



## Board Report

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**File #:** 2018-0037, **File Type:** Informational Report

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### FINANCE, BUDGET AND AUDIT COMMITTEE MAY 16, 2018

**SUBJECT: BASIC FINANCIAL STATEMENTS AND COMPONENT AUDITS**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Los Angeles County Metropolitan Transportation Authority's (Metro) basic financial statements and component financial statement audits completed by Crowe Horwath LLP (Crowe) for the fiscal year ended June 30, 2017.

#### **ISSUE**

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and following component audits for the year ended June 30, 2017:

- Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority for the year ended June 30, 2017;
- Independent auditors' SAS 114 letter covering required communications;
- Los Angeles County Metropolitan Transportation Authority Single Audit Report Fiscal year ended June 30, 2017;
- Independent Accountants' Report on Applying Agreed-Upon Procedures on the Los Angeles County Metropolitan Transportation Authority's Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2017;
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6667) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Report on 50% Expenditure Limitation Schedule for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency for the year ended June 30, 2017;
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with the California Code of Regulations (Section 6640-6662) and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for the

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Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2017;

- Independent Auditors' Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ending June 30, 2017 and 2016;
- Independent Auditors' Report on the Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements as of June 30, 2017;
- Independent Auditors' Report on the Service Authority for Freeway Emergencies' (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the years ending June 30, 2017 and 2016; and
- Independent Auditor's Report on Compliance with Rules and Regulations of the Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the Los Angeles County Metropolitan Transportation Authority's compliance with the LCTOP Guidelines for the year ended June 30, 2017.

## **DISCUSSION**

Metro's basic financial statements include our audited financial statements, supplemental information and unmodified opinion from Crowe, the independent auditor. Crowe issued unmodified opinions (clean; no findings) on all audit reports for FY17. However, during the FY17 audit process, Crowe reissued the FY15 and FY16 Single Audit reports to include a finding related to a federal Transportation Infrastructure Finance and Innovation Act (TIFIA) program. In FY15, the TIFIA program was a new federal loan program for Metro, in which the agency pays using local funding. As such, Metro erroneously excluded TIFIA program expenditures of \$37,477,492 and \$467,796,377 for FY15 and FY16 respectively from the federal expenditures in the Schedule of Expenditures of Federal and State Awards (SEFA). Instead, the amounts were presented as Local Share expenditures on the SEFA, but should have been presented as federal expenditures.

As a result, Crowe considered the finding to be a material weakness for the FY15 and the FY16 Single Audit reports. 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. As of the March 28, 2018 reissuance report date, Metro already corrected the issue by properly reporting the amounts under Federal Expenditures.

Due to the considerable size of the document, we have not attached Metro's basic financial statements. Instead, as a savings measure a hard copy of the Basic Financial Statements is on file with the Board Secretary and is also available on the Metro website.

[https://media.metro.net/about\\_us/finance/images/fy17\\_cafr.pdf](https://media.metro.net/about_us/finance/images/fy17_cafr.pdf)

## **ATTACHMENTS**

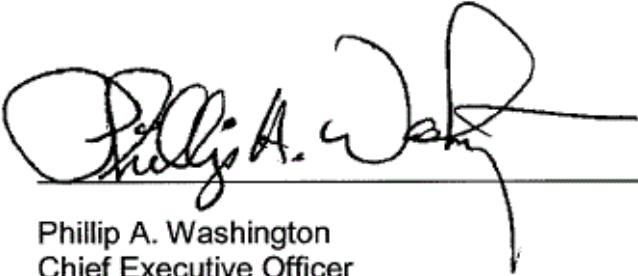
Attachment A - Crowe Horwath's Management Letter dated March 29, 2018

Attachment B - Independent auditors' SAS 114 letter covering required communications;

Attachment C - Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2017;  
Attachment D - Los Angeles County Metropolitan Transportation Federal Funding Allocation Data Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2017 (With Independent Accountants' Report on Applying Agreed-Upon Procedures Thereon);  
Attachment E - Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency Year ended June 30, 2017;  
Attachment F - Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA Planning Agency for the year ended June 30, 2016;  
Attachment G - Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund Basic Financial Statements June 30, 2017 and 2016 (With Independent Auditors' Report Thereon);  
Attachment H - Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements for the year ended June 30, 2017 (With Independent Auditors' Report Thereon);  
Attachment I - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements and Other Supplementary Information June 30, 2017 and 2016 (With Independent Auditors' Report Thereon);  
Attachment J - Independent Auditor's Report for Los Angeles County Metropolitan Transportation Authority's compliance with the Low Carbon Transit Operations Program (LCTOP) for the year ended June 30, 2017  
Attachment K - Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2015  
Attachment L - Los Angeles County Metropolitan Transportation Authority Single Audit Reports for the fiscal year ended June 30, 2016

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