



METROLINK®

Southern California Regional Rail Authority (SCRRRA)

**Report on Compliance with the Requirements of the
Metrolink Program by SCRRRA
*For the Year Ended June 30, 2019***

**under Memorandum of Understanding (MOU) No. P0SCRRRA29
with the Los Angeles County Metropolitan Transportation Authority
(LACMTA)**

Southern California Regional Rail Authority (SCRRA)

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For the Year Ended June 30, 2019

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with the Los Angeles County Metropolitan Transportation Authority
(LACMTA)**

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FINANCIAL SECTION

Independent Accountant's Report

To the Board of Directors of the Los Angeles County Metropolitan Transportation Authority (LACMTA)

Report on the Examination of Metrolink Program by SCRRA

We have examined the Southern California Regional Rail Authority's (SCRRA) compliance with the following requirements identified in the Memorandum of Understanding (MOU) No. P0SCRRA29 between SCRRA and the Los Angeles County Metropolitan Transportation Authority (LACMTA), the SCRRA Adopted Budget for the year ended 2018/2019 and other guidelines issued related to the SCRRA Program (collectively, the Guidelines). The following requirements are applicable to SCRRA's allocation of revenues and expenditures to LACMTA for the year ended June 30, 2019:

1. LACMTA's share in the Schedule of Subsidy Allocation by County is free of material discrepancies.
2. The total revenues and expenditures shown in the Schedule of Subsidy Allocation by County provided by SCRRA are in agreement, in all material respects, with the SCRRA's Comprehensive Annual Financial Report (CAFR). (See Exhibit I)
3. The allocation methods used by SCRRA to allocate revenues and expenditures are in conformance with the allocation methods adopted by the joint authorities and are applied consistently to allocate revenues and expenses. (See Exhibits II and III)
4. The Proposition C 10%, Measure R 3% and Measure M 1% funds received from LACMTA are recorded in SCRRA's books. (See Exhibit IV)
5. The Proposition C 10%, Measure R 3% and Measure M 1% funds received are expended for purposes identified in the SCRRA's Annual Work Program, capital grants, other operating assistance, adopted language MOU(s) and the SCRRA adopted budget.
6. LACMTA's contribution to the Self Insurance Reserve (SIR) was made in accordance with the appropriate member agency allocation formula, and that claims against the SIR were appropriate uses of funds. (See Exhibit VII)
7. SCRRA's third party participation contracts do not materially impact LACMTA's share of revenues and expenditures. (See Exhibit I)



8. SCRRA complied with all applicable ordinances.
9. The following requirements are not applicable to SCRRA's allocation of revenues and expenditures to LACMTA for the year ended June 30, 2019 because there were no transactions that have occurred relating to these requirements. Accordingly, no procedures were performed on these requirements.
 - a. Metro's contribution to the annual capital replacement program is properly accounted for, is bearing interest, and is solely allocated for this purpose.
 - b. Metro's allocation of revenue from interest income on lease proceeds is consistent with the allocation formula adopted in the budget.

Management's Responsibility

Management of SCRRA is responsible for compliance with these requirements, as well as the compliance requirements shown in the Compliance Matrix.

Auditors' Responsibility

Our responsibility is to express an opinion on SCRRA's compliance based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether SCRRA complied in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether SCRRA complied with the requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on SCRRA's compliance with specified requirements.

Opinion

In our opinion, SCRRA complied, in all material respects, with the aforementioned requirements established in the Guidelines, for the year ended June 30, 2019.

Required Supplementary Information

The Schedule of Subsidy Allocation by County and the related Notes to the Schedule were presented as required by the MOU and the Guidelines. 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 examination of compliance. 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 Matters

The results of our examination procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Compliance Matrix. Our opinion is not modified with respect to these matters.

Responses by the SCRRA to the noncompliance findings identified in our examination are described in the accompanying Compliance Matrix. The SCRRA's responses were not subjected to the procedures applied in the examination of compliance, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of SCRRA and LACMTA and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
March 31, 2020**

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Schedule of Subsidy Allocation by County
Year ended June 30, 2019

	<u>TOTAL</u>	<u>LACMTA</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>
OPERATING REVENUES						
Fares	\$ 82,154,164	\$ 40,342,538	\$ 21,885,175	\$ 7,379,360	\$ 10,245,437	\$ 2,301,654
Dispatching	2,136,181	1,107,423	699,865	10,535	62,219	256,139
Maintenance-of-Way	13,016,774	7,635,824	2,561,584	710,524	1,593,256	515,586
Miscellaneous	789,515	386,600	169,425	87,438	101,337	44,715
Total Operating Revenues	<u>98,096,634</u>	<u>49,472,385</u>	<u>25,316,049</u>	<u>8,187,857</u>	<u>12,002,249</u>	<u>3,118,094</u>
OPERATING EXPENSES						
Train operations and services	147,025,806	73,671,500	34,508,280	17,102,820	15,709,256	6,033,950
Maintenance-of-Way	43,912,946	23,529,010	8,817,163	3,080,650	5,865,436	2,620,687
Personal liability/property damage	11,323,595	5,908,173	2,672,585	1,119,885	1,252,925	370,027
Administration and services	38,783,772	18,620,528	7,005,378	5,510,973	4,129,015	3,517,878
Total Operating Expenses	<u>241,046,119</u>	<u>121,729,211</u>	<u>53,003,406</u>	<u>26,814,328</u>	<u>26,956,632</u>	<u>12,542,542</u>
OPERATING LOSS	(142,949,485)	(72,256,826)	(27,687,357)	(18,626,471)	(14,954,383)	(9,424,448)
FY2018/2019 MEMBER SUBSIDY INVOICED	<u>150,549,695</u>	<u>75,119,648</u>	<u>29,403,103</u>	<u>19,659,704</u>	<u>16,111,080</u>	<u>10,256,160</u>
NET SURPLUS	<u>\$ 7,600,210</u>	<u>\$ 2,862,822</u>	<u>\$ 1,715,746</u>	<u>\$ 1,033,233</u>	<u>\$ 1,156,697</u>	<u>\$ 831,712</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

SCRRA is an independent entity created in August 1991 through a joint exercise of powers agreement (JPA). SCRRA began operating the “Metrolink” regional commuter rail system in October 1992. The member agencies of the JPA are (1) Los Angeles County Metropolitan Transportation Authority (LACMTA), (2) Orange County Transportation Authority (OCTA), (3) Riverside County Transportation Commission (RCTC), (4) San Bernardino Associated Governments (SANBAG), and (5) Ventura County Transportation Commission (VCTC). The member agencies acquired the rail network in existence at the time the JPA was established for use in Metrolink’s commuter rail operations. This railroad network is not included as part of SCRRA’s railroad network capital assets. The member agencies retain title to and ownership of those assets. As part of the JPA, SCRRA is responsible for the related maintenance and operation of members’ assets and rail right-of-way used in operations.

