

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

FEDERAL FINANCIAL ASSISTANCE AUDIT REPORTS

For The Fiscal Year Ended July 1, 1989

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Coopers
& Lybrand

Certified Public Accountants

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

FEDERAL FINANCIAL ASSISTANCE AUDIT REPORTS

For The Fiscal Year Ended July 1, 1989

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SINGLE AUDIT ACT COMPLIANCE REPORT
For The Fiscal Year Ended July 1, 1989

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of the Southern California Rapid Transit District (District) as of and for the year ended July 1, 1989, and have issued our report thereon, dated October 13, 1989. 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 misstatements. 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 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 financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Caspers & Lybrand

Los Angeles, California
October 13, 1989

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For The Year Ended July 1, 1989

Federal Grantor Program Title	Federal CFDA Number	Grant Number	Program Or Award Amount	Total	Total Expended (Returned) Under Federal Grants For The Year Ended July 1, 1989			
					Federal	State	Local	Equipment Trust Certificates
<u>U.S. Department of Transportation</u>								
UMTA Capital Improvement Grants Program:								
Facility construction and purchase of transit buses	20.500	CA-03-0034	\$10,279,674	\$660	\$528		\$132	
Purchase of transit buses, service vehicles, and miscellaneous equipment	"	CA-03-0049	16,343,426	180,783	144,626		36,157	
Facility construction and purchase of of transit buses	"	CA-03-0090	32,573,160	26,272	21,018		5,254	
Purchase of transit buses, construction and miscellaneous equipment	"	CA-03-0106	9,822,736	2,859	(2,734)		5,593	
Purchase of equipment	"	CA-03-0121	10,941,140	(1,071)	(857)		(214)	
Rapid transit project	"	CA-03-0130	605,299,997	124,548,431	92,597,670	\$18,347,702	13,603,059	
Purchase of transit buses, construction and miscellaneous equipment	"	CA-03-0132	36,409,563	136,539	109,231		27,308	
Real estate acquisition and facility construction	"	CA-03-0137	12,775,870	2,318	1,854		464	
Real estate acquisition and facility construction	"	CA-03-0154	13,728,800	15,635	12,508		3,127	
Purchase of transit buses	"	CA-03-0161	25,485,848	(292,212)	(233,770)		(58,442)	
Purchase of transit buses	"	CA-03-0178	56,719,448	2,773,639	2,218,911		554,728	
Engineering, design and construction	"	CA-03-0182	7,741,374	47,550	38,040		9,510	
Purchase of equipment	"	CA-03-0209	6,572,063	(9,506)	(7,605)		(1,901)	
Central maintenance facility project	"	CA-03-0213	43,683,000	1,718,400	1,374,720		343,680	
Real estate acquisition and facility construction	"	CA-03-0247	11,600,000	(143,023)	(114,418)		(28,605)	
Purchase of support vehicles and management information system	"	CA-03-0259	11,159,000	5,001,011	4,000,809		1,000,202	
Purchase of methanol buses	"	CA-03-0307	1,197,870	507,844	380,883		126,961	
Methanol bus demonstration	"	CA-03-3316	1,399,998	93,481	70,111		23,370	
			<u>913,732,967</u>	<u>134,609,610</u>	<u>100,611,525</u>	<u>18,347,702</u>	<u>15,650,383</u>	

Continued

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE, Continued
For The Year Ended July 1, 1989

