Metropolitan Transportation Commission

Reports on Federal Awards in Accordance With OMB Circular A-133 For the Year Ended June 30, 2014

Component Unit	EIN
Metropolitan Transportation Commission	94-1749911
MTC Service Authority for Freeways and Expressways	94-3196169

Metropolitan Transportation Commission
Reports on Federal Award Programs in Accordance With OMB Circular A-133
For the Year Ended June 30, 2014

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Independent Auditor's Report 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, 2014, and the related notes to the financial statements, which collectively comprise MTC's basic financial statements, and have issued our report thereon dated November 12, 2014.

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. 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*.

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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.

PricewaterhouseCoopers LLP

November 12, 2014

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Independent Auditor's Report 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 OMB Circular A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MTC's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

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MTC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. MTC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise MTC's basic financial statements. We issued our report thereon dated November 12, 2014, 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 OMB Circular A-133 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.

PricewaterhouseCoopers LLP

November 12, 2014

Metropolitan Transportation Commission
Reports on Federal Award Programs in Accordance With OMB Circular A-133
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor Program or Cluster Title/Grant Identifier Number	Federal CFDA Number	Identifier Number Assigned by Pass Through Entity	Federal Expenditures
Pass Through from the California Department of Transportation			
Highway Research and Development Program			
Climate Change Adaptation & Vulerability Assessment			
STEAPCRP-6084 (183)	20.200	STEAPCRP-6084 (183)	$ 132,644
Total Highway Research and Development			132,644
Pass Through from the California Department of Transportation			
FHWA Highway Planning and Construction Cluster			
	20.205	04 OWPMTCM (FHWA)	26,301
	20.205	04 OWPMTCM (FHWA TC)	6,375,043
	20.205	VPPL-6084 (133)	25,608
	20.205	VPPL-6084 (182)	77,955
	20.205	CML-6084 (151)	230,111
	20.205	CML-6084 (139)	475,759
	20.205	STPL-6084 (157)	28,911
	20.205	STPCML-6084 (155)	1,272,946
	20.205	CML-6084 (164)	1,225,141
	20.205	CML-6084 (165)	517,931
	20.205	STPCML-6160 (018)	2,879,281
	20.205	STPCML-6084 (137)	125,551
	20.205	STPL-6084 (146)	3,580,429
	20.205	STPL-6084 (152)	913,250
	20.205	STPL-6084 (156)	15,935
	20.205	STPCML-6084 (155)	5,824,478
	20.205	CML-6084 (160)	1,886,134
	20.205	STPL-6084 (162)	74,722
	20.205	STPCML-6084 (167)	467,996
	20.205	CML 6160 (020)	599,805
	20.205	STPL-6084 (175)	9,360,720
	20.205	STPCML-6084 (177)	626,670
	20.205	STPCML-6084 (176)	6,232,826
	20.205	STPL-6084 (178)	394,129
	20.205	STPL-6084 (179)	1,721,191
	20.205	STPL-6160 (022)	728,613
	20.205	STPL-6084 (187)	660,000
Total Highway Planning and Construction Cluster - MTC			46,347,436
Department of Transportation - Federal Transit Administration			
Flow Through from the California Department of Transportation			
FTA Metropolitan Planning Grants			
	20.505	04 OWPMTCM (FTA 5303)	196,035
	20.505	04 OWPMTCM (FTA 5303 TC)	2,593,595
Total Metroplitan Planning Grants			2,789,630

Metropolitan Transportation Commission
Reports on Federal Award Programs in Accordance With OMB Circular A-133
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor Program or Cluster Title/Grant Identifier Number	Federal CFDA Number	Identifier Number Assigned by Pass Through Entity	Federal Expenditures
Department of Transportation - Federal Transit Administration			
Flow Through from the California Department of Transportation			
FTA State Planning and Research Grants	20.515	04 OWPMTCM (FTA 5304)	10,676
Transit Services Program Cluster			
FTA Job Access - Reverse Commute			
CA-37-X076-00 (JARC)	20.516		166,159
CA-37-X104-00 (JARC)	20.516		183,638
CA-37-X133-00 (JARC)	20.516		223,990
CA-37-X164-00 (JARC)	20.516		36,965
FTA New Freedom Program			
CA-57-X023-00 (New Freedom)	20.521		142,352
CA-57-X032-00 (New Freedom, Cycle 2)	20.521		247,494
CA-57-X050-00 (New Freedom, Cycle 3)	20.521		1,375,466
CA-27-X074-00 (New Freedom)	20.521		987,878
Total Transit Services Program Cluster			3,363,942
Federal Transit Cluster			
Pass Through from Golden Gate Bridge District			
FTA Federal Transit - Formula Grants			
CA-90-Y401-01 (FTA)	20.507		39,709
Pass Through from San Francisco Municipal Transportation Authority			
FTA Federal Transit - Capital Investment Grants			
CA-05-0241 (FTA)	20.500		(24,413)
Pass Through from City of Fairfield			
FTA Federal Transit-Formula Grants			
CA-90-X977-00	20.507		144,757
Pass Through from City of Fairfield			
ARRA-FTA Transit Grants			
CA-66-X016-00	20.507		52,561
Pass Through from City of Vacaville			
ARRA-FTA Transit Grants			
CA-66-X013-00	20.507		115,330
FTA Federal Transit.- Formula Grants			
Total Federal Transit Cluster			327,944
HUD			
CARIP0048-11	14.703		1,510,112
Total Expenditures for Federal Awards - MTC			$ 54,482,384
SAFE			
Department of Transportation - Federal Highway Administration			
Pass Through from the California Department of Transportation			
FHWA Highway Planning and Construction Cluster			
	20.205	CML-6084 (139)	33,356
	20.205	STPL-6160 (017)	403,962
	20.205	STPCML-6160 (018)	403,607
	20.205	STPL-6160 (025)	260,223
Total Expenditures for Federal Awards - SAFE			1,101,148
Total Expenditures for Federal Awards			$ 55,583,532