In addition, certain members retain responsibility to maintain segments of their railroad network. The Metrolink railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects. Currently, there are 534 route miles with 59 stations in the Metrolink system throughout Los Angeles, Orange, Riverside, San Bernardino, Ventura, and San Diego counties.

SCRRA is governed by a Board of Directors comprised of 11 members appointed by the voting members of the JPA. The member agencies with their respective number of votes are as follows:

Los Angeles County Metropolitan Transportation Authority (LACMTA)	4
Orange County Transportation Authority (OCTA)	2
Riverside County Transportation Commission (RCTC)	2
San Bernardino Associated Governments (SANBAG)	2
Ventura County Transportation Commission (VCTC)	1

SCRRA is not considered to be a component unit of any other reporting entity.

Basis of Accounting

Revenues and expenditures are accounted for using the accrual basis of accounting. Revenues from grants are recognized when expenditures are incurred. Expenditures are generally recognized when the related liabilities are incurred.

Revenue Recognition

SCRRA receives approximately half of its funding from fares and other operating revenues, and the balance of its funding comes from its member agencies. The majority of sources for transportation funds in these counties are local sales taxes (with the exception of Ventura County), State Rail Bond funds, State Transit Assistance funds, State Highway Account funds, State Transit Capital Improvement funds, and Federal Transit Administration Capital funds.

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2019

NOTE 2 MEMORANDUM OF UNDERSTANDING (MOU)

SCRRA (grantee) and the Los Angeles County Metropolitan Transportation Authority (LACMTA) (grantor) entered into MOU No. P0SCRRA29, which is effective beginning July 1, 2018 through June 30, 2023, for the purpose of providing funding to SCRRA during the fiscal year (FY) 2018/2019 for LACMTA's financial commitments to the FY 2018/2019 budget as required by the JPA. LACMTA's Board of Directors approved its financial commitments on June 28, 2018.

In accordance with MOU No. P0SCRRA29, LACMTA will make available to SCRRA the following allocation of funds (Funds) for the LACMTA's share of the FY 2018/2019 budget in the amounts of:

- a. \$75,119,645 for rail operations, using \$73,208,790 of new Proposition C 10% funds and \$1,910,855 of deferred revenue already in SCRRA's possession. \$1,565,250 of the new Proposition C 10% funds for closed session claims will be paid on a reimbursable basis within seven business days of invoice delivery to LACMTA. SCRRA will be paid according to the following schedule, unless altered by mutual written agreement:

Quarterly invoices			
July 15,2018	\$	22,379,110	
October 1,2018		16,421,477	
January 1, 2019		16,421,477	
April 1, 2019		<u>16,421,476</u>	\$ 71,643,540
Deferred revenue - carryover			1,910,855
Reimbursable closed session claims			<u>1,565,250</u>
Total			<u>\$ 75,119,645</u>

- b. \$2,449,478 for Right-of-Way (ROW) security using deferred revenue already in SCRRA's possession; and
- c. \$500,000 for the new homeless outreach and enforcement initiative outside 20 feet of the center track along LACMTA ROW, using deferred revenue already in SCRRA's possession.
- d. \$500,000 to supplement funding provided pursuant to the Facilities Maintenance MOU dated July 1, 1997 and as amended on July 1, 2000, between LACMTA and SCRRA (the "Maintenance MOU"), which Maintenance MOU provides for enhanced L.A. County ROW maintenance outside of 20 feet using deferred revenue already in SCRRA's possession. These funds will be expended only in the event SCRRA exceeds the \$1,059,267 annual funding provided by the Maintenance MOU; and
- e. \$40,031,193 for new rehabilitation and renovation projects, using \$35,031,193 of new Measure R 3% funds and reprogramming \$5,000,000 of anticipated surplus funds previously approved for the TVD project; and
- f. \$750,000 for Tunnel 25 urgent track, ties and drainage rehabilitation using deferred revenue already in SCRRA's possession; and
- g. \$950,000 for the CMF Trail Track new capital project using deferred revenue already in SCRRA's possession; and
- h. \$250,000 for one-time special events, using new Proposition C 10% funds.

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA27
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2019

NOTE 2 MEMORANDUM OF UNDERSTANDING (MOU) (CONTINUED)

The FY 2018/2019 member subsidy invoiced to LACMTA of \$75.1 million reported in the Schedule of Subsidy Allocation by County is part of the above funds allocated to SCRRA.

