

# **Metro**

*Los Angeles County Metropolitan Transportation Authority  
One Gateway Plaza  
3rd Floor Board Room  
Los Angeles, CA*



## **Agenda - Final**

**Wednesday, May 16, 2018**

**12:00 PM**

**One Gateway Plaza, Los Angeles, CA 90012,  
3rd Floor, Metro Board Room**

### **Finance, Budget and Audit Committee**

*Kathryn Barger, Chair*

*Paul Krekorian, Vice Chair*

*John Fasana*

*Janice Hahn*

*Ara Najarian*

*Carrie Bowen, non-voting member*

*Phillip A. Washington, Chief Executive Officer*

**METROPOLITAN TRANSPORTATION AUTHORITY BOARD RULES**  
(ALSO APPLIES TO BOARD COMMITTEES)

**PUBLIC INPUT**

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board should be submitted in person at the meeting to the Board Secretary. Individuals requesting to speak on more than three (3) agenda items will be allowed to speak up to a maximum of three (3) minutes per meeting. For individuals requiring translation service, time allowed will be doubled.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for up to three (3) minutes per meeting and may speak no more than once during the Public Comment period. Speakers will be called according to the order in which the speaker request forms are received. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

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**REMOVAL FROM THE BOARD ROOM** The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

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**NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA**

**CALL TO ORDER****ROLL CALL****APPROVE Consent Calendar Item(s): 8.**

**Consent Calendar Items are approved with one motion unless held by a Director for discussion and/or separate action.**

CONSENT CALENDAR**8. SUBJECT: FASHION BUSINESS IMPROVEMENT DISTRICT**[2018-0165](#)**RECOMMENDATION**

APPROVE Metro's participation in the Fashion Business Improvement District ("BID" or "District") for a period of eight years beginning January 1, 2019 to December 31, 2026 for an estimated total amount of \$793,400.

Attachments: [Attachment A – BID Benefit Boundaries](#)

[Attachment B – Map of Proposed BID Boundaries](#)

[Attachment C – Evaluation of BID Benefits to Metro](#)

[Attachment D - Metro Owned Parcels in BID and Eight-Year Costs](#)

[Attachment E – BID Guidelines](#)

NON-CONSENT**9. SUBJECT: FISCAL YEAR 2019 (FY19) BUDGET**[2018-0147](#)**RECOMMENDATION**

CONSIDER:

- A. ADOPTING the proposed FY19 Budget as presented in the budget document (provided in a separate transmittal and posted on metro.net); and
- B. APPROVING the Life of Project (LOP) budgets for new capital projects with LOP exceeding \$5 million, included in the proposed FY19 Budget and presented in Attachment A; and
- C. APPROVING the Reimbursement Resolution declaring Metro's intention to issue debt in FY19 for capital projects, as shown in Attachment B, with the provision that actual debt issuance will require separate Board approval; and

- D. AMEND the proposed budget to include \$2,000,000 for Expo Phase 1 and \$20,624,400 for Expo Phase 2, as approved by Expo Construction Authority for fiscal year 2019, for a total addition of \$22,624,400; and
- E. AMEND the proposed budget to include \$25,000,000 for farebox upgrade, as approved by the Board on April 18, 2018; and
- F. AMEND the proposed budget to include \$500,000 to begin the draft environmental study of the Crenshaw Northern Extension project upon identification of the preferred alternatives identified by the Board for this corridor

**Attachments:**     [Attachment A - FY19 New Capital Projects](#)  
[Attachment B – Reimbursement Resolution of Metro for FY19](#)  
[Attachment C – FY19 Public Outreach](#)

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

[2018-0037](#)

**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.

**Attachments:**     [Attachment A - Management Letter](#)  
[Attachment B - SAS 114](#)  
[Attachment C - Single Audit Report](#)  
[Attachment D - FY17 90154 NTD](#)  
[Attachment E - FY17 TDA OPS](#)  
[Attachment F - FY17 TDA Prop 1B](#)  
[Attachment G - STA FY17](#)  
[Attachment H - FY17 FR\\_CPC](#)  
[Attachment I - SAFE FY17](#)  
[Attachment J - LCTOP](#)  
[Attachment K - Single Audit 2015](#)  
[Attachment L - Single Audit 2016](#)

**11. SUBJECT: MAJOR CONSTRUCTION UMBRELLA INSURANCE PROGRAM**[2017-0702](#)**RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to negotiate and purchase additional construction project umbrella liability insurance policies (also known as a super excess general liability insurance program) for construction of the Metro Westside Purple Line Extension Section 2 Project (the Project) with up to \$300 million in additional limits at a cost not to exceed \$4.9 million for the period effective June 6, 2017 to June 6, 2027 (and products/completed operations coverage to June 6, 2037).

**Attachments:** [Attachment A - Recommended Program](#)

**12. SUBJECT: MANAGEMENT AUDIT SERVICES FY 2018 THIRD QUARTER REPORT**[2018-0169](#)**RECOMMENDATION**

RECEIVE AND FILE the third quarter report of Management Audit Services (Management Audit) for the period ending March 31, 2018.

**Attachments:** [Attachment A - FY18 Third Quarter Report](#)

**SUBJECT: GENERAL PUBLIC COMMENT****2018-0311**

Receive GENERAL PUBLIC COMMENT

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

**COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN COMMITTEE'S SUBJECT MATTER JURISDICTION****Adjournment**

**Board Report**

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**File #:** 2018-0165, **File Type:** Policy**Agenda Number:** 8.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
MAY 16, 2018****SUBJECT: FASHION BUSINESS IMPROVEMENT DISTRICT****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

APPROVE Metro's participation in the Fashion Business Improvement District ("BID" or "District") for a period of eight years beginning January 1, 2019 to December 31, 2026 for an estimated total amount of \$793,400.

**ISSUE**

Metro is being asked to sign a petition confirming the inclusion of four Metro-owned properties in the BID's defined assessment area (see Attachments A & B). Metro's four parcels are: three which comprise the Division 2 Bus Facility; and one which has an independently-owned parking garage with a bus layover for Metro's use on the first floor (see Attachment D for additional detail). Participation in the Fashion BID will provide special benefits to these four Metro properties. Metro has participated in the Fashion BID since its inception in January 1996 through 2018.

**DISCUSSION**

The goals of the District are to:

- improve the safety of each individual parcel within the District;
- increase building occupancy and lease rates;
- encourage new business development;
- increase mass-transit ridership thereby attracting more customers to businesses; and
- attract ancillary businesses and services for parcels within the District.

Establishment of the BID is a two-step process that includes (1) submission of favorable petitions from property owners representing more than 50% of total assessments to be paid; and (2) return of mail ballots evidencing a majority of ballots cast in favor of the assessment. Ballots are weighted by each property owner's assessment as proportionate to the total proposed District assessment amount.

Metro has supported the formation of BIDs when the service or improvements provide a direct benefit to Metro properties, employees, and customers. Under Proposition 218, the assessing agency that

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proposes an assessment identifies all parcels that will receive a special benefit. The special benefit for each parcel is determined by: (1) the relationship of the capital cost of a public improvement; (2) the maintenance and operation of a public improvement; or (3) the cost of the property-related services being provided. No assessment can be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit on that parcel. All publicly-owned parcels are required to pay their proportional share of costs based on the special benefits conferred to those individual parcels. Only special benefits are assessable. The BID considers the special benefit to government-assessed parcels to be an increase in District customers, an increased likelihood of attracting and retaining employees that follows from having a cleaner and safer area, increased use of the public facilities, and increased attraction to the neighborhood. Proposition 218 provides that parcels within a district that are owned or used by any agency "...shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that the property will receive no benefit".

The Metro Board adopted the Guidelines on Metro Participation in Proposed Assessment Districts ("Guidelines", see Attachment E) in June 1998. The Guidelines require staff to analyze each assessment district based on whether it provides a benefit to Metro properties, facilities, Metro employees, and/or Metro's passengers, or reduce costs for the agency. Staff is to provide the Board with an analysis, on a case-by-case basis, that determines whether Metro property benefits from the proposed services or improvements; and whether the benefit to the property exceeds the cost of the assessment. An evaluation of the Fashion BID's benefits to Metro is attached (see Attachment C).

#### Description of BID

The Fashion District BID will have an eight (8) year life beginning January 1, 2019 and ending December 31, 2026. The BID Steering Committee collectively determines the programs and priorities for improvements within BID's boundaries and are administered by professional management.

#### Safe Team Program

The Safety Program will provide safety services for the individual parcels located within the District in the form of patrolling bicycle personnel, walking patrols and night vehicle patrols. The purpose of the Safe Team Program is to prevent, deter, and report illegal activities taking place on the streets, sidewalks, storefronts, parking lots and public alleys. The presence of the Safe Team Program is intended to deter such illegal activities as vandalism, graffiti, narcotic use or sales, public urination, trespassing, drinking in public, prostitution, illegal panhandling, unpermitted vending, and illegal dumping. The Program will supplement, not replace, other ongoing police, security and patrol efforts within the District. The Safe Team Program will only provide its services within the District boundaries. The special benefit to parcels from these services is increased commercial activity which directly relates to increases in lease rates and customer usage. A District that is perceived as unsafe deters pedestrian and commercial activity.

#### Clean Team Program

To consistently deal with matters of cleanliness, a Clean Program will be provided as it has for the last twenty-one years. Uniformed, radio-equipped personnel sweep litter, debris and refuse from sidewalks and gutters for the assessed parcels in the District. Paper signs and handbills that are taped or glued on property, utility boxes, poles, and telephones are removed. District personnel pressure wash sidewalks. Collector truck personnel collect trash from sidewalk trash receptacles.



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Graffiti removal is affected by painting, using solvent and pressure washing. The District maintains a zero-tolerance graffiti policy. An effort is made to remove all graffiti within 24 hours on weekdays. Clean sidewalks support an increase in commerce and provide a special benefit to each individually-assessed parcel in the district. The Clean Team will only provide service to properties within the BID's boundaries.

### Communication

To communicate the changes that are taking place in the BID and to enhance the positive perception of the BID's parcels, a professionally developed marketing and communication program has been created to improve the positive perception of the BID.

### Management

The improvements and activities are managed by a professional staff that requires centralized administrative support. Management oversees the District's services delivered seven days a week. Management actively works on behalf of the District parcels to ensure that city and county services and policies support the District. Included in this item are professional services, insurance, annual financial audit, and related city fees to collect and process assessments, as well as a reserve for uncollectible assessments.

## **DETERMINATION OF SAFETY IMPACT**

The Board action will not have an impact on safety standards for Metro.

## **FINANCIAL IMPACT**

The BID's proposed assessment for Calendar Year 2019 is \$83,086.27. The assessments will be subject to annual increases not to exceed 5% per year (see Attachment D for full schedule). Assuming a 5% increase per year, the total cost to Metro over the eight-year term of the BID is projected to be \$793,400.

### Impact to Budget

Funding to participate in this BID is included in the FY19 budget request for Cost Center 0651 (Non-Departmental Real Estate) under Project 306006 (Systemwide Bus Operations), Account No. 50799 (Taxes). Funding source is ordinary operating funds including fares and sales tax revenues. These funds are eligible for bus and rail operations.

## **ALTERNATIVES CONSIDERED**

Metro could refrain from signing the petition and casting a ballot. This alternative is not recommended. Based on the evaluation of the benefits to Metro, participation in the BID is recommended.

## **NEXT STEPS**

Execute petition and participate in the BID.

**ATTACHMENTS**

Attachment A - Fashion BID Boundaries

Attachment B - Map of District

Attachment C - Evaluation of Fashion District Bid Benefit to Metro


Attachment D - Metro Owned Parcels in BID and Eight-Year Costs

Attachment E - BID Guidelines

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Reviewed by: Therese W. McMillan, Chief Planning Officer, (213) 922-7077



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Phillip A. Washington  
Chief Executive Officer

**FASHION DISTRICT BID BENEFIT ZONE BOUNDARIES**

The Fashion District Business Improvement District includes all property within a boundary formed by:

Starting at the northwest corner of the parcel on the southwest corner of Spring Street and 7<sup>th</sup> Street go east along 7<sup>th</sup> Street including parcels on the south side of 7<sup>th</sup> Street to Main Street. Turn north on Main Street until the north parcel line of the parcel 5148--021--012 on the northeast corner of Main Street and 7<sup>th</sup> Street. Follow the north parcel line of the parcel 5148--021--012 on the northeast corner of Main Street and 7<sup>th</sup> Street until it intersects with the west parcel line of property facing on the west side of Los Angeles Street. Turn north along the west parcel line of parcels facing on the west side of Los Angeles Street to 6<sup>th</sup> Street. At 6<sup>th</sup> Street, turn east along 6<sup>th</sup> Street including parcels on the south side of 6<sup>th</sup> Street until Wall Street. Turn south on Wall Street until intersecting with the north parcel line of the parcels facing on the north side of 7<sup>th</sup> Street. Turn east following the north parcel line of parcels facing on the north side of 7<sup>th</sup> Street until San Pedro Street. At San Pedro Street turn south along San Pedro Street including parcels on the west side of San Pedro Street to 8<sup>th</sup> Street. Turn east on 8<sup>th</sup> Street to the east parcel line of parcels facing on the east side of San Pedro Street. Turn south along the east parcel line of parcels facing on the east side of San Pedro Street to Olympic Boulevard, continue east on Olympic Boulevard including parcels on the south side of Olympic Boulevard to the southeast parcel at the intersection of Olympic Boulevard and Stanford Avenue. Continue south along the east parcel line of parcels facing on the east side of Stanford Avenue to the north parcel line of parcels facing on the north side of 12<sup>th</sup> Street. Turn east across Stanford Avenue and continue east along the north parcel line to parcel 5132--014--016, then turn south along the east parcel line of parcel 5132--014--016 following the east parcel line of parcels facing on the east side of Paloma Street until 14<sup>th</sup> Street. Turn east along 14<sup>th</sup> Street including parcels on the south side of 14<sup>th</sup> Street to Essex Street. At Essex Street, turn south including only parcels on the west side of Essex Street to 16<sup>th</sup> Street. At 16<sup>th</sup> Street, turn west to Griffith Ave including parcels on the north side of 16<sup>th</sup> Street.

At Griffith Avenue, turn south to 18<sup>th</sup> Street including parcels on west side of Griffith Avenue. At 18<sup>th</sup> Street, turn west to San Pedro Street including parcels on the north side of 18<sup>th</sup> street. At San Pedro Street continue west along the south parcel line of parcels facing on the south side of the 10 Freeway, including parcels 5127--002--017 and 5127--002--004 to Maple Avenue. At Maple Avenue turn north to the intersection with 18<sup>th</sup> Street, continue west along 18<sup>th</sup> Street until the intersection of Broadway and 18<sup>th</sup> Street. Turn north along Broadway to 17<sup>th</sup> Street. Turn east along 17<sup>th</sup> Street to the west parcel line of parcels facing on the west side of Main Street. Turn north along the west parcel line of parcels facing on the west side of Main Street, excluding parcel 5139--026--011, until 11<sup>th</sup> Street. At 11<sup>th</sup> Street turn west to the alley

behind parcels facing on the west side of Broadway and then continue north following the west parcel line of parcels facing on the west side of Broadway to 9<sup>th</sup> Street. At 9<sup>th</sup> Street turn east, including the parcel on the south side of 9<sup>th</sup> Street, and then continue north on Broadway, including the parcels on the eastside of Broadway to the north parcel line of parcel 5144--016--066 follow the north parcel line of parcel 5144--016--066 to the west parcel line of parcels facing on the west side of Spring Street, turn north following the west parcel line of parcels facing on the west side of Spring Street until reaching the starting point at the southwest corner of Spring Street and 7<sup>th</sup> Street.

### **Santee Alley Overlay**

The Overlay includes all parcels having front footage on Santee Alley between Olympic Boulevard to the north and 12th Street to the south.

### **District Expansion**

The Fashion District Business Improvement District boundaries have expanded to the east and south to include all parcels east of the current boundary between Olympic Boulevard to the north, the 10 Freeway to the south, and Paloma Street on the east. The area is detailed on the map on page 12. Parcels within this area have similar uses to Fashion District Business Improvement District parcels such as fashion retail, fashion wholesale and manufacturing.

### **District Boundary Rationale**

The property uses within the general boundaries of the Fashion District Business Improvement District are a mix of retail fashion, fashion wholesale, manufacturing, education, religious, parking, office, hotel, residential and publicly-owned parcels. Services and improvements provided by the District are designed to provide special benefits to parcels that contain retail fashion, fashion wholesale, manufacturing, education, religious, parking, office, hotel, residential and publicly- owned uses. Services and improvements provided by the District are designed to provide special benefits in the form of improving the economic vitality within the District by increasing building occupancy and lease rates, encouraging new business development, attracting residential/hotel serving businesses and services, attracting office and retail tenants, attracting retail and wholesale customers, attracting new residents and students, increasing attendance and encouraging commerce that provide a special benefit to retail fashion, fashion wholesale, manufacturing, education, religious, parking, office, hotel, residential, and publicly-owned parcels. All of the services provided such as the safety work provided by the Safe Team and the cleaning work provided by the Clean Team are services that are over and above the City's baseline of services and are not provided by the City. These services are not provided outside of the District because of the unique nature of these services focusing on the particular needs of each individually assessed property within the District. These services provide

particular and distinct benefits to each of the individually assessed parcels within the District.

**Northern Boundary:** The northern boundary of the Fashion District Business Improvement District abuts the boundary of the Historic Downtown Business Improvement District and the Downtown Industrial Business Improvement District. These districts provide improvements and activities similar to the services provided by the Fashion District Business Improvement District. The only part of the northern boundary that does not abut another BID is a two-block section from Wall Street to San Pedro. None of the properties north of this two-block section of boundary are Fashion-related. The properties in this two block section predominately provide services to Los Angeles's homeless population and are not going to receive special benefit from the services and improvements provided by the District which are designed to provide special benefits to the individually assessed primarily retail, wholesale, manufacturing, education, religious, parking, office, hotel, residential and publicly owned properties in the form of improving the economic vitality by increasing building occupancy and lease rates, encouraging new business development, attracting residential/hotel serving businesses and services, attracting office tenants, attracting retail and wholesale customers, attracting new residents and encouraging commerce. In order to ensure that parcels outside of the District will not specially benefit from the improvements and services funded with the assessment, improvements, and services will only be provided within the boundaries of the District.

**Eastern Boundary:** The eastern boundary of the Fashion District Business Improvement District abuts in part the western boundary of the Downtown Industrial District which provides improvements and activities similar to those proposed to be provided by the Fashion District Business Improvement District. The remainder of the eastern boundary, including the expansion area, was chosen based upon the high concentration of Fashion use, both wholesale and retail. Properties within the District boundary provide primarily Fashion uses. Properties east of the District boundary are primarily non-fashion wholesale and light manufacturing parcels that focus on automobile products and electronic products. Properties within the District require services that are designed to provide special benefit to the high concentration of fashion uses. The clean, safe and communication/promotion services that the District will provide to parcels within the District boundaries are designed to specifically meet the needs of primarily fashion-oriented parcels in the form of improving the economic vitality in the District by increasing building occupancy and lease rates, encouraging new business development, attracting residential serving businesses and services, attracting new residents and encouraging commerce and will not provide special benefits to the primarily non fashion use properties outside of the boundaries. In order to ensure that parcels outside of the District will not specially benefit from the improvements and services funded with the assessment, improvements and

services will only be provided within the boundaries of the District., Specifically, safety patrols, maintenance personnel, and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District, and will not provide services outside of District boundaries.

**Southern Boundary:** The southern boundary of the Fashion District Business Improvement District is approximately the same as it has been for the past four terms and was established by the 10 Freeway and the freeway on and off ramps. Expansion Parcels are also bounded by the 10 Freeway to the south. The District includes some parcels south of the 10 Freeway in order to provide service to the freeway entry and exit points of the District. There are only a few scattered fashion related uses south of this boundary. The primary uses are non-fashion warehouses, non- fashion neighborhood serving retail and fast food services. They will not receive special benefits from the clean, safe and communication services provided by the district. Services and improvements provided by the District are designed to provide special benefits to the individually assessed primarily fashion retail, fashion wholesale, fashion manufacturing, education, religious, parking, office, hotel, residential and publicly owned properties in the form of improving the economic vitality within the District by increasing building occupancy and lease rates, encouraging new business development, attracting residential/hotel serving businesses and services, attracting office tenants, attracting retail and wholesale customers, attracting new residents and encouraging commerce. In order to ensure that parcels outside of the District will not specially benefit from the unique improvements and services funded with the assessment, improvements, and services will only be provided within the boundaries of the District. Specifically, safety patrols, maintenance personnel, and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks within the District, and will not provide services outside of District boundaries.

**Western Boundary:** The western boundary of the Fashion District Business Improvement District abuts the South Park Business Improvement District and the Historic Downtown Business Improvement District. These districts provide improvements and activities similar to the services provided by the Fashion District Business Improvement District. In order to ensure that parcels outside of the District will not specially benefit from the improvements and services funded with the assessment, improvements, and services will only be provided within the boundaries of the District. Specifically, safety patrols, maintenance personnel, and similar service providers employed in connection with the District will only patrol and provide services on the streets and sidewalks of individual assessed parcels within the District, and will not provide services outside of District boundaries.

# Fashion District

(a.k.a. Downtown Property Owners Association)  
Business Improvement District



Bus Layover

Division 2

-  BID Boundary
-  BID Properties
-  2019 BID Expansion Parcels

## EVALUATION OF FASHION BUSINESS IMPROVEMENT DISTRICT BENEFITS TO METRO

### Evaluation of Benefits to Metro

The proposed BID includes four (4) parcels owned by Metro. Three of the parcels are improved and comprise the Division 2 Bus Facility located at 720 E 15th St., Los Angeles. Additionally, Metro owns a parcel for which a private parking garage is operated; this site houses a layover for Metro buses on the first floor and is located at 636 Maple Ave., Los Angeles.

The total proposed District-budgeted assessment for the 2019 year of operation is \$4,971,622.31. Assessments will be subject to annual increases not to exceed 5% each year. Revenue for the eight-year term of the BID is expected to total approximately \$47,474,562.73. The budget will cover improvements, activities and services which include (1) enhanced safety programs such as bicycle patrol, night vehicle patrol and foot patrol in the area; and (2) enhanced clean programs such as sidewalk sweeping, sidewalk pressure washing graffiti and handbill removal, trash removal, landscape programs and tree trimming. The proposed Fashion District BID assessment to Metro over the eight-year period is estimated to be \$793,399.84 which is approximately 1.5% of the total BID revenue.

### Analysis of Benefit to Metro

The Guidelines on Metro Participation in Proposed Assessment Districts (“Guidelines”) established general guidelines for determining benefits to Metro properties as outlined below. A list of Metro properties included in the proposed BID is attached, with an indication of the assessment to each parcel (Attachment D). The guidelines require an analysis of each new assessment district service and/or improvement based on whether it improves Metro property or facilities, benefits Metro employees, benefits the Metro riding public or reduce costs for the Metro.

Following is the analysis of benefits to Metro from the Fashion District Business Improvement District based on the Guidelines.

#### TIER 1 – NO BENEFIT

- Subsurface easements
- Aerial easements
- Right of Way

#### TIER 2 – MINOR OR NO POTENTIAL BENEFIT

- Vacant Land
- Parking Lots
- Bus Layover — 639 Wall St. is a bus layover facility.



TIER 3 – MINOR OR SOME POTENTIAL BENEFIT

- Bus Division — Division 2
- Bus Terminals
- Customer Service Centers
- USG Headquarters Building
- Maintenance Facilities
- Rail Division
- Rail Terminus
- Stations –Miscellaneous Buildings

TIER 4 – ACTUAL BENEFIT

Joint Development Projects

Metro Benefits – The Metro Property fronting on a public street benefits from the Fashion District BID services. The services provided are categorized as Safe and Clean Programs.

The Clean Team Program provides the following special services to Metro parcels:

- Maintenance services 6 days/week from 7:30am-2pm
- Increased frequency of maintenance services
- Service/empty/dispose of trash bags at receptacles
- Sidewalk sweeper personnel sweep up trash/debris from sidewalks, gutters, tree wells, and fence lines
- Monthly pressure washing of sidewalks and street furniture around parcels and sidewalks
- Graffiti and handbill removal from buildings, sidewalks, fencing, light standards, street trees, street furniture, and news racks
- Bulky items picked up, occurs more frequent around vacant land parcels
- Weed removal on sidewalks and tree wells
- Tree trimming

The Safe Team Program provides the following special services to Metro parcels:

- Safety services 7 days/week from 1:30pm-12am
- Increased frequency of safety services, safety foot and bicycle patrol 8 to10 times per day
- Prevent, deter, report, and address District quality of life issues
- Respond to loitering, thefts, transients, illegal vending, graffiti, fights, drug dealing
- Respond and work collaboratively with LAPD and private Metro security to address common issues
- Patrol and monitor vacant parcels for homeless and dumping activity
- Provide hospitality services (directions, etc.) to transit riders

Communication Program:

- Marketing program has made the District an attractive destination which provides benefit to transit ridership.
- Marketing events promote riding Metro to access the Fashion District.
- Website highlights businesses and draws customers to the District, providing a benefit to transit ridership.
- BID Partnership with Metro on destination discount program with District businesses. Metro riders show proof of riding transit and receive discounts at participating District businesses. Program benefits ridership.

**METRO-OWNED PARCELS IN BID AND EIGHT-YEAR COSTS**

For the Calendar Year 2019, the expected costs per parcel and ownership contribution are outlined in the following table:

| Street Address | Parcel Number | Metro Use                        | 2019 Assessment Amount | Apportionment of Metro Ownership |
|----------------|---------------|----------------------------------|------------------------|----------------------------------|
| 720 E 15th St. | 5132-028-902  | Division 2                       | \$ 34,360              | 0.61%                            |
| 768 E 15th St. | 5132-029-905  | Division 2                       | \$ 39,452              | 0.70%                            |
| 1507 Griffith  | 5132-029-907  | Division 2                       | \$ 3,205               | 0.06%                            |
| 636 Maple Ave. | 5148-023-902  | Bus Layover with Private Parking | \$ 6,069               | 0.11%                            |
|                | <b>Total</b>  |                                  | <b>\$ 83,086</b>       | <b>1.48%</b>                     |

The total cost to Metro over the life of the BID term—including 5% year-over-year increases—are estimated to be as follows:

| Period       | Year | Amount            |
|--------------|------|-------------------|
| 1            | 2019 | \$ 83,086         |
| 2            | 2020 | \$ 87,241         |
| 3            | 2021 | \$ 91,603         |
| 4            | 2022 | \$ 96,183         |
| 5            | 2023 | \$ 100,992        |
| 6            | 2024 | \$ 106,041        |
| 7            | 2025 | \$ 111,344        |
| 8            | 2026 | \$ 116,911        |
| <b>Total</b> |      | <b>\$ 793,400</b> |

**Metro**Los Angeles County  
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metro.net

**REVISED**  
**FINANCE, BUDGET AND AUDIT COMMITTEE**  
**MAY 14, 2014**

**SUBJECT: GUIDELINES ON LACMTA'S PARTICIPATION IN PROPOSED  
BENEFIT ASSESSMENT DISTRICTS (BID)**

**ACTION: DELEGATION OF AUTHORITY**

**RECOMMENDATION**

Delegate authority to the Chief Executive Officer to determine the Los Angeles County Metropolitan Transportation Authority's ("LACMTA") participation in Benefit Assessment District where the total assessment over the term of the BID does not exceed \$500,000, **and where the action represents a renewal of a BID previously approved by the Board.**

**BACKGROUND**

The MTA Board adopted Guidelines on LACMTA Participation in Proposed Assessment Districts ("Guidelines") in June 1998 (See Attachment A). The Guidelines require staff to analyze each assessment district and/or improvement based on whether they improve MTA property or facility, benefit MTA employees, benefit Metro's passengers, or reduce costs for the agency. Staff is to provide the Board with an analysis, on a case by case basis, that determines whether MTA property benefits from the proposed services or improvements; and whether the benefit to the property exceeds the cost of the assessment. Based on the guidelines, the Board must determine whether or not to participate in the proposed district.

