



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Year ended June 30, 2016

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Year ended June 30, 2016

CONTENTS

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 <i>GOVERNMENT AUDITING STANDARDS</i>	1
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 AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	9
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	13

**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 year ended June 30, 2016, 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 16, 2016. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 that we consider to be a material weakness.

Other Matter

This report is being reissued to include Finding 2016-001 related to a federal program being initially excluded from the Schedule of Expenditures of Federal and State Awards. It was originally presented as Local Share expenditures on the Schedule of Expenditures of Federal and State Awards, but should have been presented as federal expenditures.

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*.

Response to Finding

LACMTA's response to the finding identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

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 Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California
December 16, 2016, except for finding 2016-01, which
the date is March 29, 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 year ended June 30, 2016. 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 year ended June 30, 2016.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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 year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 16, 2016, 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.

Emphasis of Matter

As discussed in Note 7 to the Schedule of Expenditures of Federal and State Awards, management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (Catalog of Federal Domestic Assistance (CFDA) # 20.223) amount of approximately \$467.8 million was initially included as Local Share expenditures in the Schedule rather than as federal expenditures. Our report is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Sherman Oaks, California

December 16, 2016, except for our report on the Schedule of Expenditures of Federal and State Awards including note 3 and note 7, for which the date is March 29, 2018

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (RESTATED)
 Year ended June 30, 2016

Federal Grants	CFDA Number	Federal grantor/cluster title/program title/pass-through grantor/project title	Grant Number	Total Award	Total expended under federal/state/local for the fiscal year ended June 30, 2016			
					Total	Federal Share	State Share	Local Share
U.S. Department of Transportation								
Passed through the State of California Department of Transportation:								
Highway Planning and Construction Cluster								
Highway Planning and Construction								
I-405 CAR Pool Lane								
20.205		Pedestrian and Pedestrian Mobility	07-4826	\$ 137,196,291	\$ 30,274,096	\$ -	\$ -	\$ 106,922,195
20.205		Burbank Airport	CA-15-X005	800,000	285,760	285,760	-	-
20.205		Extension of Transit way on 1-110 to Downtown LA	EA 07-278008	4,387,000	2,906,007	82,327	-	-
20.205		Active Transportation Education Program	CMLN 6065 (190)	6,272,631	607,802	-	-	5,664,829
20.205		Safe Routes to School	SRTSN 6065(178)	4,000,000	1,343,285	-	-	2,656,715
20.205		Orange Line High Speed Magnetic Levitation trains	HRLU-6065(156)	251,972	41,934	37,026	-	173,916
		Highway Planning and Construction Cluster Total		1,159,559,228	32,905,007	405,113	-	112,196,174
Direct Programs:								