Details of the receipts and uses of funds for the year ended June 30, 2019 are as follows:

Fund	Description	[a] Approved Funding	[b] Receipts	[c] Reprogrammed **	[=a - b - c] Funding Balance	[d] Expenditures	[=(b + c) - d] Surplus/ (Deficit)
Prop C 10%	Operations	\$ 75,119,645	\$ 71,643,540	\$ 1,910,855	\$ 1,565,250	\$ 72,256,826	\$ 1,297,569
Prop C 10%	Right of Way	3,449,478	-	3,449,478	-	2,449,478	1,000,000 ***
Measure R 3%	Rehabilitation and renovation	40,781,193	-	750,000	40,031,193	736,991	13,009 ****
Prop C 10%	Capital Project PSRs	950,000	-	-	950,000	-	-
Prop C 10%	Special Event	250,000	84,155	-	165,845	199,952	(115,797)
		<u>\$ 120,550,316</u>	<u>\$ 71,727,695</u>	<u>\$ 6,110,333</u>	<u>\$ 42,712,288</u>	<u>\$ 75,643,247</u>	<u>\$ 2,194,781</u>

** Reprogrammed from the deferred revenue already in SCRRA's possession.
*** See Exhibit VIII.
**** See Exhibit VI.

NOTE 3 STATUS OF PRIOR YEAR MEMORANDUM OF UNDERSTANDING

Details of the receipts and uses of funds of prior years' open MOUs are as follows:

MOU# P0SCRRA28			[a]	[b]	[=a - b]	[c]	[=b - c]
Fund	Description	Year	Approved Funding	Receipts	Funding Balance	Expenditures	Surplus/ (Deficit)
Prop C 10%	Operations	2018	\$ 71,658,558	\$ 71,658,558	\$ -	\$ 68,421,032	\$ 3,237,526
		2019	-	-	-	-	-
Prop C 10%	Right of Way	2018	2,360,550	1,733,121	627,429	2,310,789	(577,668)
		2019	-	577,707	49,722	-	577,707
Measure R 3%	Rehabilitation and renovation	2018	6,819,000	-	6,819,000	2,127	(2,127)
		2019	-	37,710	6,781,290	50,890	(13,180)
Prop C 10%	Special Event	2018	250,000	-	250,000	128,259	(128,259)
		2019	-	155,299	94,701	66,289	89,010
			<u>\$ 81,088,108</u>	<u>\$ 74,162,395</u>	<u>\$ 6,925,713</u>	<u>\$ 70,979,386</u>	<u>\$ 3,183,009</u>

Southern California Regional Rail Authority (SCRRRA)
MOU No. P0SCRRRA29
Notes to Schedule of Subsidy Allocation by County
Year ended June 30, 2019

NOTE 3 STATUS OF PRIOR YEARS' MEMORANDUM OF UNDERSTANDING (CONTINUED)

<u>MOU# P0SCRRRA27</u>			<i>[a]</i>	<i>[b]</i>	<i>[=a - b]</i>	<i>[c]</i>	<i>[=b - c]</i>
<u>Fund</u>	<u>Description</u>	<u>Year</u>	<u>Approved Funding</u>	<u>Receipts</u>	<u>Funding Balance</u>	<u>Expenditures</u>	<u>Surplus/ (Deficit)</u>
Prop C 10%	Operations	2017	\$ 71,795,000	\$ 71,795,000	\$ -	\$ 66,497,200	\$ 5,297,800
		2018	-	-	-	-	-
		2019	-	-	-	-	-
Prop C 10%	Right of Way	2017	2,360,551	2,360,551	-	2,358,526	2,025
		2018	-	-	-	-	-
		2019	-	-	-	-	-
Measure R 3%	Rehabilitation and renovation	2017	28,381,025	-	28,381,025	4,028,759	(4,028,759)
		2018	-	10,902,866	17,478,159	16,058,677	(5,155,811)
		2019	-	10,741,842	6,736,317	9,278,385	1,463,457
Measure R 3%	Capital Project PSRs	2017	618,000	-	618,000	-	-
		2018	-	-	618,000	-	-
		2019	-	-	618,000	-	-
Prop C 10%	Special Event	2017	100,000	-	100,000	55,394	(55,394) *
		2018	-	8,322	91,678	72,747	(64,425)
		2019	-	76,995	14,683	-	76,995
			<u>\$ 103,254,576</u>	<u>\$ 95,885,576</u>	<u>\$ 7,369,000</u>	<u>\$ 98,349,688</u>	<u>\$ (2,464,112)</u>

* \$55,394 was billed and uncollected as of June 30, 2017

EXHIBITS

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Reconciliation of the Schedule of Subsidy Allocation to CAFR
Year ended June 30, 2019

	<u>Revenues</u>	<u>Expenses</u>
Per Schedule of Subsidy Allocation	\$ 98,096,634	\$ 241,046,119
<u>Reconciling items:</u>		
OPERATING:		
Fare Revenues	2,911	-
Dispatching	18,480	-
Maintenance of Way	12,804	159,335
Train Operations	-	1,155,549
Third party agreements ^{1}	30,208,421	27,136,264
Rehabilitation and renovation - capital ^{1}	-	33,693,897
Miscellaneous	(55,181)	-
Public liability and property damage	2,566,385	1,397,149
Depreciation ^{1}	-	53,134,408
Benefit for claims, judgements, and other	-	9,113,849
Per CAFR - Operating Revenues and Expenses	<u>\$ 130,850,454</u>	<u>\$ 366,836,570</u>

Notes:

^{1}Not allocated to the members

Revenues and expenses in the Schedule of Subsidy Allocation by County do not include revenues and expenses relating to Third-party participation agreements.

Third-party participation agreements are items such as charter train services, construction of major capital facilities on behalf of third parties, and flagging personnel provided by SCRRA for the safety of non-SCRRA personnel accessing the rail right-of-way. SCRRA's policy regarding third-party agreements is that they should be self-supporting. Projects are billed up-front to third parties and a reconciliation of actual costs against payments are reconciled at project completion. The excess of expenses over revenue is attributed by SCRRA to advance collections in prior years as well as for billing adjustments related to overhead.

