



# Memorandum

U.S. Department of  
Transportation  
Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **INFORMATION:** Quality Control Review of  
Single Audit on the Los Angeles County Metropolitan  
Transportation Authority  
Report No. QC-2010-004

Date: October 26, 2009

Reply To JA-20

From: Earl C. Hedges  
Program Director for Single Audit

Attn Of:

To: Regional Administrator, FTA, Region IX

The U. S. Department of Transportation is the cognizant Federal single audit agency for the Los Angeles County Metropolitan Transportation Authority (Authority). This report presents the results of our Quality Control Review of a single audit performed by KPMG, LLP on the Authority for the fiscal year ending June 30, 2008. During this period of time, the Authority received about \$277 million from five Federal Transit Administration (FTA) grant programs.

<b>DOT Operating Administration</b>	<b>CFDA* #</b>	<b>Program Name</b>	<b>FY 2008 Expenditures</b>	<b>Major Program</b>	<b>Direct Award</b>
Federal Transit Administration	20.500	Capital Investment Grants Program	\$58,795,513	Yes	Yes
Federal Transit Administration	20.507	Formula Grants Program	\$216,199,979	Yes	Yes
Federal Transit Administration	20.514	Public Transportation Research	\$3,781	No	Yes
Federal Transit Administration	20.516	Job Access Reverse Commute	\$2,078,228	No	Yes
Federal Transit Administration	20.521	New Freedom Program	\$102,613	No	Yes

\* Catalogue of Federal Domestic Assistance

The Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations;" requires the auditor to render an opinion on the entity's financial statements, identify potential inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

KPMG rendered an unqualified (clean) opinion on the Authority's financial statements, but questioned more than \$3.3 million charged to FTA grant programs.

In addition, KPMG identified, and made recommendations to correct, the following internal control, and compliance deficiencies that directly affect FTA programs.<sup>1</sup> Timely correction of these deficiencies is critical to ensuring proper use of the upcoming American Recovery and Reinvestment Act (ARRA) funds.

- Inadequate controls in managing revenues generated from day passes issued by bus drivers,
- Noncompliance with FTA grant requirements in operating the school bus program, resulting in questioned costs of almost \$3 million,
- Noncompliance with FTA grant matching requirements in calculating the Federal share of costs, resulting in questioned costs of almost \$357,000,
- Failure to include suspension and debarment contract clauses and to search the Excluded Parties (contractors) List System when awarding procurement contracts, and
- Inadequate Disadvantaged Business Enterprise reporting to FTA.

The purpose of our review was to determine: (1) the adequacy of the auditor's work; (2) whether the work complied with Generally Accepted Government Auditing Standards as prescribed by the Comptroller of the United States, the Single Audit Act of 1984, as amended (Act), and OMB Circular A-133; and (3) the extent to which we could rely on the auditor's work.

## **RESULTS**

Based on our Quality Control Review, we determined that KPMG's work met the requirements of Generally Accepted Government Auditing Standards, the Act, and OMB Circular A-133. We found nothing to indicate that KPMG's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

If you have any questions concerning this report, please call me at (410) 962-1729 or John R. Sysak, DOT National Single Audit Coordinator, at (410) 962-2630.

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cc: Audit Liaison, FTA, TBP-11  
Audit Liaison, OST, M-1  
Controller, Los Angeles County Metropolitan Transportation Authority

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<sup>1</sup> We advised FTA about these deficiencies, especially the questioned costs in a separate memorandum. The single audit report issued by KPMG is available upon request. Requests should be sent to [singleauditrequest@oig.dot.gov](mailto:singleauditrequest@oig.dot.gov).