



**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY**

SINGLE AUDIT REPORT

Year ended June 30, 2015

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY
Los Angeles, California

SINGLE AUDIT REPORT
Year ended June 30, 2015

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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 year ended June 30, 2015, 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 22, 2015. 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 defined benefit pension plan financial statements 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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-002 to be a material weakness.

(Continued)

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2015-001 to be a significant deficiency.

Other Matter

This report is being reissued to include Finding 2015-002 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 Findings

LACMTA's response to the findings 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 22, 2015, except for finding 2015-002, 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 OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of LACMTA's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

Other Matter

This report is replacing a previously issued report. Management identified that the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program (CFDA # 20.223) amount of approximately \$37.5 million was initially included as Local Share expenditures, rather than as federal expenditures, on the Schedule of Expenditures of Federal and State Awards. In addition, this report includes this federal program tested as a major program.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2015, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 22, 2015, 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 OMB Circular A-133 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 expenditure 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 8 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 \$37.5 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

March 3, 2016, except for major program CFDA # 20.223 (TIFIA Program), and our report on the Schedule of Expenditures of Federal and State Awards, including Note 4 and Note 8, 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, 2015

Federal Grants	Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Grant Number	Total Award	Total	Federal Share	State Share	Local Share
U.S. Department of Transportation								
Highway Planning and Construction Cluster								
Highway Planning and Construction								
Passed through State of California Department of Transportation:								
I-405 CAR Pool Lane	07-4826	20.205		\$ 1,053,347,625	\$ 63,527,694	\$ 56,241,067	\$ -	\$ 7,286,627
Burbank Airport	07-4U4524	20.205		4,387,000	623,063	280,193	-	342,870
Extension of Transit way on 1-110 to Downtown LA	EA 07-278008	20.205	ISTDM-6065(165)	6,272,631	765,280	612,224	-	153,056
Congestion Reduction Demonstrations Project	EA 07-274408	20.205		68,429,771	7,652,753	(425,915)	-	8,078,668
Safe Routes to School	SRTSNJ-6065(178)	20.205		500,000	199,927	125,836	-	74,091
Orange line High Speed Magnetic Levitation trains	HPLUL-6065(156)	20.205		251,972	45,822	39,466	-	6,356
Highway Planning and Construction Cluster Total				1,133,168,999	72,814,539	56,872,871	-	15,941,668
Transportation Infrastructure Finance and Innovation Act (TFIA) Program - Crenshaw (Restated)				545,900,000	37,477,492	37,477,492	-	-
Federal Transit Cluster								
Federal Transit Capital Improvement Grants:								
Direct Programs:								
Reseda Blvd. BRT Enhancements	CA-04-0073	20.500		500,446	37,157	29,726	-	7,431
Wilshire Blvd. Bus Only Lane	CA-03-0815	20.500		23,317,000	13,366,145	10,442,954	-	2,923,191