**DISCUSSION**

The existing policy specifically requires that staff analyze each new assessment district's services and provide the MTA Board with an analysis, on a case by case basis. Many of the BIDS are at levels that are significantly below the current delegated authority of the Chief Executive Officer of \$500,000. In addition, the analysis of the benefit to LACMTA is routine and warrants the agency's participation. **Staff would prepare the same level of review and analysis of the benefits of participation in the BID and submit to the CEO for review and approval.** In any case where the total assessment **for a BID's renewal** exceeds \$500,000 over the term of the BID, the

analysis will be completed and submitted to the Board for approval. **Any participation in a newly proposed BID will be subject to Board approval.** ~~Staff would still prepare the same level of review and analysis of the benefits of participation in the BID and submit to the CEO for review and approval.~~

### **DETERMINATION OF SAFETY IMPACT**

The Board action will not have an impact on safety standards for Metro. However, generally a BID's safety program will increase safety and crime prevention in the area around LACMTA owned properties.

### **FINANCIAL IMPACT**

LACMTA currently participate in 40 ~~40~~ **41** BIDs and street lighting districts. The annual budget as of FY14 is approximately \$517,000.00. Funding to participate in the established BIDs is included in Cost Center 0651, Account No. 50799 (Taxes). Funds are budgeted for each fiscal year. **Funding for the BIDS are allocated from the revenue generated from the General Fund - Right of Way Lease Revenue.**

### **ALTERNATIVES CONSIDERED**

The Board could not approve this recommendation to delegate authority to the Chief Executive Officer and staff would continue to bring **BID renewals** ~~these requests~~ to the Board for approval. The efficiency and the time involved in agendaizing the request on the Board's agenda is often constrained by the timeline established by the BID to obtain MTA's approval. In those cases, MTA would not **be able to sign** the petition circulated to property owners affected by the BID **for renewals.**

### **ATTACHMENTS**

Attachment A Guidelines on MTA Participation in Proposed Assessment District dated June 18, 1998

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Calvin E. Hollis, Managing Executive Officer- Countywide Planning  
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*Martha Welborne*

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Martha Welborne, FAIA  
Chief Planning Officer

*Arthur T. Leahy*

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Arthur T. Leahy  
Chief Executive Officer

ATTACHMENT 1



**GENERAL GUIDELINES  
for MTA Participation in Proposed Assessment Districts**

**1. MTA Participation in Assessment Districts**

Assessment districts can provide a wide variety of services and improvements. However, the MTA must decide individually whether or not specific MTA property benefits from such services and improvements. Such determination shall be dependent upon:

- the use of MTA property, and
- the services or improvements provided by the assessment district.

**2. Evaluation Criteria**

The following criteria shall be used to evaluate whether or not an assessment district services and/or improvements will benefit MTA is the extent that the services or improvements specifically:

- improve MTA property or facilities,
- benefit MTA employees,
- benefit the MTA riding public, or
- reduce costs for the MTA.

**3. Determination of Benefit**

Each proposed assessment district containing MTA property will be analyzed on a case-by-case basis; however, general guidelines for determining benefit to MTA properties are as outlined in the following:

**TIER 1 - NO BENEFIT**

- Subsurface easements
- Aerial easements
- Rights of Way

**TIER 2 - MINOR OR NO POTENTIAL BENEFIT**

- Vacant Land
- Parking Lots

- **Bus Layovers**

**TIER 3 - MINOR OR SOME POTENTIAL BENEFIT**

- **Bus Divisions**
- **Bus Terminals**
- **Customer Service Centers**
- **USG Headquarters Building**
- **Maintenance Facilities**
- **Rail Division**
- **Rail Terminus**
- **Stations**

**TIER 4 - ACTUAL BENEFIT**

- **Joint Development Projects**

[cfo\\_proposalcost-optimization-finder-policy.doc](#)





**Board Report**

**File #:** 2018-0147, **File Type:** Public Hearing

**Agenda Number:**

**BUDGET PUBLIC HEARING  
FINANCE, BUDGET AND AUDIT COMMITTEE  
MAY 16, 2018**

**SUBJECT: FISCAL YEAR 2019 (FY19) BUDGET**

**ACTION: ADOPT THE FY19 BUDGET**

**RECOMMENDATION**

CONSIDER:

- A. ADOPTING the proposed FY19 Budget as presented in the budget document (provided in a separate transmittal and posted on metro.net); and
- B. APPROVING the Life of Project (LOP) budgets for new capital projects with LOP exceeding \$5 million, included in the proposed FY19 Budget and presented in Attachment A; and
- C. APPROVING the Reimbursement Resolution declaring Metro’s intention to issue debt in FY19 for capital projects, as shown in Attachment B, with the provision that actual debt issuance will require separate Board approval; and
- D. AMEND the proposed budget to include \$2,000,000 for Expo Phase 1 and \$20,624,400 for Expo Phase 2, as approved by Expo Construction Authority for fiscal year 2019, for a total addition of \$22,624,400; and
- E. AMEND the proposed budget to include \$25,000,000 for farebox upgrade, as approved by the Board on April 18, 2018; and
- F. AMEND the proposed budget to include \$500,000 to begin the draft environmental study of the Crenshaw Northern Extension project upon identification of the preferred alternatives identified by the Board for this corridor

**ISSUE**

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California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. Budget detail is a management plan for financial activity and is prepared at the fund, project, department, and expenditure level. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board except for capital expenditures, which is authorized on a life-of-project basis.

Copies of the proposed budget were made available to the public on May 1, 2018, both electronically at [www.metro.net](http://www.metro.net) and through the Records Management Center (RMC) at [RMC@metro.net](mailto:RMC@metro.net). Printed copies of the budget document were also made available at the RMC on the plaza level of the Gateway building on May 1, 2018. The public hearing is scheduled for May 16, 2018. Advance public notification of this hearing was issued through advertisements posted in over two dozen news publications on April 11<sup>th</sup> and May 1<sup>st</sup>, 2018.

## **BUDGET MESSAGE**

The transportation landscape of Los Angeles (LA) County is changing. Metro is leading the change with groundbreaking, expansive projects designed to invigorate our current infrastructure. As our population grows, mounting congestion stands in our way. Therefore, Congestion Reduction, along with overall Customer Experience, is Metro's top priority to improve the quality of life for LA County residents.

Through enhanced transit services and an ever-growing list of innovative new transportation initiatives, we aim to relieve congestion by focusing on the larger mobility picture. This will require addressing the issue of connectivity across all modes and all trip purposes. As we work to integrate trips made by private vehicles and transit with better first/last mile connections, we are moving closer to a transportation network that accommodates the mobility needs of all residents and visitors in LA County.

Metro's goal in the coming year is to move more people onto transit by making meaningful improvements to the services we provide. In order to appeal to a wider audience and encourage transit use among those who have never used our system, we must create a new customer experience. As a direct approach, we are committed to enhance our transit services by taking advantage of new technologies, such as MicroTransit, more advanced mobile apps, and better real-time information. While we improve overall service and tackle congestion with a comprehensive transportation strategy, it follows that increased ridership will be a natural outcome. Once we prove that Metro is safe, clean, easy to use, and efficient, we can make sure LA keeps on moving.

## **DISCUSSION**

The proposed \$6.6 billion budget for FY19 is balanced and aligns resources in a fiscally responsible manner to achieve the following goals:

1. Advance safety and security for our customers, the public, and Metro employees
2. Exercise fiscal discipline to ensure financial stability
3. Plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation
4. Improve the customer experience and expand access to transportation options
5. Increase transit use and ridership
6. Implement an industry-leading state of good repair program
7. Invest in workforce development
8. Promote extraordinary innovation
9. Contribute to the implementation of agencywide and departmental Affirmative Action and Equal Employment Opportunity goals

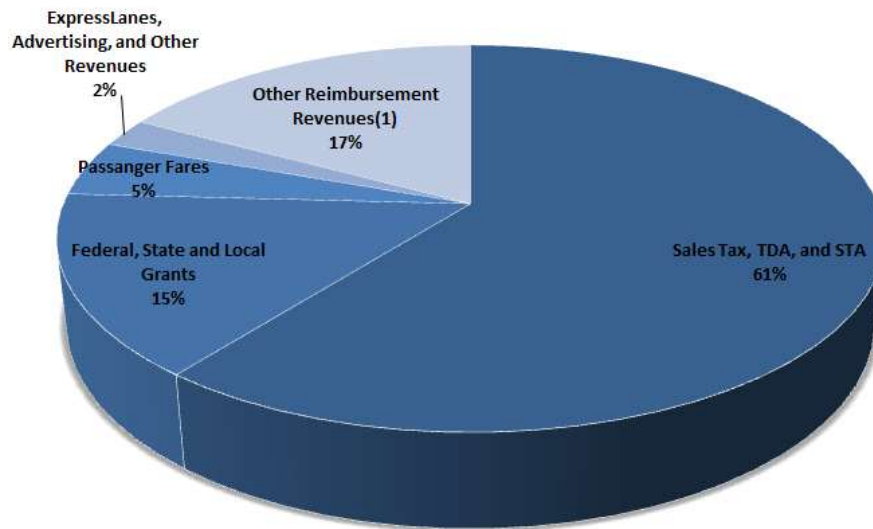
As part of the performance management process, Metro will monitor progress throughout the year relative to the Agency goals using measurements such as budget variance, Key Performance Indicators (KPIs) target achievement, Project Milestone achievement and cost savings and new revenue generation through the risk allocation matrix (RAM). This reinforces Metro's commitment to strategic monitoring of performance and the improvement of accountability.

Resources Summary

| Resources (\$ in Millions)                      | FY18 Budget       | FY19              |                       |                      |
|---|-------------------|-------------------|-----------------------|----------------------|
|   |                   | Prelim Budget     | FY18 - FY19 \$ Change | FY18 - FY19 % Change |
| 1 Sales Tax, TDA, and STA                       | \$ 3,691.2        | \$ 3,980.2        | \$ 289.0              | 7.8%                 |
| 2 Federal, State and Local Grants               | 985.9             | 997.3             | 11.4                  | 1.2%                 |
| 3 Passanger Fares                               | 302.6             | 302.6             | -                     | 0.0%                 |
| 4 ExpressLanes, Advertising, and Other Revenues | 137.7             | 158.1             | 20.4                  | 14.8%                |
| 5 Other Reimbursement Revenues <sup>(1)</sup>   | 1,164.3           | 1,124.4           | (39.9)                | -3.4%                |
| <b>Total Budget</b>                             | <b>\$ 6,281.7</b> | <b>\$ 6,562.6</b> | <b>\$ 280.9</b>       | <b>4.5%</b>          |

<sup>(1)</sup> Includes bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown and prior year commitment

**Resources %  
of FY19 Budget**



The FY19 Proposed Budget ensures resources available to meet the planned Metro program and project delivery for the coming fiscal year. Revenue projections are built on historical sales tax growth cycles, accepted forecasting sources and Metro’s 30 year actual sales tax receipts. The total FY19 budget planned resources is \$280.9 million or 4.5% greater than FY18.

- Sales Tax, TDA, and STA increases \$289 million or 7.8% in total, due to the following 2 reasons:
  - There is a \$98 million or 3.4% projected increase for Prop A, C and Measure R sales tax as well as TDA revenues. Measure M increase is 5.5% more at 8.9%, or \$68.8 million, reflecting allowances for FY18 Measure M inaugural year of lower than

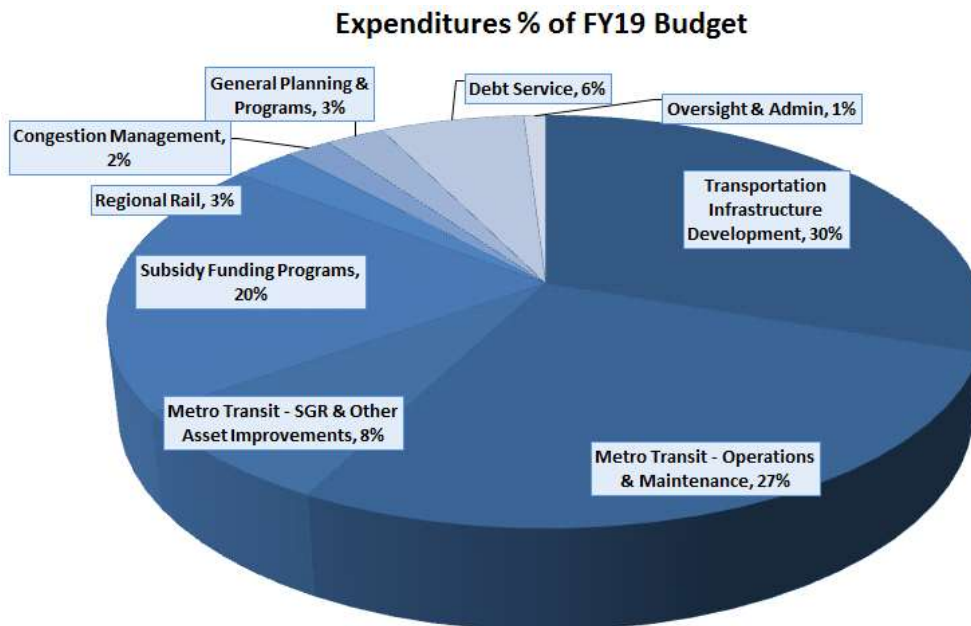
anticipated sales tax receipts.

- STA and State Senate Bill 1 (SB1) increase by \$122 million or 204% based on State Controllers' Office (SCO) estimates and new SB1 supplemental funding for transit and state of good repair.
- Federal, State and Local Grants are at a modest \$11 million increase or 1.2%, reflecting related capital expense activity.
- Passenger Fare revenues to remain flat due to level ridership & fare per boarding estimates.
- ExpressLanes, Advertising, and Other Revenues are increasing \$20.4 million or 14.8% in total, primarily due to the addition of Green Funds and increasing CNG credits for FY19.
- Other Reimbursement Revenues is \$39.9 million or 3.4% lower in total based on timing of project schedules. This includes bond proceeds, sales tax carryover, and Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdowns which are backed by future expected sales tax.

Expenditure Summary

In FY19, Metro is poised to lead the ongoing transformation of Los Angeles County, with a bold plan to push the region to new heights. This year, we will continue our rapid progress toward achieving the vision of Measure M, with over a dozen transit expansion projects in various stages of planning, groundbreaking, and construction. We are also focused on the rejuvenation of our existing lines and facilities, as we move to pilot an electric bus fleet and continue major rehabilitation efforts on the Blue Line, our oldest rail line.

| Expenditures by Program Type (\$ in Millions) |  | FY18              | FY19              |                       |                      |
|---|--|-------------------|-------------------|-----------------------|----------------------|
|   |  | Budget            | Prelim Budget     | FY18 - FY19 \$ Change | FY18 - FY19 % Change |
| 1   | Transportation Infrastructure Development                              | \$ 1,987.2        | \$ 1,987.7        | \$ 0.5                | 0.0%                 |
| 2   | Metro Transit – Operations, Maintenance, & Regional Operating Services | 1,755.4           | 1,795.5           | 40.1                  | 2.3%                 |
| 3   | Metro Transit - SGR & Other Asset Improvements                         | 431.9             | 493.0             | 61.1                  | 14.1%                |
| 4   | Subsidy Funding Programs   | 1,243.3           | 1,333.0           | 89.7                  | 7.2%                 |
| 5   | Regional Rail  | 178.4             | 179.0             | 0.6                   | 0.3%                 |
| 6   | Congestion Management  | 113.0             | 127.3             | 14.3                  | 12.6%                |
| 7   | General Planning & Programs  | 133.5             | 167.4             | 33.9                  | 25.4%                |
| 8   | Debt Service   | 383.9             | 416.6             | 32.7                  | 8.5%                 |
| 9   | Oversight & Admin  | 55.2              | 63.3              | 8.2                   | 14.8%                |
| <b>Total Budget</b>                           |  | <b>\$ 6,281.7</b> | <b>\$ 6,562.6</b> | <b>\$ 280.9</b>       | <b>4.5%</b>          |



The total budget increase from FY18 to FY19 is \$281 million or 4.5%. The major differences are addressed in program categories below which include the assumption for CPI increase of 2.25%.

- Transportation Infrastructure Development remains steady and supports Measure R and M projects such as Westside Purple Line Extension, including the Division 20 expansion, Regional Connector and Crenshaw LAX projects.
- Metro Transit - Bus and Rail Operations & Maintenance has a 5.1% increase from FY18 due to the new labor contracts and additional Revenue Service Hours (RSH) needed to support bus bridges for the “New Blue” rehabilitation project and special events.
  - Bus Revenue Service Hours (RSH) increases by 104,000 hours or 1.5%, due to Bus bridges for Blue Line closures related to the “New Blue” rehabilitation project and minor service adjustments to relieve overcrowding.
  - Rail RSH increases by 2,000 hours or 0.2%, due to minor service adjustments for 3-car consists on the Gold Line and headway increases on the Green line during the AM peak; increases mostly offset by reductions due to Blue Line closures for the New Blue project.
- Metro Transit - State of Good Repair (SGR) & Other Asset Improvements is at a 4% increase from FY18 due to piloting the conversion of the bus fleet to Electric/Zero Emission Buses (ZEB), rehabilitation of the Blue Line, system upgrades, and improving customer experience.
- Subsidy Funding Programs increases by \$89.6 million, or 7.2%, primarily due to increased funding from growth in sales tax revenues and new SB1 funding.
- Regional Rail remains constant with continuing operating and capital support of the Metrolink commuter rail system and the Metro managed Regional Rail.
- Congestion Management is increasing by \$14 million, or 13%, primarily due to a service provider and contract renewal rate change.
- General Planning & Programs increases by \$31 million, or 25%, due to the expansion of bikeshare, LA River Bikepath, Rail to Rail/River, Union Station improvements and Public Private Partnerships (P3).
- Debt Service increases by \$33 million, or 9% due to repayment of FY18 proceeds issued as previously approved by the Board.
- Oversight & Admin is a \$6 million increase, or 15%, due to continued ramp up of support for carrying out Measure M initiatives as well as cost inflation factors.
- The labor cost increase reflects rising cost inflation, living wage standard increases and labor market contraction. Wage increases and health/welfare benefits for represented employees are based on Collective Bargaining Agreements; salary increases for non-represented employees are expected to be in line with represented employees at a 4% increase over FY18 and is merit based. Non-represented medical/dental benefits reflect costs previously approved by the Board.

FTE Summary

The FY19 proposed budget includes requests for 79 non-represented FTE additions and up to 170 represented FTE additions.

- Total Non-Represented FTE increase of 79 primarily due to Crenshaw project and other capital projects support, Metro operations, and continuing Measure M initiatives and oversight.
- Total Represented FTE increase of up to 170 primarily due to Crenshaw Pre-Revenue Service and increase in bus service for “New Blue” rehabilitation bus bridges.

A summary of the requested FTEs is shown in the table below.

|    |  |              |
|----|--|--------------|
| 1  | <b>Non-Represented FTEs</b>                      |              |
| 2  | <b>FY18 Budget</b>                               | <b>1,601</b> |
| 3  | Congestion Management                            | 3            |
| 4  | Crenshaw Pre-Revenue Service                     | 11           |
| 5  | Debt Service                                     | 1            |
| 6  | General Planning & Program                       | 1            |
| 7  | Measure M Initiatives Support, Oversight & Admin | 26           |
| 8  | Metro Operations and Support                     | 17           |
| 9  | MR/MM Planning Studies                           | 16           |
| 10 | Westside Subway Ext Sect 1, 2, 3                 | 4            |
| 11 | <i>FY18 vs FY19 Change</i>                       | <i>79</i>    |
| 12 | <b>FY19 Proposed</b>                             | <b>1,680</b> |

|    |   |              |
|----|---|--------------|
| 13 | <b>Represented FTEs</b>                   |              |
| 14 | <b>FY18 Budget</b>                        | <b>8,367</b> |
| 15 | Crenshaw Pre-Revenue Service              | 83           |
| 16 | Operating Bus Service                     | 81           |
| 17 | Property Maintenance                      | 2            |
| 18 | Metro Programs Support, Oversight & Admin | 4            |
| 19 | <i>FY18 vs FY19 Change <sup>(1)</sup></i> | <i>170</i>   |
| 20 | <b>FY19 Proposed</b>                      | <b>8,537</b> |

*(1) The FY19 Proposed Represented FTE's will not exceed 170 and is subject to change based on further service level adjustments.*



### Life of Project (LOP) Budgets

Projects greater than \$1 million with LOP budget increases and new projects in excess of \$5 million must be approved by the Board in separate Board actions.

Attachment A includes a detailed listing of new capital projects for FY19 with LOP in excess of \$5 million. These projects are included in the proposed FY19 budget but do require LOP approval by the Board, as requested by Recommendation B of this report.

### Reimbursement Resolution

Per Federal tax law, bond proceeds can only be used for expenses incurred after the issuance of bonds. Metro must pass a resolution indicating the intent to issue bonds at a later date for the expenditures described in the reimbursement resolution to be reimbursed for expenses incurred before the bond issue. See Attachment B for anticipated expenditures in the budget related to proceeds from future bond issuance.

### Public Outreach

Soliciting meaningful input from the public and stakeholders is critical to budget development. The comprehensive outreach program for FY19 included many opportunities to provide feedback online or by telephone in addition to in-person meetings. These meetings included Metro Service Councils, Citizens Advisory Council (CAC), Technical Advisory Committee, Bus Operations Subcommittee, Local Transit Systems Subcommittee, Streets & Freeways Subcommittee, Policy Advisory Committee (PAC), Valley Industry & Commerce Association (VICA) Transportation Committee, and BizFed. This allowed for the greatest level of engagement and direct dialogue with stakeholders.

To encourage participation, the times and locations of public workshops were advertised through multiple channels, including the Metro website, “take ones” on board vehicles, newspaper advertising, messages on hold, e-blasts, and social media ads. Outreach efforts for FY19 also included two Telephone Town Hall sessions and an interactive Online Budget Tool, making it convenient for LA County residents to participate in the budget process without physical presence at a meeting. A summary of public outreach efforts and comments received is shown in Attachment C.

### **FINANCIAL IMPACT**

The proposed FY19 budget (provided in a separate transmittal) at \$6.6 billion, plus the following amendments: \$2 million for Expo Phase 1, \$20.6 million for Expo Phase 2, \$25 million for farebox upgrades, and \$500,000 for Crenshaw Northern Extension, is balanced, and includes expenditures and appropriates the resources necessary to fund them. The proposed budget demonstrates Metro’s ongoing commitment to meeting its capital and operating obligations, which is a requirement

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necessary in order to continue to receive subsidies from the state and federal governments and to administer regional transportation funding to local cities and municipal operators.

**NEXT STEPS**

Upon Board authorization and adoption of the FY19 budget, staff will start make funds available for the planned transit and transportation programs outlined in this document and be programmed to fund regional transit/transportation partnering agencies, cities and recipients.

Monitoring the FY19 budget performance will be a year-round ongoing effort. Staff will conduct quarterly performance management reviews and track metrics to reinforce accountability and budgetary control. There will be a mid-year budget assessment to evaluate the budget's alignment to agency priorities and actual performance. In addition, continuous improvements will be implemented to the process and regular updates will be reported to the Board.

