

**Board Report**

File #: 2024-0110, **File Type:** Informational Report**Agenda Number:** 11.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 20, 2024****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 LLP (Crowe) as of and for the fiscal year ended June 30, 2023.

ISSUE

Metro is required to be audited annually by independent certified public accountants. The resulting reports include Metro's basic financial statements and the following component audits for the fiscal year ended June 30, 2023 (FY23):

- Annual Comprehensive Financial Report for the Los Angeles County Metropolitan Transportation Authority;
- Independent Auditor's SAS 114 letter covering required communications related to the financial statement audit;
- Single Audit Report;
- Independent Accountant's Report on Applying Agreed-Upon Procedures on Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154);
- 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 Transportation Development Act Operations Agency;
- 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 Transportation Development Act;
- Independent Auditor's Report on the Los Angeles County Metropolitan Transportation Authority State Transit Assistance Special Revenue Fund's basic financial statements for the fiscal years ended June 30, 2023, and 2022.
- Independent Auditor's Report on the Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) financial

statements; 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.

BACKGROUND

State law requires Metro to publish a complete set of audited financial statements within six months of the close of each fiscal year. In compliance with those requirements, this report seeks to provide Metro's Annual Comprehensive Financial Report, completed in December 2023, to the Board.

In addition to regulatory requirements, professional auditing standards require that Crowe communicate certain matters to keep Metro adequately informed about matters related to the financial statement audit that are significant and relevant in overseeing the financial reporting process. The financial and compliance audits must be conducted in accordance with these auditing standards. The main goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error.

DISCUSSION

Metro's basic financial statements include its audited financial statements, supplemental information, and unmodified audit opinion from the independent external auditor. The independent auditor issued unmodified opinions on all audit reports for FY23. Receiving an unmodified opinion indicates that all financial statements for FY23 were fairly presented and that Metro complied in all material respects with the applicable financial reporting framework and compliance requirements.

Crowe identified two uncorrected misstatements resulting in a total net position understatement of \$43M. One misstatement was related to the estimated value of Low Carbon Fuel Standard (LCFS) credits which will be recognized when the credits are sold. The other misstatement was due to the recording of Regional TAP (RTAP) cash and accounts payable. Management opted to continue recording the transactions in Enterprise Fund instead of Fiduciary Funds which does not result in any material difference. Additionally, the RTAP financial statements are audited annually by another independent Auditor, BCA Watson Rice, LLP who also issued a clean opinion for FY23. In addition, one exception was identified in the 90154 report related to \$74,552 in variances between operating expenses and audited financial data. The variances have been corrected with the National Transportation Database (NTD).

Due to the considerable size of the document, the Annual Comprehensive Financial Report is on file with the Board Clerk. The report is also accessible on Metro's website at https://libraryarchives.metro.net/DB_Attachments/FY23%20-%20LA%20Metro%20ACFR.pdf.

EQUITY PLATFORM

The basic financial statements and component financial statement audits in this report support the

completion of the Annual Comprehensive Financial Report, which provides Metro with opportunities to identify equity impacts. There are no equity impacts or concerns from audit services conducted to complete the Annual Financial Comprehensive Report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Receiving and filing of this item supports Metro Vision 2028 Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

NEXT STEPS

Management Audit Services will continue reporting audit activities on the basic financial statements and component financial statements in the next fiscal year.

ATTACHMENTS

Attachment A - SAS 114 Letter Covering Required Communications

Attachment B - Single Audit Report

Attachment C - Federal Funding Allocation Data for the Transportation Operating Agency (ID# 90154)

Attachment D - Transportation Development Act Operations Agency

Attachment E - Transportation Development Act Schedule of Revenues, Expenditures, and Changes in Fund Balances

Attachment F - State Transit Assistance Special Revenue Fund's Financial Statements

Attachment G - Service Authority for Freeway Emergencies (A Component Unit of the Los Angeles County Metropolitan Transportation Authority) Financial Statements


Attachment H - Low Carbon Transit Operations Program (LCTOP) and Report on Internal Control over Compliance

Prepared by: Kimberly Houston, Deputy Chief Auditor, (213) 922-5720

Lauren Choi, Senior Director, Audit, (213) 922-3926

Monica Del Toro, Senior Manager, Audit, (213) 922-7494

Reviewed by: Sharon Gookin, Deputy Chief Executive Officer, (213) 418-3101



Stephanie N. Wiggins
Chief Executive Officer