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Methods of Allocation Used and the Types of Revenues and Expenses
Year ended June 30, 2019

Budget Item	FY18-19 Agreed Allocation
Train Mile Allocation	
Train Operations	Train Miles - Current
Fuel	Train Miles - Current
Operating Contingency	Train Miles - Current
Direct to Line Segments/Territories	
Rail Agreements	Direct to Lines/Then to Members
MOW - Line Segments	Train Miles of Service on Territory
MOW - Extra-Ordinary maintenance	Train Miles of Service on Territory
Holiday Trains	Direct to Lines/Then to Members
Amtrak Transfers	Direct to Lines/Then to Members
Route Miles Dispatched	
Dispatching	Route Miles Dispatched
Ridership/Revenue Distributions	
Transfers to other Operators	Ridership/Revenue Distribution
Supplemental Additional Security	Ridership/Revenue Distribution
Base Allocation	
Equipment Maintenance	75% Train Miles - Lagged/25% Unduplicated Stations
Operating Contingency (Bombardier)	Train Miles - Lagged
Non-Scheduled Rolling Stock Repairs	Train Miles - Lagged
Operating Facilities Maintenance	Train Miles - Lagged
Other Operating Train Services	Unduplicated Route Miles (excl SD Co)
Security - Sheriff	Train Miles - Lagged
Security - Guards	Unduplicated Route Miles (excl SD Co)
Public Safety Program	Unduplicated Route Miles (excl SD Co)
Utilities/Leases	Unduplicated Route Miles (excl SD Co)
Passenger Relations - Call Boxes	Unduplicated Stations
Contingency (Non-Train Operating)	Unduplicated Route Miles (excl SD Co)
TVM Maintenance/Revenue Collection	TVMS
Station Maintenance - Non-Union Station	Unduplicated Stations
Station Maintenance - Union Station	Revenue Moves thru LAUS
Passenger Service Representatives	Unduplicated Route Miles (excl SD Co)
Passenger Relations - Call Center/Other	Ridership Distribution Lagged
Marketing/Market Research	Ridership Distribution Lagged
Media and External Communications	Unduplicated Route Miles (excl SD Co)
Liability/Property/Auto	Train Miles - Lagged
Claims	Train Miles - Lagged
Claims Administration	Train Miles - Lagged
Salaries and Fringe Benefits	Unduplicated Route Miles (excl SD Co)
Non-Labor Costs	Unduplicated Route Miles (excl SD Co)
Allocated Overhead	Unduplicated Route Miles (excl SD Co)
Services	Unduplicated Route Miles (excl SD Co)

Southern California Regional Rail Authority (SCRRA)

MOU No. P0SCRRA29

Line Item Allocation Methodology

Year ended June 30, 2019

The FY 2018-2019 Budget was created using the Line Item Allocation Methodology outlined in Exhibit II. The sum of all individual line item allocations resulted in a total expense bottom line percentage allocation rate.

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Schedule of Funds Received for Proposition C 10%, Measure R 3% and Measure M 1%
(Dollar Amounts in Thousands)
Year ended June 30, 2019

		<u>Receipts for</u> <u>FY 2018-2019</u>
Proposition C 10% Fund		
P0SCRRA21	\$	30
P0SCRRA23		63
P0SCRRA24		583
P0SCRRA25		1,110
P0SCRRA26		4
AVLFARERED		1,168
P0SCRRA27		10,819
P0SCRRA28		771
P0SCRRA29		71,728
92000000015/SR14		8
Total		<u>86,284</u>
Measure R 3% Fund		
MRSCCRA01		680
MRSCCRA07		(3)
MRSCCRA10		358
MRSCCRA11		260
MRSCCRA12		119
MRROTEMSET		1,273
MRBHAHWWAY		431
MRBRIGHTRX		19
SCRRAMRGXS		29
SCRRAMRLUS		699
TVMLACTY		1,286
Total		<u>5,151</u>
Total funds received	\$	<u><u>91,435</u></u>

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Comparative Analysis of Unearned Revenue
(Dollar Amounts in Thousands)
Year ended June 30, 2019

	<u>LACMTA</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>	<u>OTHER</u>	<u>TOTAL</u>
Operating Surplus (Deficit)	\$ 9,788	\$ 3,853	\$ 2,901	\$ 2,595	\$ (7,284)	\$ -	\$ 11,853
Preventive Maintenance Surplus (Deficit)	-	6,000	-	9,000	7,284	-	22,284
Capital Projects Surplus (Deficit)	4,633	1,341	(704)	3,824	1,493	1,986	12,573
Restricted Prop1B	973	-	-	-	139	38,022	39,134
Unearned revenue at June 30, 2018	15,394	11,194	2,197	15,419	1,632	40,008	85,844
2019 Activities							
Operating Surplus	1,585	824	101	1,039	8,116	-	11,665
Preventive Maintenance Surplus (Deficit)	-	2,374	-	(4,642)	(6,498)	-	(8,766)
Capital Projects Surplus (Deficit)	(953)	903	780	224	1,151	(777)	1,328
Restricted Prop1B	(150)	-	-	-	(15)	(1,846)	(2,011)
Unearned revenue at June 30, 2019	\$ 15,876	\$ 15,295	\$ 3,078	\$ 12,040	\$ 4,386	\$ 37,385	\$ 88,060 *
<i>* Breakdown per activity</i>							
Unearned revenue components:							
Operating Surplus (Deficit)	\$ 11,373	\$ 4,677	\$ 3,002	\$ 3,634	\$ 832	\$ -	\$ 23,518
Preventive Maintenance Surplus	-	8,374	-	4,358	787	-	13,519
Capital Projects Surplus	3,680 **	2,244	76	4,048	2,643	1,209	13,900
Restricted Prop1B	823	-	-	-	124	36,176	37,123
Unearned revenue, June 30, 2019	\$ 15,876	\$ 15,295	\$ 3,078	\$ 12,040	\$ 4,386	\$ 37,385	\$ 88,060

** See Exhibit VI.

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Capital Surplus per MOU and Breakdown of Active/Closing Projects
Year ended June 30, 2019

Unearned Revenue Capital Projects Surplus, June 30, 2018	\$ 4,632,972
2019 Activities	(953,398)
Unearned Revenue Capital Projects Surplus, June 30, 2019	<u>3,679,574</u>
Earmarked for active/closing projects	4,391,283 *
Currently available for reprogramming	<u>\$ (711,709)</u>

Currently available for reprogramming to be settled with LACMTA on or before 12/31/2020.