Federal Grantor Program Title	Federal CFDA Number	Grant Number	Program Or Award Amount	Total	Total Expended (Returned) Under Federal Grants For The Year Ended July 1, 1989			
					Federal	State	Local	Equipment Trust Certificates
<u>U.S. Department of Transportation</u>								
UMTA Capital And Operating Assistance Program:								
Purchase of transit buses	20.507	CA-05-0043	\$59,999,092	\$119	\$95		\$24	
Purchase of equipment	"	CA-05-0052	11,410,975	548,759	439,007		109,752	
Real estate acquisition and facility construction	"	CA-05-0092	1,624,000	112,716	90,173		22,543	
Purchase of equipment	"	CA-05-0121	8,752,912	468,717	374,974		93,743	
Real estate acquisition and facility construction	"	CA-05-0125	6,296,800	(102)	(82)		(20)	
Capital equipment project	"	CA-05-0133	11,983,465	(118,116)	(94,493)		(23,623)	
El Monte parking structure	"	CA-05-0136	1,147,884	2,394,352	916,079	\$399,996	1,078,277	
Communications & maintenance equipment	"	CA-05-0145	247,896	4,866	3,893		973	
Purchase of transit buses and equipment	"	CA-09-X059	53,160,184	7,904,136	6,334,598	(13,523)	1,583,061	
Bus and bus related facilities	"	CA-09-X120	32,271,880	20,983,592	16,786,873		221,907	\$3,974,812
Capital assistance	"	CA-09-X181	35,656,000	25,141,555	20,113,244		4,034,608	993,703
Capital assistance of Metro Rail Project	"	CA-09-X204	65,100,000	22,012,786	17,610,229	4,402,557		
Purchases of buses and related facilities	"	CA-09-X222	35,215,400	29,563,407	23,650,726		5,912,681	
Purchase of buses and related facilities	"	CA-09-X283	22,511,000	1,913,312	1,530,650		382,662	
Operating assistance	"	CA-09-X329	48,338,250	48,338,250	48,338,250			
Purchase of equipment	"	CA-09-0022	28,992,328	91,386	73,109		18,277	
Capital assistance	"	CA-09-0080	3,448,136	854,384	683,507	170,877		
Methane Mitigation Study	"	CA-09-9999	1,000,000	267,044	127,248	139,796		
			<u>427,156,202</u>	<u>160,481,163</u>	<u>136,978,080</u>	<u>5,099,703</u>	<u>13,434,865</u>	<u>4,968,515</u>
FHWA Title 23 Interstate Transfer:								
FAUS Land acquisition	20.205	CA-23-2015	15,899,000	1,351	1,165		186	
UMTA Technical Study Program:								
FY 1988-1989 overall work program	20.505	CA-08-0179	600,000	193,676	155,741		37,935	
Productivity study	"	CA-08-0213	650,000	469,776	375,821		93,955	
			<u>1,250,000</u>	<u>663,452</u>	<u>531,562</u>		<u>131,890</u>	
			<u>\$1,358,038,169</u>	<u>\$295,755,576</u>	<u>\$238,122,332</u>	<u>\$23,447,405</u>	<u>\$29,217,324</u>	<u>\$4,968,515</u>

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of the Southern California Rapid Transit District (District) as of and for the year ended July 1, 1989, and have issued our report thereon dated October 13, 1989.

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 July 1, 1989, 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 the 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 internal control structure policies and procedures in the following categories:

Revenue/Cash Receipts
Expenses/Cash Disbursements
Payroll/Cash Disbursements

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 reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or 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 communication dated October 31, 1989.

This report is intended for the information of the District's board of directors and management and the Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Coopers & Lybrand

Los Angeles, California
October 13, 1989

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of the Southern California Rapid Transit District (District) as of and for the year ended July 1, 1989, and have issued our report thereon dated October 13, 1989. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Internal Accounting Controls

Revenue/Cash Receipts
Expenses/Cash Disbursements
Payroll/Cash Disbursements

Administrative Controls

. General Requirements

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Drug - Free Workplace Act

. Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort
- Reporting
- Special requirements

The management of the District is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended July 1, 1989, the District expended approximately 99% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of the District, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of the District did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the District. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the District. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the District.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of the District. We did, however, note certain matters involving the internal accounting and administrative control structure and its operation that we have reported to the management of the District in a separate communication dated October 31, 1989.

This report is intended solely for the use of the District's board of directors and management and the Department of Transportation, and should not be used for any other purpose. This restriction is not intended to limit the distribution of the report which, upon acceptance by the District, is a matter of public record.

Coopers & Lybrand

Los Angeles, California
October 13, 1989

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Rapid Transit District

We have audited the financial statements of the Southern California Rapid Transit District (District) as of and for the year ended July 1, 1989, and have issued our report thereon dated October 13, 1989.

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, our objective was not to provide an opinion on overall compliance with such provisions.

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. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Coopers & Lybrand

Los Angeles, California
October 13, 1989

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Rapid Transit District

We have applied procedures to test the Southern California Rapid Transit District (District) compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance for the year ended July 1, 1989: political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property acquisition, federal financial reports and Drug-Free Workplace Act.