**ATTACHMENTS**

Attachment A - FY19 New Capital Projects

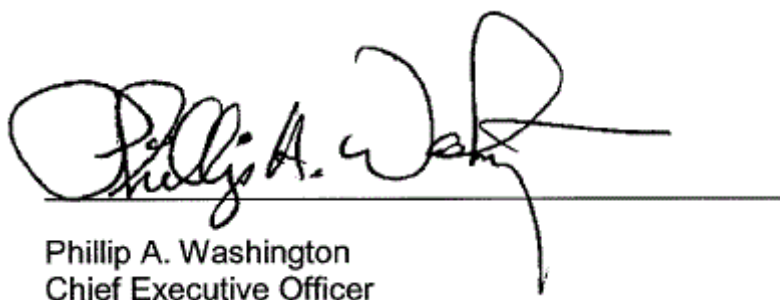
Attachment B - Reimbursement Resolution of Metro for FY19

Attachment C - FY19 Public Outreach

Prepared by: Office of Management & Budget Staff

Irene Fine, Deputy Executive Officer, Finance, (213) 922-4420

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington  
Chief Executive Officer

## FY19 New Capital Projects

### Transportation Infrastructure Development

|   |  |                    |
|---|--|--------------------|
| 1 | <b>PROJECT: Orange Line BRT Improvements</b>   |                    |
|   | PROJECT OWNER: Program Management  |                    |
|   | LOP: to be adopted at a future date  | FY19: \$11,429,000 |
|   | <p>SCOPE: Improvements consist of grade separations and gate systems along the Orange Line. Recommended scope includes aerial grade separation between Sepulveda and Van Nuys, four quadrant gates at busway intersections between North Hollywood and Chatsworth, and closing minor street crossing.</p>  |                    |
|   | <p>JUSTIFICATION: Measure M project, required to ground break in FY19. The project is planned to address excessive travel times and safety concerns for existing at-grade intersections. Grade separations, four quadrant gate system and closure of minor busway crossing will improve the bus operating speeds, reduce end-to-end bus travel times and reduce potential conflicts between MOL buses and cross-street vehicles, cyclists and pedestrians.</p> |                    |
|   | ELIGIBLE FUNDING SOURCE: Measure M 35%   |                    |

## State of Good Repair Projects

|  |  |
|--|--|
| 2  | <b>PROJECT: Bus Midlife Project (203024)</b> |
| PROJECT OWNER: Operations - Central Maintenance  |  |
| LOP: \$158,138,000   | FY19: \$42,069,600                           |
| SCOPE: The Bus Midlife Program provides preventive, midlife maintenance service to Metro buses. The buses currently in the Midlife program have been in service at least 7 to 8 years. The maintenance services provided include engine package change-outs, fuel cylinder replacements, suspension work, wheelchair securement system retrofit, body repair, painting, and interior refurbishment including graffiti abatement and wheelchair lift maintenance.   |  |
| JUSTIFICATION: The Bus Midlife Program improves the safety, performance, and reliability of Metro buses. The improved overall condition of the program's vehicles also helps to reduce ongoing maintenance costs and the amount of maintenance work performed at the Metro Bus Operating divisions. The program promotes the efficient use of Metro and Central Maintenance resources by having each bus series go through a planned production process in which labor, material and facilities are scheduled to proactively address problems rather than just reacting to them. |  |
| ELIGIBLE FUNDING SOURCE: Enterprise Funding sources such as local and state sales tax  |  |

|  |  |
|--|--|
| 3  | <b>PROJECT: Bus Engine Replacement</b> |
| PROJECT OWNER: Operations - Central Maintenance  |  |
| LOP: \$13,518,000  | FY19: \$1,528,322                      |
| SCOPE: Purchase near zero emission engines and replace high mileage engines that reached the end of their useful life enabling Metro to continue utilizing the buses. The plan involves ninety-eight (98) engines and peripheral equipment (hoses, clamps, gaskets and wiring) required for optimal operation.   |  |
| JUSTIFICATION: This program allows Metro to replace engines in a timely manner and keeps high mileage buses in service. Without this program, Metro would struggle to manage a number of buses failing while in service. This program directly impact Metro's ability to meet service requirements by coordinating procurement, logistics, fleet management and maintenance. |  |
| ELIGIBLE FUNDING SOURCE: Enterprise Funding sources such as local and state sales tax  |  |

|   |   |
|---|---|
| 4   | <b>PROJECT: FY19 NRV REPLACEMENT (RAIL)</b> |
| PROJECT OWNER: Operations - Maintenance Administration  |   |
| LOP: \$8,994,000  | FY19: \$2,705,696                           |
| <p>SCOPE: This project is for the replacement of Non-Revenue Vehicles and Equipment scheduled for FY19. This includes: trucks, vans, sedans, carts, forklifts, generators, hi-rail support vehicles, rail bound support vehicles, floor scrubbers, compressors, tractors, trailers, tow motors and other vehicles and equipment. (Agency-wide, includes all department vehicles and equipment)</p>  |   |
| <p>JUSTIFICATION: Metro owns and operates a fleet of over 2,100 vehicles and pieces of equipment that are used to support the Metro mission of Planning, Designing, Constructing, Administering, and Operating the Los Angeles County's largest transportation system. The funding requested for this project is required to purchase replacement vehicles to support this mission. The vehicles identified for replacement have exceeded their useful life in age, mileage or are in poor operating condition, and are now scheduled for retirement. Further, the cost of repair, downtime, on street safety, and the impact to support departments ability to respond to repair/service activities reduces operational effectiveness.</p> |   |
| ELIGIBLE FUNDING SOURCE: Enterprise Funding sources such as local and state sales tax   |   |

|  |  |
|--|--|
| 5  | <b>PROJECT: MRL A650 Component Overhauls</b> |
| PROJECT OWNER: Operations - Rail Fleet Maintenance   |  |
| LOP: \$8,120,000   | FY19: \$32,000                               |
| <p>SCOPE: The heavy rail fleet overhaul will include repair and replacement of components that are not part of the mid-life. Improvements include renovating the car interiors by repainting all seat frames, converting seat mountings and redesigning the front and rear end doors. Mechanical improvement will include an overhaul of the friction brakes, traction motors and the drawbar.</p> |  |
| <p>JUSTIFICATION: The existing A650 fleet is being gone through a component overhaul program and a partial major system replacement program. However, there are certain systems still requiring overhaul in order to maintain the "State of Good Repairs" which are not included in the previous scope. The aim is to continue to service the public for another 15 years.</p>                     |  |
| ELIGIBLE FUNDING SOURCE: Enterprise Funding sources such as local and state sales tax  |  |

|  |  |
|--|--|
| 6  | <b>PROJECT: Enterprise Asset Management System</b> |
| PROJECT OWNER: ITS - Business Applications   |  |
| LOP: to be adopted at a future date  | FY19: \$2,728,691                                  |
| SCOPE: Replace the existing legacy based Enterprise Asset Management (EAM) M3 System and meet developing federal requirements for the "Moving Ahead for Progress in the 21st Century Act" (MAP 21 State of Good Repair). This provides a scalable technology solution to support LA Metro's expanding bus and rail services, such as the Regional Rail Connector initiative. |  |
| JUSTIFICATION: The legacy based EAM M3 system will no longer be supported / maintained by the vendor, Infor. The vendor has transitioned to new EAM solution strategy and has stopped all development support.   |  |
| ELIGIBLE FUNDING SOURCE: Enterprise Funding sources such as local and state sales tax  |  |

|  |  |
|--|--|
| 7  | <b>PROJECT: Connected Facilities Project</b> |
| PROJECT OWNER: ITS - Systems Architecture  |  |
| LOP: \$7,454,200   | FY19: \$175,000                              |
| SCOPE: The Connected Facilities Project will replace twelve year old Communication Backbone Infrastructure, provide Wi-Fi Coverage in Yards providing surveillance video, safety analytics video, transit operations data and vehicle diagnostics. |  |
| JUSTIFICATION: The project supports Metro's Goals of safety and security, fiscal efficiency, and productivity by enabling technicians the ability to access vehicles' systems remotely.  |  |
| ELIGIBLE FUNDING SOURCE: Enterprise Funding sources such as local and state sales tax  |  |

|   |  |
|---|--|
| 8   | <b>PROJECT: Crenshaw Pre-Revenue Service</b> |
| PROJECT OWNER: Operations - Rail Integration  |  |
| LOP: \$40,956,000   | FY19: \$25,939,290                           |
| SCOPE: The Crenshaw Pre-revenue Project will prepare Metro for the operation of the new rail line. Metro staff will inspect third-party construction and test systems prior to revenue operations in FY20. Testing includes operational scenarios examining integrity and system reliability of infrastructure and new rail cars. |  |
| JUSTIFICATION: Significant testing is crucial for seamless system integration of multiple types of rail cars with new systems. The training and systems testing will ensure staff and infrastructure are able to handle a multitude of revenue operating situations prior to opening day.   |  |
| ELIGIBLE FUNDING SOURCE: Measure R 35%  |  |

|   |   |
|---|---|
| 9 | <b>PROJECT: Willowbrook / Rosa Parks Station Improvements</b>   |
|   | PROJECT OWNER: Program Management   |
|   | LOP: \$109,305,000 <span style="float: right;">FY19: \$12,137,000</span>  |
|   | SCOPE: Modernize Willowbrook/Rosa Parks station and surrounding area to provide multi-modal transportation/community hub incorporating bike hub, customer service and security center and community plaza. Included in the scope are: extension of the Blue Line platform, upgraded pedestrian pathways, improved wayfinding signage, upgraded vertical transportation, consolidated regional and local bus bays, pick-up and drop-off zones, lighting enhancements, and other improvements to increase ridership and enhance the customer experience.  |
|   | JUSTIFICATION: Willowbrook/Rosa Parks Station is one of the more heavily used stations in Metro system. It is in need of improvements to the passenger flow and regional connectivity between various transit systems. Metro is working in tandem with several community revitalization efforts in the area to provide a regional facility to improve connections to the surrounding community, expand station capacity and multi-modal capacity, streamline rail and bus transfers, ensuring enhanced safety and security throughout the improvements. |
|   | ELIGIBLE FUNDING SOURCE: Federal TIGER grant, Active Transportation & SB1 state fund, Toll Revenue, Fed 5307, local bonds, TDA Article 4 and other eligible local funds   |

**Other Operating Capital**

|    |   |
|----|---|
| 10 | <b>PROJECT: Bikeshare Phase 3 Expansion</b>   |
|    | PROJECT OWNER: Planning & Development - Parking and Shared Mobility Management  |
|    | LOP: May Board Meeting (2017-0925 - P&P) <span style="float: right;">FY19: \$12,708,513</span>  |
|    | SCOPE: Expand Metro Bike Share to Culver City, Marina del Rey, West Los Angeles, and Downtown Los Angeles Expanded.   |
|    | JUSTIFICATION: Bike Share Phase III project: \$10.5M is for expanding to Culver City, Marina del Rey, West Los Angeles, and Downtown Los Angeles Expanded and \$2.2M to add more bike share stations/bikes to the existing network to better serve our transit riders and increase first/last mile connections to our transit system and partner communities. |
|    | ELIGIBLE FUNDING SOURCE: City's capital reimbursements, Measure M ATP 2%  |

## ATTACHMENT B

### REIMBURSEMENT RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FOR FISCAL YEAR 2019

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "Metro") desires and intends to finance certain costs relating to (i) the design, engineering, construction, equipage and acquisition of light rail lines including the Crenshaw/LAX Transit Corridor and Regional Connector projects; (ii) the design, engineering, construction, equipage and acquisitions for the Rail and Bus State of Good Repair Program including station improvements and rail gating installations; (iii) the design, engineering, construction, equipage related to Purple Line Extension Sections 1, 2, and 3; (iv) the engineering, construction, renovation, maintenance, and/or acquisition of various capital facilities and equipment, including buses and rail cars, related to service operation; (v) the engineering, construction, renovation, maintenance, and/or acquisition of various highway/surface transportation assets; and (vi) other transit related projects (each a "Project" and collectively, the "Projects");

WHEREAS, to the extent that federal and/or state grant funding budgeted to be received during FY19 is delayed or reduced, the Los Angeles County Metropolitan Transportation Authority desires and intends to finance certain costs relating to the Projects;

WHEREAS, Metro expects to issue debt through the issuance of tax-exempt bond issues to pay for these expenditures, which bond issues will have four separate security sources, Proposition A, Proposition C, Measure R and Measure M sales tax revenues, respectively, or grant revenues to finance the costs of the Project on a permanent basis (the "Debt");

WHEREAS, Metro expects to expend moneys of the Enterprise Fund (other than moneys derived from the issuance of bonds) on expenditures relating to the costs of the Projects prior to the issuance of the Debt, which expenditures will be properly chargeable to a capital account under general federal income tax principles;

WHEREAS, Metro reasonably expects to reimburse certain of such capital expenditures with the proceeds of the Debt;

WHEREAS, Metro expects that the amount of Debt that will be issued to pay for the costs of the Projects will not exceed \$100.0 million for Proposition A, \$400.0 million for Proposition C, \$500.0 million for Measure R and \$400.0 million for Measure M.

WHEREAS, at the time of each reimbursement, Metro will evidence the reimbursement in writing, which identifies the allocation of the proceeds of the Debt to Metro, for the purpose of reimbursing Metro for the capital expenditures made prior to the issuance of the Debt;

WHEREAS, Metro expects to make reimbursement allocations no later than eighteen (18) months after the later of (i) the date on which the earliest original expenditure for the Project is paid or (ii) the date on which the Project is placed in service (or abandoned),



but in no event later than three (3) years after the date on which the earliest original expenditure for the Project is paid;

WHEREAS, Metro will not, within one (1) year of the reimbursement allocation, use the proceeds of the Debt received by way of a reimbursement allocation in a manner that will result in the creation of replacement proceeds of the Debt or another issue (e.g., Metro will not pledge or use the proceeds received as reimbursement for the payment of debt service on the Debt or another issue, except that the proceeds of the Debt can be deposited in a bona fide debt service fund); and

WHEREAS, this Resolution is intended to be a " declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations.

NOW THEREFORE, BE IT RESOLVED, that (i) all of the foregoing recitals are true and correct and (ii) in accordance with Section 1.150-2 of the Treasury Regulations, Metro declares its intention to issue Debt in an amount not to exceed \$100.0 million for Proposition A, \$400.0 million for Proposition C, \$500.0 million for Measure R and \$400.0 million for Measure M; the proceeds of which will be used to pay for the costs of the Projects, including the reimbursement to Metro for certain capital expenditures relating to the Projects made prior to the issuance of the Debt.

# ATTACHMENT C

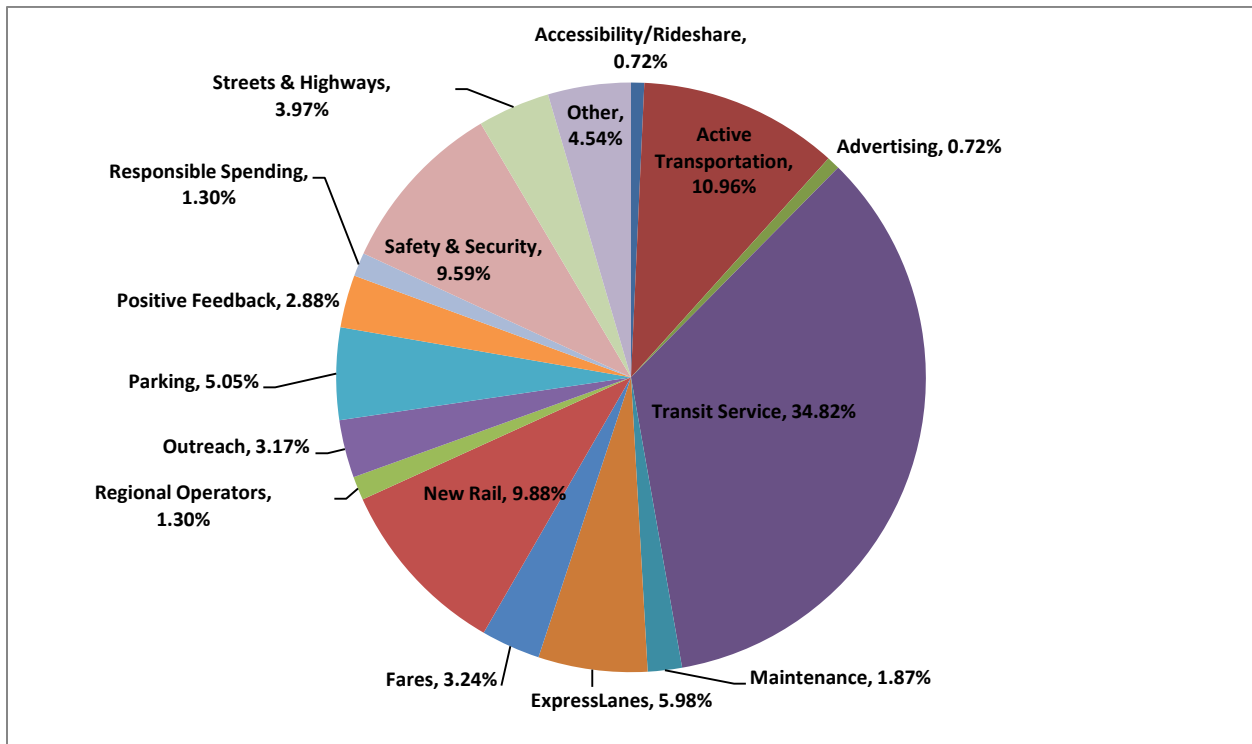
## FY19 PUBLIC OUTREACH

### Summary of FY19 Proposed Budget Public Outreach Efforts and Comments Received

| Events                    | Participation   |
|---------------------------|---|
| Workshops and Meetings    | Covering all Service Councils and key stakeholders throughout LA County |
| Telephone Town Hall       | 7,249   |
| Interactive Budget Tool   | 3,433 (as of May 3, 2018)   |
| Web Page Visits           | 3,914 (as of May 3, 2018)   |
| All Comments (Email/mail) | 1,459   |

Comments received from the public during Metro’s FY19 budget outreach process are summarized below. This summary includes comments received through May 3, 2018. Due to the large volume of comments received, not all can be included in this summary. However, the summary presented is a fair representation of the types of comments received across all outreach efforts. Comments received during the workshops and meetings have been addressed; while the written, email, and budget survey comments will be forwarded to relevant departments for consideration in the development of their programs.

A recap of the comments received during the budget outreach process is shown in the table below. As evidenced by the range of subjects in the summary, the public provided input and suggestions on virtually every Metro function. In addition, the perspectives on each issue varied greatly by respondents.



| Key Topics            | Synopsis of Comments  |
|-----------------------|---|
| Active Transportation | <ul style="list-style-type: none"> <li>• Create more safety programs for pedestrians, designated sidewalks, diagonal crosswalks and separate walkways</li> <li>• Fix the streets and sidewalks. There are holes</li> <li>• Split sidewalks and have pedestrians and bikes on each half</li> <li>• Don't close road lanes for bike lanes</li> <li>• Bike lanes should be just for bikes and not pedestrians</li> <li>• Need first/last mile transportation for new rail lines</li> <li>• Need better sidewalks in unincorporated LA County</li> <li>• Add a dedicated east-west path for bikes and pedestrians</li> </ul>  |
| Transit Service       | <ul style="list-style-type: none"> <li>• Cut bus fares and increase service</li> <li>• Reduce amount of stops on local bus lines</li> <li>• Add one more car to Gold Line in the mornings</li> <li>• End rail service at midnight and add owl service in its place</li> <li>• Add more rail cars during peak hours</li> <li>• Add dedicated lanes for red express bus</li> <li>• Add dedicated full length bus lanes thoroughfares</li> <li>• Improve service between Torrance and West Hollywood</li> <li>• Improve connections between bus lines</li> <li>• Make the light rail system faster to increase ridership</li> <li>• Make riding buses and trains easier and more reliable</li> <li>• When rail lines go out of service, implement bus shuttles quicker</li> <li>• Need to elevate or tunnel rail lines whenever possible</li> <li>• Implement Express loops and local loops</li> <li>• Expand all rail lines, especially the Expo line</li> <li>• Consolidate bus lines so you can add more frequent service on fewer lines</li> <li>• Add rail lines along freeways to access longer distances</li> <li>• Add more long distance commute buses</li> <li>• Consider safety at night at bus stops when scheduling buses</li> <li>• Run rail more often 20 minute wait time is too slow</li> <li>• Building more BRT Lanes is a better use of funds than building more rail</li> </ul> |
| Maintenance           | <ul style="list-style-type: none"> <li>• Please increase maintenance on the Blue line to cut down delays</li> <li>• Change traffic control on lights to give light rail priority</li> <li>• More maintenance on buses and trains so more riders will be comfortable</li> <li>• Spend more on train maintenance</li> <li>• Maintain the cleanliness of buses</li> <li>• Clean green line elevators</li> <li>• Replace cloth seats, homeless people make them smell</li> </ul>  |
| ExpressLanes          | <ul style="list-style-type: none"> <li>• Don't sell anymore transponders, making congestion worse in ExpressLanes</li> <li>• Lower cost in the AM, it is too expensive</li> <li>• Make all express lanes carpool lanes</li> <li>• Get rid of the \$1 monthly fee for fast track</li> <li>• Add more express lanes and offer a subsidy to car dependent and low income</li> <li>• Allow fast track people to also use all diamond lanes</li> <li>• Increase rail coverage and more express lanes</li> <li>• Add a fast track on the I-5 freeway</li> <li>• Add express lanes to all freeways</li> <li>• Need to fix holes on fast track lanes</li> <li>• Add express lanes to the I-10 and 405, very congested freeways</li> <li>• Expand fast track east from El Monte to Inland Empire</li> <li>• Add more money to enforce proper use of transponders</li> </ul>  |
| Fares                 | <ul style="list-style-type: none"> <li>• Do not raise fares on bus or rail</li> <li>• Students should ride for free</li> <li>• Lower prices to make transit more affordable</li> <li>• A smart phone application to pay the fare would be convenient and encourage transit use</li> <li>• Raise taxes and make public transit free</li> <li>• Increase fares to provide free parking</li> </ul>   |

| Key Topics         | Synopsis of Comments   |
|--------------------|--|
|                    | <ul style="list-style-type: none"> <li>• Offer more affordable fares, especially for low income riders</li> <li>• There should be a low income program for monthly bus passes</li> <li>• Add round trip transfers on one fare</li> <li>• Make it easier to navigate public transportation by using one method of payment for the Los Angeles area</li> <li>• Lower the Senior/Disabled minimum age to 60</li> <li>• Add options for large companies to buy preloaded fares</li> <li>• Adjust and round up single ride fares, but lower the cost of a day pass</li> <li>• Do not provide free rides on transit</li> </ul>   |
| New Rail           | <ul style="list-style-type: none"> <li>• Fund and start a Project EIR/EIS for the Northern Extension of the Crenshaw/LAX Line in 2018 to get this project shovel-ready by 2020</li> <li>• Extend the Gold Line to El Monte</li> <li>• Provide direct service to LAX without having to take a shuttle</li> <li>• Connect Red Line to Crenshaw Line</li> <li>• Do not build more rail, because there will never be enough riders</li> <li>• San Fernando Valley needs a subway</li> <li>• The Vermont bus line should be a subway</li> <li>• Expand into the Orange County area</li> <li>• All rail lines should be elevated to avoid getting stuck in traffic</li> <li>• Extend rail deeper into the Valley, to Pacoima, Sunland, and Lake View Terrace</li> <li>• The Sepulveda Pass project should be heavy rail</li> <li>• Extend the Red Line to Santa Clarita or Sylmar</li> <li>• Extend the Red Line further north</li> <li>• Add a north/south line from the valley to the Westside</li> <li>• Build a rail line from Laguna Hills to San Jose</li> <li>• The 110 corridor should have a train</li> <li>• Start building rail in the South Bay to provide an alternative to the 405</li> <li>• Add rail in Glendale</li> <li>• Add new express rail service between downtown LA and Long Beach</li> <li>• Build new rail lines that are faster than driving</li> <li>• Build rail from the South Bay to Long Beach</li> <li>• Provide direct rail service from San Dimas to La Canada at 7am</li> <li>• Build a rail line on Santa Monica Blvd</li> <li>• Extend the Green Line to the Norwalk/Santa Fe Springs Metrolink station</li> <li>• Extend the Crenshaw Line into West Hollywood</li> <li>• Add rail service to San Pedro</li> </ul> |
| Regional Operators | <ul style="list-style-type: none"> <li>• Make later departures from Union Station on Metrolink</li> <li>• Metrolink should open doors before 7 minutes of departures</li> <li>• Expand Metrolink service to Riverside</li> <li>• Be able to use Metrolink pass on more than one line</li> <li>• Run DASH buses on nights and weekends</li> <li>• Foothill transit needs better management</li> <li>• Reinstate 91 line on Metrolink from 5:40 am to 6:25am</li> </ul>  |
| Outreach           | <ul style="list-style-type: none"> <li>• Survey is hard to read with a black and grey background</li> <li>• Permit priorities in responses</li> <li>• Provide more materials for Chinese Americans on how to take Metro bus and rail</li> <li>• Survey residents where rail doesn't exist to assess whether to add rail lines</li> <li>• Allow fields on the survey for alternate solutions</li> <li>• Great illustration on Budget Tool of public works involves trade-offs</li> <li>• Language in survey is too advanced and technical for most people</li> <li>• Overhaul Metro.net website</li> </ul>  |
| Parking            | <ul style="list-style-type: none"> <li>• Don't charge for parking at parking lots</li> <li>• Security at lots just stand around and talk</li> <li>• If you use a Metro pass, then parking should be included</li> <li>• Offer a bundle of passes and long term options for parking</li> <li>• Offer discounted parking for Metro riders</li> </ul>   |

| Key Topics              | Synopsis of Comments  |
|-------------------------|---|
|                         | <ul style="list-style-type: none"> <li>• Parking lots a very unsafe</li> <li>• If you charge at Atlantic Station (low income) why don't you charge at Arcadia?</li> <li>• Add more parking places so more people can ride Metro</li> <li>• Lack of parking around Metro Stations deters Metro use</li> <li>• Offer low income waivers for parking</li> <li>• Implement permit parking in all stations</li> </ul>  |
| Positive Feedback       | <ul style="list-style-type: none"> <li>• Metro is doing a great job</li> <li>• Metro has come a long way</li> <li>• Metro is open to feedback, and that is great</li> <li>• Budget tool is a superb tool to gather input</li> <li>• Thank you for all the hard work and services you provide to the LA County area</li> <li>• Great budget tool for education and feedback</li> <li>• Appreciative of all updates as people are using Metro more</li> <li>• The bus system is convenient and easy to use</li> </ul>   |
| Responsible Spending    | <ul style="list-style-type: none"> <li>• Sub Contract work to the private industry and slash budget by half</li> <li>• People in government positions accept bribes to choose certain projects</li> <li>• Reduce executive management salaries</li> <li>• Cut redundant and overlapping positions that can be eliminated</li> <li>• Encourage businesses to subsidize public transit costs for its employees</li> <li>• Direct more funds to subsidize door to door ride sharing options</li> <li>• Balance between transportation and road repairs</li> </ul>  |
| Safety & Security       | <ul style="list-style-type: none"> <li>• More police officers on all bus lines</li> <li>• Need more security on trains and parking lots</li> <li>• Improve rail station safety</li> <li>• Better enforcement on existing ridership rules</li> <li>• Stop criminalizing poverty with fare inspection</li> <li>• Increase security presence and make it safe for small children</li> <li>• Policing Metro stations to allow safe bicycle parking</li> <li>• Add cameras to rail cars</li> <li>• Remove cops from the trains</li> <li>• Add armed security guards North Hollywood parking lot</li> </ul> |
| Streets & Highways      | <ul style="list-style-type: none"> <li>• Add more lanes on all freeways</li> <li>• Remove call boxes, people now have cell phones</li> <li>• Complete the 110 through Downtown Los Angeles</li> <li>• Make lanes on freeways for motorcycle riders</li> <li>• Add more expanding freeways, toll ways and roadways</li> <li>• Finish the Sound Wall</li> <li>• Stop funding expensive and inefficient rail and improve road and freeway options</li> </ul>   |
| Accessibility/Rideshare | <ul style="list-style-type: none"> <li>• Add more routes throughout the city for disabled passengers</li> <li>• Add more wheelchair access</li> <li>• More coordination with muni operators to gain senior and disabled ridership</li> <li>• Keep people with disabilities in mind when creating programs or considering budget expenditures</li> </ul>   |
| Advertising             | <ul style="list-style-type: none"> <li>• Use unused space for advertising and generating revenues</li> <li>• Metro's branding and PR materials are great</li> <li>• Use marketing money to educate the public and promote transit use instead of driving</li> <li>• More advertising of public transit along heavily congested streets and highways</li> </ul>  |

## **Workshops & Meetings**

- Metro Service Councils
- Citizens Advisory Council
- Technical Advisory Committee
- Bus Operations Subcommittee
- Local Transit Systems Subcommittee
- Streets & Freeways Subcommittee
- Policy Advisory Committee (PAC)
- Valley Industry & Commerce Association (VICA) Transportation Committee
- BizFed

## **Interactive Budget Tool**

The interactive Online Budgeting Tool engaged the public by asking a series of questions on transportation priorities to develop a customized Metro budget. Respondents were able to see the budgetary impact for their choices interactively and include narrative comments to further express their feedback and concerns. The budget tool allowed Metro to receive comments from a larger portion of the general public, including those who are not Metro riders.

The Online Budget Tool focused on five key areas: Transportation Priorities, Bus & Rail Improvement, Active Transportation, Streets & Highways, and Budget Balance.

Below are general results of the survey:

- 77% of the respondents favored Metro improving rail services
- 41% of respondents favored better pedestrian crossings on busy intersections
- 40% of the respondents were willing to cut service to balance the budget by reducing service on less heavily used bus line

When asked about which freeway they would like to see ExpressLanes expanded to, 30% of respondents selected: do not expand ExpressLanes.

The results of this survey helps Metro get a snapshot on the public's ranking of their transportation priorities. Comments and feedback are being gathered and evaluated to help shape the budget and Metro's priorities.



**Board Report**

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**File #:** 2018-0147, **File Type:** Public Hearing

**Agenda Number:** 9.

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**BUDGET PUBLIC HEARING  
FINANCE, BUDGET AND AUDIT COMMITTEE  
MAY 16, 2018**

**SUBJECT: FISCAL YEAR 2019 (FY19) BUDGET**

**ACTION: ADOPT THE FY19 BUDGET**

**RECOMMENDATION**

CONSIDER:

- A. ADOPTING the proposed FY19 Budget as presented in the budget document (provided in a separate transmittal and posted on metro.net); and
- B. APPROVING the Life of Project (LOP) budgets for new capital projects with LOP exceeding \$5 million, included in the proposed FY19 Budget and presented in Attachment A; and
- C. APPROVING the Reimbursement Resolution declaring Metro’s intention to issue debt in FY19 for capital projects, as shown in Attachment B, with the provision that actual debt issuance will require separate Board approval; and
- D. AMEND the proposed budget to include \$2,000,000 for Expo Phase 1 and \$20,624,400 for Expo Phase 2, as approved by Expo Construction Authority for fiscal year 2019, for a total addition of \$22,624,400; and
- E. AMEND the proposed budget to include \$25,000,000 for farebox upgrade, as approved by the Board on April 18, 2018; and
- F. AMEND the proposed budget to include \$500,000 to begin the draft environmental study of the Crenshaw Northern Extension project upon identification of the preferred alternatives identified by the Board for this corridor

**ISSUE**

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. Budget detail is a management plan for financial activity and is prepared at the fund, project, department, and expenditure level. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board except for capital expenditures, which is authorized on a life-of-project basis.