List of active/closing projects:

Project Number	Project Name	Award Short Name	Held for Projects
402003	EASTERN AREA MAINT FAC	LACMTA 24112 DEFERRED REVENUE	\$ 43,226
402007	AV CHANGES @ SANTA CLARITA	MOU.POSCRRA11	(19,089)
405009	HAND-THROW XOVER AT LANCASTER	MOU.POSCRRA15 Deferred	37
406001	KELLER YARD	MOU.POSCRRA16	175,936
418005	CMF N END CONNECT DES	9400000000SCRRA29 - DEFERRED 24112	947,367
503014	TURNOUTS-VN LINE	MOU.POSCRRA12 DEFERRED 24112	4,387
503019	TURNOUTS-RIV CORR (E BK)	MOU.POSCRRA12 DEFERRED 24112	4,218
503056	FIXED ASSET SYSTEM IMPLMNT	MOU.POSCRRA12 DEFERRED 24112	152,291
504006	WOOD TIE PGM-VEN CO LINE (LA)	MOU.POSCRRA13	8,328
504007	WOOD TIE PGM-S.B. LINE	MOU.POSCRRA13	180,629
504024	S&C PGM-SYSTEM	MOU.POSCRRA13	408
505003	RAIL PGM - AV LINE	MOU.POSCRRA15	13,935
505006	WOOD TIE PGM - VC LINE (LA)	MOU.POSCRRA15	35,539
505025	SIG&COM PGM - RIVER	MOU.POSCRRA15	70
505043	ALARMS IN SIGNAL HOUSES	LACMTA 24112 DEFERRED REVENUE	6,732
505047	TUNNEL 26 PHASE 3	MOU.POSCRRA15	162,154
506021	VC LINE TRACK (LA)	MOU.POSCRRA16	54,743
506071	RIVER TRACK	MOU.POSCRRA16	(130,331)
506083	SYSTEM SIG	MOU.POSCRRA16	28,032
507022	FY07 VENTURA CO LINE BRIDGE (LA CO)	MOU.POSCRRA17	155
507073	FY07 RIVER SIGNAL	MOU.POSCRRA17	(3,145)
507084	MOW FACILITY PHASE 1	MOU.POSCRRA16	701,215
508086	FY08 VEHICLES - FED	MOU.POSCRRA18	45
518050	SYST - BOMBARDIER(SENTINEL) OH	9400000000SCRRA28 - DEFERRED 24112	206
519310	VALLEY TNNL 25 TRACK REHAB	9400000000SCRRA29 - DEFERRED 24112	741,540
585008	ROLLING STOCK REHAB - TRACTION MTRS INSTALATION (NONFED)	MOU.POSCRRA17 DEFERRED 24112	937
603002	PURCHASE/REBUILD USED LOCOS	LACMTA 24112 DEFERRED REVENUE	63,362
604001	ROLLING STOCK PROCUREMENT	LACMTA 24112 DEFERRED REVENUE	206,234
606001	50 VALIDATORS	MOU.POSCRRA16	(58,212)
698001	18 NEW TICKET VENDING MACHINES	LACMTA 24112 DEFERRED REVENUE	5,641
611002	LOCO CAMERA SPARE PARTS	LACMTA 24112 DEFERRED REVENUE	836
616003	TIER 4 #21-37	LACMTA 24112 DEFERRED REVENUE	998,857
881916	LANKERSHIM BRIDGE SECURITY FENCING PROJECT	pending MOU.920000000FSCRRASECFENCE	65,000
Total			\$ 4,391,283 *

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Schedule of LACMTA's Contribution to the Self Insurance Reserve
Year ended June 30, 2019

	<u>TOTAL</u>	<u>LACMTA</u>	<u>OCTA</u>	<u>RCTC</u>	<u>SANBAG</u>	<u>VCTC</u>
Member insurance subsidy	\$ 16,629,480	\$ 8,676,559	\$ 3,924,876	\$ 1,644,629	\$ 1,840,007	\$ 543,409
Insurance expense						
Liability/Property/Auto	9,428,801	4,919,549	2,225,378	932,493	1,043,271	308,110
Claims/SI	1,212,366	632,561	286,142	119,901	134,145	39,617
Claims administration	682,428	356,063	161,065	67,491	75,509	22,300
Total insurance expense	<u>11,323,595</u>	<u>5,908,173</u>	<u>2,672,585</u>	<u>1,119,885</u>	<u>1,252,925</u>	<u>370,027</u>
Surplus	<u>\$ 5,305,885</u>	<u>\$ 2,768,386</u>	<u>\$ 1,252,291</u>	<u>\$ 524,744</u>	<u>\$ 587,082</u>	<u>\$ 173,382</u>

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Schedule of LACMTA's Allocation of Revenue from Right of Way – Security Cost
Year ended June 30, 2019

Reprogrammed receipts to be used for:	
Right-of-Way security expenditures	\$ 2,449,478
Homeless outreach and enforcement initiative	500,000
Supplement funding to facilities maintenance MOU	500,000
Total receipts	<u>3,449,478</u>
Right-of-Way Security Expenditures	
Quarter 1	612,370
Quarter 2	612,370
Quarter 3	612,369
Quarter 4	612,369
Total Right-of-Way Security Expenditures	<u>2,449,478</u>
Homeless outreach and enforcement initiative expenditures	<u>-</u>
Facilities Maintenance MOU expenditures	<u>-</u>
Surplus	<u>\$ 1,000,000</u>

COMPLIANCE MATRIX

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Compliance Matrix
Year ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
1.	SCRRA submitted its FY 2018-2019 Budget on April 30, 2018 to the LACMTA and the other JPA member agencies of the SCRRA.	X				
1c.	SCRRA will provide monthly reports to LACMTA detailing the utilization of funding and results of operations as it relates to the homeless outreach and enforcement initiative.		X			See Finding #2019-001
2.	Right of Way security funds, not to exceed \$2,449,478, will be paid for additional right-of-way security ("ROW Security") on all LACMTA owned right-of-way upon which Metrolink service operates.	X				
2c.	SCRRA, LASD and LACMTA staff shall conduct a ROW Security review meeting each quarter. At each quarterly meeting, SCRRA and LASD shall provide LACMTA with a summary of incident reports, deployment schedules and a Los Angeles County mitigation plan to improve ROW security. SCRRA shall provide report outlining LASD performance and adherence to the SCRRA/LASD contract requirements.		X			See Finding #2019-002 (Repeat Finding)
2d.	SCRRA shall report the following categories of information to LACMTA on a monthly basis: <ul style="list-style-type: none"> a. Percentage of time in LA County handling calls for service and engaged in proactive activity. b. Percentage of ROW enforcement hours in LA County vs all other Counties. 		X			See Finding #2019-003