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Crenshaw (Restated)								
20.223		Transportation Infrastructure Finance and Innovation Act (TIFIA) Program - Regional Connector (Restated)	2011-1005A	545,900,000	442,587,118	-	-	-
20.223		TIFIA Program Total	2013-1008A	160,000,000	25,209,259	-	-	-
				705,900,000	467,796,377	-	-	-
Direct Programs:								
Federal Transit Cluster								
Federal Transit Capital Improvement Grants								
20.500		Metro Rapid System Gap Closure	CA-03-0796	16,700,000	3,693,807	2,400,974	-	1,292,832
20.500		Ped./pass enhan & 22' alt. Fuelbus	CA-03-0783	1,214,721	16,956	13,565	-	3,391
20.500		Westside Purple Line Ext. Sec. 1 - FFGA	CA-2016-017	100,000,000	294,827,535	100,000,000	-	194,827,535
20.500		Wilshire Blvd. Bus Only Lane	CA-03-0815	23,317,000	4,390,490	2,757,919	-	1,632,571
20.500		Regional Connection Transit Corridor Construction (Restated)	CA-03-0825	165,000,000	124,198,538	80,971,963	-	43,226,575
20.500		Regional Connection Transit Corridor Construction	CA-2016-046	100,000,000	4,018,715	2,936,848	-	1,081,867
20.500		Westside Purple Line Ext - Section 1	CA-03-0824	100,000,000	-	100,000,000	-	-
20.500		Crenshaw - Prairie Transit Corridor	CA-04-0034	8,563,010	(723,449)	445,218	-	(1,168,667)
20.500		Passenger and Pedestrian Enhancements	CA-04-0067	2,502,232	616,290	493,032	-	123,258
20.500		Flag Engineering of Transit Centers	CA-04-0094	7,131,578	3,387,746	2,710,197	-	677,549
20.500		Southern California 511/IVTCL	CA-04-0230	2,000,000	672,528	538,022	-	134,506
20.500		Paisanos Plaza Bus way Station	CA-04-0233	9,679,000	4,233,051	3,386,441	-	846,610
20.500		Metro Orange Line Bus Enhancement	CA-04-0261	10,000,000	4,525,521	3,628,471	-	897,050
		Federal Transit Capital Improvement Grants Total		546,107,541	443,857,728	300,282,651	27,475,106	116,099,970
Federal Transit Formula Grants								
20.507		Subgrantee Vehicles/Transit facilities	CA-90-Y114	5,985,469	29,208	23,366	-	5,942
20.507		Preventive Maintenance - FY 15	CA-90-Z054	312,668,288	189,587,378	151,669,902	-	37,917,476
20.507		Metro Rapid Bus Stations/Signal Priority	CA-90-Y261	28,919,529	1,756,022	1,756,022	-	-
20.507		FY05 Transit Enhancements	CA-90-Y454	516,210	15,000	11,012	-	3,989
20.507		Metro Rapid Bus Program	CA-90-Y457	11,081,700	285,290	285,290	-	-
20.507		Transit Enhancement FY 2005 funds	CA-90-Y685	854,520	160,350	128,280	-	32,070
20.507		Preventive Maintenance - Operation & Capital - FY 14 FM	CA-90-Y717	480,395,145	(417)	(334)	-	(83)
20.507		45-FI Composite Buses and Transit Enhancements - Capital	CA-90-Y717	8,013,440	347,877	278,302	-	69,575
20.507		LA CRD Operating Assistance - Vampool	CA-95-X089	400,000	19,689	19,689	-	-
20.507		Light Rail Vehicle Acquisition	CA-95-X127	41,786,160	17,076,894	11,634,380	-	91,437
20.507		Pass / Ped. Enhancements and Improvements	CA-95-X227	2,996,000	586,281	477,025	-	119,256
20.507		Light Rail Vehicle Acquisition	CA-95-X246	120,872,000	(2,436,544)	8,992,447	-	(11,428,831)
20.507		Exposition Blvd. Right-of-Way Bike Path	CA-95-X214	11,528,000	2,254,957	1,045,409	-	1,209,548
20.507		Replacement Buses	CA-95-X245	1,839,600	3,900	2,847	-	1,053
20.507		Acquisition of Buses	CA-2016-011-01	46,113,344	55,473,053	46,113,344	-	9,359,709
20.507		Metro Orange Line Bus Enhancement	CA-2016-011-02	3,299,729	4,259,099	3,299,729	-	959,370
20.507		Preventive Maintenance - FY 16	CA-2016-011-03	109,975,245	137,469,057	109,975,245	-	27,493,812
20.507		Westside Purple Line Extension - Section 1	CA-95-X264	12,171,000	21,109,533	12,171,000	-	8,938,533
20.507		Regional Connection Transit Corridor Construction	CA-95-X251	64,000,000	20,087,042	17,783,059	-	18,352
20.507		Crenshaw/Lax Transit Corridor (Restated)	CA-95-X256	82,213,840	(415,477,664)	24,000,000	-	(439,477,664)