Copies of the proposed budget were made available to the public on May 1, 2018, both electronically at [www.metro.net](http://www.metro.net) and through the Records Management Center (RMC) at [RMC@metro.net](mailto:RMC@metro.net). Printed copies of the budget document were also made available at the RMC on the plaza level of the Gateway building on May 1, 2018. The public hearing is scheduled for May 16, 2018. Advance public notification of this hearing was issued through advertisements posted in over two dozen news publications on April 11<sup>th</sup> and May 1<sup>st</sup>, 2018.

### **BUDGET MESSAGE**

The transportation landscape of Los Angeles (LA) County is changing. Metro is leading the change with groundbreaking, expansive projects designed to invigorate our current infrastructure. As our population grows, mounting congestion stands in our way. Therefore, Congestion Reduction, along with overall Customer Experience, is Metro's top priority to improve the quality of life for LA County residents.

Through enhanced transit services and an ever-growing list of innovative new transportation initiatives, we aim to relieve congestion by focusing on the larger mobility picture. This will require addressing the issue of connectivity across all modes and all trip purposes. As we work to integrate trips made by private vehicles and transit with better first/last mile connections, we are moving closer to a transportation network that accommodates the mobility needs of all residents and visitors in LA County.

Metro's goal in the coming year is to move more people onto transit by making meaningful improvements to the services we provide. In order to appeal to a wider audience and encourage transit use among those who have never used our system, we must create a new customer experience. As a direct approach, we are committed to enhance our transit services by taking advantage of new technologies, such as MicroTransit, more advanced mobile apps, and better real-time information. While we improve overall service and tackle congestion with a comprehensive transportation strategy, it follows that increased ridership will be a natural outcome. Once we prove that Metro is safe, clean, easy to use, and efficient, we can make sure LA keeps on moving.



## **DISCUSSION**

The proposed \$6.6 billion budget for FY19 is balanced and aligns resources in a fiscally responsible manner to achieve the following goals:

1. Advance safety and security for our customers, the public, and Metro employees
2. Exercise fiscal discipline to ensure financial stability
3. Plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation
4. Improve the customer experience and expand access to transportation options
5. Increase transit use and ridership
6. Implement an industry-leading state of good repair program
7. Invest in workforce development
8. Promote extraordinary innovation
9. Contribute to the implementation of agencywide and departmental Affirmative Action and Equal Employment Opportunity goals

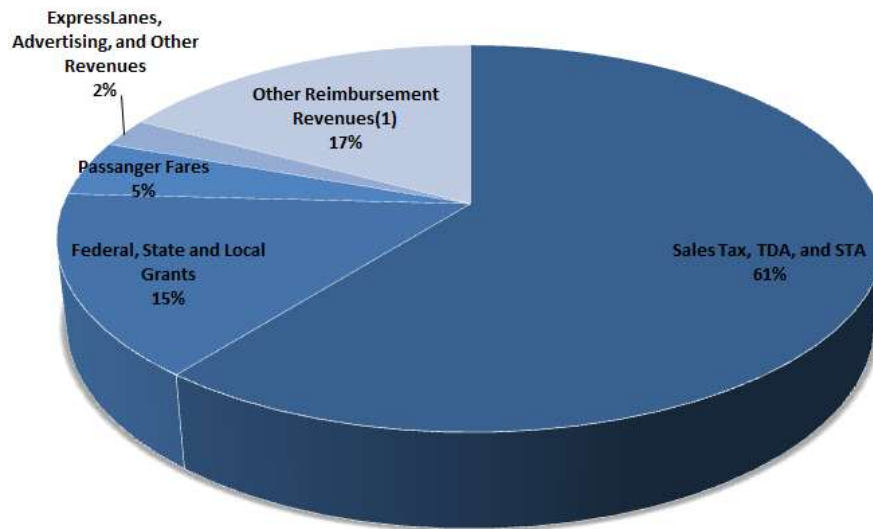
As part of the performance management process, Metro will monitor progress throughout the year relative to the Agency goals using measurements such as budget variance, Key Performance Indicators (KPIs) target achievement, Project Milestone achievement and cost savings and new revenue generation through the risk allocation matrix (RAM). This reinforces Metro's commitment to strategic monitoring of performance and the improvement of accountability.

Resources Summary

| Resources (\$ in Millions)                      | FY18              | FY19              | FY18 - FY19<br>\$ Change | FY18 - FY19<br>% Change |
|---|-------------------|-------------------|--------------------------|-------------------------|
|   | Budget            | Prelim Budget     |                          |                         |
| 1 Sales Tax, TDA, and STA                       | \$ 3,691.2        | \$ 3,980.2        | \$ 289.0                 | 7.8%                    |
| 2 Federal, State and Local Grants               | 985.9             | 997.3             | 11.4                     | 1.2%                    |
| 3 Passanger Fares                               | 302.6             | 302.6             | -                        | 0.0%                    |
| 4 ExpressLanes, Advertising, and Other Revenues | 137.7             | 158.1             | 20.4                     | 14.8%                   |
| 5 Other Reimbursement Revenues <sup>(1)</sup>   | 1,164.3           | 1,124.4           | (39.9)                   | -3.4%                   |
| <b>Total Budget</b>                             | <b>\$ 6,281.7</b> | <b>\$ 6,562.6</b> | <b>\$ 280.9</b>          | <b>4.5%</b>             |

<sup>(1)</sup> Includes bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown and prior year commitment

**Resources %  
of FY19 Budget**



The FY19 Proposed Budget ensures resources available to meet the planned Metro program and project delivery for the coming fiscal year. Revenue projections are built on historical sales tax growth cycles, accepted forecasting sources and Metro’s 30 year actual sales tax receipts. The total FY19 budget planned resources is \$280.9 million or 4.5% greater than FY18.

- Sales Tax, TDA, and STA increases \$289 million or 7.8% in total, due to the following 2 reasons:
  - There is a \$98 million or 3.4% projected increase for Prop A, C and Measure R sales tax as well as TDA revenues. Measure M increase is 5.5% more at 8.9%, or \$68.8 million, reflecting allowances for FY18 Measure M inaugural year of lower than

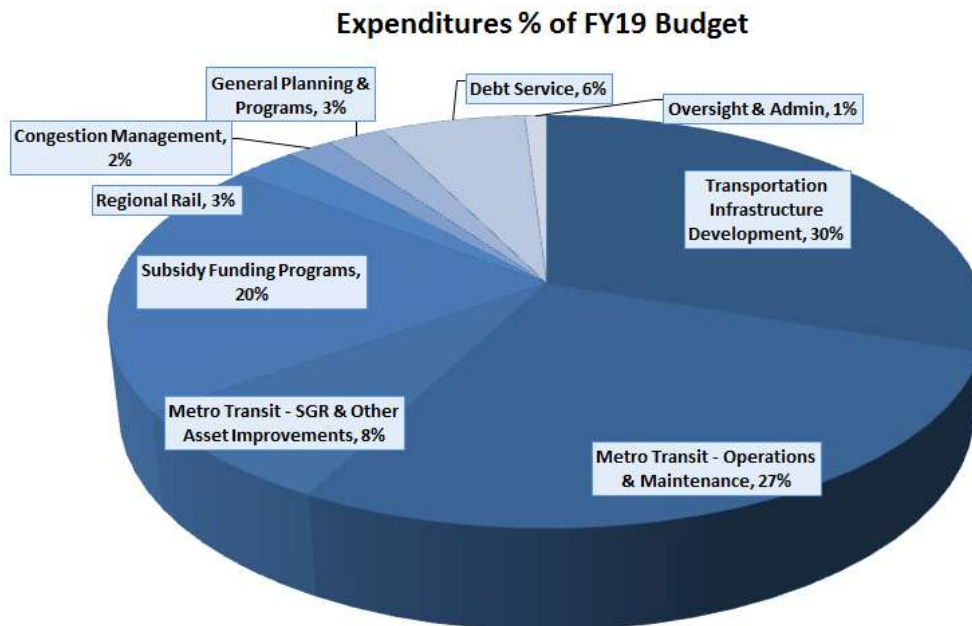
anticipated sales tax receipts.

- STA and State Senate Bill 1 (SB1) increase by \$122 million or 204% based on State Controllers' Office (SCO) estimates and new SB1 supplemental funding for transit and state of good repair.
- Federal, State and Local Grants are at a modest \$11 million increase or 1.2%, reflecting related capital expense activity.
- Passenger Fare revenues to remain flat due to level ridership & fare per boarding estimates.
- ExpressLanes, Advertising, and Other Revenues are increasing \$20.4 million or 14.8% in total, primarily due to the addition of Green Funds and increasing CNG credits for FY19.
- Other Reimbursement Revenues is \$39.9 million or 3.4% lower in total based on timing of project schedules. This includes bond proceeds, sales tax carryover, and Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdowns which are backed by future expected sales tax.

Expenditure Summary

In FY19, Metro is poised to lead the ongoing transformation of Los Angeles County, with a bold plan to push the region to new heights. This year, we will continue our rapid progress toward achieving the vision of Measure M, with over a dozen transit expansion projects in various stages of planning, groundbreaking, and construction. We are also focused on the rejuvenation of our existing lines and facilities, as we move to pilot an electric bus fleet and continue major rehabilitation efforts on the Blue Line, our oldest rail line.

| Expenditures by Program Type (\$ in Millions) |  | FY18              | FY19              | FY18 - FY19     | FY18 - FY19 |
|---|--|-------------------|-------------------|-----------------|-------------|
|   |  | Budget            | Prelim Budget     | \$ Change       | % Change    |
| 1   | Transportation Infrastructure Development                              | \$ 1,987.2        | \$ 1,987.7        | \$ 0.5          | 0.0%        |
| 2   | Metro Transit – Operations, Maintenance, & Regional Operating Services | 1,755.4           | 1,795.5           | 40.1            | 2.3%        |
| 3   | Metro Transit - SGR & Other Asset Improvements                         | 431.9             | 493.0             | 61.1            | 14.1%       |
| 4   | Subsidy Funding Programs   | 1,243.3           | 1,333.0           | 89.7            | 7.2%        |
| 5   | Regional Rail  | 178.4             | 179.0             | 0.6             | 0.3%        |
| 6   | Congestion Management  | 113.0             | 127.3             | 14.3            | 12.6%       |
| 7   | General Planning & Programs  | 133.5             | 167.4             | 33.9            | 25.4%       |
| 8   | Debt Service   | 383.9             | 416.6             | 32.7            | 8.5%        |
| 9   | Oversight & Admin  | 55.2              | 63.3              | 8.2             | 14.8%       |
| <b>Total Budget</b>                           |  | <b>\$ 6,281.7</b> | <b>\$ 6,562.6</b> | <b>\$ 280.9</b> | <b>4.5%</b> |



The total budget increase from FY18 to FY19 is \$281 million or 4.5%. The major differences are addressed in program categories below which include the assumption for CPI increase of 2.25%.

- Transportation Infrastructure Development remains steady and supports Measure R and M projects such as Westside Purple Line Extension, including the Division 20 expansion, Regional Connector and Crenshaw LAX projects.
- Metro Transit - Bus and Rail Operations & Maintenance has a 5.1% increase from FY18 due to the new labor contracts and additional Revenue Service Hours (RSH) needed to support bus bridges for the “New Blue” rehabilitation project and special events.
  - Bus Revenue Service Hours (RSH) increases by 104,000 hours or 1.5%, due to Bus bridges for Blue Line closures related to the “New Blue” rehabilitation project and minor service adjustments to relieve overcrowding.
  - Rail RSH increases by 2,000 hours or 0.2%, due to minor service adjustments for 3-car consists on the Gold Line and headway increases on the Green line during the AM peak; increases mostly offset by reductions due to Blue Line closures for the New Blue project.
- Metro Transit - State of Good Repair (SGR) & Other Asset Improvements is at a 4% increase from FY18 due to piloting the conversion of the bus fleet to Electric/Zero Emission Buses (ZEB), rehabilitation of the Blue Line, system upgrades, and improving customer experience.
- Subsidy Funding Programs increases by \$89.6 million, or 7.2%, primarily due to increased funding from growth in sales tax revenues and new SB1 funding.
- Regional Rail remains constant with continuing operating and capital support of the Metrolink commuter rail system and the Metro managed Regional Rail.
- Congestion Management is increasing by \$14 million, or 13%, primarily due to a service provider and contract renewal rate change.
- General Planning & Programs increases by \$31 million, or 25%, due to the expansion of bikeshare, LA River Bikepath, Rail to Rail/River, Union Station improvements and Public Private Partnerships (P3).
- Debt Service increases by \$33 million, or 9% due to repayment of FY18 proceeds issued as previously approved by the Board.
- Oversight & Admin is a \$6 million increase, or 15%, due to continued ramp up of support for carrying out Measure M initiatives as well as cost inflation factors.
- The labor cost increase reflects rising cost inflation, living wage standard increases and labor market contraction. Wage increases and health/welfare benefits for represented employees are based on Collective Bargaining Agreements; salary increases for non-represented employees are expected to be in line with represented employees at a 4% increase over FY18 and is merit based. Non-represented medical/dental benefits reflect costs previously approved by the Board.

FTE Summary

The FY19 proposed budget includes requests for 79 non-represented FTE additions and up to 170 represented FTE additions.

- Total Non-Represented FTE increase of 79 primarily due to Crenshaw project and other capital projects support, Metro operations, and continuing Measure M initiatives and oversight.
- Total Represented FTE increase of up to 170 primarily due to Crenshaw Pre-Revenue Service and increase in bus service for “New Blue” rehabilitation bus bridges.

A summary of the requested FTEs is shown in the table below.

|    |  |              |
|----|--|--------------|
| 1  | <b>Non-Represented FTEs</b>                      |              |
| 2  | <b>FY18 Budget</b>                               | <b>1,601</b> |
| 3  | Congestion Management                            | 3            |
| 4  | Crenshaw Pre-Revenue Service                     | 11           |
| 5  | Debt Service                                     | 1            |
| 6  | General Planning & Program                       | 1            |
| 7  | Measure M Initiatives Support, Oversight & Admin | 26           |
| 8  | Metro Operations and Support                     | 17           |
| 9  | MR/MM Planning Studies                           | 16           |
| 10 | Westside Subway Ext Sect 1, 2, 3                 | 4            |
| 11 | <i>FY18 vs FY19 Change</i>                       | <i>79</i>    |
| 12 | <b>FY19 Proposed</b>                             | <b>1,680</b> |

|    |   |              |
|----|---|--------------|
| 13 | <b>Represented FTEs</b>                   |              |
| 14 | <b>FY18 Budget</b>                        | <b>8,367</b> |
| 15 | Crenshaw Pre-Revenue Service              | 83           |
| 16 | Operating Bus Service                     | 81           |
| 17 | Property Maintenance                      | 2            |
| 18 | Metro Programs Support, Oversight & Admin | 4            |
| 19 | <i>FY18 vs FY19 Change <sup>(1)</sup></i> | <i>170</i>   |
| 20 | <b>FY19 Proposed</b>                      | <b>8,537</b> |

*(1) The FY19 Proposed Represented FTE's will not exceed 170 and is subject to change based on further service level adjustments.*

### Life of Project (LOP) Budgets

Projects greater than \$1 million with LOP budget increases and new projects in excess of \$5 million must be approved by the Board in separate Board actions.

Attachment A includes a detailed listing of new capital projects for FY19 with LOP in excess of \$5 million. These projects are included in the proposed FY19 budget but do require LOP approval by the Board, as requested by Recommendation B of this report.

### Reimbursement Resolution

Per Federal tax law, bond proceeds can only be used for expenses incurred after the issuance of bonds. Metro must pass a resolution indicating the intent to issue bonds at a later date for the expenditures described in the reimbursement resolution to be reimbursed for expenses incurred before the bond issue. See Attachment B for anticipated expenditures in the budget related to proceeds from future bond issuance.

### Public Outreach

Soliciting meaningful input from the public and stakeholders is critical to budget development. The comprehensive outreach program for FY19 included many opportunities to provide feedback online or by telephone in addition to in-person meetings. These meetings included Metro Service Councils, Citizens Advisory Council (CAC), Technical Advisory Committee, Bus Operations Subcommittee, Local Transit Systems Subcommittee, Streets & Freeways Subcommittee, Policy Advisory Committee (PAC), Valley Industry & Commerce Association (VICA) Transportation Committee, and BizFed. This allowed for the greatest level of engagement and direct dialogue with stakeholders.

To encourage participation, the times and locations of public workshops were advertised through multiple channels, including the Metro website, "take ones" on board vehicles, newspaper advertising, messages on hold, e-blasts, and social media ads. Outreach efforts for FY19 also included two Telephone Town Hall sessions and an interactive Online Budget Tool, making it convenient for LA County residents to participate in the budget process without physical presence at a meeting. A summary of public outreach efforts and comments received is shown in Attachment C.

### **FINANCIAL IMPACT**

The proposed FY19 budget (provided in a separate transmittal) at \$6.6 billion, plus the following amendments: \$2 million for Expo Phase 1, \$20.6 million for Expo Phase 2, \$25 million for farebox upgrades, and \$500,000 for Crenshaw Northern Extension, is balanced, and includes expenditures and appropriates the resources necessary to fund them. The proposed budget demonstrates Metro's ongoing commitment to meeting its capital and operating obligations, which is a requirement

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necessary in order to continue to receive subsidies from the state and federal governments and to administer regional transportation funding to local cities and municipal operators.

**NEXT STEPS**

Upon Board authorization and adoption of the FY19 budget, staff will start make funds available for the planned transit and transportation programs outlined in this document and be programmed to fund regional transit/transportation partnering agencies, cities and recipients.

Monitoring the FY19 budget performance will be a year-round ongoing effort. Staff will conduct quarterly performance management reviews and track metrics to reinforce accountability and budgetary control. There will be a mid-year budget assessment to evaluate the budget's alignment to agency priorities and actual performance. In addition, continuous improvements will be implemented to the process and regular updates will be reported to the Board.

**ATTACHMENTS**

Attachment A - FY19 New Capital Projects

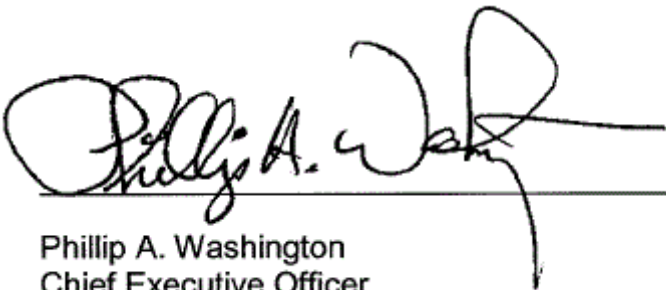
Attachment B - Reimbursement Resolution of Metro for FY19

Attachment C - FY19 Public Outreach

Prepared by: Office of Management & Budget Staff

Irene Fine, Deputy Executive Officer, Finance, (213) 922-4420

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



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Phillip A. Washington  
Chief Executive Officer





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

**Agenda Number:** 10.

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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**

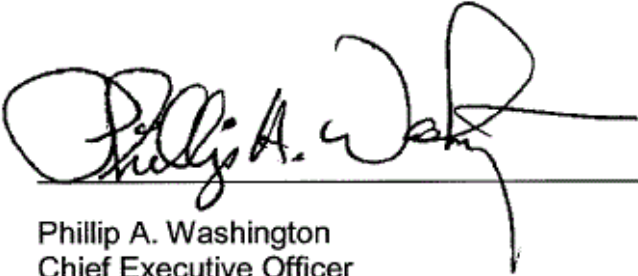
Attachment A - Crowe Horwath's Management Letter dated March 29, 2018

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

Prepared by: Lauren Choi, Sr. Manager, Audit  
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Reviewed by: Diana Estrada, Chief Auditor  
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Phillip A. Washington  
Chief Executive Officer



Crowe Horwath LLP  
Independent Member Crowe Horwath International

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

In planning and performing our audit of the financial statements of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered LACMTA's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The purpose of this letter 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 LACMTA's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Los Angeles, California  
March 29, 2018



March 29, 2018

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our contract with Los Angeles County Metropolitan Transportation Authority (LACMTA) for further information on the responsibilities of management and of Crowe Horwath LLP.

#### **AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS**

As part of obtaining reasonable assurance about whether LACMTA's financial statements are free of material misstatement, we performed tests of LACMTA's 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 or disclosures. 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.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.

- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications with regulators.
  - Other matters you believe are relevant to the audit of the financial statements.
- Matters relative to the use of other auditors/other accountants during the audit:
  - An overview of the type of work to be performed by other auditors/other accountants.
  - The basis for the decision to make reference to the audit of the other auditor in our report on the entity's financial statements.
  - An overview of the nature of our planned involvement in the work to be performed by the other auditor/other accountant.

## **SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

| <b>Accounting Standard</b>  | <b>Impact of Adoption</b>   |
|---|---|
| <p><b>GASB Statement No. 82, Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73.</b> This Statement addresses certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.</p>   | <p>Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.</p> |
| <p><b>GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14.</b> This Statement clarifies that certain component units incorporated as not-for-profit corporations should be blended in the financial statements of the primary state or local government in a manner similar to a department or activity of the primary government. The Statement addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member.</p> | <p>Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations.</p> |

| Accounting Standard   | Impact of Adoption   |
|---|--|
| <b>GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans other than Pension Plans.</b> The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in general purpose external financial reports of state and local governmental other postemployment benefit plans for making decisions assessing accountability. | Adoption of this Statement did not have a material impact on LACMTA's financial position or results of operations. Additional required disclosures related to LACMTA's OPEB plan were added. |
| <b>Significant Unusual Transactions.</b>  | No such matters noted.   |
| <b>Significant Accounting Policies in Controversial or Emerging Areas.</b>  | No such matters noted.   |

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in LACMTA's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

| Significant Accounting Estimate      | Process Used by Management   | Basis for Our Conclusions   |
|--------------------------------------|--|---|
| Fair Values of Financial Instruments | The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.  | We tested the propriety of information underlying management's estimates.   |
| Useful Lives of Fixed Assets         | Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to LACMTA.  | We tested the propriety of information underlying management's estimates.   |
| Loss Contingencies                   | LACMTA consults with legal counsel to evaluate outstanding litigation, claims and assessments. Factors that affect management's evaluation of litigation contingencies requiring disclosure include the nature of the contingencies and whether the outcome could have an effect on the consolidated financial statements. | Based on information obtained from LACMTA's legal counsel regarding this matter and discussions with management, we concur with management's determination that the loss contingencies do not meet conditions for accrual of being both probable and estimable, and, thus, no accrual is recorded and no specific disclosures are required. |

| Significant Accounting Estimate        | Process Used by Management   | Basis for Our Conclusions  |
|--|--|--|
| Pension and Postretirement Obligations | Amounts reported for pension and postretirement obligations require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension assets. | We reviewed the reasonableness of these estimates and assumptions. |

## AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to LACMTA's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.



Refer to the discussion of uncorrected misstatements below as well as the attached summary of waived adjustments.

1. Two known misstatements and one likely misstatement were waived by management relating to the generation and sale of low carbon fuel standards (LCFS) credits, a program administered by the California Air Resources Board. LACMTA generates these credits through the usage of low carbon fuel options, such as CNG and propulsion power, activities that are recorded on the Enterprise fund (business-type activities). Thus, the revenue from the sales of these credits should be recorded on the Enterprise fund. However, management has recorded the revenue on the General fund to provide greater visibility to the revenue being generated.

The first known waived adjustment is to reverse the revenue recorded from the sale of credits in FY 2017 in the General fund and present it as an operating transfer from the Enterprise fund in the amount of \$8.0 million. The second waived adjustment records the \$8.0 million of revenue on the Enterprise fund and the transfer of the funds to the General fund in operating transfers out.

In addition to reclassifying the revenue between LACMTA's funds, we also noted that the number of credits held as of the reporting date multiplied by their estimated fair value, should be recorded as an asset based on the GASB's definition of an asset. This resulted in a likely misstatement that understated Enterprise fund assets by approximately \$26.6 million, overstated revenue by approximately \$6.1 million, and understated net position by approximately \$32.7 million. The misstatement of net position represents the estimated value of LCFS credits that were held as of June 30, 2016, which was reported as waived adjustment in the FY 2016 audit.

2. A known misstatement relating to interest relating to construction projects was waived by management. In accordance with GASB Statement No. 62, the effective interest rate applied to qualifying assets should be based on interest cost on the related obligations which includes amounts resulting from periodic amortization of discounts, premiums, and issue costs. Management did not include the cost of amortization in their calculation. Additionally, certain of LACMTA's rail projects have related TIFIA loans that were issued specifically for their construction. The proceeds drawn on these loans were not removed from the balance of qualifying assets as prescribed by GASB 62. The combination of these two errors resulted in an overstatement of assets and understatement of interest expense on the Enterprise fund of \$40.6 million.
3. A known misstatement to properly defer revenue relating to receivables not collected within 90 days was waived by management. As a result, Proposition C deferred revenues are understated and revenues are overstated by \$8.9 million.
4. Two known misstatements were waived by management relating to revenue recorded in FY 2017 that related to previous fiscal years. These errors were identified by management, but not timely enough to record the revenue in the appropriate fiscal year. Revenue on the General fund was overstated and fund balance was understated by \$1.7 million. Revenue on the aggregate remaining fund was overstated and fund balance was understated by \$5.3 million. These misstatements did not materially impact the results of the prior year audit.
5. A known misstatement to accrue accounts payable relating to FY 2017 was waived by management. Management's internal process for accruing AP invoices as of the reporting date includes an analysis of invoices received through the end of September based on certain dollar thresholds. Our audit procedures cover invoices that are outside of the parameters used by management. As a result, we identified two invoices that were not accrued for as of the reporting date, which resulted in an understatement of liabilities and expenses on the Proposition C fund of \$7.3 million.
6. A known misstatement was waived by management to reverse amounts that were improperly transferred out of the SAFE fund. While the transfer of funds was approved, management later identified that the transfer was made in error. However, based on the timing of the release of the SAFE report, the error was not corrected in the FY 2017 financial statements. Operating transfers in and Interfund receivable on the SAFE fund (included in the aggregate remaining fund) were understated by \$500,000.