Metro Rapid System Gap Closure	CA-03-0796	20.500		16,700,000	4,346,765	2,717,179	-	1,629,586
Transit Center/Stop Improvements	CA-04-0037	20.500		1,601,429	12,925	10,340	-	2,585
Flg Engineering of Transit Centers	CA-04-0094	20.500		7,131,578	3,894,026	3,187,221	-	796,805
Crenshaw - Prairie Transit Corridor	CA-04-0034	20.500		8,563,010	560,168	448,134	-	112,034
Westside Purple Line Ext - Section 1	CA-03-0824	20.500		65,000,000	378,292,855	19,091,340	-	359,201,515
City of Baldwin Park - Purchase Two Buses - Dial-A-Ride Program	CA-04-0149	20.500		592,000	200,000	200,000	-	-
Regional Connection Transit Corridor Construction	CA-03-0825	20.500		65,000,000	256,277,539	65,000,000	143,482,405	49,795,134
Construction of Division 13 - Bus Operations and Maintenance Facility	CA-04-0190	20.500		47,750,000	31,863,693	5,008,864	26,856,829	-
Aquisition of Buses	CA-04-0232	20.500		35,000,000	31,869,557	26,451,732	5,417,825	-
Southern California 511VTCJ	CA-04-0230	20.500		2,000,000	902,848	722,279	-	180,569
Pasadena Plaza Bus way Station	CA-04-0233	20.500		9,679,000	4,602,176	3,681,743	-	920,435
Metro Orange Line Bus Enhancement	CA-04-0261	20.500		10,000,000	6,873,246	5,498,597	-	1,374,649
Traction Power Substations - ARRA	CA-56-0001	20.500		8,185,197	64,677	64,677	-	-
CFDA Subtotal				301,019,660	735,255,779	142,554,786	175,757,059	416,943,934
Federal Transit Formula Grants:								
Direct Programs:								
Metro Rapid Bus Stations/Signal Priority	CA-90-Y261	20.507		28,919,529	106,945	106,945	-	-
Replacement Buses	CA-95-X245	20.507		1,839,600	2,516,352	1,836,753	-	679,599
Purchase Buses, Amenities	CA-95-X255	20.507		3,953,000	4,899,000	3,793,000	-	1,106,000
Metro Rapid Bus Program	CA-90-Y457	20.507		11,081,700	1,201,135	1,201,135	-	-
FY05 Transit Enhancements	CA-90-Y454	20.507		516,210	149,659	119,727	-	29,932
Transit Enhancement FY 2005 funds	CA-90-Y685	20.507		854,520	209,620	167,696	-	41,924
Preventive Maintenance - Operation & Capital - FY 14 PM	CA-90-Y717	20.507		480,395,145	111	89	-	22
45-Ft Composite Buses and Transit Enhancements - Capital	CA-90-Y717	20.507		8,013,440	936,735	749,388	187,347	-
Regional Connection Transit Corridor Construction	CA-95-X251	20.507		64,000,000	15,735,516	23,121,439	(7,385,923)	-
Preventive Maintenance - FY 14	CA-90-Z122	20.507		7,699,762	9,624,703	7,699,762	-	1,924,941
Preventive Maintenance - FY 14	CA-90-Z132	20.507		142,473,992	178,092,490	142,473,992	-	35,618,498
Preventive Maintenance - FY 15	CA-90-Z224	20.507		7,968,293	9,947,867	7,968,293	-	1,989,574
Crenshaw/Lax Transit Corridor	CA-95-X256	20.507		58,213,840	65,756,060	58,213,840	-	7,542,220
Metro Orange Line Extension Operating Assistance - FM	CA-95-X206	20.507		15,000,000	4,688,170	4,688,170	-	-
Exposition Blvd. Right-of-Way Bike Path	CA-95-X214	20.507		11,528,000	8,762,923	7,757,816	-	1,005,107
Bus Acq and MCL & MCL Op Asst	CA-95-X042	20.507		125,046,000	20,094,399	20,125,508	-	(31,109)
Expo Phase 1 Operating assistance - 80% CMAQ	CA-95-X176	20.507		32,093,000	20,435,304	16,348,243	-	4,087,061
LA CRD Operating Assistance - Vanpool	CA-95-X099	20.507		400,000	8,838	8,838	-	-
Bus replacement (141) Overhaul (290) Metro Blue Line Transit Provider - ARRA	CA-96-X012	20.507		225,154,824	4,465,007	4,460,771	-	14,236
CFDA Subtotal				1,225,140,855	347,630,834	300,821,405	(7,385,923)	54,195,352
State of Good Repair Grants Program - FY14 SGR - FM Rail	CA-54-0011	20.525		86,968,557	56,191,946	44,953,557	-	11,238,389
Federal Transit Cluster Total				\$1,613,129,072	\$ 1,139,078,559	\$483,329,748	\$168,371,136	\$482,377,675

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

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (RESTATED)
Year ended June 30, 2015**