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. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Coopers & Lybrand

Los Angeles, California
October 13, 1989

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Rapid Transit District

We have audited the Southern California Rapid Transit District (District), compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special requirements; claims for advances and reimbursements; 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 July 1, 1989. 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 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 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; eligibility; matching, level of effort, or earmarking; reporting; special requirements; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended July 1, 1989.

Coopers & Lybrand

Los Angeles, California
October 13, 1989

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern California Rapid Transit District

In connection with our audit of the 1989 financial statements of Southern California Rapid Transit District (District), and with our study and evaluation of the District's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget 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 July 1, 1989.

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; eligibility; and special requirements 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. Further, the results of our procedures disclosed no immaterial instances of noncompliance with those requirements.

This report is intended for the information of the District's board of directors and management and the Department of Transportation. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Coopers & Lybrand

Los Angeles, California
October 13, 1989

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SUMMARY OF AUDIT FINDINGS

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
1. UMTA Capital Improvement Grants Program (20.500) and UMTA Capital and Operating Assistance Grants Program (20.507)	<p data-bbox="631 502 1167 661"><u>Late Filings Of Financial Status Report (Form SF 269) To Department Of Transportation - Urban Mass Transportation Administration (UMTA)</u></p> <p data-bbox="631 693 1167 1342">The District had not submitted 3 of 4 quarterly federal Form's SF 269 on a timely basis. The Form SF 269 was filed 2, 6 and 14 days after the filing deadline. The grant agreements with UMTA and OMB Circular A-102, Attachment H requires that Form SF 269 be filed on a quarterly basis within 30 days from the end of each quarter. UMTA is not receiving federal Form SF 269 when expected. This could cause subsequent processing of reimbursement requests from the District to be delayed by UMTA.</p>	None
	<p data-bbox="631 1374 992 1406"><u>District's Response</u></p> <p data-bbox="631 1438 1146 1789">The District files Form SF 269 along with another report required by the grantor agency. The other report cannot be prepared and submitted within the 30-day filing deadline. The District believes UMTA is knowledgeable on this matter and has accepted the exceptions.</p>	

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SUMMARY OF AUDIT FINDINGS, Continued

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
2. UMTA Capital Improvement Grants Program (20.500) and UMTA Capital and Operating Assistance Grants Program (20.507)	<p data-bbox="630 497 1105 591"><u>Lack Of Documentation On Procurement Of Certain Competitive Bids</u></p> <p data-bbox="630 629 1162 1272">In two instances, the District did not document vendors solicited and prices obtained under a transaction requiring a competitive bidding process. Office of Management and Budget Circular A-102 implies that adequate documentation be maintained to support compliance with competitive bidding practices. Grantor agencies or vendors submitting bids may challenge the District's award under a contract and thus, the District may not be able to support its competitive bidding process.</p> <p data-bbox="630 1306 992 1336"><u>District's Response</u></p> <p data-bbox="630 1374 1146 1655">This was an oversight by the District as it has a policy requiring that bid sheets be maintained which document vendors solicited and prices obtained. The District will ensure this policy is adhered to in the future.</p>	None

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
1. UMTA Capital Improvement Grants Program (20.500) and UMTA Capital and Operating Assistance Grants Program (20.507)	The Outlay Report and Request for Reimbursement for Construction Programs form (SF 271) is not being used for all reimbursements of funds for construction programs as to report project status, as is required by OMB Circular A-102, Attachment H.	None
	<u>District's Response</u>	
	In lieu of Form SF 271, the District currently requests all reimbursement of funds through the use of letters of credit. Also, the project status for all grants is reported on Form 269. To date, the District has not received any correspondence from UMTA regarding incorrect form submission.	
	<u>Current Year Status</u>	
	The District is still using Form SF 269 for reimbursement requests and reporting project status rather than the prescribed Form SF 271.	

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

SUMMARY OF PRIOR YEAR AUDIT FINDINGS, Continued

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
2. UMTA Capital Improvement Grants Program (20.500) and UMTA Capital And Operating Assistance Grants Program (20.507)	The District's indirect cost allocation to grants, which is computed based on UMTA directives, was not submitted to UMTA for approval on a timely basis.	None
	<u>District's Response</u>	
	The District has established procedures which will ensure timely submission to UMTA of the indirect cost allocation calculation.	
	<u>Current Year Status</u>	
	This finding appeared resolved during the District's fiscal year ending July 1, 1989.	