## OTHER COMMUNICATIONS

| Communication Item   | Results   |
|--|---|
| <p><b>Other Information In Documents Containing Audited Financial Statements</b><br/>Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p> | <p>We read the following items and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof.</p> <ul style="list-style-type: none"> <li>• Management's Discussion and Analysis of Financial Condition and Results of Operations</li> </ul> |
| <p><b>Significant Difficulties Encountered During the Audit</b><br/>We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>   | <p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>   |
| <p><b>Disagreements With Management</b><br/>We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to LACMTA's financial statements or the auditor's report.</p>   | <p>During our audit, there were no such disagreements with management.</p>  |
| <p><b>Consultations With Other Accountants</b><br/>If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p>  | <p>We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.</p> |
| <p><b>Representations the Auditor is Requesting From Management</b><br/>We are to provide you with a copy of management's requested written representations to us.</p>   | <p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>   |
| <p><b>Significant Issues Discussed, or Subject to Correspondence, With Management</b><br/>We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>   | <p>There were no such significant issues discussed, or subject to correspondence, with management.</p>  |
| <p><b>Significant Related Party Findings and Issues</b><br/>We are to communicate to you significant findings and issues arising during the audit in connection with LACMTA's related parties.</p>   | <p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>  |
| <p><b>Other Findings or Issues We Find Relevant or Significant</b><br/>We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>  | <p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>  |

We are pleased to serve LACMTA as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*

Crowe Horwath LLP

Los Angeles, California  
March 29, 2018

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY**  
**WAIVED ENTRY SCHEDULE**  
**June 30, 2017**

| Opinion Unit               | Account Name              | Debit      | Credit     | Increase (Decrease)              |                                      |                                |             |                            |                               |
|----------------------------|---------------------------|------------|------------|----------------------------------|--------------------------------------|--------------------------------|-------------|----------------------------|-------------------------------|
|                            |                           |            |            | Assets /<br>Deferred<br>Outflows | Liabilities /<br>Deferred<br>Inflows | Net Position /<br>Fund Balance | Revenues    | Expenses /<br>Expenditures | Other<br>Financing<br>Sources |
| 1 Business-type activities | LCFS asset                | 26,641,000 |            | 26,641,000                       |                                      |                                |             |                            |                               |
|                            | Other revenue             | 6,065,000  |            |                                  |                                      |                                | (6,065,000) |                            |                               |
|                            | Net position              |            | 32,706,000 |                                  |                                      | 32,706,000                     |             |                            |                               |
|                            | Operating transfers out   | 8,031,000  |            |                                  |                                      |                                |             |                            | (8,031,000)                   |
|                            | Other revenue             |            | 8,031,000  |                                  |                                      |                                | 8,031,000   |                            |                               |
| General fund               | Miscellaneous revenue     | 8,031,000  |            |                                  |                                      |                                | (8,031,000) |                            |                               |
|                            | Operating transfers in    |            | 8,031,000  |                                  |                                      |                                |             |                            | 8,031,000                     |
| 2 Business-type activities | Interest expense          | 40,660,000 |            |                                  |                                      |                                |             | 40,660,000                 |                               |
|                            | Construction in progress  |            | 40,660,000 | (40,660,000)                     |                                      |                                |             |                            |                               |
| 3 Proposition C            | Intergovernmental revenue | 8,858,000  |            |                                  |                                      |                                | (8,858,000) |                            |                               |
|                            | Deferred revenue          |            | 8,858,000  |                                  | 8,858,000                            |                                |             |                            |                               |
| 4 Aggregate remaining      | Intergovernmental revenue | 5,279,000  |            |                                  |                                      |                                | (5,279,000) |                            |                               |
|                            | Fund balance              |            | 5,279,000  |                                  |                                      | 5,279,000                      |             |                            |                               |
| General fund               | Intergovernmental revenue | 1,684,000  |            |                                  |                                      |                                | (1,684,000) |                            |                               |
|                            | Fund balance              |            | 1,684,000  |                                  |                                      | 1,684,000                      |             |                            |                               |
| 5 Proposition C            | Expenditures              | 7,270,000  |            |                                  |                                      |                                |             | 7,270,000                  |                               |
|                            | Accounts payable          |            | 7,270,000  |                                  | 7,270,000                            |                                |             |                            |                               |
| 6 SAFE                     | Interfund receivable      | 500,000    |            | 500,000                          |                                      |                                |             |                            |                               |
|                            | Operating transfers in    |            | 500,000    |                                  |                                      |                                |             |                            | 500,000                       |



**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**SINGLE AUDIT REPORT**

Fiscal year ended June 30, 2017

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
Los Angeles, California

SINGLE AUDIT REPORT  
Fiscal year ended June 30, 2017

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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 fiscal year ended June 30, 2017, 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 19, 2017. 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. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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*.

## **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  
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 fiscal year ended June 30, 2017. 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 fiscal year ended June 30, 2017.

## 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.

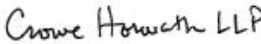
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise LACMTA's basic financial statements. We issued our report thereon dated December 19, 2017, 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.

  
Crowe Horwath LLP

Sherman Oaks, California  
March 29, 2018

**LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017**

| Federal Grants   | CFDA Number  | Award Identification Number   | Total Award   | Total expended under federal/state/local for the fiscal year ended June 30, 2017  |   |   |  |
|--|--|---|---|---|---|---|--|
|  |  |   |   | Total   | Federal Share   | Federal share passed through to subrecipients   | State Share  |
| U.S. Department of Transportation<br>Passed through the State of California Department of Transportation:<br>Highway Planning and Construction Cluster<br>Highway Planning and Construction<br>I-405 CAR Pool Lane<br>Extension of Transit way on I-110 to Downtown LA<br>Safe Routes to School<br>Active Transportation Education Program   | 20.205<br>20.205<br>20.205<br>20.205   | 07-4826<br>FHWA 07-278008<br>SRTSNI-6065(178)<br>OMLNI6065 (190)  | \$1,143,347,625<br>6,272,631<br>500,000<br>4,000,000  | \$ 3,05,777,459<br>1,079,041<br>194,888<br>1,909,753  | \$ 3,428,679<br>863,233<br>70,084<br>1,753,125  | \$ -<br>-<br>-<br>-   | \$ 302,348,781<br>215,808<br>124,784<br>156,627  |
| Direct Programs:<br>Pedestrian and Pedestrian Mobility<br>Highway Planning and Construction Cluster Total  | 20.205   | CA-15-X005  | 800,000<br>1,154,920,256  | 150,757<br>308,111,878  | 150,757<br>6,265,878  | 150,757<br>150,757  | -<br>302,846,000   |
| Direct Programs:<br>Transportation Infrastructure Finance and Innovation Act (TIFA) Program - Crenshaw<br>Transportation Infrastructure Finance and Innovation Act (TIFA) Program - Regional Connector<br>Transportation Infrastructure Finance and Innovation Act (TIFA) Program - Westline Purple<br>Line Extension<br>TIFA Program Total  | 20.223<br>20.223<br>20.223   | 2011-1005A<br>2013-1008A<br>2013-1009A  | 545,900,000<br>160,000,000<br>866,000,000<br>1,561,900,000  | 65,835,390<br>36,655,109<br>82,222,279<br>184,712,778   | 65,835,390<br>36,655,109<br>82,222,279<br>184,712,778   | -<br>-<br>-   | -<br>-<br>-  |
| Direct Programs:<br>Federal Transit Cluster<br>Federal Transit Capital Improvement Grants<br>Metro Rapid System Gap Closure<br>Metro Gold Line Eastside Extension<br>Ped./pass enhan & 22' alt. Fuel bus<br>Trans. Cr / Bus Park & Shelters<br>Wilshire Blvd. Bus Only Lane<br>Regional Connector Transit Corridor Construction<br>Passenger and Pedestrian Enhancements<br>Png Engineering of Transit Centers<br>Westside Purple Line Ext. - Section 1<br>Paisaurus Plaza Busway Station<br>Westside Purple Line Extension 2 -FFGA<br>Los Angeles Union Station/Cesar Chavez Bus Stop<br>Federal Transit Capital Improvement Grants Total   | 20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500<br>20.500   | CA-03-0796<br>CA-03-0508<br>CA-03-0783<br>CA-04-0088<br>CA-03-0815<br>CA-2016-048<br>CA-04-0067<br>CA-04-0094<br>CA-2016-017<br>CA-04-0233<br>CA-2016-047<br>CA-2016-123-00   | 16,700,000<br>431,900,000<br>1,214,721<br>5,570,560<br>23,317,000<br>100,000,000<br>2,502,232<br>7,131,578<br>200,000,000<br>9,679,000<br>100,000,000<br>1,668,557<br>899,683,648   | 1,257,983<br>1,582,577<br>20,070<br>3,365<br>2,095,088<br>166,958,128<br>401,384<br>121,937<br>140,824,223<br>6,539,149<br>144,148,915<br>86,002<br>466,038,641   | 817,689<br>(4,840,073)<br>16,056<br>2,708<br>1,566,392<br>82,442,363<br>321,107<br>97,550<br>22,237,032<br>2,661,423<br>100,000,000<br>68,802<br>205,391,049  | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-                          | 440,294<br>6,422,650<br>4,014<br>677<br>528,666<br>74,091,033<br>80,277<br>24,387<br>118,587,191<br>3,877,726<br>44,148,915<br>17,200<br>248,223,060                             |
| Federal Transit Formula Grants<br>Subgrantee Vehicles/Transit facilities<br>Transit Enhancement Improvements<br>Metro Rapid Bus Stations/Signal Priority<br>Metro Rapid Bus Program<br>45-Ft Composite Buses and Transit Enhancements - Capital<br>Light Rail Vehicle Acquisition<br>Light Rail Vehicle Acquisition<br>Westside Purple Line Ext. - Section 2 CMAQ<br>Pass / Ped. Enhancements and Improvements<br>Subrecipient Bus Procurement<br>Regional Connector Transit Corridor Construction<br>Purchase Buses, Amenities<br>Airport Metro Connector and Crenshaw / LAX Accommodation<br>Metro Gold Line Foothill Extension Operating Assistance<br>Replacement 40-ft Buses<br>Metro EXPO Line Phase I Operating Assistance<br>Azusa Intermodal Center Parking Structure<br>Preventive Maintenance - FY 17 | 20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507<br>20.507 | CA-90-Y114<br>CA-90-Z054<br>CA-90-Y261<br>CA-90-Y457<br>CA-90-Y717<br>CA-95-X127<br>CA-95-X246-01<br>CA-2016-045<br>CA-95-X227<br>CA-95-X329<br>CA-95-X251<br>CA-95-X255<br>CA-2016-062-00<br>CA-2016-029-01<br>CA-2016-029-02<br>CA-2016-029-03<br>CA-2016-076-01.00<br>CA-2017-049-01 | 5,985,469<br>30,190<br>28,919,529<br>11,081,700<br>8,032,805<br>41,786,160<br>120,872,000<br>43,000,000<br>2,996,000<br>6,952,873<br>64,000,000<br>3,953,000<br>33,200,000<br>20,000,000<br>2,013,141<br>20,000,000<br>3,520,190<br>121,053,386 | 628,475<br>37,737<br>147,959<br>226,063<br>488,601<br>5,284,178<br>69,236,440<br>24,784,397<br>982,532<br>5,012,299<br>4,866,871<br>320,000<br>18,095,300<br>13,283,271<br>2,273,965<br>6,587,048<br>4,400,238<br>151,316,733 | 502,780<br>30,190<br>147,959<br>226,063<br>380,293<br>5,190,596<br>61,295,021<br>22,702,520<br>786,025<br>4,009,839<br>4,308,641<br>160,000<br>18,095,300<br>10,626,616<br>2,013,141<br>5,269,638<br>3,520,190<br>121,053,386 | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>- | 125,695<br>7,547<br>-<br>-<br>108,308<br>93,582<br>7,849,982<br>2,081,877<br>196,506<br>1,002,460<br>557,898<br>160,000<br>-<br>686,644<br>260,824<br>-<br>880,048<br>30,263,347 |

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  
Fiscal year ended June 30, 2017**

| Federal grantor/cluster title/pass-through grantor/project title  | CFDA Number | Award Identification Number | Total Award     | Total           | Federal Share  | passed through to subrecipients | State Share   | Local Share    |
|---|-------------|-----------------------------|-----------------|-----------------|----------------|---------------------------------|---------------|----------------|
| <b>Acquisition of Buses</b>   |             |                             |                 |                 |                |                                 |               |                |
| LA Metro FY17 Rail Preventive Maintenance - Air Quality Improvement (CMAQ) program                                | 20.507      | CA-2017-043-02              | 33,714,517      | 40,639,501      | 33,714,517     | -                               | -             | 6,924,984      |
| LA Metro FY17 Rail Preventive Maintenance - Growing States Funds  | 20.507      | CA-2017-042                 | 2,206,000       | 1,797,627       | 1,150,481      | 1,150,481                       | -             | 647,146        |
| Federal Transit Formula Grants Total  |             | CA-2017-064-01              | 12,964,743      | 16,205,929      | 12,964,743     | -                               | -             | 3,241,186      |
|   |             |                             | 586,281,703     | 366,615,164     | 308,147,939    | 10,129,315                      | 3,379,189     | 55,088,034     |
| <b>State of Good Repair Grants Program</b>  |             |                             |                 |                 |                |                                 |               |                |
| LA Metro FY17 Rail Preventive Maintenance - High Intensity Motorbus Funds   | 20.525      | CA-2017-064-02              | 7,500,797       | 9,375,996       | 7,500,797      | -                               | -             | 1,875,199      |
| LA Metro FY17 Rail Preventive Maintenance - Fixed Guideway Funds  | 20.525      | CA-2017-064-03              | 99,534,460      | 119,776,955     | 95,821,564     | -                               | -             | 23,955,391     |
| State of Good Repair Grants Program Total   |             |                             | 107,035,257     | 129,152,951     | 103,322,361    | -                               | -             | 25,830,590     |
| <b>Federal Transit Cluster Total</b>  |             |                             | 1,593,000,608   | 961,806,956     | 616,861,349    | 10,566,736                      | 15,803,921    | 329,141,684    |
| <b>Transit Services Cluster</b>   |             |                             |                 |                 |                |                                 |               |                |
| Enhanced Mobility of Seniors and Individuals with Disabilities Program  |             |                             |                 |                 |                |                                 |               |                |
| Enhance Mobility of Seniors and Disabilities  | 20.513      | CA-16-0063                  | 693,120         | 366,159         | 366,159        | 366,159                         | -             | -              |
| 30-ft Bus Procurement   | 20.513      | CA-16-X067-01               | 7,072,604       | 6,838,652       | 6,760,207      | 6,760,207                       | -             | 78,445         |
| Enhanced Mobility of Seniors and Individuals with Disabilities Program  | 20.513      | CA-16-X066                  | 6,092,451       | 2,556,290       | 2,247,429      | 2,247,429                       | -             | 308,861        |
| Enhanced Mobility of Seniors and Individuals with Disabilities Program Total                                      |             |                             | 13,858,175      | 9,761,101       | 9,373,795      | 9,373,795                       | -             | 387,306        |
| <b>Job Access and Reverse Commute Program</b>   |             |                             |                 |                 |                |                                 |               |                |
| LA County Job Access and Reverse Commute Program, Administration, FY 06-12  | 20.516      | CA-37-X071                  | 5,032,849       | 133,349         | 133,349        | -                               | -             | -              |
| Job Access and Reverse Commute Program, Project - LA County Job Access and Program Project                        | 20.516      | CA-37-X100                  | 10,343,881      | 682,727         | 519,689        | 519,689                         | -             | 163,038        |
| Job Access and Reverse Commute - Capital/Operating Assist.  | 20.516      | CA-37-X123                  | 13,878,024      | 1,324,443       | 1,310,842      | 1,310,842                       | -             | 13,601         |
| LA County Job Access and Program Project - Capital/Operating Assist. Job Access and Reverse Commute Program Total | 20.516      | CA-37-X171                  | 7,711,637       | 2,182,481       | 2,182,481      | 2,182,481                       | -             | -              |
|   |             |                             | 36,966,391      | 4,323,000       | 4,146,361      | 4,013,012                       | -             | 176,639        |
| <b>New Freedom Program</b>  |             |                             |                 |                 |                |                                 |               |                |
| New Freedom - Program Adm, FY06-12  | 20.521      | CA-57-X003                  | 2,152,346       | 137,995         | 137,995        | -                               | -             | -              |
| New Freedom - Capital & Operating, Assistance   | 20.521      | CA-57-X048                  | 1,755,553       | 985,414         | 477,707        | 477,707                         | -             | 477,707        |
| New Freedom - Capital & Operating, Assistance   | 20.521      | CA-57-X084-01               | 8,702,026       | 879,003         | 828,785        | 829,785                         | -             | 49,218         |
| New Freedom - Capital & Operating, Assistance   | 20.521      | CA-57-X100                  | 7,354,678       | 802,218         | 401,109        | 401,109                         | -             | 401,109        |
| New Freedom Program Total   |             |                             | 19,964,603      | 2,774,630       | 1,846,596      | 1,708,601                       | -             | 928,034        |
| <b>Transit Services Cluster Total</b>   |             |                             | 70,789,169      | 16,858,731      | 15,366,752     | 15,095,408                      | -             | 1,491,979      |
| <b>Public Transportation Research</b>   |             |                             |                 |                 |                |                                 |               |                |
| National Infrastructure Investments   | 20.514      | CA-26-7015                  | 1,722,400       | 1,342,038       | 1,303,972      | -                               | -             | 38,066         |
| Passed through the California High-Speed Rail Authority   | 20.933      | CA-79-0005                  | 11,800,000      | 917,850         | 644,446        | -                               | -             | 273,404        |
| High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants - ARRA                 | 20.319      | HSR 15-170 SCRP             | 15,000,000      | 17,891,851      | 13,657,068     | -                               | -             | 4,234,784      |
| Passed through the State of California Office of Traffic Safety   |             |                             |                 |                 |                |                                 |               |                |
| Highway Safety Cluster  | 20.600      | PS1624                      | 550,000         | 96,474          | 96,474         | -                               | -             | -              |
| State and Community Highway Safety  |             |                             |                 |                 |                |                                 |               |                |
|   |             |                             | 4,409,682,433   | 1,492,738,556   | 838,908,717    | 25,812,901                      | 15,803,921    | 638,025,917    |
| <b>U.S. Department of Homeland Security:</b>  |             |                             |                 |                 |                |                                 |               |                |
| <b>Direct Programs:</b>   |             |                             |                 |                 |                |                                 |               |                |
| Rail and Transit Security Program   | 97.075      | EMW-2014-RA-00003           | 6,285,096       | 4,689,897       | 4,682,170      | -                               | -             | 7,728          |
| Transit Security Grant Program  | 97.075      | EMW-2015-RA-00001           | 6,521,328       | 22,559          | 22,559         | -                               | -             | -              |
| Transit Security Grant Program  |             |                             | 12,806,424      | 4,712,456       | 4,704,729      | -                               | -             | 7,728          |
| <b>U.S. Department of Homeland Security Total</b>   |             |                             | \$4,422,488,857 | \$1,497,451,012 | \$ 843,613,446 | \$ 25,812,901                   | \$ 15,803,921 | \$ 638,033,645 |
| <b>Total Federal Grants</b>   |             |                             |                 |                 |                |                                 |               |                |

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  
Fiscal year ended June 30, 2017**

| State Grants | Federal grantor/cluster title/program title/pass-through grantor/project title                  | CFDA Number | Award Identification Number | Total Award           | Total                 | Federal Share | Federal share passed through |                      | Local Share           |
|--------------|---|-------------|-----------------------------|-----------------------|-----------------------|---------------|------------------------------|----------------------|-----------------------|
|              |   |             |                             |                       |                       |               | Federal Share                | to subrecipients     |                       |
|              | Prop 1B Security - FY 08-09   |             | 6161-002-FPS#037-91170      | \$ 16,103,000         | \$ 62,573             | \$ -          | \$ -                         | \$ 57,485            | \$ 5,088              |
|              | Prop 1B Security - FY 09-10   |             | 6261-002-FPS#037-91170      | 16,103,043            | 158,212               | -             | -                            | 158,212              | -                     |
|              | Crenshaw/Lax Transit Corridor   |             | State - Prop 1B PTMSEA      | 13,903,535            | 281,114,270           | -             | -                            | 313,907              | 280,800,363           |
|              | Prop 1B Security - FY 10-11   |             | 6361-002-FPS#037-91170      | 16,103,043            | 5,054,636             | -             | -                            | 5,054,636            | -                     |
|              | Construction of Division 13 - Bus Operations and Maintenance Facility                           |             | Prop 1B PTMSEA              | 47,772,000            | 754,500               | -             | -                            | 134,731              | 619,769               |
|              | Conservation for Regional Climate Action and Sustainability                                     |             | 3012-568                    | 1,000,000             | 265,726               | -             | -                            | 246,558              | 19,169                |
|              | Proposition 1B Intercity Rail (ICR) Raymer to Berrison Double Track Project                     |             | ICRB-A 1314-02 75A.0406     | 6,500,000             | 275,453               | -             | -                            | 242,652              | 32,801                |
|              | Proposition 1B Intercity Rail (ICR) Van Nuys North Platform Project                             |             | ICRB-A 1314-01 75A.0407     | 4,000,000             | 776,111               | -             | -                            | 687,244              | 88,867                |
|              | Alternative & Renewable Fuel & Vehicle Technology Program                                       |             | ARV-13-054                  | 492,000               | 154,779               | -             | -                            | 77,389               | 77,389                |
|              | STIP PPM (State Transportation Improvement Program - Planning, Programming & Monitoring Program |             | STIP-PPM15-6065(192)        | 3,098,000             | 2,528,747             | -             | -                            | 1,076,152            | 1,452,595             |
|              | Sustainable South Bay Transportation and Land Use Implementation Framework                      |             | 3014-616                    | 885,048               | 422,156               | -             | -                            | 379,307              | 42,849                |
|              | Metro Blue Line First / Last Mile Plan  |             | ATPLNI-6065(200)            | 280,000               | 147,698               | -             | -                            | 147,698              | -                     |
|              | Regional Transportation Planning and Program Development  |             | STIP-PPM16-6065(204)        | 3,098,000             | 2,972,668             | -             | -                            | 1,486,326            | 1,486,343             |
|              | <b>Total State Grants</b>   |             |                             | <b>\$ 129,337,669</b> | <b>\$ 294,687,529</b> | <b>\$ -</b>   | <b>\$ -</b>                  | <b>\$ 10,062,297</b> | <b>\$ 284,625,233</b> |

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  
Fiscal year ended June 30, 2017

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**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, \$90,700,940 included in the Schedule represents current year loan proceeds 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.

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(Continued)

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Fiscal year ended June 30, 2017

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**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.

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Fiscal year ended June 30, 2017

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**SECTION I - 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

Federal Transit Cluster

CFDA 20.319

High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants - ARRA

Dollar threshold used to distinguish type A and B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

Yes  No

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(Continued)



LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal year ended June 30, 2017

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**SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

None

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS**

None

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Fiscal year ended June 30, 2017

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**Finding 2016-001 – 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 presented by management as federal expenditures and instead was reported in the Local Share expenditures column of the schedule of expenditures of federal and state awards.

Status: This matter is considered resolved as of March 29, 2018.



**LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY**

**FEDERAL FUNDING ALLOCATION DATA**

**Transportation Operating Agency (ID# 90154)**

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures**

Fiscal year ended June 30, 2017

Independent Accountant's Report  
on Applying Agreed Upon Procedures

Management and the Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

The Federal Transit Administration (FTA) has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics form (FFA-10) of the Los Angeles County Metropolitan Transportation Authority's (the Authority) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data are being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data are fully documented and securely stored.
- A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or otherwise meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles (VRM) data, appear to be accurate.
- Data is consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures, as described in Attachment A, to the data contained in the accompanying FFA-10 for the fiscal year ending June 30, 2017. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2017 Policy Manual* and were agreed to by the Authority management and the Board of Directors, were applied to assist the Authority in evaluating whether the Authority complied with the standards described in the first paragraph of this part and that the information included in the NTD report FFA-10 for the fiscal year ending June 30, 2017 is presented in conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2017 Policy Manual*. The District management is responsible for the FFA-10 and compliance with NTD requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures in Attachment A were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles (VRM), fixed guideway (FG), directional route miles (DRM), passenger miles traveled (PMT), and operating expenses (OE) of the Authority for the fiscal year ending June 30, 2017 for each of the following modes:

- Motor Bus – directly operated
- Motor Bus – purchased transportation
- Rapid Bus – directly operated
- Heavy Rail – directly operated
- Light Rail – directly operated
- Vanpool – purchased transportation

In performing the procedures, except for the information identified in Attachment A to this report, no matters came to our attention that would be required to be reported to you regarding the information included in the NTD report on the FFA-10 Form for the fiscal year ending June 30, 2017. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on conformity with the requirements of the *Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule*, as specified in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the *2017 Policy Manual*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above, and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report other than the FFA-10 form, for any date or period.

This report is intended solely for the information and use of the Board of Directors, the management of the Authority, and the FTA and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Horwath LLP

Los Angeles, California  
October 31, 2017

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2017

**FTA Suggested Procedures:**

- a. Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2017 Policy Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.

**Step performed without exception.**

- b. Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:
- The extent to which the transit agency followed the procedures on a continuous basis, and
  - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, dated January 15, 1993 and as presented in the 2017 Policy Manual.

**Step performed without exception.**

- c. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics form (FFA-10).

**Step performed without exception.**

- d. Based on a description of the transit agency's procedures obtained in items a and b above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

**Selected source documents from three different months in fiscal years 2016, 2015, and 2014 (7/3/2013, 12/20/2013, 3/8/2014, 11/13/2014, 1/8/2015, 5/8/2015, 8/13/2015, 12/8/2015, 4/7/2016) to ensure they were retained for a minimum of three years. We observed that the source documents were maintained for each fiscal year as required.**

- e. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

**Per inquiry with the management, the individuals reviewing source documents are independent of individuals preparing the information and the review is done on a periodic basis depending on the data being reviewed.**

- f. Select a haphazard sample of source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' review.

**Selected a haphazard sample of 103 source documents, noting the required approval on all source documents. Step performed without exception.**

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2017

- g. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

**We obtained the worksheets and agreed the data on the worksheets to the summaries provided and verified the arithmetical accuracy of the summaries without exception.**

- h. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the 2017 Policy Manual.

**For the rail and van pool modes, the Authority utilized a statistical sampling method as described in FTA Circulars 2710.1A. For the motor bus modes, the Authority utilized a 100% count verification for passenger trips and an estimate of passenger miles based on a statistical sampling method as described in FTA Circulars 2710.2A.**

- i. Discuss with transit agency staff, the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:
- a. According to the 2010 Census, the public transit agency serves an urbanized area (UZA) of less than 500,000 population.
  - b. The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).
  - c. Service purchased from a seller is included in the transit agency's NTD report.
  - d. For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2017) and determine that statistical sampling was conducted and meets the 95% confidence and +10% precision requirements.
  - e. Determine how the transit agency estimated annual PMT for the current report year.

**Per inquiry with the Authority management, the Authority does not meet any of the three criteria that allows transit agencies to conduct statistical samples for accumulating passenger mile data every third year. Therefore, the Authority conducts statistical sampling annually as described in procedure h.**

- j. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a haphazard selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was haphazard. Determine that the transit agency followed the stated sampling procedure.

**Step performed without exception.**

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2017

- k. Select a haphazard sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a haphazard sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.

**Selected a haphazard sample of 72 source documents across all modes from all twelve months in fiscal year 2017, used for accumulating passenger miles traveled (PMT) data and determined they were complete and mathematically accurate. We tested the average trip length and the total trips for each of the samples and recomputed the accumulations for each period. Step performed without exception.**

- l. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and identify that stated procedures are followed. Select a haphazard sample of source documents used to record charter bus service and test the arithmetical accuracy of the computations.

