,855			
20.500	Wilshire Blvd. Bus Only Lane	20.500	CA-03-0815	23,317,000	2,344,532	1,855,598	-	-	488,934			
20.500	Regional Connection Transit Corridor Construction	20.500	CA-2016-046	300,000,000	160,289,294	111,903,278	-	-	48,386,015			
20.500	Passenger and Pedestrian Enhancements	20.500	CA-04-0067	2,502,232	521,604	417,283	417,283	-	104,321			
20.500	Westside Purple Line Ext. - Section 1	20.500	CA-2016-017	300,000,000	36,749,859	142,836,944	-	-	(106,087,085)			
20.500	Westside Purple Line Extension 2 - FFGA	20.500	CA-2016-047	300,000,000	(37,446,713)	118,203,738	-	-	(155,650,511)			
20.500	Los Angeles Union Station/Cesar Chavez Bus Stop	20.500	CA-2016-123-00	1,668,557	228,622	182,897	-	-	45,724			
Map-2/ Section 20005(b) West Santa Ana Branch Transit Corridor TOD Strategic Implementation Plan				2,000,000	1,228,148	982,518	-	-	245,630			
Federal Transit - Capital Improvement Grants Total				962,924,148	167,355,650	379,018,571	2,547,092	-	(211,662,921)			
Federal Transit - Formula Grants												
20.507	Subgrantee Vehicles/Transit facilities	20.507	CA-90-Y114	5,985,469	1,107,708	886,166	886,166	-	221,542			
20.507	Metrolink Rapid Bus Stations/Signal Priority	20.507	CA-90-Y261	28,919,529	103,949	103,949	-	-	-			
20.507	Metrolink Rapid Bus Program	20.507	CA-90-Y457	11,081,700	36,675	36,675	-	-	-			
20.507	FY17 CMAQ Westside Purple Line Extension Section 1	20.507	CA-2018-009	476	826	476	-	-	350			
20.507	Regional Connection Transit Corridor Construction	20.507	CA-95-X251	64,000,000	181,048	160,280	-	-	20,766			
20.507	Light Rail Vehicle Acquisition	20.507	CA-95-X246-01	120,872,000	83,620,273	73,853,745	-	-	10,266,528			
20.507	Systemwide Light Rail Vehicles	20.507	CA-2016-026	47,030,000	59,831,814	53,118,214	-	-	6,713,600			
20.507	Systemwide Light Rail Vehicles - CMAQ	20.507	CA-2018-093	42,000,000	107,160	94,869	-	-	12,291			
20.507	Westside Purple Line Ext. - Section 2 CMAQ	20.507	CA-2016-045	43,000,000	79,975,316	20,297,480	-	-	59,678,837			
20.507	Pass / Ped. Enhancements and Improvements	20.507	CA-95-X227	2,996,000	1,504,681	1,203,745	1,203,745	-	300,936			
20.507	Subrecipient Bus Procurement	20.507	CA-95-X329	6,952,873	2,679,923	2,143,938	-	-	535,985			
20.507	Glendale Baseline CNG Mnic/Adm. Facility	20.507	CA-95-X061	3,650,000	75,000	60,000	60,000	-	15,000			
20.507	Signage and Lighting for Bus Stops	20.507	CA-2016-025	733,533	327,182	261,753	-	-	65,438			
20.507	Willowbrook/Rosa Parks Pedestrian Promenade & Bike Mobility Hub	20.507	CA-2016-012	445,000	435,080	346,064	-	-	87,016			

See accompanying notes to the schedule of expenditures of federal and state awards.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2018**