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Compliance Matrix
Year ended June 30, 2019

Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
	Yes	No	N/A		
2d. c. Provide in-service information on a weekly basis to enable SCRRA and LACMTA compliance staff to verify coverage. d. Percentage of Silver Trac trespasser encampment reports handled within 48 hrs. e. Number of Grade Crossing Operations with reported outcome. f. Number of Streetcar and VIPR operations with reported income.		X			
2f. On a quarterly basis, SCRRA shall provide LACMTA copies of the LASD invoices and supporting documentation. After fiscal year end close, SCRRA shall provide a reconciliation which will identify surplus funds, if any. Such reconciliation shall be provided no later than 10/31/2019.		X			See Findings #2019-004 and #2019-005
2h. SCRRA shall ensure that LASD complies with all insurance requirements of the LASD/SCRRA contract. Further, SCRRA represents that it is self-insured to the extent required to cover its indemnification obligation.	X				
3. Rehabilitation and renovation funds in the amount of \$40,031,193 in Measure R 3% funds will be paid for FY 2018-2019 new projects as specified in the Attachment A of MOU No. POSCRRA29. State law requires that all recipients of Measure R funds submit an Expenditure Plan consistent with the guidelines in the Attachment B of MOU No. POSCRRA29.	X				

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Compliance Matrix
Year ended June 30, 2019

Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
	Yes	No	N/A		
<p>4. SCRRA shall adhere to the following guidelines for invoicing and managing of rehabilitation and renovation projects for FY 2018-2019:</p> <p>a. SCRRA shall invoice LACMTA on a quarterly basis for reimbursement of eligible expenses by submitting a quarterly progress/expenditure report. Each invoice and accompanying quarterly progress/expenditure report shall include sufficient back up documentation to the project level so that expenses can be tracked on a project by project basis. Documentation shall include copies of vendor invoices, material acquired, timesheets, and any other documentation to justify payment to SCRRA.</p> <p>b. SCRRA invoices shall not exceed the FY2018-2019 budgeted amount of \$40,031,193.</p> <p>c. SCRRA and LACMTA staff shall conduct a rehabilitation/renovation review meeting each quarter.</p> <p>d. LACMTA may consider the progress indicated in the quarterly expenditure report and withhold funds if appropriate to assure that payments to SCRRA are commensurate with the work completed. In addition, LACMTA may adjust progress payments based on the project(s) status.</p>	<p>X</p> <p>X</p> <p>X</p> <p>X</p>				<p>See Finding #2019-006 (Repeat Finding)</p>

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Compliance Matrix
Year ended June 30, 2019

Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
	Yes	No	N/A		
<p>e. SCRRA shall provide a list of Rehabilitation/Renovation Program projects for FY 19-20 to LACMTA consistent with the SCRRA budget process, so that LACMTA can include the program costs in their agency budget submission. The list shall be substantially similar to the format of attachment A.</p> <p>f. Rehabilitation / renovation funds allocated for FY2019-2020 are subject to lapse June 30, 2023. Any unexpended funds will be reprogrammed by the LACMTA Board.</p> <p>g. Final Invoices for FY2018-2019 must be submitted by December 31, 2023.</p>	X				
5. SCRRA shall provide a quarterly progress and status reports for the Tunnel 25 urgent track, ties and drainage rehabilitation work project.		X			See Finding #2019-007
6. \$950,000 has been allocated for the design phase only of the CMF Tail Track project. SCRRA shall seek other funding sources for construction as directed by LACMTA's and SCRRA's board.	X				
7. No FY 2018-19 LACMTA funds shall be used for previously funded projects except as provided in Article 8 of MOU No. POSCRRA29.	X				

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Compliance Matrix
Year ended June 30, 2019

Compliance Requirement		In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
8.	Modifications that do not materially affect the terms of this MOU, such as redistributing funds among existing budget line items or non-material schedule changes must be formally requested by the SCRRA by utilizing the Project Budget Reallocation Form (PBR) and approved in writing by the LACMTA before such modification can be implemented.			X		
9.	SCRRA may loan or exchange LACMTA funds to or between one or more other member agencies, provided certain conditions are met.			X		
10.	SCRRA shall only utilize funding for the specific line items of their approved operating budget.	X				
11.	SCRRA is to provide a detailed schedule of all funds included in the Deferred Revenue account. The detailed schedule of the Deferred Revenue account shall include a beginning balance by fund type, activities during the fiscal year by project and fund type (e.g., Proposition C, Measure R, Measure M, PTMSEA, etc.) and an ending balance for each fund type.		X			See Finding #2019-008
12.	SCRRA shall make records available in such a manner that LACMTA auditors can complete the draft FY 2017-18 audit by February 28, 2019.	X				
13.	LACMTA and SCRRA will at all times comply with the provisions of the JPA.	X				

Southern California Regional Rail Authority (SCRRA)
MOU No. P0SCRRA29
Compliance Matrix
Year ended June 30, 2019

	Compliance Requirement	In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
14.	SCRRA shall indemnify, defend with counsel approved by LACMTA, and hold harmless LACMTA, its directors, officers, employees and agents from all loss, expense, fines, claims, damages, actions, and liability of any nature whatsoever, without payment thereof by LACMTA, arising out of anything done or omitted to be done by SCRRA or SCRRA's presence on property owned by LACMTA, except where the indemnification relationship between the parties is governed by another agreement between the parties, excluding the JPA.	X				
15.	SCRRA has submitted evidence of insurance to the satisfaction of LACMTA. SCRRA shall maintain, for the duration of this MOU, and/or shall require that SCRRA contractors maintain, levels of insurance coverage equivalent to existing coverage against claims for injuries to persons, or damages to property, which may arise from or in connection with SCRRA rail operations or construction by the SCRRA, its agents, representatives, employees or subcontractors on LACMTA property.	X				
16.	Invoices referencing MOU number 940000000POSCRRA29 shall be sent to the locations provided on the MOU.	X				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding #2019-001: Homeless Outreach and Enforcement Initiative Monthly Reports

Criteria

Article 1(c) of MOU No. P0SCRRA29 states that, “SCRRA will provide monthly reports to LACMTA detailing the utilization of funding and results of operations as it relates to the homeless outreach and enforcement initiative”.