**Step performed without exception.**

- m. For actual vehicle revenue miles (VRM) data, document the collection and recording methodology and identify that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a haphazard sample of the days that service is operated, and re-compute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a haphazard sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual VRMs are calculated from vehicle logs, select haphazard samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

**Vehicle logs are used to compute the VRM data for non-fixed routes. For fixed routes, the Authority uses monthly services reports and daily loss service records to record any missed trips. The VP-PT mode does not have any deadhead miles. Selected a haphazard sample of 72 source documents across all modes, except for VP-PT, and recalculated the VRMs for the sample of trips, excluding deadhead miles. Step performed without exception.**

- n. For rail modes, obtain and read the recording and accumulation sheets for actual VRM's and identify that locomotive miles are not included in the computation.

**Step performed without exception. There are no locomotives.**



LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2017

- o. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or
  - Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW), and
    - Access is restricted
    - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and
    - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments form (P-40))
    - High Occupancy / Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.

**Step performed without exception.**

- p. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, re-compute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics form.

**Per inquiry of management, no new FG segments were added in fiscal year 2017.**

- q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:
- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
  - If the improvements cause a service interruption on the FG-DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.

**Per inquiry of management there were no interruptions in service during fiscal year 2017 that would require a change in reporting.**

- r. Measure FG/HIB DRM from maps or by retracing route.

**We measured all of the FG/HIB maps. Step performed without exception.**

- s. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.

**Per inquiry of management, the Authority is the approved operator for all of their FG and the Authority is reporting their actual VRM, PMT, and OE for their services. Step performed without exception.**

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2017

- t. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2017 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2017 report year, the Agency Revenue Service Date must occur within the transit agency's 2017 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

**Per inquiry of management, no new FG segments were added in fiscal year 2017.**

- u. Compare operating expenses with audited financial data after reconciling items are removed.

**Step performed without exception.**

- v. If the transit agency purchases transportation (PT) services, interview the personnel reporting the NTD data on the amount of PT-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).

**We agreed the fare revenue for the vanpool and motor bus PT without exception.**

- w. If the transit agency's report contains data for PT services and assurances of the data for those services is not included, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation (IAS-FFA) data of the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

**We inquired to management and noted that the report does include PT from private operators, but that an Independent Auditor Statement is not required since the Authority is a public transportation provider and the PT expenditures are included on the B-30 form of the NTD.**

- x. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract, and determine that copies of the contracts are retained for three years.

**We obtained a copy of the PT contract for each provider and noted that the contract included a description of the services to be provided, the monetary consideration obligated by the Authority for the service and the period covered by the contract and that this period is the same as, or a portion of, the period covered by the Authority's NTD report; and is signed by representatives of both parties to the contract. Management stated that copies of the executed contracts are retained for the last three years, as applicable.**

LOS ANGELES COUNTY METROPOLITAN  
TRANSPORTATION AUTHORITY  
ATTACHMENT A – AGREED UPON PROCEDURES  
June 30, 2017

- y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

**Per management, the Authority provides most of their services in one UZA and therefore it is all allocated to that one UZA. Additionally, all of the services provided are in urbanized areas and allocations to non-urbanized areas are not required, therefore the procedure is not applicable.**

- z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased. Interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

**We compared and agreed the data reported on the Federal Funding Allocation Statistics form (Form FFA-10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. For any current year data that increased or decreased by more than 10%, we inquired to the Authority and documented the explanations for the variances.**

- aa. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

**Step performed without exception.**

**Crenshaw Project Corporation**  
(A Component Unit of the Los Angeles County  
Metropolitan Transportation Authority)

**Financial Statements**

**For the Fiscal Year Ended June 30, 2017**

**Crenshaw Project Corporation**  
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)  
**Financial Statements**  
For the Fiscal Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Crenshaw Project Corporation  
Los Angeles, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Crenshaw Project Corporation (CPC), a component unit of the Los Angeles County Metropolitan Transportation Authority, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CPC, as of June 30, 2017, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 and 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017 on our consideration of the CPC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CPC's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Los Angeles, California  
October 4, 2017

**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**

To the Board of Directors  
Crenshaw Project Corporation  
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 business-type activities of the Crenshaw Project Corporation (CPC) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the CPC's basic financial statements, and have issued our report thereon dated October 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the CPC'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 the CPC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CPC'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CPC'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*.

## **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.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, slightly slanted style.

Crowe Horwath LLP

Los Angeles, California  
October 4, 2017

**Crenshaw Project Corporation**  
**(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Fiscal Year Ended June 30, 2017**

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As management of the Crenshaw Project Corporation (CPC), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the CPC for the fiscal year ended June 30, 2017. This discussion and analysis is designed to assist the readers in focusing on the significant financial issues and activities of the CPC.

We encourage the readers to consider the information presented herein in conjunction with the financial statements beginning on page 7. The financial statements, the notes to the financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

All amounts are expressed in thousands of dollars unless otherwise indicated.

### **Background**

The Crenshaw Project Corporation (CPC) was formed on March 23, 2012, for the sole purpose of participating in financing public transportation projects of the Los Angeles County Metropolitan Transportation Authority (LACMTA).

The CPC currently serves as the conduit borrower as part of a financing agreement with the United States Department of Transportation (USDOT) under its Transportation Infrastructure Finance and Innovation Act (TIFIA) program to partially finance the construction of LACMTA's Crenshaw/LAX Transit Corridor Project (Project).

### **Financial Highlights**

- In September, 2012, the CPC secured a \$545,900 TIFIA loan from the USDOT to partially finance the Project. The loan under the TIFIA program is secured by Measure R sales tax revenues allocated to the Project. As of June 30, 2017, the CPC has drawn down the full amount of TIFIA loan proceeds.
- Total assets of \$566,769 represent advances to LACMTA and total liabilities of \$566,769 consist of the principal amount of \$545,900 and interest accretion of \$20,869 on the TIFIA loan. Therefore, there is no net position as of June 30, 2017.
- Total expenses of \$21 consisted mostly of loan fees and other administration charges, which were reimbursed by LACMTA.
- In fiscal year 2017, total drawdowns from TIFIA loan amounted to \$65,835. As of June 30, 2017, \$1.4 billion has been expended on the Project, which is recorded in LACMTA's Comprehensive Annual Financial Report (CAFR) under the Capital Assets section of the Statement of Net Position of the Enterprise fund.

**Crenshaw Project Corporation**  
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)  
**Management’s Discussion and Analysis (Unaudited)**  
For the Fiscal Year Ended June 30, 2017

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**Overview of the Basic Financial Statements**

This Management’s Discussion and Analysis serves as an introduction to the CPC’s basic financial statements. The CPC’s basic financial statements are: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Fund Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

The CPC’s basic financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as promulgated by the Government Accounting Standards Board (GASB). The CPC is structured as an enterprise fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred. See the Notes to the Financial Statements for the summary of the CPC’s significant accounting policies.

The Statement of Net Position presents information on all of the CPC’s assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents the results of the CPC’s operations. The Statement of Cash Flows presents the cash flows generated by the CPC to meet its current maturing obligations. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Presented below are the condensed Statement of Net Position and the condensed Statement of Revenues, Expenses, and Changes in Fund Net Position as of and for the year ended June 30, 2017.

| <b>Condensed Statement of Net Position</b>   |            |
|--|------------|
| Non-current assets   | \$ 566,769 |
| Total assets   | 566,769    |
| Non-current liabilities  | 566,769    |
| Total liabilities  | 566,769    |
| Net position   | \$ -       |
| <b>Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position</b> |            |
| Revenues   | \$ 21      |
| Expenses   | 21         |
| Net income (loss)  | -          |
| Changes in net position  | -          |
| Net position – beginning of year   | -          |
| Net position – end of year   | \$ -       |

**Crenshaw Project Corporation**  
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)  
**Statement of Net Position**  
**June 30, 2017**  
(Amounts expressed in thousands)

---

**Assets**

|                    |                   |
|--------------------|-------------------|
| Non-current assets |                   |
| Advances to LACMTA | \$ 566,769        |
| Total assets       | <u>\$ 566,769</u> |

**Liabilities**

|                         |                |
|-------------------------|----------------|
| Non-current liabilities |                |
| Notes payable           | \$ 566,769     |
| Total liabilities       | <u>566,769</u> |

**Net position**

|             |
|-------------|
| <u>\$ -</u> |
|-------------|

The notes to the financial statements are an integral part of this statement.

**Crenshaw Project Corporation**  
**(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2017**  
**(Amounts expressed in thousands)**

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|                                     |             |
|-------------------------------------|-------------|
| <b>Operating revenues</b>           |             |
| Charges for services                | \$ 21       |
| <b>Operating expenses</b>           |             |
| Professional and technical services | <u>21</u>   |
| <b>Change in net position</b>       | -           |
| Net position – beginning of year    | <u>-</u>    |
| <b>Net position – end of year</b>   | <u>\$ -</u> |

The notes to the financial statements are an integral part of this statement.

**Crenshaw Project Corporation**  
(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)  
**Statement of Cash Flows**  
For the Fiscal Year Ended June 30, 2017  
(Amounts expressed in thousands)

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**Cash flows from operating activities**

|  |    |      |
|--|----|------|
| Receipts from LACMTA                     | \$ | 21   |
| Payments to vendors                      |    | (21) |
| Net cash flows from operating activities |    | -    |

**Cash flows from non-capital financing activities**

|  |  |          |
|--|--|----------|
| Proceeds from TIFIA loan                             |  | 65,835   |
| Advances to LACMTA                                   |  | (65,835) |
| Net cash flows from non-capital financing activities |  | -        |

**Net increase (decrease) in cash and cash equivalents**

-

Cash and cash equivalents - beginning of year

-

**Cash and cash equivalents - end of year**

\$ -

Non-cash financing activity:

|                                     |    |        |
|-------------------------------------|----|--------|
| Interest accretion on notes payable | \$ | 13,234 |
|-------------------------------------|----|--------|

The notes to the financial statements are an integral part of this statement.

**Crenshaw Project Corporation**  
**(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)**  
**Notes to the Financial Statements**  
**June 30, 2017**

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The notes to the financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise stated, all dollar amounts are expressed in thousands.

**Note 1 - Summary of Significant Accounting Policies**

***Reporting Entity***

The Crenshaw Project Corporation (CPC) was formed for the specific purpose of securing a loan from United States Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program for the construction of LACMTA's Crenshaw/LAX Transit Corridor Project (Project). The Project has an approved life-of-project (LOP) budget of \$2.05 billion that covers the design and construction of a new 8.5-mile double-track Light Rail Transit (LRT) line, including eight transit stations, procurement of a minimum of 20 light rail vehicles, and the construction of a full service maintenance facility known as the "Southwestern Yard." The Project will extend from the EXPO Line (at the intersection of Exposition and Crenshaw Boulevards) and the Metro Green Line near the existing Aviation/LAX Station.

The CPC is governed by a Board of Directors (CPC Board) consisting of the same members of the Board of Directors of LACMTA (Metro Board). The Chair, First-Chair and Second-Chair of the Metro Board shall have the corresponding positions on the CPC Board. The Board members may serve only as long as they are members of the Metro Board. Each Director shall serve a term commensurate with his or her term on the Metro Board. The CPC is a component unit of LACMTA because it is financially dependent upon LACMTA, and LACMTA's approval is needed for the CPC to expend its budgets or charges and issue long-term debt. Although the CPC is a legally separate entity, it is in-substance part of LACMTA's operations, and therefore the data from the CPC is included in LACMTA's financial data. These financial statements present only the CPC and do not purport to, and do not, present fairly the financial position of LACMTA, as of June 30, 2017, or the changes in the financial position for the year then ended.

***Fund Accounting***

The proprietary fund type is used to account for ongoing operations and activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. The CPC uses the proprietary fund type to account for the goods and services provided to LACMTA on a cost-reimbursement basis. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include reimbursements from LACMTA for operating expenses. Operating

**Crenshaw Project Corporation**  
**(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)**  
**Notes to the Financial Statements**  
**June 30, 2017**

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expenses include professional services and administrative expenses. The CPC applies all applicable Government Accounting Standard Board (GASB) pronouncements in accounting and reporting for its proprietary operations. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments, including restricted assets, with an original maturity date of 90 days or less, are considered to be cash and cash equivalents. Otherwise, they are considered to be investments.

**Receivables and Payables**

Interagency' receivables/payables are amounts owed to/due from other LACMTA funds for services performed. Payables are amounts due to vendors for goods or services received.

**Note 2 – Advances to LACMTA**

Advances to LACMTA consist of cash advances to partially finance the construction of the Project. As of June 30, 2017, the outstanding balance of advances to LACMTA totaled \$566,769.

**Note 3 – Notes Payable**

In September 2012, the CPC secured a loan not to exceed \$545,900 from the USDOT under the TIFIA program to partially finance the construction of the Project. The loan, secured by a portion of LACMTA's Measure R sales tax revenues allocated to the Project, bears interest at 2.43% per annum on the outstanding balance with maturity date of June 1, 2034. On each June 1 and December 1, interest accrued in the six-month period ending on such date is capitalized and added to the outstanding balance of the TIFIA loan. The principal amount is payable in annual installments on June 1 of each year commencing on June 1, 2021, while the interest payments are payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2020. As of June 30, 2017, the outstanding balance of the TIFIA loan was \$566,769.



**Crenshaw Project Corporation**  
**(A Component Unit of the Los Angeles County Metropolitan Transportation Authority)**  
**Notes to the Financial Statements**  
**June 30, 2017**

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The CPC's annual debt service requirements (including interest accretion) are as follows:

| <b>Year Ending<br/>June 30</b> | <b>Principal</b>  | <b>Interest</b>   | <b>Total</b>      |
|--------------------------------|-------------------|-------------------|-------------------|
| 2018                           | \$ (13,914)       | \$ 13,914         | \$ -              |
| 2019                           | (14,196)          | 14,196            | -                 |
| 2020                           | (13,328)          | 13,328            | -                 |
| 2021                           | (59)              | 14,759            | 14,700            |
| 2022                           | 8,619             | 14,781            | 23,400            |
| 2023-2027                      | 107,487           | 69,813            | 177,300           |
| 2028-2032                      | 312,329           | 45,270            | 357,599           |
| 2033-2034                      | 179,831           | 6,449             | 186,280           |
|                                | <u>\$ 566,769</u> | <u>\$ 192,510</u> | <u>\$ 759,279</u> |

The annual debt service requirements were calculated based on allocation of loan payments from the principal amount of \$545,900.



**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Financial Statements  
Fiscal years ended June 30, 2017 and 2016

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Los Angeles County Metropolitan Transportation Authority  
Los Angeles, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprises SAFE's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAFE as of June 30, 2017 and 2016, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of SAFE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAFE's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Los Angeles, California  
December 1, 2017

**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**

The 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 of the Service Authority for Freeway Emergencies (SAFE), a component unit of the Los Angeles County Metropolitan Transportation Authority (LACMTA), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise SAFE's basic financial statements, and have issued our report thereon dated December 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SAFE'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 SAFE's internal control. Accordingly, we do not express an opinion on the effectiveness of SAFE'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SAFE'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*.

## **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

Los Angeles, California  
December 1, 2017

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2017 and 2016

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The management's discussion and analysis of the financial performance of the Service Authority for Freeway Emergencies (SAFE) presents an overview of SAFE's financial activities during the fiscal years ended June 30, 2017 and 2016. Management encourages readers to consider information presented here in conjunction with the financial statements (beginning on page 8). The basic financial statements, the notes to the basic financial statements, and this discussion and analysis were prepared by management and are the responsibility of management.

All dollar amounts are expressed in thousands unless otherwise indicated.

### **Financial Highlights**

- SAFE's net position decreased by \$3,580 or 15.95% compared to fiscal year 2016 mainly due to higher expenditures incurred for the operation of the call box system and the continued development of the Southern California 511. The favorable variance of \$771 in actual receipts of vehicle registration fees over budgeted amount was mainly due to an increase in vehicle registrations by the California Department of Motor Vehicles from the previous year. The favorable variance of \$1,940 in administration and other expenditures under budgeted amount was mainly due to lower operating subsidy to LACMTA for its freeway service project.
- Revenues are comprised of vehicle registration fees and investment earnings. Investment earnings in fiscal year 2017 decreased by \$283 or 66.75% compared to fiscal year 2016 mainly due to lower cash balance available for participation in the LACMTA pooled investments.
- Expenditures increased by \$1,395 or 13.16% compared to fiscal year 2016. The increase in expenditures was mainly due to higher expenditures incurred for professional and technical services and advertising for the operation of the call box system and the Southern California 511.

### **Overview of Financial Statements**

This management's discussion and analysis serves as an introduction to SAFE's basic financial statements. SAFE's basic financial statements are comprised of three components: (1) the government-wide financial statements; (2) the fund financial statements, and (3) the notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements provide a broad overview of SAFE's finances in a manner similar to private sector entities. The government-wide financial statements consist of: (1) the **statements of net position**, which present information on all of SAFE's assets and liabilities with the difference being reported as net position, and (2) the **statements of activities**, which depict the changes in net position during the year. Trends of increasing or decreasing net position may serve as a useful indicator of financial health.

Fund financial statements represent the near-term inflows, outflows, and balances of spendable resources. The fund financial statements consist of: (1) the **balance sheets**, which present SAFE's assets and liabilities, with the difference being reported as fund balance; and (2) **the statements of revenues, expenditures, and changes in fund balance**. This report presents the underlying events or activities of the fund that affected the balance sheets.

The **notes to the basic financial statements** are various disclosures that accompany the government-wide and fund financial statements in order to provide a full understanding of SAFE's finances.



**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2017 and 2016

**Analytical Overview**

The table below shows the condensed schedule of net position as of June 30, 2017, 2016, and 2015:

|                    | <b>Governmental Activities</b>  |             |             |
|--------------------|---------------------------------|-------------|-------------|
|                    | <b>Schedule of Net Position</b> |             |             |
|                    | <b>2017</b>                     | <b>2016</b> | <b>2015</b> |
| Total assets       | \$ 19,764                       | \$ 23,387   | \$ 25,678   |
| Total liabilities  | 890                             | 933         | 1,119       |
| Total net position | \$ 18,874                       | \$ 22,454   | \$ 24,559   |

Total assets decreased by \$3,623 or 15.49% in fiscal year 2017 and by \$2,291 or 8.92% in fiscal year 2016. This was due mainly to increases in expenditures incurred for its congestion relief operations and other programs.

Total liabilities decreased by \$43 or 4.61% in fiscal year 2017 and by \$186 or 16.62% in fiscal year 2016 mainly due to lower accrued liabilities in program expenses.

The following table is a condensed schedule of activities for the fiscal years ended June 30, 2017, 2016, and 2015:

|                                    | <b>Governmental Activities</b>        |             |             |
|------------------------------------|---------------------------------------|-------------|-------------|
|                                    | <b>Summary Schedule of Activities</b> |             |             |
|                                    | <b>2017</b>                           | <b>2016</b> | <b>2015</b> |
| Program expenses, net of revenues: |                                       |             |             |
| Congestion relief operations       | \$ 10,492                             | \$ 8,310    | \$ 8,205    |
| Subsidies to LACMTA                | 1,500                                 | 2,287       | 4,956       |
| Total program expenses             | 11,992                                | 10,597      | 13,161      |
| General revenues:                  |                                       |             |             |
| License fees                       | 8,271                                 | 8,068       | 7,834       |
| Investment income                  | 141                                   | 424         | 163         |
| Total general revenues             | 8,412                                 | 8,492       | 7,997       |
| Change in net position             | \$ (3,580)                            | \$ (2,105)  | \$ (5,164)  |

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Management's Discussion and Analysis (Unaudited)  
Fiscal years ended June 30, 2017 and 2016

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**Factors Impacting Future Periods**

SAFE anticipates continuing the operation and management of the call box system (fixed and mobile) and Southern California 511. SAFE completed an additional phase of the fixed call box system restructuring as well as the transition from 2G to 3G wireless capabilities during FY17. The cost to continue operating the fixed call box system will decrease in FY18 with further reviews to be conducted for its continued operation. The use of the mobile call box service is projected to increase slightly but the costs should be relatively stable as the new contract for call answering services was recently awarded. The operational costs associated with Southern California 511 will also decrease in FY18 due to the transition to a new system. The SoCal 511 operational costs are projected to remain relatively stable with any increases occurring as a result of new service/functionality development and implementation. Finally, there may be a reduction to the annual allocation in support of Metro Freeway Service Patrol due to the potential of obtaining additional new funds from the State. SAFE will monitor this situation and will reduce its annual allocation as warranted after discussions with LACMTA. Overall, it is anticipated that in the near term, the future costs will be relatively stable.

**Further Information**

This report has been designed to provide all interested parties with a general overview of SAFE's financial condition and related issues. Inquiries should be directed to the Accounting Department, One Gateway Plaza, Mail Stop 99-20-7, Los Angeles, CA 90012-2952.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Statements of Net Position  
Fiscal years ended June 30, 2017 and 2016  
(Amounts expressed in thousands)

|                                       | <b>Governmental Activities</b> |             |
|---------------------------------------|--------------------------------|-------------|
|                                       | <b>2017</b>                    | <b>2016</b> |
| Assets:                               |                                |             |
| Cash and cash equivalents             | \$ 8,029                       | \$ 9,221    |
| Investments                           | 11,643                         | 13,286      |
| Intergovernmental receivable          | —                              | 791         |
| Interest receivable                   | 92                             | 89          |
| Total assets                          | 19,764                         | 23,387      |
| Liabilities:                          |                                |             |
| Accounts payable and accrued expenses | 890                            | 933         |
| Net position:                         |                                |             |
| Restricted                            | 18,874                         | 22,454      |
| Total net position                    | \$ 18,874                      | \$ 22,454   |

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Statements of Activities  
Fiscal years ended June 30, 2017 and 2016  
(Amounts expressed in thousands)

|                                    | <b>Governmental Activities</b> |             |
|------------------------------------|--------------------------------|-------------|
|                                    | <b>2017</b>                    | <b>2016</b> |
| Program expenses, net of revenues: |                                |             |
| Transit operations:                |                                |             |
| Congestion relief operations       | \$ 10,492                      | \$ 8,310    |
| Subsidies to LACMTA                | 1,500                          | 2,287       |
| Total program expenses             | 11,992                         | 10,597      |
| General revenues:                  |                                |             |
| License fees                       | 8,271                          | 8,068       |
| Investment income                  | 141                            | 424         |
| Total general revenues             | 8,412                          | 8,492       |
| Change in net position             | (3,580)                        | (2,105)     |
| Net position – beginning of year   | 22,454                         | 24,559      |
| Net position – end of year         | \$ 18,874                      | \$ 22,454   |

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority  
 Balance Sheets  
 Fiscal years ended June 30, 2017 and 2016  
 (Amounts expressed in thousands))

|                                    | <b>Special Revenue Fund</b> |             |
|------------------------------------|-----------------------------|-------------|
|                                    | <b>2017</b>                 | <b>2016</b> |
| Assets:                            |                             |             |
| Cash and cash equivalents          | \$ 8,029                    | \$ 9,221    |
| Investments                        | 11,643                      | 13,286      |
| Intergovernmental receivable       | —                           | 791         |
| Interest receivable                | 92                          | 89          |
| Total assets                       | 19,764                      | 23,387      |
| Liabilities:                       |                             |             |
| Accounts payable                   | 890                         | 933         |
| Fund balance:                      |                             |             |
| Restricted                         | 18,874                      | 22,454      |
| Total liabilities and fund balance | \$ 19,764                   | \$ 23,387   |

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Fiscal years ended June 30, 2017 and 2016  
 (Amounts expressed in thousands)

|  | <b>Special Revenue Fund</b> |             |
|--|-----------------------------|-------------|
|  | <b>2017</b>                 | <b>2016</b> |
| Revenues:  |                             |             |
| License fees                                     | \$ 8,271                    | \$ 8,068    |
| Investment income                                | 141                         | 424         |
| Total revenues                                   | 8,412                       | 8,492       |
| Expenditures:                                    |                             |             |
| Administration and other transportation projects | 10,492                      | 8,310       |
| Subsidies to LACMTA                              | 1,500                       | 2,287       |
| Total expenditures                               | 11,992                      | 10,597      |
| Net change in fund balance                       | (3,580)                     | (2,105)     |
| Fund balance - beginning of year                 | 22,454                      | 24,559      |
| Fund balance - end of year                       | \$ 18,874                   | \$ 22,454   |

See accompanying notes to the basic financial statements.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2017 and 2016

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The notes to the basic financial statements are a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying basic financial statements.

Unless otherwise indicated, all dollar amounts are expressed in thousands.

**(1) Summary of Significant Accounting Policies**

***(a) Reporting Entity***

The Service Authority for Freeway Emergencies (SAFE) was created in February 1988 pursuant to California Streets and Highway Code Section 2550 et. seq., and is responsible for the operation, maintenance, and administration of the Los Angeles County Kenneth Hahn Call Box system. Under the authority of the above section, the Los Angeles County Metropolitan Transportation Authority (LACMTA) is the designated SAFE for Los Angeles County.

As LACMTA's board is SAFE's board, SAFE is a component unit of LACMTA and is included in LACMTA's financial statements as a blended component unit.

***(b) Operations***

SAFE is responsible for the implementation, maintenance, operation, and administration of motorist aid on the network of freeways, highways, and unincorporated county roads within Los Angeles County. SAFE operates and maintains approximately 2,700 call boxes along 436 miles of freeways, state highways, and selected county roads in Los Angeles County. SAFE also funds, operates and manages the Southern California 511 traveler information system. This system provides real-time and planned traffic, transit and other related traveler information to the public via the phone, web and mobile application.

***(c) Government-wide Financial Statements***

SAFE's financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of SAFE and are reported using the economic resources measurement focus and the accrual basis of accounting.

The statement of activities demonstrates the degree to which the direct expenses, including centralized expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Licenses and fines and investment earnings not considered program revenues are reported as general revenues.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2017 and 2016

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**(d) Fund Accounting**

SAFE utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for SAFE's activities. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Additionally, the SAFE fund is considered a special revenue governmental fund. Special revenue funds are used to account for specific revenue sources that are legally restricted for specific purposes. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SAFE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred and a valid claim is presented.

**(e) Fund Balance and Net Position**

Restricted fund balance and net position include amounts that can be spent only for specific purposes stipulated by enabling legislation, by grants, creditors, or by regulations of other governments. SAFE's fund balance and net position are classified as restricted as they can only be used in accordance with the provisions of the California Streets and Highway Code Section 2550 et. seq. by which the fund was created.

**(f) Budgetary Accounting**

Enabling legislation and adopted policies and procedures provide that the SAFE Board of Directors approve an annual budget. The Board of Directors conducts a public hearing for discussion of the proposed annual budget prior to adoption of the final budget. Unexpended appropriations lapse at year-end. The legal level of control is at the fund level, and expenses may not exceed total appropriations without board approval. By policy, the board has provided procedures for management to make revisions within operational or project budgets when there is no net dollar impact to total appropriations. The budget is prepared on a generally accepted accounting principles (GAAP) basis.

**(g) Cash and Investments**

SAFE maintains a minimum balance with the Los Angeles County Treasurer's external investment pool. Balances in excess of \$50 are withdrawn and deposited into the LACMTA internal investment pool.



**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
 (A Component Unit of the  
 Los Angeles County Metropolitan Transportation Authority)  
 Notes to the Basic Financial Statements  
 June 30, 2017 and 2016

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***(h) Receivables***

Receivables are net of estimated allowances for uncollectible accounts which are determined based on past experience. Receivables include license and fine revenue due from the State Department of Motor Vehicles. As of June 30, 2016, SAFE had a receivable for license fees of \$791. No receivable was necessary as of June 30, 2017.

