

**Board Report**

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**File #:** 2016-0578, **File Type:** Informational Report

**Agenda Number:** 7.

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
AUGUST 17, 2016**

**SUBJECT: CONSOLIDATED AUDIT FOR FISCAL YEAR 2015**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the **Consolidated Audit financial and compliance audit reports** completed by Vasquez and Company (Vasquez) and Simpson and Simpson, CPA's (Simpson & Simpson) for the Fiscal Year ending June 30, 2015.

**ISSUE**

As the Regional Transportation Planner for Los Angeles County, we are responsible for planning, programming and allocating transportation funding to Los Angeles County jurisdictions, transit operators and other transportation programs. We have the fiduciary responsibility to provide assurance that recipients of funds included in the Consolidated Audit are adhering to the statutes, program guidelines, and/or agreements of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Authority (FTA) guidelines.

The Consolidated Audit process includes financial and compliance audits of the following programs:

- Measure R Local Return Program;
- Proposition 1B funds;
- Transportation Development Act (TDA) Article 3 and Article 8 Programs;
- Proposition A and Proposition C Local Return Programs;
- Proposition A Discretionary Incentive Program;
- Regional Transit Systems Operating funds and Measure R Operating and Clean Fuel Bus funds for the cities of Commerce, Redondo Beach and Torrance;
- Metrolink Program;
- EZ Transit Pass Program;
- Immediate Needs Transportation Program (INTP);
- Riders Relief Transportation Program (RRTP); and
- Support for Homeless on Re-Entry Program (SHORE).

We allocate over \$400 million annually to these programs and distribute them to 88 cities in Los Angeles County, the County of Los Angeles and other agencies. Audits of these programs are needed to ensure that the agencies comply with the applicable rules, regulations, policies, guidelines and executed Memorandums of Understanding (MOU). The audits also serve as a program management tool for effectively managing and administering these programs.

Vasquez and Simpson & Simpson performed the financial and compliance audits to assure management that recipients of subsidies included in the Consolidated Audit are adhering to the statutes of each applicable funding source and that operations data used to allocate funds is fair and in accordance with Federal Transportation Administration (FTA) guidelines. The audits were conducted in accordance with generally accepted government auditing standards and the American Institute of Certified Public Accountants' Standards.

## **DISCUSSION**

### Local Return

Vasquez and Simpson & Simpson found that the Cities and County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Local Return Programs for the year ended June 30, 2015. The audit results were presented to the Measure R Independent Taxpayer Oversight Committee (MRITOC) and the Independent Citizen's Advisory and Oversight Committee (ICAOC) on March 10, 2016 and January 12, 2016, respectively. Public Hearings for MRITOC and ICAOC were also conducted to receive public input on April 18 and 19, 2016, respectively.

The auditors found that the cities and Los Angeles County generally complied with the requirements applicable to the Measure R Local Return Guidelines. However, they did find 17 instances of non-compliance representing a 53% reduction from the 32 findings noted in the previous year. Questioned costs totaling \$1.5 million represents approximately 1% of the total funds reviewed. All of the findings have been resolved. The respective auditors will validate the resolution of the findings identified in these audits in the following years' audits.

### Non-Local Return

The auditors found that schedules/financial statements for the various programs included in the Consolidated Audit present fairly, in all material respects. They also found that the entities complied, in all material respects, with the compliance requirements of their respective guidelines. However, the auditors noted several compliance findings; seven findings for the TDA Article 3 program and seven for the EZ Transit Pass Program, all of which were resolved during the audit. Four compliance findings were also identified for the INTP (2), RRTP (1) and SHORE (1) programs which had no impact on the funds Metro distributes for these programs.

Due to the considerable size of the documents, we have attached the Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines by each of the firms (Attachment A and B). As a savings measure the remaining Consolidated Audit reports can be accessed online.

For the audit reports issued by Vasquez, please visit:

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[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0578/2%20Vasquez%20Final%20Reports/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0578/2%20Vasquez%20Final%20Reports/)

For the audit reports issued by Simpson & Simpson, please visit:

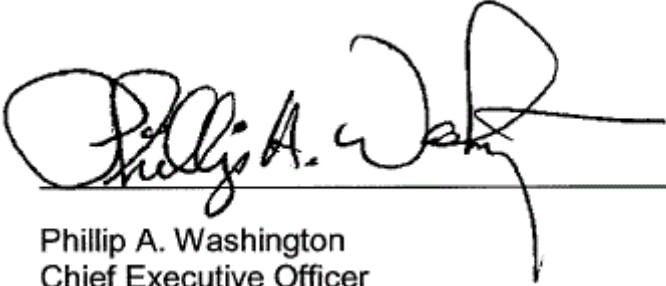
[http://libraryarchives.metro.net/DB\\_Attachments/Board%20Report%20Links/0578/1%20Simpson%20Final%20Reports/](http://libraryarchives.metro.net/DB_Attachments/Board%20Report%20Links/0578/1%20Simpson%20Final%20Reports/)

## **ATTACHMENTS**

- A. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Vasquez)
- B. Report on Compliance with Requirements Applicable to Measure R Ordinance and Measure R Local Return Guidelines (Simpson & Simpson)

Prepared by: Lauren Choi, Sr. Manager, Audit, (213) 922-3926  
Monica Del Toro, Audit Administration, (213) 922-7494

Reviewed by: Diana Estrada, Chief Auditor, (213) 922-2161



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Phillip A. Washington  
Chief Executive Officer



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE  
AND MEASURE R LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

An Independently Owned Member  
**McGLADREY ALLIANCE**



**Vasquez**  
**& Company LLP**  
Certified Public Accountants and Business Consultants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE AND  
MEASURE R LOCAL RETURN GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority  
and Measure R Oversight Committee

**Report on Compliance**

We have audited the compliance of the Forty-nine (49) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter-approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2015 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

***Management's Responsibility***

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' management.

