

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

FEDERAL FINANCIAL ASSISTANCE AUDIT

For The Fiscal Year Ended June 30, 1992

SCRTD
1992
.F432
F32

3211/411

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

FEDERAL FINANCIAL ASSISTANCE AUDIT
For The Fiscal Year Ended June 30, 1992

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

FEDERAL FINANCIAL ASSISTANCE AUDIT
For The Fiscal Year Ended June 30, 1992

TABLE OF CONTENTS

1.	Report Of Independent Accountants On Supplementary Information - Schedule Of Federal Financial Assistance	1
2.	Schedule Of Federal Financial Assistance	2
3.	Report Of Independent Accountants On Compliance Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	4
4.	Report Of Independent Accountants On Compliance With General Requirements Applicable To Federal Financial Assistance Programs	5
5.	Report Of Independent Accountants On Compliance With Specific Requirements Applicable To Major Federal Financial Assistance Programs	6
6.	Report Of Independent Accountants On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Programs	8
7.	Report Of Independent Accountants On The Internal Control Structure Based On An Audit Of Basic Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	9
8.	Report Of Independent Accountants On Internal Control Structure Used In Administering Federal Financial Assistance Programs	11
9.	Schedule Of Current-Year Audit Findings	14
10.	Status Of Prior-Year Audit Findings	16

REPORT OF INDEPENDENT ACCOUNTANTS ON SUPPLEMENTARY INFORMATION
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of Southern California Rapid Transit District (the "District") as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 For The Year Ended June 30, 1992

Federal Grantor Program Title	Federal CFDA Number	Grant Number	Program Or Award Amount	Total Expended (Returned) Under Federal Grants For The Year Ended June 30, 1992			
				Total	Federal	State ⁽¹⁾	Local ⁽²⁾
<u>U.S. Department of Transportation</u>							
FTA Capital Improvement Grant Program:							
Purchase of transit buses, service vehicles, and miscellaneous equipment	20.500	CA030049	\$23,119,900	(\$279)	(\$223)		(\$56)
Purchase of transit buses, construction and miscellaneous equipment	20.500	CA030106	12,278,319	(129)	(103)		(26)
Rapid transit project	20.500	CA030130	801,143,796	71,012,582	53,259,437	\$25,029,905	(7,276,760)
Real estate acquisition and facility construction	20.500	CA030154	17,161,000	6,825	5,460		1,365
Management Information System	20.500	CA030259	13,948,750	2,263	1,810		453
Purchase of methanol buses	20.500	CA030307	1,597,160	27,884	20,913		6,971
Alternative bus fuel development	20.500	CA030342	1,229,916	596,059	409,544		186,515
Alternative fuel initiative program	20.500	CA030346	956,940	47,985	35,989		11,996
Methanol-fueled bus demonstration	20.500	CA033316	1,866,664	(412,675)	(309,506)		(103,169)
Subtotal			873,302,445	71,280,515	53,423,321	25,029,905	(7,172,711)
FTA Capital and Operating Assistance Program:							
Purchase of equipment	20.507	CA050052	14,263,719	28,865	23,092		5,773
Purchase of equipment	20.507	CA050121	10,941,140	10,729	8,583		2,146
Capital equipment project	20.507	CA050133	14,952,641	439,519	351,615		87,904
Communications & maintenance equipment	20.507	CA050145	309,870	194	155		39
Purchase of transit buses and equipment	20.507	CA90X059	66,559,700	329,501	263,601		65,900
Bus and bus related facilities	20.507	CA90X120	45,339,850	479,724	383,779		95,945
Capital assistance	20.507	CA90X181	44,570,000	802,545	642,036		160,509
Capital assistance of Metro Rail Project	20.507	CA90X204	81,375,000	(226,352)	(181,082)		(45,270)
Purchase of bus and related facilities	20.507	CA90X222	44,019,250	(37,199)	(29,759)		(7,440)
Purchase of bus and related facilities	20.507	CA90X283	28,139,001	1,017,034	813,627		203,407
Purchase of bus and related facilities	20.507	CA90X329	48,147,000	2,112,049	1,689,639		422,410
Operating assistance	20.507	CA90X377	6,215,000	470,716	376,573		94,143
Purchase of bus and related facilities	20.507	CA90X416	6,977,600	3,483,253	2,786,602		696,651
Purchase of bus and related facilities	20.507	CA90X463	9,391,400	8,835	7,068		1,767
Purchase of equipment	20.507	CA900022	36,240,410	(128,493)	(102,794)		(25,699)
Methane mitigation study	20.507	CA909999	2,100,000	(13,316)	(6,341)	(5,735)	(1,240)
Subtotal			459,541,581	8,777,604	7,026,394	(5,735)	1,756,945