***(i) Vehicle Registration Fees***

Vehicle registration fees revenue is recognized when earned and is generated by a \$1 (amount not in thousands) per each car registered in Los Angeles County, which is collected by the State Department of Motor Vehicles.

***(j) Effects of New GASB Pronouncements***

There were no new GASB Pronouncements applicable to SAFE for the year ended June 30, 2017.

**(2) Cash and Investments**

The following is a breakdown of SAFE's cash and investments as of June 30, 2017 and 2016.

|                           | <b>2017</b>      | <b>2016</b>      |
|---------------------------|------------------|------------------|
| LACMTA investment pool    | \$ 18,953        | \$ 21,834        |
| LA County investment pool | 719              | 673              |
|                           | <b>\$ 19,672</b> | <b>\$ 22,507</b> |

SAFE's cash balances are pooled with other LACMTA funds. The LACMTA Board of Directors provides regulatory oversight for the LACMTA pool. Each fund maintains an equity interest in the pool and is presented as cash and investments in the Statement of Net Position. The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2017 and 2016. Detailed information regarding the LACMTA's pooled cash and investments can be found in the LACMTA Comprehensive Annual Financial Report (CAFR). A copy of the LACMTA's CAFR can be obtained by submitting a written request to the Accounting Department, One Gateway Plaza, Los Angeles, CA 90012-2952.

SAFE's cash balances are also pooled with other County funds and invested by the Los Angeles County Treasurer. These funds are subject to withdrawal from the Treasurer's pool upon demand. The County Board of Supervisors provides regulatory oversight for the Los Angeles County Investment Pool (LACIP). The value of the position in the investment pool is the same as the value of the pool. The investment pool is not rated for purposes of evaluating credit risk as of June 30, 2017 and 2016. Detailed information regarding the County's pooled cash and investments can be found in the County of Los Angeles Comprehensive Annual Financial Report (CAFR). A copy of the County's CAFR can be

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority)  
Notes to the Basic Financial Statements  
June 30, 2017 and 2016

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obtained by submitting a written request to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosure - an Amendment of GASB Statement No. 3*, certain required disclosures regarding investment policies and practices with respect to the risk associated with their concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk are discussed in the following paragraphs:

*(a) Concentration of Credit Risk*

Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual shares. SAFE maintains investment policies that establish thresholds for holdings of individual securities. SAFE does not have any holdings meeting or exceeding these threshold levels. As of June 30, 2017, SAFE does not have any investments with more than 5% of the total investments under one issuer.

*(b) Custodial Credit Risk*

SAFE has no known custodial credit risk for deposits as financial institutions are required by the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

*(c) Interest Rate Risk*

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. SAFE measures interest rate risk on its short-term investments using the effective duration method. SAFE maintains a policy requiring the average duration of the externally managed short-term investments not to exceed 150% of the benchmark duration and the average duration of the internally managed short-term investments not to exceed three years.

*(d) Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair values of the cash deposits or investments. As of June 30, 2017 and 2016, there was no exposure to foreign currency risk as all SAFE cash deposits and investments are denominated in U.S. dollar currency.

**(3) Significant Commitments**

SAFE has entered into a Memorandum of Understanding (MOU) with the Public Transportation Services Corporation (PTSC), a blended component unit of LACMTA, for PTSC to provide cost reimbursable administrative support services to SAFE. The MOU will remain in effect until terminated by either party with a minimum of sixty (60) days written notice.

SAFE had \$603 and \$774 of outstanding contractual commitments as of June 30, 2017 and 2016, respectively that had not been claimed or disbursed.

**SERVICE AUTHORITY FOR FREEWAY EMERGENCIES**  
(A Component Unit of the  
Los Angeles County Metropolitan Transportation Authority  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Unaudited)  
Fiscal years ended June 30, 2017 and 2016  
(Amounts expressed in thousands)

|  | 2017             |                  |                  |                            | 2016             |                  |                  |                            |
|--|------------------|------------------|------------------|----------------------------|------------------|------------------|------------------|----------------------------|
|  | Original Budget* | Final Budget*    | Actual           | Variance with Final Budget | Original Budget* | Final Budget*    | Actual           | Variance with Final Budget |
| Revenues:  |                  |                  |                  |                            |                  |                  |                  |                            |
| Licenses and fines                               | \$ 7,500         | \$ 7,500         | \$ 8,271         | \$ 771                     | \$ 7,500         | \$ 7,500         | \$ 8,068         | \$ 568                     |
| Investment income                                | 75               | 75               | 141              | 66                         | 100              | 100              | 424              | 324                        |
| Total revenues                                   | <u>7,575</u>     | <u>7,575</u>     | <u>8,412</u>     | <u>837</u>                 | <u>7,600</u>     | <u>7,600</u>     | <u>8,492</u>     | <u>892</u>                 |
| Expenditures:                                    |                  |                  |                  |                            |                  |                  |                  |                            |
| Administration and other transportation projects | 12,932           | 12,932           | 10,492           | 2,440                      | 10,328           | 10,328           | 8,310            | 2,018                      |
| Subsidies to LACMTA                              | <u>1,000</u>     | <u>1,000</u>     | <u>1,500</u>     | <u>(500)</u>               | <u>2,000</u>     | <u>2,000</u>     | <u>2,287</u>     | <u>(287)</u>               |
| Total expenditures                               | <u>13,932</u>    | <u>13,932</u>    | <u>11,992</u>    | <u>1,940</u>               | <u>12,328</u>    | <u>12,328</u>    | <u>10,597</u>    | <u>1,731</u>               |
| Net change in fund balance                       | (6,357)          | (6,357)          | (3,580)          | 2,777                      | (4,728)          | (4,728)          | (2,105)          | 2,623                      |
| Fund balance – beginning of year                 | <u>22,454</u>    | <u>22,454</u>    | <u>22,454</u>    | —                          | <u>24,559</u>    | <u>24,559</u>    | <u>24,559</u>    | —                          |
| Fund balance – end of year                       | <u>\$ 16,097</u> | <u>\$ 16,097</u> | <u>\$ 18,874</u> | <u>\$ 2,777</u>            | <u>\$ 19,831</u> | <u>\$ 19,831</u> | <u>\$ 22,454</u> | <u>\$ 2,623</u>            |

\* Budget prepared in accordance with GAAP.

See accompanying independent auditor's report.



**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.

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(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

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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      | 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    | -             | -           | 15,941,666    |
| Transportation Infrastructure Finance and Innovation Act (TFIA) Program - Crenshaw (Restated) |  | 20.223      | 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        | 4,602,178        | 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)   | -           | 1,924,941     |
| Preventive Maintenance - FY 14  | CA-90-Z122   | 20.507      | 7,699,762        | 9,624,703        | 7,699,762     | -             | -           | 35,618,498    |
| Preventive Maintenance - FY 14  | CA-90-Z132   | 20.507      | 142,473,992      | 178,092,490      | 142,473,992   | -             | -           | 1,989,574     |
| Preventive Maintenance - FY 15  | CA-90-Z224   | 20.507      | 7,968,293        | 9,947,867        | 7,968,293     | -             | -           | 7,542,220     |
| Crenshaw/Lax Transit Corridor   | CA-95-X256   | 20.507      | 58,213,840       | 65,756,060       | 58,213,840    | -             | -           | -             |
| Metro Orange Line Extension Operating Assistance - FM   | CA-95-X206   | 20.507      | 15,000,000       | 4,688,170        | 4,688,170     | -             | -           | 1,005,107     |
| Exposition Blvd. Right-of-Way Bike Path   | CA-95-X214   | 20.507      | 11,528,000       | 8,762,923        | 7,757,816     | -             | -           | (31,109)      |
| Bus Acq and MCL & MCL Op Asst   | CA-95-X042   | 20.507      | 125,046,000      | 20,094,399       | 20,125,508    | -             | -           | 4,087,061     |
| Expo Phase 1 Operating assistance - 80% CMAQ  | CA-95-X176   | 20.507      | 32,093,000       | 20,435,304       | 16,348,243    | -             | -           | -             |
| 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 | -           | \$482,377,975 |

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    |
| <b>Transit Service Cluster</b>   |             |                                   |                  |  |                |                |
| 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        |
| <b>New Freedom Programs:</b>   |             |                                   |                  |  |                |                |
| 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        |
| <b>Transit Services Cluster Total</b>  |             |                                   | 56,930,994       | 5,777,412  | 5,019,631      | 757,781        |
| <b>Clean Fuels - CNG Fueling Facility at Division 13</b>   | 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    |
| <b>U.S. Department of Transportation Total</b>   |             |                                   | 3,373,018,600    | 1,415,338,672  | 590,329,225    | 662,854,834    |
| <b>U.S. Department of Homeland Security</b>  |             |                                   |                  |  |                |                |
| 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      | -              |
| <b>Rail and Transit Security Program Total</b>   |             |                                   | 43,424,294       | 11,284,766   | 10,659,101     | 63,774         |
| <b>U.S. Department of Homeland Security Total</b>  |             |                                   | 43,424,294       | 11,284,766   | 10,659,101     | 63,774         |
| <b>Total Federal Grants</b>  |             |                                   | \$ 3,416,442,894 | \$ 1,426,623,438   | \$ 600,988,326 | \$ 662,918,608 |
| <b>State Grants</b>  |             |                                   |                  |  |                |                |
| 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          |
| <b>Total State Grants</b>  |             |                                   | \$ 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

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**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<br/>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.

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**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

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**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

***Federal Awards:***

Internal Control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified not considered to be material weaknesses?  Yes  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  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?  Yes  No

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(Continued)

**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.



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

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(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  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

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.



**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

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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, 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   |  | 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 | 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 | \$ -          | \$ 285,760                                    |             | \$ 106,922,195 |
| 20.205   |  | Burbank Airport  | CA-15-X005       |                  |              | 800,000        | 285,760       |               | 82,327  |             | 2,523,660      |
| 20.205   |  | Extension of Transit w ay on 1-110 to Downtown LA  | EA 07-278008     | ISTDBM-6065(165) |              | 4,387,000      | 2,906,007     |               | 607,802                                       |             | 759,752        |
| 20.205   |  | Active Transportation Education Program  | CMLN 6065 (190)  |                  |              | 6,272,631      | 1,343,285     |               | 274,711                                       |             | 1,600,531      |
| 20.205   |  | Safe Routes to School  | SRTSNM-6065(178) |                  |              | 4,000,000      | 659,819       |               | 37,026  |             | 4,908          |
| 20.205   |  | Orange Line High Speed Magnetic Levitation trains  | HRLU-6065(156)   |                  |              | 251,972        | 41,934        |               | 37,026  |             | 4,908          |
|  |  | Highway Planning and Construction Cluster Total  |                  |                  |              | 1,159,559,228  | 145,101,181   | 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    | 26,209,259    |               |   |             |                |
|  |  |  |                  |                  |              | 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     |               |   |             | 1,282,832      |
| 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                                    | 26,478,941  | 16,747,634     |
| 20.500   |  | Regional Connection Transit Corridor Construction  | CA-2016-046      |                  |              | 100,000,000    | 4,018,715     |               | 2,936,848                                     | 996,166     | 85,701         |
| 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/IVTCLJ   | CA-04-0230       |                  |              | 2,000,000      | 672,528       |               | 538,022                                       |             | 134,506        |
| 20.500   |  | Paisaouras Plaza Bus w ay 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   | 5,974,713                                     | 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      | 5,351,077      |
| 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                                     |             | (11,428,832)   |
| 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                                    |             | 9,389,709      |
| 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                                   |             | 27,483,812     |
| 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                                    | 2,285,632   | (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      | 2,523,601       | 1,815,909                                     | -             | 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      | 2,234,183       | 1,589,163                                     | -             | 408,525         |
| Transit Services Cluster Total  |             |  | 57,624,114      | 4,999,564       | 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       | 108,357         |
| State and Community Highway Safety  |             |  |                 |                 |   |               |                 |
| Countywide Bicycle Education Safety   | 20.600      | PS1512   | 223,950         | 88,984          | -   | -             | 68,591          |
| 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:   |             |  |                 |                 |   |               |                 |
| U.S. Department of Homeland Security:   |             |  |                 |                 |   |               |                 |
| 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       | 116,378                                       | -             | -               |
| 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                   |               | Local Share   |
|--------------|---|-------------|-------------------------|----------------|----------------|---------------|---------------------------------|---------------|---------------|
|              |   |             |                         |                |                |               | passed through to subrecipients | 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

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**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

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**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

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**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.



## Board Report

File #: 2017-0702, File Type: Program

Agenda Number: 11.

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

**SUBJECT: MAJOR CONSTRUCTION UMBRELLA INSURANCE PROGRAM**

**ACTION: PURCHASE UMBRELLA INSURANCE**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to negotiate and purchase additional construction project umbrella liability insurance policies (also known as a super excess general liability insurance program) for construction of the Metro Westside Purple Line Extension Section 2 Project (the Project) with up to \$300 million in additional limits at a cost not to exceed \$4.9 million for the period effective June 6, 2017 to June 6, 2027 (and products/completed operations coverage to June 6, 2037).

#### **ISSUE**

Metro is concerned about the financial implications of an unanticipated loss resulting in major damage to adjacent properties and/or loss of life/injury on our major transit construction projects. Such risk can be mitigated reasonably through the purchase of additional insurance.

#### **BACKGROUND**

##### Existing Liability Insurance Coverage for the Metro Westside Purple Line Extension Section 2 Project

Dedicated limits of insurance coverage for the Metro Westside Purple Line Extension Section 2 Project are provided by the Design Build (DB) contractor, Tutor Perini/O&G, A Joint Venture. The liability insurance on the Project, which covers the negligent injury or death and/or property damage to others, is \$350 million. This coverage also includes products and completed operations for ten years following the revenue service date and will respond to latent defects which cause injury or death, or real property damage to other people. The coverage limits take into account aspects such as concentration of property values near the Project, population density, tunneling, project duration, and other factors. The contract award value of the Project was \$1,376,500,000.

##### Risk Exposure Above Existing Coverage

Despite using liability insurance limits toward the high end of industry practice in our major construction project contracts, these limits would be insufficient to respond to an extremely unlikely and unanticipated loss resulting in widespread property damage or loss of life.

Metro purchased additional construction project umbrella liability insurance policies for construction of the Metro Westside Purple Line Extension Section 1, Gold Line Foothill Extension Phase 2A, Crenshaw/LAX, Expo II Transit Corridor and Regional Connector Projects in October 2014 as authorized by the Board. The policies are effective for the period October 1, 2014 to January 3, 2023 (with products and completed operations coverage to January 3, 2033) and provide additional liability insurance limits up to \$550 million over the current contractor owned insurance programs. Purchase of this policy will provide a consistent approach to mitigating our risk exposure and provide the same amount of liability limit available on the projects listed above.

## **DISCUSSION**

### **Proposed Additional Liability Insurance Coverage for the Metro Westside Purple Line Extension Section 2 Project**

Metro's construction insurance broker, Aon Risk Services, approached each of the carriers in Metro's current super umbrella program to determine whether they were willing to enroll the Metro Westside Purple Line Extension Section 2 Project into their current policies. However, due to a number of reasons such as market appetite and the fact that reinsurance treaties with all carriers in the first layer allow policy terms to run no longer than eight years, our broker approached the market with a new policy to take the project term out to the required 12 years to include the timeframe for the Westside Purple Line Extension Section 2 Project with a linked limits endorsement to the prior policy. This approach was accepted by the carriers in the first layer of coverage in the amount of \$50 million. A \$250 million limit is provided by the secondary layer carrier for a total coverage, including the DB provided coverage, of \$750 million (the same as the existing super umbrella program). This action brings continuity of coverage for all major Metro construction projects under one program.

Attachment A identifies the insurance carriers and pricing for the proposed program.

## **DETERMINATION OF SAFETY IMPACT**

Approval of this recommendation will not impact the safety of Metro's patrons or employees.

## **FINANCIAL IMPACT**

The funding for this action is included in the FY18 budget, under Project 865522 (Westside Purple Line Extension Section 2), Fund 6012, Cost Center 8510 (Construction Project Management), Account Number 50602 (Insurance Premium for General Liability) and Task Number 4.10.01.03 (General Liability - Non FFGA).

### **Impact to Budget**

The sources of funds for the recommended action are from Measure R 35% and Local Funds. The approved FY18 budget is designated for the Westside Purple Line Extension Section 2 Project and does not have an impact to operations funding sources.

### **ALTERNATIVES CONSIDERED**

Aon Risk Services explored the possibility of a single insurer, Berkshire Hathaway, to provide the full coverage required for the Project. Their estimated premium for doing so was not a viable option.

There are no other viable options as we have exhausted the marketplace to develop the limits recommended in this super excess liability program. There are no more available limits in the insurance industry.

Metro could self-insure this exposure and rely on its indemnities with the DB contractor, however, this approach would leave Metro with an unknown and unknowable risk of an unanticipated loss.

### **NEXT STEPS**

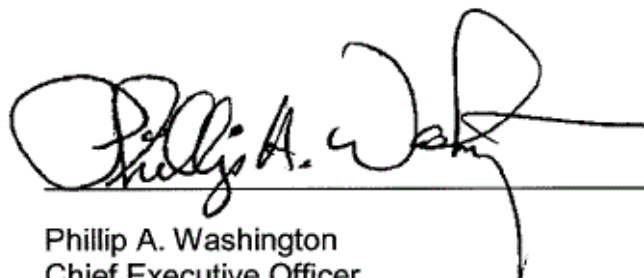
Upon Board approval of this action, we will advise Metro's broker, Aon Risk Services, to proceed with placement of the excess liability insurance program outlined herein effective June 6, 2017.

### **ATTACHMENTS**

Attachment A - Recommended Program Pricing and Carriers

Prepared by: Tim Rosevear, Manager, Financing Manager, (213) 922-6354

Reviewed by: Greg Kildare, Chief Risk, Safety and Asset Management Officer, (213) 922-4971



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Phillip A. Washington  
Chief Executive Officer

**ATTACHMENT A**

**RECOMMENDED PROGRAM PRICING AND CARRIERS**

| Carrier        | Limits       | Percentage | Premium     | Total Taxes & Fees | TOTAL       |
|----------------|--------------|------------|-------------|--------------------|-------------|
| <b>Primary</b> |              |            |             |                    |             |
| Chubb          | \$11,607,143 | 23.2%      | \$626,786   | \$43,875           | \$670,661   |
| AWAC           | \$6,250,000  | 12.5%      | \$337,500   | \$23,625           | \$361,125   |
| Endurance      | \$4,464,286  | 8.9%       | \$241,071   | \$7,714            | \$248,786   |
| Swiss RE       | \$4,464,286  | 8.9%       | \$241,071   | \$7,714            | \$248,786   |
| Argo           | \$4,464,286  | 8.9%       | \$241,071   | \$16,875           | \$257,946   |
| XL             | \$4,464,286  | 8.9%       | \$241,071   | \$7,232            | \$248,304   |
| Markel         | \$3,571,429  | 7.1%       | \$192,857   | \$5,786            | \$198,643   |
| Catlin         | \$3,125,000  | 6.3%       | \$168,750   | \$5,400            | \$174,150   |
| Liberty        | \$2,678,571  | 5.4%       | \$144,643   | \$4,629            | \$149,271   |
| Apollo         | \$2,678,571  | 5.4%       | \$144,643   | \$4,629            | \$149,271   |
| Starstone      | \$2,232,142  | 4.5%       | \$120,536   | \$3,857            | \$124,393   |
|                | \$50,000,000 | 100.0%     | \$2,700,000 | \$131,336          | \$2,831,336 |

| <b>Secondary</b> |               |        |             |          |             |
|------------------|---------------|--------|-------------|----------|-------------|
| Berkshire        | \$250,000,000 | 100.0% | \$1,919,210 | \$61,415 | \$1,980,625 |

|                    |                      |  |                    |                  |                    |
|--------------------|----------------------|--|--------------------|------------------|--------------------|
| <b>GRAND TOTAL</b> | <b>\$300,000,000</b> |  | <b>\$4,619,210</b> | <b>\$192,750</b> | <b>\$4,811,960</b> |
|--------------------|----------------------|--|--------------------|------------------|--------------------|

Contingency for carrier, premium, tax or fee adjustments \$88,040

|                  |  |  |  |                      |             |
|------------------|--|--|--|----------------------|-------------|
| Bermuda Markets  |  |  |  | Not to Exceed Amount | \$4,900,000 |
| Domestic Markets |  |  |  |                      |             |
| London Markets   |  |  |  |                      |             |



## Board Report

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**File #:** 2018-0169, **File Type:** Informational Report

**Agenda Number:** 12.

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

**SUBJECT: MANAGEMENT AUDIT SERVICES FY 2018 THIRD  
QUARTER REPORT**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the third quarter report of Management Audit Services (Management Audit) for the period ending March 31, 2018.

#### **ISSUE**

At its January 2005 meeting, the Board designated the Executive Management and Audit Committee (EMAC) as their audit committee. The EMAC requested a quarterly report from Management Audit on its audit activities. In July 2011, the audit responsibilities were transferred to the Finance, Budget and Audit Committee. This report fulfills the requirement for the third quarter of FY 2018.

#### **DISCUSSION**

Management Audit provides audit support to the Chief Executive Officer (CEO) and his executive management team. The audits we perform are categorized as either internal or external. Internal audits evaluate the processes and controls within the agency. External audits analyze contractors, cities or non-profit organizations that we conduct business with or receive Metro funds.

There are four groups in Management Audit: Performance Audit, Contract Pre-Award Audit, Incurred Cost Audit and Audit Support and Research Services. Performance Audit is primarily responsible for all audits for Operations, Finance and Administration, Planning and Development, Program Management, Information Technology, Communications, Risk, Safety and Asset Management and Executive Office. Contract Pre-Award and Incurred Cost Audit are responsible for external audits in Planning and Development, Program Management and Vendor/Contract Management. All of these units provide assurance to the public that internal processes are efficiently, economically, effectively, ethically, and equitably performed by conducting audits of program effectiveness and results, economy and efficiency, internal controls, and compliance. Audit Support and Research Services is responsible for administration, financial management, budget coordination, and audit follow-up and resolution tracking.

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The summary of Management Audit activity for the quarter ending March 31, 2018 is as follows:

Internal Audits: Two internal audits were issued and 14 were in process.

External Audits: One contract pre-award audit with a total value of \$17.5 million was completed and 5 incurred cost audits with a total value of \$19 million were completed. 54 incurred cost audits were in process.

Other Audits: 126 Consolidated Audits were issued by external auditors.

Audit Follow-up and Resolution: 14 recommendations were closed during the third quarter. At the end of the quarter, there were 28 open audit recommendations. In addition, two recommendations for the OIG were closed. Details of all open, extended, and closed recommendations can be found in the Third Quarter Board Box titled "Status of Audit Recommendations".

Management Audit's FY 2018 third quarter report is included as Attachment A.

### **NEXT STEPS**

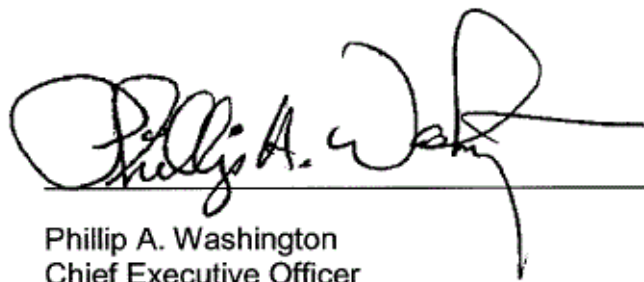
Management Audit will provide the FY 2018 Fourth Quarter report of audit activity to the Board at the September 2018 Finance, Budget and Audit Committee meeting.

### **ATTACHMENT**

Attachment A - Management Audit Services Quarter Report

Prepared by: Monica Del Toro, Audit Support Manager (213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor (213) 922-2161



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Phillip A. Washington  
Chief Executive Officer



**MANAGEMENT AUDIT SERVICES  
QUARTERLY REPORT TO THE BOARD**

**Los Angeles County Metropolitan  
Transportation Authority**

***Third Quarter  
FY 2018***



**Metro™**

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# *EXECUTIVE SUMMARY*

## Summary of Audit Activity

During the third quarter of FY 2018, 134 projects were completed. These include:

### Internal Audits

- Performance Audit of the Cash Counting Process;
- Follow-Up Performance Audit of 511 Traveler Information System

### Pre-Award Audits

- Independent Auditor's Report on Agreed-Upon Procedures for the Cost Proposal for the Metro Green Line Track Circuits & Train on Wayside Communication Upgrade;

### Incurred Cost Audits

- Independent Auditor's Report on Agreed-Upon Procedures of Ramos Consulting Services, Inc.'s interim incurred cost for the years 2014 and 2015 for Regional Connector Transit Corridor Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Inglewood's Florence Avenue Regional Transportation Corridor Improvement Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Norwalk's Firestone Boulevard Widening over San Gabriel River Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Malibu's PCH Roadway and Bike Route Improvements from Busch Drive to W.C.L. Project;
- Independent Auditor's Report on Agreed-Upon Procedures for the Close-out Review of City of Pasadena's Zero Emission Vehicle Charging Stations Project;

### Other Audits

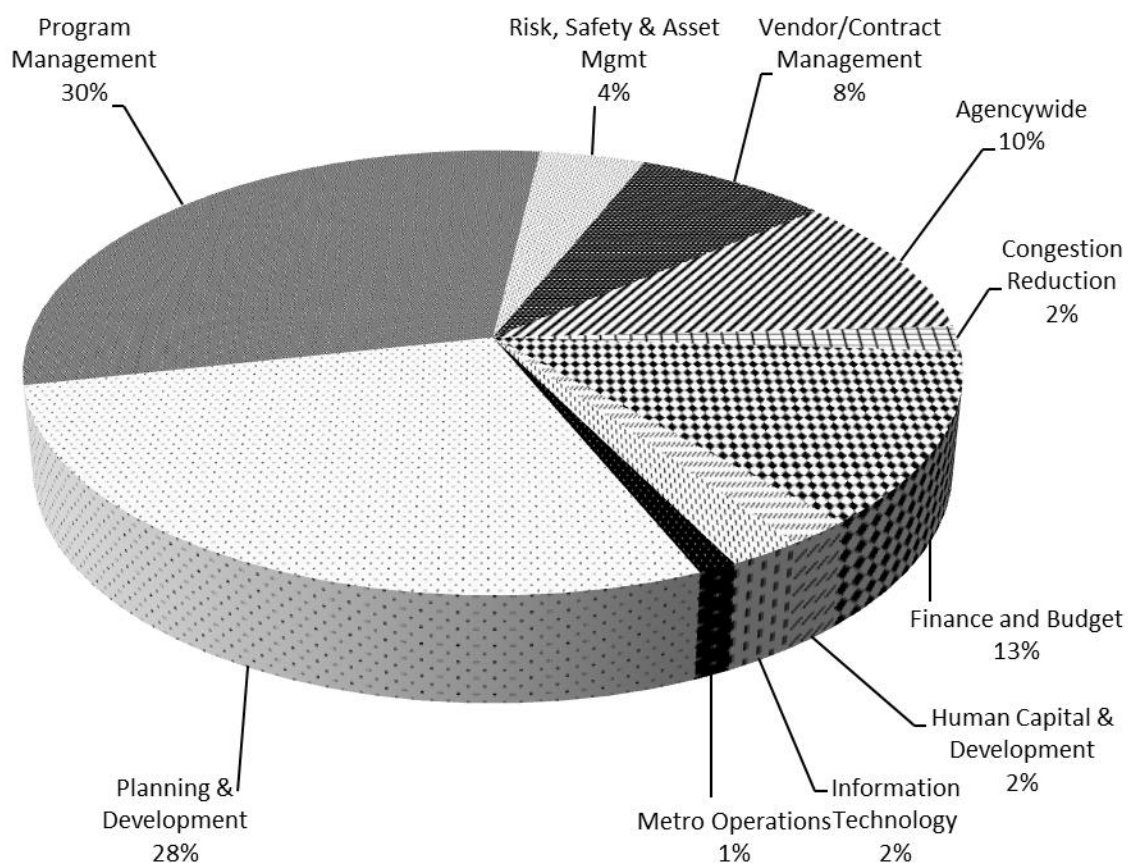
- 126 other (Consolidated Audits) audits issued by external CPA firms.

