



Metro

Los Angeles County
Metropolitan Transportation Authority

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**EXECUTIVE MANAGEMENT & AUDIT COMMITTEE
OCTOBER 16, 2008**

SUBJECT: ANNUAL FINANCIAL AUDIT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the attached letter from KPMG dated September 8, 2008 regarding the planned conduct of their audit of our financial statements as of June 30, 2008 and for the year then ended.

ISSUE

As part of the independent audit of our financial statements for fiscal year ended June 30, 2008, our auditors, KPMG LLP are required under professional standards to provide the Board with certain information related to the conduct of their audit.

DISCUSSION

The auditors are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of the Board, are presented fairly in all materials aspects, in conformity with U.S. generally accepted accounting principles. In carrying out this responsibility, they must plan and perform the audit in accordance with professional standards. In addition, they must also consider internal control over financial reporting for the purpose of expressing their opinion on the financial statements.

The attached letter also indicates certain matters that the auditors will report to the Board at the completion of their audit.

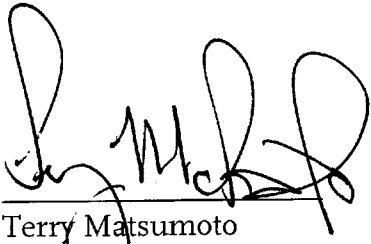
NEXT STEPS

Receive audit opinion and letter to management of the conclusion of the audit, November 2008.

ATTACHMENT

A. KPMG LLP'S Letter dated September 24, 2008

Prepared by: Josie V. Nicasio, Controller



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Roger Snoble
Chief Executive Officer



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September 24, 2008

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

Ladies and Gentlemen:

We have been engaged to audit the financial statements of the Los Angeles County Metropolitan Transportation Authority (Metro) as of June 30, 2008 and for the year then ended. Under our professional standards, we are providing you with the following information related to the planned conduct of our audit.

Our Planned Scope and Timing of the Audit

We have held several meetings with management to discuss the significant components of the 2008 audit. These discussions related to testwork over the following audit areas:

- Cash and investments
- Receivables
- Capital assets
- Bonds and related interest
- Post employment benefits payable
- Net assets
- Revenues and expenses

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain



reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of Directors of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we will also consider internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Metro's internal control. Accordingly, we will not express an opinion on the effectiveness of Metro's internal control.

At the completion of the audit, we will also report to the Board of Directors on the following matters:

- Other Information in Documents Containing Audited Financial Statements
- Accounting Practices and Alternative Treatments
- Management Judgments and Accounting Estimates
- Uncorrected and Corrected Misstatements
- Disagreements with Management
- Management's Consultation with Other Accountants
- Significant Issues Discussed, or Subject to Correspondence, with Management
- Significant Difficulties Encountered During the Audit
- Other Significant Findings or Issues

We started certain components of the audit on August 4, 2008 and the financial statement fieldwork will begin on September 8, 2008 and will last approximately 3 months with the ultimate goal of presenting the results of our audit to the Board in December.

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

Very truly yours,

KPMG LLP

Christopher B. Ray
Partner

