

Metropolitan Transportation Commission

**Reports on Federal Awards in Accordance
With OMB Uniform Guidance
For the Year Ended June 30, 2019**

Component Units

**Metropolitan Transportation Commission
MTC Service Authority for Freeways
and Expressways**

EIN

94-1749911

94-3196169

Metropolitan Transportation Commission
Reports on Federal Award Programs in Accordance With OMB Uniform Guidance
For the Year Ended June 30, 2019

Page(s)

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1–2
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With the OMB Uniform Guidance	3–5
Schedule of Expenditures of Federal Awards	6–8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10–11
Summary Schedule of Prior Audit Findings	12



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards**

To the Commissioners of The Metropolitan Transportation Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information, of the Metropolitan Transportation Commission ("MTC") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise MTC's basic financial statements, and have issued our report thereon dated October 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MTC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MTC's internal control. Accordingly, we do not express an opinion on the effectiveness of MTC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses *may exist that have not been identified*.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether MTC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

San Francisco, California
October 24, 2019



Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With the OMB Uniform Guidance

To the Commissioners of The Metropolitan Transportation Commission:

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Transportation Commission ("MTC")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MTC's major federal programs for the year ended June 30, 2019. MTC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of MTC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MTC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of MTC's compliance.



Opinion on Each Major Federal Program

In our opinion, MTC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of MTC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MTC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MTC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of MTC as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise MTC's basic financial statements. We issued our report thereon dated Month XX, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DRAFT

San Francisco, California
October 24, 2019

Metropolitan Transportation Commission

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2019

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
Federal Highway Administration (FHWA)				
Highway Research and Development Program				
Department of Transportation				
Pass Through from the California Department of Transportation				
Highway Research and Development Program	20.200	SHRP2L-6084 (192)	-	27,057
Total Highway Research and Development Program			-	27,057
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through from the California Department of Transportation				
Highway Planning and Construction	20.205	CML-6084 (160)	-	213,400
	20.205	STPCML-6160 (018)	-	379,046
	20.205	STPL-6084 (176)	-	112,045
	20.205	STPCML-6084 (177)	-	4,471,384
	20.205	STPCML-6084 (176)	-	1,884,751
	20.205	STPL-6084 (179)	-	60,657
	20.205	STPL-6084 (180)	-	974,558
	20.205	STPL-6084 (186)	2,044,967	2,356,014
	20.205	CML-6084 (188)	-	16,574
	20.205	CML-6084 (190)	-	234,189
	20.205	STPL-6084 (193)	749,137	820,610
	20.205	STPL-6084 (197)	-	361,672
	20.205	STPL-6084 (198)	-	1,239,478
	20.205	STPLNI-6084 (199)	70,000	1,202,198
	20.205	STPL-6084 (201)	-	297,207
	20.205	STPLNI-6084 (205)	-	310,121
	20.205	STPLNI-6160 (027)	-	221,811
	20.205	CML-6084 (202)	200,000	200,000
	20.205	CML-6084 (209)	-	1,536,299
	20.205	STPL-6084 (206)	10,403,880	10,403,880
	20.205	STPL-6084 (207)	232,363	2,061,616
	20.205	CML-6084 (211)	-	279,968
	20.205	CML-6084 (210)	-	1,051,730
	20.205	CML-6084 (215)	-	425,648
	20.205	CMLNI-6084 (216)	-	1,021,767
	20.205	CMLNI-6084 (208)	-	77,387
	20.205	STPLNI-6084 (213)	-	3,044,413
	20.205	STPLNI-6084 (212)	-	490,917
	20.205	STPLNI-6084 (222)	-	262,394
	20.205	STPLNI-6084 (225)	-	78,089
	20.205	CMLNI-6084 (220)	-	26,248
	20.205	STPL-6084 (228)	84,875	345,516
	20.205	STPLNI-6084 (232)	159,764	416,279
	20.205	CMLNI-6084 (219)	-	1,600
	20.205	STPLNI-6084 (226)	22,610	2,956,251
	20.205	STPLNI-6084 (227)	-	542,243
	20.205	STPLNI-6084 (230)	-	28,039
	20.205	STPLNI-6084 (231)	-	161,510
	20.205	STPLNI-6084 (233)	3,584	7,125
	20.205	STPL-6084 (235)	-	11,857
	20.205	STPL-6084 (241)	-	2,320
Total Highway and Planning and Construction Cluster - MTC			13,971,180	40,588,811
	20.205	STPL 6160 (025)	-	2,669,641
Total Highway and Planning and Construction Cluster - SAFE			-	-
			-	2,669,641
Total Highway Planning and Construction Cluster			13,971,180	43,258,452
Total Federal Highway Administration (FHWA)			13,971,180	43,285,509