Federal grantor/cluster title/program title/pass-through grantor/project title	CFDA Number	Grant Number	Total Award	Total expended under federal/state/local for the fiscal year ended June 30, 2015		
				Federal Share	State Share	Local Share
Transit Service Cluster						
Job Access - Reverse Commute						
Direct Programs:						
L.A. County Job Access and Reverse Commute Program, Administration, FY 06-12	20.516	CA-37-X071	\$ 5,032,849	\$ 362,529	\$ -	\$ -
Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project	20.516	CA-37-X100	10,343,881	976,364	749,398	226,966
LA County Job Access and Program Project - Capital/Operating Assist.	20.516	CA-37-X171	7,711,637	2,073,944	-	-
Job Access and Reverse Commute - Capital/Operating Assist.	20.516	CA-37-X123	13,878,024	308,852	226,992	81,860
CFDA Subtotal			36,966,391	3,721,689	3,412,863	308,826
New Freedom Programs:						
Direct Programs:						
New Freedom- Program Adm, FY06-12	20.521	CA-57-X003	2,152,346	237,171	-	-
New Freedom- Capital & Operating, Assistance	20.521	CA-57-X048	1,755,553	262,102	131,051	131,051
New Freedom- Capital & Operating, Assistance	20.521	CA-57-X084	8,702,026	920,642	-	-
New Freedom- Capital & Operating, Assistance	20.521	CA-57-X100	7,354,678	635,808	317,904	317,904
CFDA Subtotal			19,964,603	2,055,723	1,606,768	448,955
Transit Services Cluster Total			56,930,994	5,777,412	5,019,631	757,781
Clean Fuels - CNG Fueling Facility at Division 13	20.519	CA-58-0006	5,500,000	2,342,131	2,107,918	-
Wayside Energy Storage System	20.523	CA-77-0002	4,466,000	522,247	521,565	682
National Infrastructure Investments - Crenshaw/Lax Transit Corridor (Restated)	20.933	CA-79-0001	13,903,535	157,326,292	-	163,777,028
U.S. Department of Transportation Total			3,373,018,600	1,415,338,672	590,329,225	662,854,834
U.S. Department of Homeland Security						
Rail and Transit Security Program						
Direct Programs:						
Transit Security Grant Program	97.075	2009-RA-TB-K004	8,458,478	558,685	502,071	56,614
Transit Security Grant Program	97.075	2010-RA-TD-K001	3,584,180	3,191,109	3,183,949	7,160
Transit Security Grant Program	97.075	EMW-2011-RA-0001-1-S01	5,744,329	(143,069)	(143,069)	-
Transit Security Grant Program	97.075	6361-0002, FIPS#037-91170	16,103,043	561,891	-	561,891
Transit Security Grant Program	97.075	EMW-2012-RA-K00030-S01	2,484,254	2,363,469	2,363,469	-
Transit Security Grant Program	97.075	EMW-2013-RA-00043-S01	7,050,010	4,752,681	4,752,681	-
Rail and Transit Security Program Total			43,424,294	11,284,766	10,659,101	63,774
U.S. Department of Homeland Security Total			43,424,294	11,284,766	10,659,101	63,774
Total Federal Grants			\$ 3,416,442,894	\$ 1,426,623,438	\$ 600,988,326	\$ 662,918,608
State Grants						
Prop 1B Security - FY 08-09	n/a	6161-002, FIPS#037-91170	\$ 16,103,000	\$ 487,314	\$ -	\$ -
Prop 1B Security - FY 09-10	n/a	6261-002, FIPS#037-91170	16,103,043	5,053,917	-	-
STIP PFM (State Transportation Improvement Program - Planning, Programming & Monitoring Program)	n/a	PFM14-0065(183)	3,098,000	3,810,458	-	935,780
New State Pass-Through - South Bay Cities Council of Government	n/a	New State Pass-Through (3014-616)	885,048	74,888	-	67,287
Prop 1B PTMSEA SLPP LRT II - State / Local Partnership	n/a	07A0034-11 A4	28,259,000	54,725,716	-	17,218,732
Prop 1B PTMSEA - Ramer to Bernson Double Track Project (75A0406)	n/a	ICRB-A1314-02 75A0406	6,500,000	4,818,419	-	4,631,359
Prop 1B PTMSEA - Van Nuys North Platform Project (75A0407)	n/a	ICRB-A1314-01 75A0407	4,000,000	2,254,319	-	1,717,882
Prop 1B PTMSEA	n/a	Prop 1B PTMSEA	135,468,949	137,998,115	-	103,756,847
Prop 1B PTMSEA	n/a	Exposition LRT - I	135,983,130	197,348,620	-	76,794,789
Prop 1B PTMSEA	n/a	Division 13	52,764,816	13,486,437	-	1,308
Total State Grants			\$ 399,164,986	\$ 420,059,403	\$ -	\$ 207,455,290