The completed external audits are discussed on page 3. Discussions of the internal audits begin on page 4. Discussions of Other audits issued by external CPA firms begin on page 5.

## EXECUTIVE SUMMARY

Sixty-eight projects were in process as of March 31, 2018; these included 14 internal audits and 54 incurred cost audits.

The following chart identifies the functional areas where Management Audit focused audit staff time and efforts during third quarter FY 2018:



### Audit follow-up:

- 14 recommendations were closed during the third quarter. At the end of the quarter there were 28 open audit recommendations.
- In addition, we closed two OIG recommendations. At the end of the quarter there were 44\* open audit recommendations.

\*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.

# *EXTERNAL AUDITS*

## Contract Pre-Award Audit

Contract Pre-Award Audit provides support to the Vendor/Contract Management Department for a wide range of large-dollar procurements and projects. This support is provided throughout the procurement cycle in the form of pre-award, interim, change order, and closeout audits, as well as assistance with contract negotiations.

During third quarter FY 2018, one audit was completed, reviewing a net value of \$17.5 million. Auditors questioned \$374 thousand or 2% of the proposed costs. The audit supported procurements in the following area:

- Metro Green Line Track and Wayside Communications Upgrades

Details on Contract Pre-Award Audits completed during third quarter FY 2018 are in Appendix A.

## Incurred Cost Audit

Incurred Cost Audit conducts audits for Planning and Development's Call-for-Projects program, Program Management's highway projects, federally funded transportation programs, and various other transportation related projects, including Caltrans projects. The purpose of the audits is to ensure that funds are spent in accordance with the terms of the grants/contracts and federal cost principles.

Incurred Cost Audit completed five audits during third quarter FY 2018. We reviewed \$19 million of funds and identified \$924 thousand or 5% of unused funds that may be reprogrammed. Fifty-four incurred cost audits were in process as of March 31, 2018.

Details on Incurred Cost Audits completed during third quarter FY 2018 are in Appendix B.

# *INTERNAL AUDITS*

For the third quarter of FY 2018, two internal audits were completed. Fourteen internal audits were in process as of March 31, 2018. The internal audits in process are listed in Appendix C.

The following internal audits were issued in the third quarter FY 2018. The completed reports are listed in order of the magnitude of risks that their findings represent to the agency.

## *Performance Audit of the Cash Counting Process*

The audit objective was to evaluate the adequacy of internal controls over the cash counting process and verify whether the corrective actions from prior audit of Cash Collection and Counting Process (09-REV-F01) were implemented.

We found that the internal controls were adequate and that recommendations from prior audit were implemented. In addition, we identified two areas for process improvement opportunities.

## *Follow-Up Performance Audit of 511 Traveler Information System*

The audit objective was to verify the implementation of agreed upon corrective actions from the prior audit of the 511 Traveler Information System, Report No. 12-PLN-K01 issued on June 22, 2012. There were four findings in the previous MAS Report No. 12-PLN-K01 pertaining to the following: 1) Underutilization of the 511 System, 2) Project Management Oversight, 3) Inadequate Information Technology General Controls, and 4) Customer Feedback.

We found that all recommendations from the prior audit report were implemented. The corrective actions implemented by management improved the monitoring of the utilization of the 511 System, project management of the contract terms, monitoring of information technology general controls, and the quality of customer feedback. There are no findings identified in this audit.

## *OTHER AUDITS*

### 126 Other (Consolidated Audit – Issued various dates) audits completed during Third Quarter FY18 by external CPA firms:

These financial and compliance audits are needed to ensure that the recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration guidelines. For efficiency and effectiveness, we contracted with two firms (Simpson & Simpson and Vasquez & Company, LLP) to conduct the financial and compliance audits of the following programs for the year ended June 30, 2017:

- 103 reports - Proposition A Local Return Fund, Proposition A Discretionary Incentive Grants, Proposition C Local Return Fund, Measure R Local Return Fund, the Transportation Development Act Article 3 and Article 8 Funds, and EZ Transit Pass Programs for 88 cities, County of Los Angeles, Antelope Valley Transit Authority and Pomona Valley Transportation Authority
- 6 reports - Transit System Funds and Measure R 20% Fund for Cities of Commerce, Redondo Beach and Torrance
- 5 reports - Fare Subsidies Programs with non-profit entities.
- 1 report - Access Services
- 11 reports - LADOT Operating Data (Proposition A Incentive Programs)

The respective auditors will follow up on the findings identified in these audits in the following years' audits.

- Measure R Independent Taxpayers Oversight Committee Workshop:  
The voter approved Measure R Ordinance mandates that an annual audit be conducted after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the net revenues allocated to the Local Return Subfund during the fiscal year. As required by law, Simpson & Simpson and Vasquez presented their audit report regarding Measure R sales tax revenues used by the 87 cities (excluding the City of Vernon which opted out to receive Measure R funds) as well as the County of Los Angeles to the Measure R Oversight Committee on March 13, 2018.

# AUDIT SUPPORT SERVICES

## Audit Follow-Up and Resolution

During the third quarter, 14 recommendations were completed and closed. At the end of the quarter there were 28 outstanding audit recommendations. The table below summarizes the third quarter activity.

### Summary of MAS and External Audit Recommendations As of March 31, 2018

| Executive Area                     | Closed    | Late     | Extended  | Not Yet Due/Under Review | Total Open |
|------------------------------------|-----------|----------|-----------|--------------------------|------------|
| Program Management                 |           |          |           |                          |            |
| Vendor Contract Management         |           |          |           |                          |            |
| Finance and Budget                 |           |          |           |                          |            |
| Information Technology             | 1         |          | 1         |                          | 1          |
| Metro Operations                   | 7         |          | 8         |                          | 8          |
| Planning and Development           | 2         |          | 2         |                          | 2          |
| Communications                     | 2         |          | 5         |                          | 5          |
| Systems Security & Law Enforcement |           |          |           |                          |            |
| Human Capital & Development        | 2         |          |           | 12                       | 12         |
| <b>Totals</b>                      | <b>14</b> | <b>0</b> | <b>16</b> | <b>12</b>                | <b>28</b>  |

In addition to the above MAS and external audit recommendations, we closed two recommendations for the Office of the Inspector General (OIG). At the end of the quarter there were 44\* outstanding OIG audit recommendations.

\*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.



## Appendix A

| <b>Contract Pre-Award Audit FY 2018 - Audits Completed During Third Quarter</b> |             |   |                       |                  |                    |                       |
|---|-------------|---|-----------------------|------------------|--------------------|-----------------------|
| <b>No.</b>  | <b>Area</b> | <b>Audit Number &amp; Type</b>                  | <b>Contractor</b>     | <b>Frequency</b> | <b>Requirement</b> | <b>Date Completed</b> |
| 1   | Operations  | 18-OPS-A02 - Attestation Agreed-upon Procedures | Ansaldo STS USA, Inc. | 1st Time         | VCM Request        | 2/2018                |

## Appendix B

| <b>Incurred Cost Audit FY 2018 - Audits Completed During Third Quarter</b> |                        |   |                                 |                  |  |                       |
|--|------------------------|---|---------------------------------|------------------|--|-----------------------|
| <b>No.</b>   | <b>Area</b>            | <b>Audit Number &amp; Type</b>                  | <b>Contractor</b>               | <b>Frequency</b> | <b>Requirement</b>                                   | <b>Date Completed</b> |
| 1  | Planning & Development | 17-PLN-A29 - Closeout                           | City of Inglewood               | Once             | Per Project Manager's request and FA. P00F3130 terms | 1/2018                |
| 2  | Program Management     | 17-CON-A39 - Attestation Agreed-upon Procedures | Ramos Consulting Services, Inc. | 2nd Time         | VCM Policy   | 3/2018                |
| 3  | Planning & Development | 17-PLN-A30 - Closeout                           | City of Norwalk                 | Once             | Per Project Manager's request and MOU.P00F1219 terms | 3/2018                |
| 4  | Program Management     | 18-HWY-A03 - Closeout                           | City of Malibu                  | Once             | Per Project Manager's request and MOU.MR311.30 terms | 3/2018                |
| 5  | Planning & Development | 18-PLN-A14 - Closeout                           | City of Pasadena                | Once             | Per Project Manager's request and MOU.P00F3709 terms | 3/2018                |

## Appendix C

| Internal Audit FY 2018 - In Process as of March 31, 2018 |                                   |  |   |   |                     |                              |
|--|-----------------------------------|--|---|---|---------------------|------------------------------|
| No   | Area                              | Audit Number & Title   | Description   | Frequency                               | Requirement         | Estimated Date of Completion |
| 1  | Information & Technology Services | Performance Audit of Information Technology Project Management   | Evaluate the efficiency and effectiveness of the Information Technology Services (ITS) Department's Project Management Process. A sample from all information technology systems acquired, upgraded, developed and/or implemented during the period from July 1, 2013 through June 30, 2016 will be selected to assess the efficiency and effectiveness of the Project Management Process, including the projects' success from the end user perspective. | First Time                              | Per FY17 Audit Plan | 4/2018                       |
| 2  | Metro Operations                  | 17-OPS-P07 - Performance Audit of Track Allocation               | Determine the effectiveness of the track allocation process.  | First Time                              | Per FY16 Audit Plan | 4/2018                       |
| 3  | Program Management                | 16-CON-P04 - Performance Audit of Construction Quality Assurance | Evaluate the efficiency and effectiveness of the agency's Construction Quality Assurance Program over minor construction projects (less than \$100 million) and to follow-up on the implementation of recommendations from the prior Performance Audit of Construction Quality Assurance, No. 11-CON-K02.   | 2nd Time; Last Audit 3 years ago        | Per FY16 Audit Plan | 5/2018                       |
| 4  | Finance & Budget                  | 17-OMB-P02 - Performance Audit of Farebox Revenue Process        | Evaluate the effectiveness of internal controls over Farebox Revenue Process.   | First Time                              | Per FY17 Audit Plan | 5/2018                       |
| 5  | Vendor / Contract Management      | 16-VCM- P01 - Performance Audit of P-Card                        | Evaluate compliance to P-card purchase requirements.  | 3rd Time; Last audits 4 and 8 years ago | Per FY16 Audit Plan | 5/2018                       |
| 6  | Vendor / Contract Management      | 17-VCM-P02 - Performance Audit of Change Order Process           | To determine the extent of Vendor/Contract Management's compliance with policies and procedures.<br>To determine Vendor/Contract Management's adequacy of the justification documentation for approving contract modifications.<br>To determine the extent of key information utilization for contract modifications.<br>Identify best practices and present to Vendor/Contract Management for consideration.   | First Time                              | Per FY17 Audit Plan | 6/2018                       |
| 7  | Vendor / Contract Management      | 17-VCM-P04 - Performance Audit of Pre-Award Process              | To determine Vendor/Contract Management's adequacy of the justification documentation for the vendor contract selection method (e.g. best value, lowest bid).<br>To determine the extent of key information utilization to select vendors for contract awards.  | First Time                              | Per FY17 Audit Plan | 6/2018                       |
| 8  | Metro Operations                  | 16-OPS-P03 - Performance Audit of Accident Prevention Program    | Determine the efficiency and effectiveness of Operations' Accident Prevention Practices.  | First Time                              | Per FY16 Audit Plan | 6/2018                       |

## Appendix C

| Internal Audit FY 2018 - In Process as of March 31, 2018 |   |  |   |                                  |                     |                              |
|--|---|--|---|----------------------------------|---------------------|------------------------------|
| No   | Area  | Audit Number & Title   | Description   | Frequency                        | Requirement         | Estimated Date of Completion |
| 9  | Agency-Wide                                   | 17-AGW-P01 - Performance Audit of Consultant Hours   | Evaluate efficiency and effectiveness of the use of consultants. Phase 1 – This audit will report on the agency-wide use of consultants such as the number of consultants by business unit, nature of work conducted by the consultants, consultant costs and other statistical information during the review period (FY14, FY15 and FY16). | First Time                       | Per FY17 Audit Plan | 6/2018                       |
| 10   | Employee & Labor Relations / Finance & Budget | 17-OMB-P04 - Performance Audit of Position Reconciliation Process                                  | To evaluate the adequacy of the Position Reconciliation Process between the cost centers, Human Resources and Office of Management and Budget.  | 2nd Time; Last Audit 6 years ago | Per FY17 Audit Plan | 6/2018                       |
| 11   | Risk Management                               | 18-RSK-P01 - Performance Audit of Business Continuity Plan   | Evaluate the adequacy of the Continuity of Operations Plan (COOP) project, and report on progress to date on the COOP project as of March 31, 2018.   | 2nd Time; Last Audit 8 years ago | Per FY18 Audit Plan | 6/2018                       |
| 12   | Vendor / Contract Management                  | 18-VCM-P01 - Annual Audit of Business Interruption Fund  | Evaluate Business Interruption Fund Program   | 3rd Time; Last Audit a years ago | Per FY18 Audit Plan | 5/2018                       |
| 13   | Vendor / Contract Management                  | 18-VCM-P02 - Performance Audit of the Tracking of SBE and DBE Goals                                | Evaluate the process of monitoring SBE/DBE goals achievement and reliability of the information captured and reported from this process by Diversity and Economic Opportunity Department.   | 1st Time                         | Per FY18 Audit Plan | 6/2018                       |
| 14   | ITS and Operations                            | 18-ITS-P01 - Performance Audit of HASTUS - Confirmation of Collective Bargaining Agreement Changes | Evaluate whether changes from the SMART Collective Bargaining Agreement effective July 1, 2017 were effectively implemented in the HASTUS System, and to assess the adequacy of the implementation plans for the pending system changes.  | First Time                       | Per FY18 Audit Plan | 6/2018                       |

## Appendix D

| Open Audit Recommendations |                        |                                     |          |  |                          |                          |
|----------------------------|------------------------|-------------------------------------|----------|--|--------------------------|--------------------------|
| No.                        | Area                   | Audit Number & Title                | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 1                          | Operations             | 11-OPS-O06 - HASTUS                 | 11       | We recommend the Chief Operations Officer: Consider multi-division operator run cutting to optimize workforce distribution amongst divisions.<br><b>Update: Operations will be using the CrewOpt module for the June 2018 shakeup.</b>   | 6/30/2016                | 6/30/2018                |
| 2                          | Operations             | 11-OPS-O06 - HASTUS                 | 12       | We recommend the Chief Operations Officer: Adopt integrated scheduling to improve the efficiency of run cuts.<br><b>Update: Operations will be using the CrewOpt module for the June 2018 shakeup.</b>   | 6/30/2016                | 6/30/2018                |
| 3                          | Communications         | 16-COM-P01 - Special Fares Programs | 20       | We recommend the Communications Department to report the program performance periodically to the appropriate level of management to support decision making.<br><b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>   | 3/31/2017                | 7/31/2018                |
| 4                          | Communications         | 16-COM-P01 - Special Fares Programs | 21       | We recommend the Communications Department to renew the agreement with the Court to confirm mutual agreement.<br><b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>  | 3/31/2017                | 7/31/2018                |
| 5                          | Communications         | 16-COM-P01 - Special Fares Programs | 22       | We recommend the Communications Department to revisit the program purpose and guidelines/requirements to assess the current J-TAP Program performance.<br><b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>   | 3/31/2017                | 7/31/2018                |
| 6                          | Communications         | 16-COM-P01 - Special Fares Programs | 23       | We recommend the Communications Department obtain a written agreement with DCFS to confirm the mutual agreement and to retain the legal rights to enforce DCFS to meet the Program guidelines and requirements.<br><b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>        | 3/31/2017                | 7/31/2018                |
| 7                          | Communications         | 16-COM-P01 - Special Fares Programs | 25       | We recommend the Communications Department to assess the program performance periodically, and report to the appropriate level of management.<br><b>Update: MOU is being reviewed by internal stakeholders for suggestions.</b>  | 3/31/2017                | 7/31/2018                |
| 8                          | Planning & Development | 14-EDD-P01 - Real Estate Property   | 11       | We recommend that Real Estate Management complete the required inspections and document inspection records on file.<br><b>Update: Real Estate has provided Master schedule to perform required inspection. Management Audit is reviewing supporting documents for some of the inspections completed.</b> | 6/30/2017                | 6/30/2018                |

Any findings that have not been corrected 90 days after the due date are reported as late.

## Appendix D

| Open Audit Recommendations |                        |  |          |   |                          |                          |
|----------------------------|------------------------|--|----------|---|--------------------------|--------------------------|
| No.                        | Area                   | Audit Number & Title                             | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 9                          | Planning & Development | 14-EDD-P01 - Real Estate Property                | 12       | We recommend that Real Estate complete the write off process for delinquent accounts that are deemed uncollectable in accordance with the policy established for writing off uncollectable amounts.<br><b>Update: Management Audit is currently reviewing supporting documentation provided by Real Estate Management to verify that appropriate corrective action was taken.</b>   | 6/30/2017                | 6/30/2018                |
| 10                         | Operations             | 16-OPS-P01 - Wayside Systems - Track Maintenance | 1        | We recommend the Chief Operations Officer require Track management to develop an inventory of linear assets and their components that can be the basis of a PMP to accurately forecast maintenance requirements and component replacements.<br><b>Update: Currently, a software system called OpTram is in the initial stages of being developed that will have an inventory of linear assets, including Wayside track assets. This will be a short term solution for the inventory of assets as the long term plan is to replace the M3 system which should include a requirement for linear assets inventory.</b>               | 6/30/2017                | 6/30/2018                |
| 11                         | Operations             | 16-OPS-P01 - Wayside Systems - Track Maintenance | 6        | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to revise inspection forms/reports to include: applicable checklists with inspection criteria for the different types of inspections; condition description, and ranking description of conditions with estimated completion for corrective actions.<br><b>Update: The M3 mobile app for the Daily Inspection form is now being tested by Track Inspectors. Verification of the inspections criteria for the different types of inspections is expected to be completed by June 30, 2018.</b> | 6/30/2017                | 6/30/2018                |
| 12                         | Operations             | 16-OPS-P01 - Wayside Systems - Track Maintenance | 8        | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to log all conditions that impact the track structure in the inspection reports, including water damage in the tunnels.<br><b>Update: The M3 mobile app for Daily Inspection form is now being tested by Track Inspectors. The determination of whether all conditions that impact the track structure are being documented and will be completed by June 30, 2018.</b>   | 06/30/2017               | 6/30/2018                |

Any findings that have not been corrected 90 days after the due date are reported as late.

## Appendix D

| Open Audit Recommendations |                                 |   |          |   |                          |                          |
|----------------------------|---------------------------------|---|----------|---|--------------------------|--------------------------|
| No.                        | Area                            | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 13                         | Operations                      | 16-OPS-P01 - Wayside Systems - Track Maintenance                  | 10       | We recommend that while the long-term recommendation is being evaluated, that the Chief Operations Officer require Track management to work with other business units who are responsible to implement any corrective actions that may impact track maintenance and/or track condition.<br><b>Update: The Director of Wayside Systems informed us that Track Inspectors are communicating with Wayside Systems Facility Maintenance for any corrective actions outside of track maintenance responsibility. Additionally, a vendor was hired to perform repairs and maintenance on Metro concrete guide ways, bridges and subway tunnels.</b> | 6/30/2017                | 6/30/2018                |
| 14                         | Operations                      | 16-OPS-P01 - Wayside Systems - Track Maintenance                  | 12       | We recommend that the Chief Operations Officer, require Track management to provide training for track management, supervisors and/or leads that create work orders in the M3 system.<br><b>Update: The M3 mobile app for the Daily Inspection form is now being tested by Track Inspectors.</b>  | 6/30/2017                | 6/30/2018                |
| 15                         | Operations                      | 16-OPS-P01 - Wayside Systems - Track Maintenance                  | 13       | We recommend that the Chief Operations Officer, require Track management to log all open maintenance conditions in M3, as they are identified, to produce meaningful reports.<br><b>Update: The M3 mobile app for the Daily Inspection form is now being tested by Track Inspectors.</b>  | 6/30/2017                | 6/30/2018                |
| 16                         | Information Technology Services | 16-ITS-P02 - Performance Audit of IT Asset Management             | 2        | We recommend that the ITS Department Management complete the update of the Standards Compliance and Asset Management (IT 7) Policy to clarify the roles and responsibilities of the ITS department and other cost centers in tracking and managing IT assets. The policy should include the types of IT assets that need to be maintained in IT asset inventory records. The policy revision should also include the extent of the periodic physical inventory/reconciliation based on the risk associated with the type of IT assets and the amount of investment on various types of IT assets.   | 10/31/2017               | 6/30/2018                |
| 17                         | Human Capital & Development     | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 1a       | We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: appropriate prioritization methodology to prioritize travel requests.   | 6/30/2018                |                          |
| 18                         | Human Capital & Development     | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 1b       | We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: Target turnaround time for booking completely filled Travel Authorization Forms received.   | 6/30/2018                |                          |

Any findings that have not been corrected 90 days after the due date are reported as late.

## Appendix D

| Open Audit Recommendations |                             |   |          |   |                          |                          |
|----------------------------|-----------------------------|---|----------|---|--------------------------|--------------------------|
| No.                        | Area                        | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 19                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 1c       | We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: requirement to obtain justification which is approved by the department management for late requests (submitted less than 30 days of travel date).  | 6/30/2018                |                          |
| 20                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 1d       | We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: requirement when to return incomplete travel request forms to the requestors to complete.   | 6/30/2018                |                          |
| 21                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 1e       | We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: requirement to document traveler's management approval and travel change cost records for cost increases in excess of the 20% threshold, resulting from changes made after the initial booking.   | 6/30/2018                |                          |
| 22                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 1f       | We recommend the General Services Management to develop a written policy and/or procedure manual for the Travel Program Administrator which addresses the following but not limited to: guideline of acceptable nature and established threshold for allowable cost differences when accommodating traveler preferences or requests. Specify the required traveler's management approval if any, and whose responsibility it will be to pay the cost difference in excess of the allowable threshold. | 6/30/2018                |                          |
| 23                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 3        | We recommend the General Services Management to continue to collaborate with the ITS Department to implement a Travel Information Management System to automate the travel coordination, booking, supporting documentation retention, and expense reimbursement processes.  | 12/31/2018               |                          |
| 24                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 4        | We recommend the General Services Management to consider providing various cost center management with a periodic summary report of all travel transactions to assist in identifying travel trends, cost saving opportunities and extent of policy exceptions.  | 4/30/2018                |                          |

Any findings that have not been corrected 90 days after the due date are reported as late.



## Appendix D

| Open Audit Recommendations |                             |   |          |   |                          |                          |
|----------------------------|-----------------------------|---|----------|---|--------------------------|--------------------------|
| No.                        | Area                        | Audit Number & Title  | Rec. No. | Recommendation  | Original Completion Date | Extended Completion Date |
| 25                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 5        | We recommend the General Services Management to update the current Travel and Business Expense Policy (FIN 14) to require travelers to submit the Travel Authorization Form at least 30 days prior to the travel date. Require justification and management approval for travel request submitted less than the 30 days requirement.  | 6/30/2018                |                          |
| 26                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 6        | We recommend the General Services Management to extend no show penalty provision to flights and other travel reservations to enforce the travelers to inform the Travel Office of the cancelled travel. Clarify traveler's responsibility if any, to pay for the cost of the missed flights.  | 6/30/2018                |                          |
| 27                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 8        | We recommend the General Services Management to create a traveler's checklist of all required information, documentation, and approvals that should be included to the Travel Authorization Form in order to book travel. Require traveler to sign the checklist to certify completeness of documentation/information prior to submission to the Travel administrator. Consider returning incomplete Travel Authorizations to the travel requestor. | 6/30/2018                |                          |
| 28                         | Human Capital & Development | 18-CEO-P01 - Consulting Engagement for the Travel Booking Process | 9        | We recommend the General Services Management to consider evaluating staffing resource adequacy as a result of the Travel Program Administrator's increased responsibilities related to the monthly credit card reconciliations.   | 6/30/2019                |                          |

Any findings that have not been corrected 90 days after the due date are reported as late.

## Appendix E

| OIG Open Audit Recommendations |                                |   |          |  |                          |                          |
|--------------------------------|--------------------------------|---|----------|--|--------------------------|--------------------------|
| No.                            | Area                           | Audit Number & Title  | Rec. No. | Recommendation   | Original Completion Date | Extended Completion Date |
| 1                              | Program Management             | 16-AUD-01 - Capital Project Management Best Practices Study | 38 Total | The 109 recommendations included in this report address findings in low bid contracting, project delivery method selection process and criteria, contract administration, obtaining necessary approvals from cities to avoid delays, etc.<br><b>Update: As of March 31, 2018, 71 of 109 recommendations have been completed.</b> |                          |                          |
| 2                              | Planning & Development         | 18-AUD-02 - Audit of Procurement of Subscription Services   | 1a       | We recommend that the Chief Planning Officer follow through with plans to contact the Procurement Department regarding procuring subscription services currently provided by Digital Map Products.   |                          |                          |
| 3                              | Planning & Development         | 18-AUD-02 - Audit of Procurement of Subscription Services   | 1b       | We recommend that the Chief Planning Officer counsel the Real Estate staff not to use multiple methods of payment for a single expense.  |                          |                          |
| 4                              | Vendor and Contract Management | 18-AUD-02 - Audit of Procurement of Subscription Services   | 2a       | We recommend the Chief, Vendor/Contract Management Officer should follow through on plans to provide refresher training to Contract Administrators for not extending purchase orders beyond one year (unless there is a multi-year option).  |                          |                          |
| 5                              | Vendor and Contract Management | 18-AUD-02 - Audit of Procurement of Subscription Services   | 2b       | We recommend the Chief, Vendor/Contract Management Officer should follow through on plans to provide refresher training to Contract Administrators for considering multi-year contracts as an option for recurring services.   |                          |                          |
| 6                              | Vendor and Contract Management | 18-AUD-02 - Audit of Procurement of Subscription Services   | 2c       | We recommend the Chief, Vendor/Contract Management Officer should follow through on plans to provide refresher training to Contract Administrators for ensuring procurement files contain required documents and are sent to the Procurement File Room for storage when the procurements are completed.                          |                          |                          |
| 7                              | Finance & Budget               | 18-AUD-02 - Audit of Procurement of Subscription Services   | 3        | We recommend the Executive Officer, Finance/Controller should follow through on plans to update the check request policy to require that computer-related subscriptions over \$3,000 should go through the Procurement process or a justification memo meeting policy requirements must be provided.                             |                          |                          |

\*This total does not include recommendations included in the Audit of Westside Purple Line Extension Section 2- Modification No. 52, Review of Metro Safety Culture and Rail Operational Safety, and Review of Metro Rail Services Disruptions, as the management response and/or estimated completion dates are still pending. However, Operations has hired consultants to assist in addressing the most critical elements of the Review of Metro Safety Culture and Rail Operational Safety.