Metropolitan Transportation Commission

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2019

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
Federal Transit Administration (FTA)				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program				
Pass Through from the California Department of Transportation Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
	20.505	04 OWPMTCM (FHWA TC)	-	7,567,773
	20.505	04 OWPMTCM (SP&R)	-	203,835
	20.505	04 OWPMTCM (FTA 5303 TC)	-	3,157,547
	20.505	04 OWPMTCM (FTA 5304)	261,650	509,226
Total Pass Through from the California Department of Transportation			<u>261,650</u>	<u>11,438,381</u>
Total Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program			<u>261,650</u>	<u>11,438,381</u>
Federal Transit Cluster				
Federal Transit Formula Grants Direct Awards				
Pass-Through From Golden Gate Bridge, Highway & Transportation District Subtotal: CFDA 20.507	20.507	CA-2016-120-00 (FTA 5307)	-	106,057
			-	106,057
State of Good Repair Grants Program Pass-Through From Golden Gate Bridge, Highway & Transportation District Subtotal: CFDA 20.525	20.525	CA-2016-120-00 (FTA 5337)	-	84,008
			-	84,008
Bus and Bus Facilities Formula Program				
Direct Awards				
CA-34-0001-00 (FTA 5339)	20.526		231,591	231,591
CA-34-0024-00 (FTA 5339)	20.526		667,973	667,973
CA-34-0032-00 (FTA 5339)	20.526		273,017	273,017
Subtotal: CFDA 20.526			<u>1,172,581</u>	<u>1,172,581</u>
Total Federal Transit Cluster			<u>1,172,581</u>	<u>1,362,646</u>
Transit Services Program Cluster Department of Transportation Enhanced Mobility of Seniors & Individuals with Disabilities Pass-Through from the California Department of Transportation Subtotal: CFDA 20.513	20.513	64AM18-00758	-	361,559
			-	361,559
Direct Awards				
Job Access And Reverse Commute Program				
CA-37-X104-00 (JARC)	20.516		20,061	20,061
CA-37-X133-00 (JARC)	20.516		52,883	52,883
CA-37-X164-00 (JARC)	20.516		43,739	43,739
CA-37-X177-00 (JARC)	20.516		113,219	113,219
Subtotal: CFDA 20.516			<u>229,902</u>	<u>229,902</u>
New Freedom Program CA-57-X109-00 (New Freedom) Subtotal: CFDA 20.521	20.521		62,279	113,565
			<u>62,279</u>	<u>113,565</u>
Total Transit Services Program Cluster			<u>292,181</u>	<u>705,026</u>
Total Federal Transit Administration (FTA)			<u>1,726,412</u>	<u>13,506,053</u>