Metropolitan Transportation Commission
Reports on Federal Award Programs in Accordance With OMB Circular A-133
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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"). MTC's reporting entity is defined in Note 1 to MTC's financial statements. The MTC Service Authority for Freeways & Expressways ("SAFE") is a blended component unit of MTC. The federal expenditures under MTC and SAFE have been separately reported on the Schedule. CML-6084 (139) under CFDA 20.205 are presented as SAFE expenditures in the Schedule; however those funds totaling $33,356 are passed through from MTC to SAFE and are therefore included in Note 2. Pass-through entity identifying numbers are presented where available.

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 describe in Note 1 of the notes to MTC's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements.

2. Subrecipients

Of the federal expenditures in the Schedule, MTC provided the following amounts to subrecipients:

CFDA Number	Program Description	Passes through to Subrecipients
20.200	Highway Research and Development	$ 10,000
20.205	Highway Planning and Construction	17,080,336
20.505	Metropolitan Planning Grants	230,916
20.515	State Planning and Research	10,676
20.516	Job Access - Reverse Commute	581,752
20.521	New Freedom Program	2,753,190
14.703	Sustainable Communities Planning	1,280,783
	Total Passed Through	$ 21,947,653

Metropolitan Transportation Commission
Reports on Federal Award Programs in Accordance With OMB Circular A-133
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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?	____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	__X__ none reported
Noncompliance material to financial statements noted?	____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes	__X__ 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 section 510(a) of OMB Circular A-133?	__X__ yes	_____ no

Identification of major programs: CFDA Number(s)	Name of Federal Program or Cluster
20.205 MTC	Highway Planning and Construction Cluster
20.205 SAFE	Highway Planning and Construction Cluster
20.505	FTA Metropolitan Planning Grants
20.500 & 20.507	FTA Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 1,085,170
Auditee qualified as low-risk auditee?	__X__ yes

Section II – Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2014.

Section III – Federal Award Findings and Questioned Costs

Finding 2014-001: Appropriate sign off and review of time sheets
Highway Planning and Construction Cluster and FTA Metropolitan Planning Grants
Federal Awarding Agency: Department of Transportation
Program Name and specific award name: Various as listed on the accompanying SEFA
CFDA #: 20.205 and 20.505
Award #: Various as listed on the accompanying SEFA
Award Year: Various from 2009 to 2014

Criteria
2 CFR §200.430 *Compensation—personal services*
A-87, Attachment B Section 8
MTC Control policy

Per A-87, Attachment B Section 8(h)(1) "Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit"

Per A-87, Attachment B Section 8(h)(5) "Personnel activity reports or equivalent documentation must meet the following standards:... They must be signed by the employee."

Further, MTC has the following control in place, "Employees have their timesheets reviewed and approved by their immediate supervisors and/or section managers who ensure that their employees have charged time to the appropriate work."

Condition
Four out of a sample of 24 timesheets did not show appropriate evidence of review by supervisor. Of these four unreviewed timesheets, all were signed by the employee.

In addition to this, three out of the sample of 24 timesheets were not signed by the respective employee. Of these three timesheets, all were signed and reviewed by the employee's supervisor.

Questioned Cost
There are no questioned costs associated with this finding as it was verified that the time included in the unapproved and unsigned timesheets was charged appropriately.

Cause
MTC did not enforce its established policies and control procedures which require employees to sign their timesheets and supervisors to review them.

Effect
Lack of employee sign off and supervisory review of payroll costs increases the risk of unallowable costs being charged to federal projects.

Recommendation
In order to address the issue of unreviewed or unsigned timesheets, MTC should enforce its policies and implement additional disciplinary actions in order to compel employees to follow established timesheet standards. Furthermore, it is recommended that MTC's control procedures be revised to instruct supervisors who perform timesheet reviews to ensure employee sign off of timesheets has occurred.

Management's Views and Corrective Action Plan
Management's responses are reported in "Management's Views and Corrective Action Plan" and are considered part of this report.

Summary Schedule of Prior Audit Findings

There are no findings from prior years that require an update in this report.

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Alix Bockelman
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Andrew B. Fremier
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November 12, 2014

The management of MTC concurs with the finding No. 2014-001, Appropriate Sign off and Review of Time Sheets, as stated within this report. We present the following corrective action plan.

MTC performed a comprehensive review to ensure that all time cards were signed by the employee and properly approved for fiscal year 2014. This review did not result in any changes or corrections to previously claimed expenditures.

In addition to bi-weekly all-staff reminders on proper timecard preparation, and direct communications with staff on incomplete timecard submittals, a report containing outstanding signatures and approvals is prepared for the Chief Financial Officer for presentation at the weekly Section Directors meeting. Section Directors are informed that all outstanding signatures and approvals must be obtained immediately, or the employee is at risk of not being paid the following pay period.

The contact person for this corrective action plan is Brian Mayhew. I can be reached at 510-817-5730.

Sincerely,

Brian Mayhew
Chief Financial Officer