Total expended under federal/state/local for the fiscal year ended June 30, 2018									
Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Direct Program and Pass-Through Grant Identifying Number	Total Award	Total	Federal Share	Federal Share passed through to subrecipients	State Share	Local Share	
Airport Metro Connector and Crenshaw / LAX Accommodation	20.507	CA-2016-062	35,648,778	9,244,207	9,244,207	-	-	-	
Metro Gold Line Foothill Extension Operating Assistance	20.507	CA-2016-029-01	41,400,000	30,185,052	24,148,041	-	1,619,179	4,417,832	
Metro EXPO Line Phase II Operating Assistance	20.507	CA-2016-029-03	43,059,032	22,144,598	17,715,678	-	1,841,652	2,587,268	
Congestion Mitigation and Air Quality Improvement (CMAQ) program	20.507	CA-2017-042	2,206,000	1,799,569	1,055,519	1,055,519	-	744,050	
5307/5340 LA Metro FY18 Rail Preventive Maintenance - Growing State Funds	20.507	CA-2018-066-03	3,279,151	4,098,939	3,279,151	-	-	819,788	
5307 LA Metro FY18 Rail Preventive Maintenance - Urbanized Area	20.507	CA-2018-066-04	5,103,189	6,378,986	5,103,189	-	-	1,275,797	
FY18 Section 5307 Bus Preventive Maintenance	20.507	CA-2018-074	133,629,528	167,036,910	133,629,528	-	-	33,407,382	
5307/5340 LA Metro FY18 Rail Preventive Maintenance - Growing State Funds	20.507	CA-2018-066-01	9,037,114	11,296,393	9,037,114	-	-	2,259,279	
Federal Transit - Formula Grants Total			651,070,372	482,172,297	355,281,781	5,349,366	3,460,831	123,429,865	
State of Good Repair Grants Program									
LA Metro FY17 Rail Preventive Maintenance - Fixed Guideway Funds	20.525	CA-2017-064-03	99,534,460	4,641,120	3,712,896	-	-	928,224	
5337 LA Metro Rail Vehicle Midlife Overhauls	20.525	CA-2018-031	86,251,460	30,122,791	24,098,233	-	-	6,024,558	
5337 LA Metro FY18 Rail Preventive Maintenance - Fixed Guideway Funds	20.525	CA-2018-066-01	9,780,202	12,225,253	9,780,202	-	-	2,445,051	
5337 LA Metro FY18 Rail Preventive Maintenance - High Intensity Motorbus Funds	20.525	CA-2018-066-02	3,091,620	3,864,525	3,091,620	-	-	772,905	
5337 LA Metro FY18 Rail Preventive Maintenance - High Intensity Motorbus Funds	20.525	CA-2018-066-02	6,076,930	7,596,163	6,076,930	-	-	1,519,233	
5337 LA Metro FY18 Rail Preventive Maintenance - Fixed Guideway Funds	20.525	CA-2018-066-03	87,499,102	109,373,678	87,499,102	-	-	21,874,776	
State of Good Repair Grants Program Total			292,233,774	167,823,730	134,256,983	-	-	33,564,747	
Bus and Bus Facilities Formula Program									
FY18/17 Section 5339 Bus Acquisitions, CNG Lease, Workforce Dev/Training, and Preventive Maintenance	20.526	CA-2018-062	43,491,979	30,861,359	24,689,087	-	-	6,172,272	
Bus and Bus Facilities Formula Program Total			43,491,979	30,861,359	24,689,087	-	-	6,172,272	
Federal Transit Cluster Total			1,949,720,273	848,213,036	893,248,422	7,896,460	3,460,831	(48,496,217)	
Transit Services Programs Cluster									
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-16-0063	693,120	85,181	85,181	85,181	-	-	
Enhanced Mobility of Seniors and Individuals with Disability Program	20.513	CA-16-X066	6,092,451	2,261,766	1,834,545	1,834,545	-	327,221	
30-ft Bus Procurement	20.513	CA-16-X067-01	7,072,604	163,698	139,277	139,277	-	24,420	
L.A. County Section 5310 Program Administration	20.513	CA-2018-029	1,043,894	52,757	52,757	-	-	-	
Enhanced Mobility of Seniors and Individuals with Disabilities Total			14,902,069	2,563,401	2,211,760	2,159,003	-	351,642	
Job Access and Reverse Commute Program									
LA County Job Access and Reverse Commute Program, Administration, FY 06-12	20.516	CA-37-X071	5,032,849	238,094	238,094	-	-	-	
Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	901,679	704,028	704,028	-	197,651	
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	408,634	204,317	138	-	204,317	
LA County Job Access and Program Project - Capital/Operating Assist.	20.516	CA-37-X171	7,711,637	679,203	679,203	679,203	-	-	
Job Access and Reverse Commute Program Total			36,966,391	2,227,610	1,825,643	1,383,369	-	401,967	
New Freedom Program									
New Freedom - Program Adm, FY06-12	20.521	CA-57-X003	2,152,346	151,099	151,099	-	-	-	
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X048	1,755,553	121,280	86,261	86,261	-	35,019	
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X084-01	8,702,026	1,474,193	1,435,097	1,435,097	-	39,096	
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X100	7,354,678	396,582	203,807	203,807	-	192,776	
New Freedom Program Total			19,964,603	2,143,154	1,876,264	1,725,165	-	266,890	
Transit Services Cluster Total			71,833,063	6,934,165	5,913,667	5,267,538	-	1,020,499	

See accompanying notes to the schedule of expenditures of federal and state awards.

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2018**

Federal grantor/cluster, title/program title/pass-through grantor/project title		CFDA Number	Direct Program and Pass-Through Grant Identifying Number	Total Award	Total	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
Research and Development Cluster									
Public Transportation Research, Technical Assistance, and Training									
Platform Track Intrusion Detection Demo									
LA County and Puget Sound First / Last Mile Partnership with Lyft									
Public Transportation Research, Technical Assistance, and Training Total									
Research and Development Cluster Total									
Federal Transit Administration Total									
Office of the Secretary									
National Infrastructure Investments									
Eastside Access Improvements									
Wilbrook/Rosa Parks Station Improvements									
National Infrastructure Investments Total									
Office of the Secretary Total									
U.S. Department of Transportation Total									
U.S. Department of Homeland Security:									
Direct Programs:									
Rail and Transit Security Grant Program									
Sustainment of Threat Interdiction Unit									
U.S. Department of Homeland Security Total									
Total Federal Grants									
State Grants									
Prop 1B Security - FY 08-09									
Prop 1B Security - FY 10-11									
Crenshaw/LAX Transit Corridor									
Crenshaw/LAX Transit Corridor									
Systemwide Light Rail Vehicles									
Conservation for Regional Climate Action and Sustainability									
Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project									
Alternative & Renewable Fuel & Vehicle Technology Program									
Permeable Pavement and Biorotation Pilot Project, LA/MTA Division 4 Maintenance Facility									
Sustainable South Bay Transportation and Land Use Implementation Framework									
Metro Blue Line First / Last Mile Plan									
Regional Transportation Planning and Program Development									
Blue Line Light Rail Signal Improvement Project									
STIP PPM (State Transportation Improvement Program) - Planning, Programming & Monitoring Program									
Division 20 Turnback and Portal Widening									
Los Angeles - San Fernando Valley North-South Bus Transit									
I-710 Livability Initiative for Complete Streets & Active Transportation									
Total State Grants									
Total expended under federal/state/local for the fiscal year ended June 30, 2018									