Metropolitan Transportation Commission

Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2019

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Sub-Recipients	Total Federal Expenditures
Department of Interior U.S. Geological Survey				
Earthquake Hazards Program Assistance Pass-Through from Association of Bay Area Governments	15.807	G16AP00172	-	14,841
	15.807	G15AP00118	-	1,299
Subtotal: CFDA 15.807			-	16,140
Total Department of Interior			-	16,140
United States Environmental Protection Agency Brownfields Assessment and Cleanup Cooperative Agreements Brownfields Assessment and Cleanup Cooperative Agreements Pass-Through from Association of Bay Area Governments	66.818	BF-99T455	-	92,900
	66.818	BF-99761501	-	54,961
Subtotal: CFDA 66.818			-	147,861
Total United States Environmental Protection Agency			-	147,861
Department of Homeland Security Cooperating Technical Partners Pass-Through from Association of Bay Area Governments				
Subtotal: CFDA 97.045	97.045	EMF2017CA00007	-	181,962
Total Department of Homeland Security			-	181,962
Total Expenditures for Federal Awards			15,697,592	57,137,525

Metropolitan Transportation Commission

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2019

1. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all expenditures of federal awards of the Metropolitan Transportation Commission ("MTC") including the MTC Service Authority for Freeways & Expressways ("SAFE") which is a blended component unit of MTC. MTC's reporting entity is defined in Note 1 to MTC's Comprehensive Annual Financial Report.

The Schedule is presented using the modified accrual basis of accounting. MTC's financial statements are prepared on the accrual basis for proprietary and fiduciary activities and modified accrual basis for governmental activities, which are described in Note 1 of the notes to MTC's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements.

2. Indirect Cost Rate

MTC applies its predetermined approved indirect cost rate when charging indirect costs to federal awards rather than the 10% de minimis indirect cost rate as described in Section 200.414 of the Uniform Guidance. MTC's indirect cost rate is approved by its cognizant agency.

Metropolitan Transportation Commission

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major programs:
CFDA Number
20.205

Name of Federal Program or Cluster:

Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,714,126

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

None noted.

Metropolitan Transportation Commission

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2019

Section III – Federal Award Findings and Questioned Costs

2019-001 – Management Decision Letter

Federal Awarding Agency: Department of Transportation (Passed through from the California Department of Transportation)

CFDA Number: 20.205

Program Title: Highway Planning and Construction (Highway Planning and Construction Cluster)

Award Year: 2018 – 2019

Criteria

Per CFR 200.331 (d)(3), the entity is responsible for issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Per CFR 200.521 (d), the Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within 6 months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC). The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

Condition

In testing the entity's conformity with the compliance requirements for subrecipient monitoring, we sampled 5 subrecipients. For 2 out of the 5 subrecipients sampled, the Management Decision Letter (MDL) was not issued within 6 months of when the subrecipient's audit report was accepted by the FAC.

Questioned Cost

There are no question costs associated with this finding.

Cause

Due to staff turnover, the entity was short staffed and unable to train new employees to perform a review over the subrecipient audit reports. Thus, the responsibilities fell to a small number of employees which delayed them from filing the MDL in a timely manner.

Effect

MTC's ability to know if they are in compliance with UG requirements concerning their use of subrecipients could be impacted, which could lead to a delay in identifying unallowable or unallocable costs.

Recommendation

We recommend management implement a formal policy in which subrecipient audit reports are reviewed consistently every four to five months, to ensure no review lapses the six month deadline. In addition, management should look to train additional employees to perform the review and issue MDLs.

Management's Views and Corrective Action Plan

Management's response is reported in the Corrective Action Plan and is considered part of this report.

**Metropolitan Transportation Commission
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019**

No matters were reported in the prior year that require an update in this report.

DRAFT



METROPOLITAN
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Deputy Executive Director,
Local Government Services

October 10, 2019

2019-001 – Management Decision Letter

The management of MTC concurs with finding No. 2019-001, Management Decision Letter, as stated within this report. We present the following corrective action plan.

Currently, the accounting manager issues management decision letters to subrecipients who have findings in their Uniform Guidance reporting package. While the reviews were performed within the six month period, the management decision letters were not issued within the six month period. It should be noted that findings reported by subrecipients did not pertain to federal funds awarded by MTC. Furthermore, all management decision letters have been issued at this time.

MTC agrees to evaluate our procedures and expand training to facilitate more frequent management decision letter reviews.