⁽¹⁾Passed through the California Department of Transportation

⁽²⁾Passed through the Los Angeles County Transportation Commission

Continued

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, Continued

For The Year Ended June 30, 1992

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program Or Award Amount</u>	<u>Total Expended (Returned) Under Federal Grants For The Year Ended June 30, 1992</u>			
				<u>Total</u>	<u>Federal</u>	<u>State⁽¹⁾</u>	<u>Local⁽²⁾</u>
<u>U.S. Department of Transportation</u>							
FTA Operating Assistance Program: Enhancement - DBE opportunities	20.500	CA030294	\$366,665				
FTA Management Training Program: Management training and development	20.505	CA100323	100,000	\$9,117	(\$2,545)		\$11,662
Productivity study	20.505	CA080213		101,890	(48,517)		150,407
Short range transit plan	20.505	CA080247		22,576	11,740		10,836
Alternative fuel conversion	20.505	CA080250		13,119	6,418		6,701
Universal City Parking facility study	20.505	CA087004		<u>81,014</u>	<u>60,760</u>		<u>20,254</u>
Total				<u>218,599</u>	<u>30,401</u>		<u>188,198</u>
Grand total				<u>\$1,333,310,691</u>	<u>\$80,285,835</u>	<u>\$60,477,571</u>	<u>\$25,024,170</u> <u>(\$5,215,906)</u>

⁽¹⁾Passed through the California Department of Transportation

⁽²⁾Passed through the Los Angeles County Transportation Commission

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of Southern California Rapid Transit District (the "District") as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended for the information of the District's Board of Directors and management and the Department of Transportation, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of Southern California Rapid Transit District (the "District") as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992.

We have applied procedures to test the District compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of federal financial assistance for the year ended June 30, 1992: political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property acquisition, federal financial reports, Drug-Free Workplace, allowable costs/cost principles, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings.

This report is intended for the information of the District's Board of Directors and management and the Department of Transportation, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of Southern California Rapid Transit District (the "District") as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992.

We have also audited the District's compliance with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; disposal of realty and transit equipment; "Buy America"; fare reductions; physical inventory; environmental review; school bus operations/charter service; changes in service; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended June 30, 1992. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget ("OMB") Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the District complied, in all material respects, with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; disposal of realty and transit equipment; "Buy America"; fare reductions; physical inventory; environmental review; school bus operations/charter service; changes in service; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 1992.

This report is intended for the information of the District's Board of Directors and management and the Department of Transportation, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of the Southern California Rapid Transit District (the "District") as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992.

In connection with our audit of the 1992 financial statements of the District, and with our consideration of the District's internal control structure used to administer federal financial assistance programs, as required by Office of Management and Budget ("OMB") Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1992. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those requirements.

This report is intended for the information of the District's Board of Directors and management and the Department of Transportation, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

REPORT OF INDEPENDENT ACCOUNTANTS ON
THE INTERNAL CONTROL STRUCTURE BASED ON
AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of Southern California Rapid Transit District (the "District") as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement.

In planning and performing our audit of the financial statements of the District for the year ended June 30, 1992, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control structure.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant control structure policies and procedures in the following categories:

Activity Cycles

- Financing
- Revenues/Receipts
- Purchases/Disbursements
- Payroll/Personnel
- External Financial Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the District in a separate letter dated October 6, 1992.

This report is intended for the information of the District's Board of Directors and management and the Department of Transportation, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

REPORT OF INDEPENDENT ACCOUNTANTS ON INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of Southern California Rapid Transit District (the "District"), as of and for the year ended June 30, 1992, and have issued our report thereon dated October 6, 1992. We have also audited the District's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 6, 1992.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget ("OMB") Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the District complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30, 1992, we considered the District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the District's financial statements and on the compliance of the District with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated October 6, 1992.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial

statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may, nevertheless, occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs into the following categories:

. Activity Cycles

- Financing
- Revenues/Receipts
- Purchases/Disbursements
- Payroll/Personnel
- External Financial Reporting

. General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Drug-Free Workplace
- Allocable costs/cost principles
- Administrative requirements

. Specific Requirements

- Types of services
- Matching, level of effort, or earmarking
- Reporting
- Claims for advances and reimbursements
- Amounts claimed or used for matching
- Special requirements:
 - .. Disposal of realty and transit equipment
 - .. "Buy America"
 - .. Fare reductions
 - .. Physical inventory
 - .. Environmental review
 - .. School bus operations/charter service
 - .. Changes in service

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1992, the District expended 99% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, and general requirements and requirements governing claims for reimbursements and amounts claimed or used for matching that are applicable to each of the District's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure used in administering federal financial assistance programs would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the District in a separate letter dated October 6, 1992.