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 (RESTATED)
Year ended June 30, 2016**

		Total expended under federal/state/local for the fiscal year ended June 30, 2016					
Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Grant Number	Total Award	Federal Share	Federal share passed through to subrecipients	State Share	Local Share
Airport Metro Connector and Crenshaw / LAX Accommodation	20.507	CA-2016-062-00	33,200,000	744,764	-	-	-
LA Metro FY 16 Rail Preventive Maintenance - Growing State Funds	20.507	CA-2016-024-01	8,012,101	8,012,101	-	-	2,003,025
Metro Gold Line Foothill Extension Operating Assistance	20.507	CA-2016-029-01	20,000,000	1,949,498	-	-	389,900
Metro EXPO Line Phase II Operating Assistance	20.507	CA-2016-029-03	20,000,000	544,429	-	-	108,886
Bus Replacement(141), Overhaul(200), Metro Blue Line Transit Provider - ARRA	20.507	CA-96-X012	224,263,474	33,820	-	-	-
Federal Transit Formula Grants Total			1,651,104,794	400,453,838	503,238	2,377,069	(356,925,267)
State of Good Repair Grants Program							
Preventive Maintenance - FY 15 PM Rail	20.525	CA-54-0032	48,868,211	48,868,211	-	-	12,217,053
Preventive Maintenance - FY 15 PM Rail	20.525	CA-54-0037	26,414,989	26,414,989	-	-	6,603,747
LA Metro FY 16 Rail Preventive Maintenance - SGR High Intensity Motorbus Funds	20.525	CA-2016-024-02	10,240,619	10,240,619	-	-	2,560,155
LA Metro FY 16 Rail Preventive Maintenance - SGR Fixed Guideway Funds	20.525	CA-2016-024-03	66,073,366	66,073,366	-	-	16,518,342
State of Good Repair Grants Program Total			151,597,185	151,597,185	-	-	37,899,297
Bus and Bus Facilities Formula Program							
Acquisition of Buses	20.526	CA-2016-011-01	68,881,180	68,881,180	-	-	31,835,023
Federal Transit Cluster Total			2,417,690,700	921,214,854	6,477,951	29,852,175	(171,090,976)
Transit Service Cluster							
Enhance Mobility of Seniors and Disabilities	20.513	CA-16-0063	693,120	241,780	-	-	-
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	208,293	-	-	-
Job Access and Reverse Commute Program - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	1,152,439	1,152,439	-	677,772
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	146,298	116,378	-	29,920
LA County Job Access and Program Project - Capital/Operating Assist. Job Access and Reverse Commute Program Total	20.516	CA-37-X171	36,966,391	1,815,909	1,607,617	-	707,692
New Freedom Program							
New Freedom - Program Adm. FY06-12	20.521	CA-57-X003	2,152,346	236,496	-	-	-
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X048	1,755,553	308,910	154,455	-	154,455
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X084	8,702,026	1,155,623	1,155,623	-	-
New Freedom - Capital & Operating, Assistance	20.521	CA-57-X100	7,354,678	533,155	279,085	-	254,070
New Freedom Program Total			19,964,603	1,825,659	1,589,163	-	408,525
Transit Services Cluster Total			57,624,114	4,999,584	3,196,779	-	1,116,216
Clean Fuels - CNG Fueling Facility at Division 13	20.519	CA-58-0006	5,500,000	375,985	-	114,112	-
State and Community Highway Safety							
Countywide Bicycle Education Safety	20.600	PS1512	223,950	88,984	-	-	-
The Office of Traffic Safety	20.600	PS1624	550,000	299,408	-	-	-
State and Community Highway Program Total			773,950	456,983	-	-	68,591
Eastside Access Improvements	20.933	CA-79-0005	11,800,000	189,350	-	-	56,352
U.S. Department of Homeland Security:							
Transit Security Grant Program							
U.S. Department of Transportation Total			4,356,847,992	1,398,895,494	1,426,474,492	29,966,287	(57,545,285)
Direct Programs:							
Rail and Transit Security Program							
Transit Security Grant Program	97.075	EMW-2011-RA-00011-S01	5,744,329	1,449,781	-	-	-
Transit Security Grant Program	97.075	EMW-2014-RA-00003	6,285,096	693,617	-	-	-
Transit Security Grant Program	97.075	EMW-2015-RA-00001	6,521,328	1,102,814	-	-	-
Transit Security Grant Program	97.075	EMW-2013-RA-00043-S01	7,050,010	2,810,569	-	-	-
U.S. Department of Homeland Security Total			25,600,763	6,056,781	-	-	-
Total Federal Grants			\$4,384,448,755	\$1,432,531,273	\$ 10,079,843	\$ 29,966,287	\$ (57,545,285)

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 (RESTATED)
 Year ended June 30, 2016

State Grants	Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Grant Number	Total Award	Total	Federal Share	Federal share passed through to subrecipients		Local Share
							Federal Share	State Share	
	Prop 1B Security - FY 08-09		6161-002.FIFS#037-91170	\$ 16,103,000	\$ 6,214,663	\$ -	\$ -	\$ 6,214,663	\$ -
	Prop 1B Security - FY 08-10		6261-002.FIFS#037-91170	16,103,043	1,041,032	-	-	1,041,032	-
	Prop 1B Security - FY 10-11		6361-002.FIFS#037-91170	16,103,043	1,550,513	-	-	1,550,513	-
	Metro Greening Plan (U59207-0)		U59207-0	530,000	241,844	-	-	179,252	62,593
	Strategic Growth Council/Department of Conservation-Sustainable Communities Planning Grant		PFM14-6065(183)	3,098,000	890,652	-	-	207,010	683,642
	STIP PFM(State Transportation Improvement Program- Planning, Programming & Monitoring Program		STIP-PFM15-6065(192)	3,098,000	4,367,925	-	-	1,846,610	2,521,315
	Alternative & Renewable Fuel & Vehicle Technology Program		ARV-13-054	492,000	110,949	-	-	55,475	55,475
	Sustainable South Bay Transportation and Land Use Implementation Framework		3014-616	885,048	113,202	-	-	101,712	11,490
	LACMTA Division 4 Maintenance Facility (14-440-550)		14-440-500	752,000	206,445	-	-	13,851	192,594
	Proposition 1B Intercity Rail (ICR) Raymer to Benson Double Track Project		ICRB-A 1314-02 75A 0406	6,500,000	1,306,327	-	-	1,206,554	99,773
	Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project		ICRB-A 1314-01 75A 0407	4,000,000	1,185,873	-	-	1,021,365	164,508
	Metro Greening Plan (U59207-0)		Exposition LRT - II	135,983,130	91,934,526	-	-	67,999,068	23,935,458
	Construction of Division 13 - Bus Operations and Maintenance Facility		CA-04-0190	47,772,000	6,962,140	-	-	2,771,643	4,190,497
				\$ 251,419,264	\$ 116,126,093	\$ -	\$ -	\$ 84,208,748	\$ 31,917,345