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

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2015

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). 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

The Schedule includes the federal grant activity of LACMTA and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, LACMTA provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Highway Planning and Construction Program	20.205	\$ 319,659
Federal Transit Capital Improvement Grants	20.500	13,870,240
Federal Transit Formula Grants	20.507	5,629,753
Job Access and Reverse Commute	20.516	3,050,334
New Freedom Program	20.521	<u>1,369,597</u>
		<u>\$ 24,239,583</u>

NOTE 4 – 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. For CFDA 20.233, \$37,477,492 included in the Schedule represents current year loan proceeds for expenditures that were originally incurred in prior years.

NOTE 5 – FEDERAL FINANCIAL ASSISTANCE

Pursuant to the Single Audit Act and the OMB Circular A-133 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.

NOTE 6 – MAJOR PROGRAMS

The Single Audit Act and OMB Circular A-133 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 OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

NOTE 7 – 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 8 – 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 ended June 30, 2015 as federal funding, but instead were included as Local Share expenditures. An adjustment was made to reclassify the TIFIA loan program as a federal program and reduce the \$37.5 million of expenditures from Local Share (CFDA #20.933) on the Schedule. When corrected, the TIFIA program became a major program that required testing in fiscal year 2015.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal Control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

CFDA 20.205 – Highway Planning and Construction Cluster
CFDA 20.223 – Transportation Infrastructure Finance and Innovation Act Program
CFDA 20.500 / 20.507 / 20.525 – Federal Transit Cluster
CFDA 20.516 / 20.521 – Transit Services Cluster
CFDA 97.075 – Rail and Transit Security Program

Dollar threshold used to distinguish type A and B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? X Yes No

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

SECTION 2 - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

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.

Criteria: Accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (Governmental GAAP) -- Under GASB 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans. The projection of benefits should include all benefits covered by the current substantive plan (the plan as understood by the employer and plan members) at the time of each valuation and should take into consideration the pattern of sharing of benefit costs between the employer and plan members to that point, as well as certain legal or contractual caps on benefits to be provided.

Effect: An adjustment was made to recognize the lifetime benefits for ATU employees that 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 Contribution amounts were understated and resulted in the Net OPEB Obligation liability being understated. A prior period adjustment of \$215,000,000 was made to decrease the business-type activities' beginning net position and increase the net OPEB obligation by \$215,000,000. The impact on change in net position for the year ended June 30, 2014 was a reduction of \$35,000,000.

Cause: As part of a transition from one actuarial firm to a new actuarial firm, management and the actuary reviewed benefit plan provisions and identified the ATU lifetime benefit that was not included, although the benefit had been in place for several years.

Recommendation: We recommend that LACMTA management perform a review of all OPEB plan provisions and benefits any time a change in the plan is made.

Management Response: LACMTA management performed a detailed review of OPEB plan provisions as part of an actuarial valuation specialist transition during 2015 to determine the existence, completeness, and values of benefits provided. Ongoing, management will perform an annual review of plan and benefit changes for each OPEB plan and update the actuary on changes to the plan to evaluate their impact on benefits expense and valuation estimates.

(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

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

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

Criteria: OMB Circular A-133 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 \$37,477,492 were excluded from the federal column of the original fiscal year 2015 SEFA prepared by management and instead were included in the Local Share column. As a result of this presentation on the Schedule, the TIFIA Program was not identified and tested as a major program during the original fiscal year 2015 audit, thus requiring a reissuance of the Single Audit Report.

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 OMB Circular A-133 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 believe the matter is resolved.