Condition

Monthly reports pertaining to the Homeless Outreach and Enforcement Initiative were not provided to LACMTA during the FY18-19.

Cause

The key persons responsible for the Homeless Outreach and Enforcement Initiative were not aware of the monthly reporting requirements specific to MOU No. P0SCRRA29.

Effect

LACMTA does not get updated and could not perform monitoring procedures as to utilization of funding with respect to the homeless outreach and enforcement initiative.

Recommendation

We recommend that SCRRA communicates the requirements of the Memorandum of Understanding to the key persons who are responsible for the new homeless outreach and enforcement initiative.

Management’s Response

SCRRA has implemented an MOU review process that will incorporate a touch point with all key personal. This will ensure key personal are aware of the all requirements of the MOU.

Finding #2019-002: ROW Security Quarterly Review Meeting (Repeat Finding)

Criteria

Article 2(c) of MOU No. P0SCRRA29 states that, "SCRRA, LASD and LACMTA staff shall conduct a ROW Security review meeting each quarter. At each quarterly meeting, SCRRA and LASD shall provide LACMTA with a summary of incident reports, deployment schedules and a Los Angeles County mitigation plan to improve ROW security. SCRRA shall provide report outlining LASD performance and adherence to the SCRRA/LASD contract requirements."

Condition

No quarterly ROW Security review meetings were held during the fiscal year 2018/2019. Required quarterly reports were also not provided.

Cause

SCRRA and LASD frequently conducts small meetings regarding ROW securities. The person responsible for the quarterly updates and reports thought that the small meetings could satisfy the requirements of the Memorandum of Understanding.

Effect

SCRRA is not in compliance with the requirements of article 2(c) of MOU No. P0SCRRA29 and therefore, LACMTA was not able to monitor SCRRA's compliance with the requirements relative to ROW security.

Recommendation

We recommend that SCRRA should implement a policy to strictly monitor the adherence of the responsible parties to the compliance requirements of the Memorandum of Understanding.

Management's Response

Safety, Security, and Compliance Department, in partnership with Finance Department, will coordinate quarterly meetings to provide the ROW Security Quarterly review meetings.

On February 5, 2020, Safety, Security and Compliance Department met with Metro and provided Metro the outstanding FY 2018/19 quarterly reports, FY 2019/20 (Q1 and Q2) and Los Angeles County mitigation plan to improve ROW security. We have also scheduled FY 2019/20 Q3 and Q4 meetings with Metro:

- i. FY2019/20 Q3: May 5, 2020, 9 am
- ii. FY2019/20 Q4: August 4, 2020, 9 am

Finding #2019-003: ROW Security Monthly Reports

Criteria

Article 2(d) of MOU No. P0SCRRA29 indicates that on a monthly basis, SCRRA should report to LACMTA the categories of information enumerated on the Memorandum of Understanding.

Condition

The specified monthly reports were not provided to LACMTA during the FY18-19.

Cause

LACMTA and SCRRA are currently in discussion with LASD regarding the development of a new Memorandum of Understanding specific for ROW Security. Due to the ongoing discussions, SCRRA and LASD inadvertently thought that the requirements of MOU No. P0SCRRA29 will be superseded by the new Memorandum, thus, putting a hold on the submission of the monthly reports.

Effect

The MOU that is currently under discussion is applicable only for FY19-20. Since there were no amendments to the FY 18-19 MOU, the non-submission of the specified ROW Security monthly reports is considered non-compliance with the requirements of article 2(d) of MOU No. P0SCRRA29.

Recommendation

We recommend that SCRRA implement a policy to strictly monitor the adherence of the responsible parties to the compliance requirements of the Memorandum of Understanding.

Management's Response

On February 5, 2020, Safety, Security and Compliance Department met with Metro and provided Metro the outstanding FY2018/19 quarterly reports and FY 2019/20 (Q1 and Q2) reports containing the monthly reports as stipulated in the agreement. Contingent on the signing of FY2019/20 MOU, we will continue to prepare the monthly reports for submittal.

Finding #2019-004: Unsupported ROW Security Invoices

Criteria

Article 2(f) of MOU No. P0SCRRA29 requires that each quarterly ROW invoices submitted to LACMTA, should be accompanied by supporting documents.

Condition

The invoices that were submitted to LACMTA for quarters 3 and 4 does not include supporting documents.

Cause

The personnel responsible for the submission of the quarterly invoices failed to submit to LACMTA the supporting document required by the Memorandum of Understanding.

Effect

SCRRA is not in compliance with the requirements of Article 2(f) of MOU No. P0SCRRA29. LACMTA was not able to verify and review the documents supporting the invoices submitted by SCRRA.

Recommendation

We recommend that SCRRA should implement a policy to strictly monitor the adherence of the responsible parties to the compliance requirements of the Memorandum of Understanding.

Management's Response

SCRRA Management has modified its existing Accounts Receivable Invoicing procedures to include additional reviews to ensure supporting documentation is attached to all billing packets.

Finding #2019-005: Annual Reconciliation of ROW Security Invoices and Expenditures

Criteria

Article 2(f) of MOU No. P0SCRRA29 states that, "After fiscal year end close, SCRRA shall provide a reconciliation which will identify surplus funds, if any. Such reconciliation shall be provided no later than October 31, 2019."

Condition

The annual reconciliation was not provided to LACMTA.

Cause

The personnel responsible for the submission of the annual reconciliation failed to submit such reconciliation to LACMTA.

Effect

SCRRA is not in compliance with the requirements of Article 2(f) of MOU No. P0SCRRA29 and therefore, LACMTA was not able to determine timely whether SCRRA had surplus funds at the end of FY 18-19.

Recommendation

We recommend that SCRRA should implement a policy to strictly monitor the adherence of the responsible parties to the compliance requirements of the Memorandum of Understanding.