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
Year ended June 30, 2016

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. The Schedule includes all federal and state grant and loan expenditures, however, the Schedule only includes local expenditures as they relate to the federal and state funded projects.

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 20.233, \$312,220,783 in the Schedule represents 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.

NOTE 6 – COMMINGLED ASSISTANCE

The LACMTA receives federal and state funding as a subrecipient through the State of California's Department of Transportation (Caltrans). The expenditures reported in the accompanying Schedule for CFDA 20.205, U.S. Department of Transportation – Highway Planning and Construction (grant #07-4826), represent commingled federal and state funding received from Caltrans. The sources of funding passed through Caltrans include state funding from the Traffic Congestion Relief Program (TCRP) and the State Transportation Program - Local (STPL) and Federal funding from the Federal Regional Surface Transportation Program (RSTP) and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA - LU). The program also includes Local Proposition C-25% funding provided by LACMTA. When the sources of funding from Caltrans are not separately identifiable, LACMTA's policy is to report amounts expended under the program first as federal expenditures up to the approved budgeted amount and then the remaining expenditures will be reported as state expenditures.

NOTE 7 – RESTATEMENT

During fiscal year 2017, management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (CFDA # 20.223) expenditures were not included on the Schedule for the fiscal year ending June 30, 2016 as federal funding, but instead were included as Local Share expenditures. An adjustment was made to add the TIFIA loan program as a federal program line and reclassify the \$467.8 million of expenditures from Local Share (CFDA #20.500 Grant Number CA-03-0825 and CFDA #20.507 Grant Number CA-95-X256) to Federal on the Schedule.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

SECTION 1 - 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 20.500 / 20.507 / 20.525 / 20.526 – Federal Transit Cluster

Dollar threshold used to distinguish type A and B programs:

\$ 4,297,594

Auditee qualified as low-risk auditee?

Yes No

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Finding 2016-001 – Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not classified as federal expenditures, but instead was presented in the Local Share column of the schedule of expenditure of federal and state awards (SEFA).

Criteria: Uniform Guidance requires that proper internal controls are in place over the SEFA to ensure that all federal grant expenditures and loan draws during the current fiscal year are included as federal expenditures.

Effect: TIFIA Program expenditures of \$467,796,377 were excluded from the federal column of the original fiscal year 2016 SEFA prepared by management and instead were included in the Local Share column. Therefore, the federal expenditures were understated.

Cause: The TIFIA Program had not previously had any loan draws or activity, and unlike the other federal programs that LACMTA receives funds from which are cost reimbursement grant programs, this is a loan program. Additionally, it appears that there was not clear communication of the Uniform Guidance requirements in the loan agreement, nor was there any disclosure of the CFDA number in the loan agreement. At the time, management made the determination that the funds were Local since the repayment of the TIFIA loans will come from local funding.

Recommendation:

We recommend that management review all loan agreements and confirm, as applicable, with the funding source the nature of funding and audit compliance requirements. As of the March 28, 2018 reissuance report date, this matter is considered resolved.

Management's Response: As of this reissuance report date, management has reviewed loan agreements and affirmed the nature of the funding and audit compliance requirements. Management believes the matter is resolved.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2016

Finding 2015-001 – OPEB Benefits and Plan Provisions (Significant Deficiency)

Condition: Management determined that certain benefit provisions were not included in the actuarial calculation used to measure the Net OPEB Obligation liability on LACMTA's statement of net position. Management discovered that lifetime benefits for ATU employees were not reflected in the previous valuations of the net OPEB obligation. With the addition of the OPEB lifetime benefit provision, the calculation of the prior Annual Required Contributions were understated and resulted in the Net OPEB Obligation liability being understated. This benefit plan provision did not affect any of the other LACMTA OPEB plans.

Status: Resolved

Finding 2015-002 – Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)

Condition: The Transportation Infrastructure Finance and Innovation Act (TIFIA) Program (CFDA # 20.223) activity was not identified by management as federal expenditures in the fiscal year 2015 SEFA and instead was included in the Local Share column.

Status: As of March 29, 2018 reporting date, this matter is considered resolved.