See accompanying notes to the schedule of expenditures of federal and state awards.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Fiscal year ended June 30, 2018

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the grant activity of all expenditures of federal and state award programs of the Los Angeles County Metropolitan Transportation Authority (LACMTA) in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the Schedule. The Schedule also includes state grants that do not participate in the federal awards. LACMTA is the reporting entity as defined in Note 1 to the financial statements of LACMTA's basic financial statements.

NOTE 2 – BASIS OF PRESENTATION

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LACMTA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – STATE AND LOCAL FUNDS REIMBURSEMENT

LACMTA utilizes state and local funds when federal funds are not received in a timely manner. Upon receipt of federal funds, LACMTA reimburses state and local funds that were utilized for expenditures for federal programs. Reimbursements are shown as credit balances in the Schedule. Expenditures incurred during the current fiscal year, but before a federal grant is executed are included as state or local on the Schedule in the year the expenditures are incurred and are reported as federal on the Schedule in the year the grant was executed.

NOTE 4 – FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Single Audit Act and Uniform Guidance Compliance Supplement, the federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the state and federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance. For CFDA #20.223, \$343,227,963 included in the Schedule represent current year loan proceeds for expenditures that were originally incurred in prior years.

NOTE 5 – MAJOR PROGRAMS

The Single Audit Act and Uniform Guidance establish criteria to be used in defining major federal financial assistance programs. Major programs for LACMTA are those programs selected for testing by the auditor using a risk assessment model, as well as certain minimum expenditure requirements, as outlined in Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Fiscal year ended June 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

CFDA 20.513 / 20.516 / 20.521	Transit Services Programs Cluster
CFDA 97.075	Rail and Transit Security Grant Program
CFDA 20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program

Dollar threshold used to distinguish type A and B programs: \$ 4,283,760

Auditee qualified as low-risk auditee? Yes No

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2018

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

Finding 2018-001 – Subrecipient Monitoring (Significant Deficiency)

Information on Federal Program:

CFDA Numbers and Program Names: Transit Services Programs Cluster
20.513 Enhanced Mobility of Seniors and Individuals with Disabilities
20.516 Job Access and Revenue Commute Program
20.521 New Freedom Program

Federal Agency: Department of Transportation

Criteria:

2 CFR 200.331 REQUIREMENTS FOR PASS-THROUGH ENTITIES.

All pass-through entities must:

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

Condition: Management is required to verify that each subrecipient is audited if required by §200.501 Audit requirements. For the programs listed above, we noted that management did not have adequate controls in place to ensure compliance with this requirement.

Questioned Costs: None noted.

Context: In our sample of five subawards under the Transit Service Programs Cluster, management did not obtain the single audit report for the City of Pasadena (City), a subrecipient of Grant CA-37-X100, for fiscal year 2017. The City indicated in its annual self-certification form that the threshold to require a single audit was not met for fiscal year 2017. We noted that the City's response was inaccurate through verification on the Federal Audit Clearinghouse.

Cause: LACMTA's policy requires subrecipient to complete an annual self-certification form to indicate whether the entity is subject to audit under §200.501 Audit requirements, however, management does not verify the accuracy of the subrecipient's response through review of submissions within the Federal Audit Clearinghouse. The City of Pasadena incorrectly completed the annual self-certification form and disclosed that they did not meet audit requirement for fiscal year 2017.

Effect: Management relied on the City's response, and therefore did not obtain the audit report as required by 2 CFR 200.331(f).

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal year ended June 30, 2018

Recommendation: We recommend that management corroborate each subrecipient's response in the annual self-certification form by searching the Federal Audit Clearinghouse. This verification should be maintained with the subrecipient's annual self-certification form to evidence the review was performed. We also recommend management consider requiring subrecipients to submit their annual financial audit report and related management letter to review for any deficiencies internal control from the financial statement audit that could have an impact on internal controls surrounding the management of federal awards.

Management's Response: Management agrees with this finding and acknowledges that the policies in place do not require verifying that the annual self-certification responses are correct. In the future we plan to communicate to individuals completing the self-certification that the response applies to the entire entity, not just the particular grant or cluster.