Management's Response

SCRRA Management has modified its existing Accounts Receivable year-end surplus reconciliation procedures and added submission due dates to ensure compliance with MOU requirements.

Finding #2019-006: Rehabilitation/Renovation Quarterly Review Meeting (Repeat Finding)

Criteria

Article 4(c) of MOU No. P0SCRRA29 states that, "SCRRA and LACMTA staff shall conduct a rehabilitation/renovation review meeting each quarter. At each quarterly meeting, SCRRA shall provide LACMTA with an updated ATTACHMENT A and quarterly expenditure and reconciliation report of the FY 2018-19 rehabilitation/renovation program indicating the status of each project, schedule update, anticipated cash flow drawdowns, expenditures to budget and the amount invoiced to LACMTA to date."

Condition

Only 3 meetings relating to Rehabilitation and Renovation projects were held during the FY18-19.

Cause

In response to the audit findings for the FY17-18, SCRRA implemented the quarterly regular meetings during the 2nd quarter of FY18-19. The late implementation caused them to miss 1 of the 4 required meetings.

Effect

LACMTA was not able to fully monitor SCRRA's compliance with the requirements relative rehabilitation/renovation program

Recommendation

We recommend that SCRRA should conduct a regularly scheduled quarterly meeting, to prevent noncompliance to the requirements of the Memorandum of Understanding.

Management's Response

The Project Management Office and Operations, in partnership with Grants Accounting and General Accounting, will coordinate quarterly meetings to provide Rehab and Renovation Quarterly updates to Metro.

For FY 2019/20, the following quarterly status have been coordinated by Finance Department:

- i. FY 2019/20 Q1: February 13, 2020, 2:30pm
- ii. FY 2019/20 Q2: March 26, 2020, 1:00pm
- iii. FY 2019/20 Q3: June 2, 2020, 10:00am
- iv. FY 2019/20 Q4: September 17, 2020, 2:00pm

Finding #2019-007: Tunnel 25 urgent track, ties and drainage rehabilitation quarterly progress and status reports.

Criteria

Article 5 of MOU No. P0SCRRA29 requires that SCRRA should provide LACMTA quarterly progress and status reports relating to the Tunnel 25 urgent track, ties, and drainage rehabilitation project.

Condition

Only 3 progress and status reports were provided to LACMTA during the FY18-19.

Cause

SCRRA conducts a combined quarterly progress and status meeting to LACMTA for all rehabilitation and renovation projects. During FY18-19, SCRRA held only three rehabilitation and renovation progress and status meetings, thus causing SCRRA to miss 1 of the 4 required quarterly meetings.

Effect

SCRRA is not in compliance with the requirements of Article 5 of MOU No. P0SCRRA29 and therefore, LACMTA was not able to fully monitor SCRRA's compliance with the requirements relative to the Tunnel 25 urgent track, ties, and drainage rehabilitation project.

Recommendation

We recommend that SCRRA should conduct a regularly scheduled quarterly meeting, to prevent noncompliance to the requirements of the Memorandum of Understanding.

Management's Response

Because all of the key personal will be attending the Rehabilitation and Renovation meetings, updates on the Tunnel 25 rehabilitation will be included with the Quarterly Rehabilitation and Renovation review meetings.

Finding #2019-008: Accounting Discipline (Repeat Finding)

Criteria

Article 11 of MOU No. P0SCRRA29 states that, "SCRRA is to provide a detailed schedule of all funds including the deferred revenue account. The detailed schedule of all funds included in the deferred revenue account shall include a beginning balance by fund type, activities during the fiscal year by project and fund type (e.g., Proposition C, Measure R, Measure M, PTMISEA, etc.) and an ending balance for each fund type. SCRRA shall obtain written approval from LACMTA prior to allocating and expending deferred revenue funds."

Condition

SCRRA was able to provide a per MOU and per project breakdown of the unearned revenue pertaining to the capital projects. However, the schedule provided has a \$700 thousand discrepancy to the amount recorded. In addition, SCRRA was not able to provide the per MOU breakdown of the unearned revenue pertaining to operations.

SCRRA will conduct a meeting with LACMTA on or before December 31, 2020 to reconcile the discrepancies noted on the unearned revenue – capital projects schedule. In addition, SCRRA is currently working on the per MOU breakdown of the unearned revenue pertaining to operations.

Cause

There is lack of institutional history and monitoring mechanism for account balances. Because of staff turnover in prior years, current accounting staff does not have the information necessary to prepare the detailed schedule of unearned revenue. Staff will have to review prior year accounting records in order to obtain the information and prepare the schedule in compliance with the requirements of LACMTA.

Effect

Certain audit procedures required on the balances of unearned revenue were not adequately performed.

Recommendation

We recommend that appropriate schedules of deferred revenue account be maintained in accordance with LACMTA requirements. The schedule of unearned revenue should reflect the nature and source of the unearned revenue account balance (i.e. MOU numbers, type of subsidy or grant, grant year, purpose, restriction as to use, etc.).

Management's Response

SCRRA Management will continue to work with Metro to reconcile the deferred revenue by December 31, 2020, which will include a plan to identify and break down operating surplus by fiscal year and MOU.

EXIT CONFERENCE

An exit conference was held on January 15, 2020 with SCRRA's representatives. Those in attendance were:

Vasquez & Company LLP representatives:

Cristy Canieda – Partner
Erica Ong – Senior Auditor
Arvee Flores – Senior Auditor

LACMTA representative:

Yvette Reeves – Planning Manager

SCRRA representatives:

Ronnie Campbell – Chief Financial Officer
Alex Barber – Accounting Manager
Elisabeth Lazuardi – Senior Manager, Internal Audit
Andrew Hong – Senior Auditor, Internal Audit

Matters discussed:

Results of our examination disclosed instances of noncompliance with the Guidelines.

A copy of this report was forwarded to the following SCRRA representatives for comments prior to the issuance of the final report.

Alex Barber – Accounting Manager
Elisabeth Lazuardi – Senior Manager, Internal Audit
Andrew Hong – Senior Auditor, Internal Audit



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