This report is intended for the information of the District's Board of Directors and management and the Department of Transportation, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Coopers & Lybrand

Los Angeles, California
October 6, 1992

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 SCHEDULE OF CURRENT-YEAR AUDIT FINDINGS

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
1. FTA Capital Improvement Grants Program (20.500) and FTA Capital and Operating Assistance Grants Program (20.507)	<p><u>Failed To Obtain FTA Approval For Indirect Cost Rate Utilized During The Year.</u></p> <p>The following deficiency was noted during our A-128 compliance testing of allowable costs/cost principles:</p> <p>Southern California Rapid Transit District (the "District") is required to conform with <u>Federal Transit Administration ("FTA") Circular 5010.1A</u>, which states that, if indirect cost rates fluctuate more than 10% over the prior year, FTA approval is required. The indirect cost rate increased 89% over the prior year. Therefore, the District should have submitted its cost allocation plan/indirect cost rate to FTA for their approval.</p> <p>As of June 30, 1992, the District had not obtained FTA approval for indirect cost rates utilized during the year.</p> <p><u>District's Response</u></p> <p>We concur. The District will submit its audited indirect cost rate by December 31, 1992.</p>	None

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SCHEDULE OF CURRENT-YEAR AUDIT FINDINGS, Continued

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
2. FTA Capital Improvement Grants Program (20.500) and FTA Capital and Operating Assistance Grants Program (20.507)	<p><u>Disadvantaged Business Enterprise ("DBE") Progress Reports Were Not Filed On A Timely Basis.</u></p> <p>In accordance with <u>Federal Transit Administration ("FTA") Circular 5010.1A</u>, the District is required to submit their DBE Progress Report to FTA thirty days subsequent to quarter-end. The following was noted during our A-128 compliance testing:</p>	None

<u>Quarter Ended</u>	<u># Of Days Late In Submission Of Report</u>
September 30, 1991	47
December 31, 1991	40
March 31, 1992	49
June 30, 1992	22

District's Response.

We concur. The District has taken steps to alleviate the backlog. Beginning with the quarter ending December 31, 1992, reports will be filed in a timely manner.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 STATUS OF PRIOR-YEAR AUDIT FINDINGS

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
1. UMTA Capital Improvement Grants Program (20.500) and UMTA Capital and Operating Assistance Grants Program (20.507)	<p><u>Perform A Physical Inventory Of UMTA-Funded Property.</u></p> <p>Southern California Rapid Transit District (the "District") is required to conform with <u>Urban Mass Transportation ("UMTA")</u> (in current year, known as Federal Transit Administration ("FTA")) <u>Circular 5010.1A</u>, which states that an entity is required to perform a physical inventory of all UMTA-funded property every two years and to certify the existence, current use, and continued need for the equipment. The last physical inventory was taken on May 23, 1989. Therefore, the next physical inventory should have been completed prior to fiscal 1991 year-end.</p> <p>As of June 30, 1991, the District had neither completed a physical inventory nor certified the existence, current use, and continued need for all UMTA-funded property.</p> <p><u>District's Response</u></p> <p>The required physical inventory will be completed by November 30, 1991.</p> <p><u>Current-Year Status</u></p> <p>The physical inventory was completed on October 31, 1991.</p>	None

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

STATUS OF PRIOR-YEAR AUDIT FINDINGS, Continued

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
2. UMTA Capital Improvement Grants Program (20.500) and UMTA Capital and Operating Assistance Grants Program (20.507)	<p><u>Lack Of Underlying Supporting Documentation And Failure To Both Meet UMTA (in current year, known as Federal Transit Administration ("FTA")) Approved Goal And File Disadvantaged Business Enterprise ("DBE") Progress Reports On A Timely Basis.</u></p> <p>The following deficiencies were noted during our A-128 Compliance Testing of Disadvantaged Business Enterprise:</p> <ul style="list-style-type: none"> . There was not sufficient documentation available to test the completeness and accuracy of the first three DBE quarterly progress reports submitted to UMTA during the District's fiscal year 1991. . During fiscal year 1991, the District awarded 12% of their contracts to DBE firms. Their UMTA-approved DBE goal was 19%. . The District's fourth quarter DBE progress report was not filed on a timely basis. The progress report must be filed with UMTA 30 days after the end of the quarter (June 30, 1991) and, as of September 6, 1991, the District's fourth quarter report had not been submitted to UMTA. 	

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

STATUS OF PRIOR-YEAR AUDIT FINDINGS, Continued

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
----------------	------------------------------	-----------------------------

District's Response

- . The documentation for FY' 91 DBE activities which was requested, was undergoing internal validation at the time of the initial Coopers & Lybrand review. It is presently on file and available for examination.
- . The validated information shows a DBE participation rate of 17.7%.
- . All DBE reports have been filed. However, we acknowledge that the third and fourth quarter reports were delayed. This was knowingly done by the Inspector General. Since the reports are cumulative, the IG wanted all previous data revalidated.

Current-Year Status

- . Supporting documentation was available for current year testing.
- . FTA approved DBE participation rate of 16% was achieved this year.
- . Delay in filing quarterly DBE progress reports was noted this year. (See current-year findings.)