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Agenda Number: 10.

**FINANCE, BUDGET AND AUDIT COMMITTEE
APRIL 17, 2019**

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, 2018.

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, 2018:

- Comprehensive Annual Financial Report for the Los Angeles County Metropolitan Transportation Authority for the year ended June 30, 2018;
- Independent Auditor's SAS 114 letter covering required communications; Los Angeles County Metropolitan Transportation Authority Single Audit Report for fiscal year ended June 30, 2018;
- Independent Accountant's 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, 2018;
- Independent Accountant's Report on Applying Agreed-Upon Procedures National Transit Database Financial Data Procedures by the Los Angeles County Metropolitan Transportation Authority for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- Independent Auditor's Report on Compliance with the California Code of Regulations (Section 6667); Report on Internal Control over Compliance; and Report on 50% Expenditure Limitation Schedule for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act Operations Agency for the fiscal year ended June 30, 2018;
- Independent Auditor's Report on Compliance with the California Code of Regulations (Sections 6640-6662); Report on Internal Control over Compliance; and Report on Schedule of Revenues, Expenditures, and Changes in Fund Balances for the Los Angeles County Metropolitan Transportation Authority Transportation Development Act & Prop 1B PTMISEA

- Planning Agency for the fiscal year ended June 30, 2018;
- Independent Auditor's 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 ended June 30, 2017 and 2018;
 - Independent Auditor's Report on the Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements as of June 30, 2018;
 - Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the year ended June 30, 2018; 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 fiscal year ended June 30, 2018.

DISCUSSION

Metro's basic financial statements include our audited financial statements, supplemental information and unmodified audit opinion from independent external auditor, Crowe. The independent auditor, Crowe, issued unmodified opinions on all audit reports for FY18. Unmodified opinion means that all financial statements for FY18 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements respectively. However, in the Single Audit Report, Crowe noted one significant deficiency in our internal control over compliance with major federal programs pertaining to sub-recipient monitoring of federal awards. Specifically, City of Pasadena self-certified that it did not meet the threshold requirement for a single audit. Metro is required to verify that each pass-through sub-recipient entities is audited if required by the single audit requirements. Instead of relying on the sub-recipient's self-certification, Metro's Grants Management will implement preventative controls by clarifying to sub recipients that in completing their annual self-certification, the response applies to the entire entity federal awards and not just the particular grant. Additionally, Grants Management will verify the sub-recipients' responses using the search on Federal Audit Clearinghouse to ensure that no single audit is required for the sub-recipients.

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

https://media.metro.net/about_us/finance/images/fy18_cafr.pdf

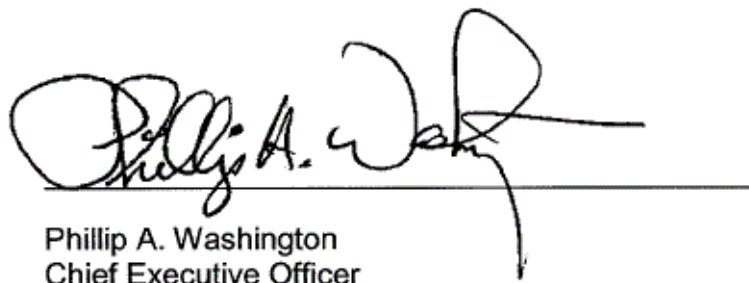
ATTACHMENTS

- Attachment A - SAS 114 letter covering required communications;
- Attachment B - Single Audit Report for fiscal year ended June 30, 2018;
- Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- Attachment D - National Transit Database Financial Data Procedures by the Los

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- Angeles County Metropolitan Transportation Authority for the Transportation Operating Agency (ID# 90154) for the fiscal year ended June 30, 2018;
- Attachment E - Transportation Development Act Operations Agency for the fiscal year ended June 30, 2018;
- Attachment F - Transportation Development Act & Prop 1B PTMISEA Planning Agency for the fiscal year ended June 30, 2018;
- Attachment G - State Transit Assistance Special Revenue Fund's basic financial statements as of and for the years ended June 30, 2017 and 2018;
- Attachment H - Crenshaw Project Corporation (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) basic financial statements as of June 30, 2018;
- Attachment I - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial statements for the year ended June 30, 2018;
- Attachment J - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance for the fiscal year ended June 30, 2018

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