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(A):

None

(Continued)

SECTION 4 - PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding 2014-001 – Davis-Bacon Act – Submission of Certified Payrolls (Significant Deficiency)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster and National Infrastructure Investments (CFDA 20.500 and 20.933)

Condition: Management of the Los Angeles County Metropolitan Transportation Authority (LACMTA) is required to obtain, on a weekly basis, certified payrolls and statements of compliance from each contractor for each week in which contracted work is performed under the Davis-Bacon Act. For all major programs cited below, we noted that management did not have adequate controls in place to ensure that certified payrolls and compliance statements are received on a weekly basis as required by the Davis-Bacon Act (29 CFR Sections 5.5 and 5.6).

In our sample of 40 certified payrolls and compliance statements for the Federal Transit Cluster, we noted all of our samples were not received on a weekly basis. We noted that 27 of the exceptions were received between 2 and 243 days past the due date. For 13 of the samples, we noted that received date stamp on the documentation for the respective samples were either illegible or not present on the weekly certified payroll reports. Although the certified payrolls were not received weekly, the LACMTA ultimately received all of the required certified payrolls for the samples tested.

In our sample of 40 certified payrolls and compliance statements for the National Infrastructure Investments program, we noted 35 of our samples were not received on a weekly basis. We noted that these exceptions were received between 1 and 157 days past the due date. Although the certified payrolls were not received weekly, the LACMTA ultimately received all of the required certified payrolls for the samples tested.

Status: Resolved. For the Federal Transit Cluster, we selected a sample of 60 certified payrolls from fiscal year 2015 and did not identify any testing exceptions. The National Infrastructure Investments grant did not have any federal expenditures in fiscal year 2015, therefore no testing or follow-up was completed.

Finding 2014-002 – Procurement, Suspension, and Debarment (Significant Deficiency)

Federal Program Information: U.S. Department of Transportation – Federal Transit Cluster, National Infrastructure Investments, Rail and Transit Service Security Grant Program (CFDA 20.500, 20.933, and 97.075)

Condition: Management is required to document the significant history of procurements, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract type. Management is also required to perform verification for all covered transactions by checking the Excluded Party List System (EPLS) to ensure covered transactions are not awarded to suspended or debarred parties. For all major programs cited below, we noted that management did not have adequate controls in place to ensure compliance with procurement requirements.

Federal Capital Improvement Grants

In our sample of 40 contracts and purchase orders with values over \$25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 10 contract files did not have certification of non-suspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
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There were also 6 contracts which were missing the following information:

- 2 contract files were missing support for the history of the procurement, including the evidence of full and open competition. These contract files were also missing the required and Buy America certification.
- 1 contract file was missing support for the history of the procurement, including the evidence of full and open competition and of the cost or price analysis.
- 2 contract files were missing support for the history of the procurement, including the evidence of full and open competition.
- 1 contract file could not be located.

The federal share of expenditures associated with the 6 contracts and purchase orders that are not in compliance with the procurement requirements amounted to \$172,073 of the \$384,087,792 of total federal program expenditures for the Federal Transit Cluster.

National Infrastructure Investments

In our sample of 3 contracts and purchase orders with values over \$25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 1 contract file did not have certification of non-suspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the System for Award Management (SAM) that the respective vendors were not listed on the EPLS as suspended or debarred.

Rail and Transit Security Grant Program

In our sample of 4 contracts and purchase orders with values over \$25,000 that had expenditures incurred during the fiscal year ended June 30, 2014, we noted 2 contract files did not have certification of non-suspension and debarment or EPLS verification within the documentation prior to federal funds being expended. We were, however, able to verify through the SAM that the respective vendors were not listed on the EPLS as suspended or debarred.

Status: Resolved. For the Federal Transit Cluster, we selected a sample of 20 contracts and purchase orders from fiscal year 2015 and did not identify any testing exceptions with any of the procurement requirements and all 20 contract files were available and included supporting documentation. The National Infrastructure Investments grant did not have any federal expenditures in fiscal year 2015, therefore no testing or follow-up was completed. For the Rail and Transit Security Grant Program, we selected a sample of 6 contracts and purchase orders and did not identify any testing exceptions related to suspension or debarment.