***Auditors' Responsibility***

Our responsibility is to express opinions on the Cities' compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's compliance.

## ***Opinion***

In our opinion, the Cities complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2015.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2015-001 through #2015-005. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

## **Report on Internal Control over Compliance**

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Guidelines and Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, 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 each City'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 under the Guidelines and Requirements on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Guidelines and Requirements 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 the Guidelines and Requirements 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 and therefore, material weaknesses may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2015-002 and #2015-003, that we consider to be material weaknesses.

The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink that reads "Vasquez & Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California**  
**December 16, 2015**



**Los Angeles County Metropolitan Transit Authority  
 Summary of Compliance Findings  
 Fiscal Year Ended June 30, 2015**

The audits of the 49 cities identified in Schedule 1 have resulted in 5 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding No. Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
Funds were expended without LACMTA's approval	3	La Verne (#2015-002) Lancaster (#2015-003) Whittier (#2015-005)	\$ 301,778 263,387 114	\$ 301,778 263,387 114
Expenditure Plan (Form One) was not submitted timely	1	Hawaiian Gardens (#2015-001)	-	-
Expenditure Report (Form Two) was not submitted on time.	1	Palos Verdes Estates (#2015-004)	-	-
<b>Total Findings and Questioned Costs</b>	<b>5</b>		<b>\$ 565,279</b>	<b>\$ 565,279</b>

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transit Authority  
Summary of Measure R Audit Results  
Fiscal Year Ended June 30, 2015**

<b>Compliance Area Tested</b>	<b>Alhambra</b>	<b>Arcadia</b>	<b>Artesia</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Avalon</b>	<b>Bellflower</b>	<b>Bradbury</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Burbank</b>	<b>Cerritos</b>	<b>Claremont</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
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Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Covina</b>	<b>Diamond Bar</b>	<b>Downey</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
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Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Compliant

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Duarte</b>	<b>El Segundo</b>	<b>Glendale</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
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Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Glendora</b>	<b>Hawaiian Gardens</b>	<b>Hermosa Beach</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
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Timely submission of Expenditure Plan (Form One).	Compliant	<b>Finding #2015-001</b>	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>La Canada- Flintridge</b>	<b>La Habra Heights</b>	<b>La Mirada</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
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Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
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Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>La Verne</b>	<b>Lakewood</b>	<b>Lancaster</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	<b>Finding #2015-002</b>	Compliant	<b>Finding #2015-003</b>
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Not applicable
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
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Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Lomita</b>	<b>Long Beach</b>	<b>Los Angeles</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
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Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
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Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Manhattan Beach</b>	<b>Monrovia</b>	<b>Norwalk</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

Compliance Area Tested	Palos Verdes		
	Palmdale	Estates	Paramount
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	<b>Finding #2015-004</b>	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Pasadena</b>	<b>Rancho Palos Verdes</b>	<b>Redondo Beach</b>
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Rolling Hills</b>	<b>Rolling Hills Estates</b>	<b>San Dimas</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

Compliance Area Tested	San Gabriel	San Marino	Santa Clarita
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Sierra Madre</b>	<b>Signal Hill</b>	<b>South Pasadena</b>
Funds were expended for transportation purposes.	Compliant	Not applicable	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant	Not applicable	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Not applicable	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Not applicable	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant	Not applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable



**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Temple City</b>	<b>Torrance</b>	<b>West Covina</b>
Funds were expended for transportation purposes.	Not applicable	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Not applicable	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

**Los Angeles County Metropolitan Transit Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Whittier</b>
Funds were expended for transportation purposes.	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall.	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant
Verification that funds were expended with LACMTA's approval.	<b>Finding #2015-005</b>
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant
Timely submission of Expenditure Plan (Form One).	Compliant
Timely submission of Expenditure Report (Form Two).	Compliant
Timely use of funds.	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures.	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable

**Los Angeles County Metropolitan Transit Authority  
Schedule of Findings and Questioned Costs  
Fiscal Year Ended June 30, 2015**

<b>Finding #2015-001</b>	<b>Hawaiian Gardens</b>
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One on August 15, 2014, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is submitted on time.
Effect	Form One was not submitted on time as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One is submitted by August 1 as required by the Guidelines.
Management Response	The City had a transition of the Finance Director position with multiple consultants filling the role during the 2013-2014 and 2014-2015 fiscal years. The position has now been filled with a full time employee. As part of the effort to ensure these deadlines are not missed a calendar for the Finance department has been developed that can be used by staff to monitor dates for submission of the forms even if another staff transition occurs.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-002</b>	<b>City of La Verne</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for Project code 01-002 Street Repairs and Maintenance – Old Ranch Road Area ARAM project totaling \$301,778 with no prior approval from LACMTA.</p> <p>Although, this project was previously approved in FY 2014, the City was still required to submit Form One for FY 2015, carry over the budget, and have it approved prior to spending the money.</p> <p>LACMTA Program Manager granted retroactive approval of the said project on December 15, 2015.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$301,778 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The Project code 01-002 was originally submitted and approved in FY 2013/14. Our Public Works Director was under the belief that once the funds were approved and encumbered in FY 2013/14 that he did not need to include the project in the FY2014/15 Form One. We have submitted another Form One to LACMTA and Project 01-002 is included in this Form One for FY2014/15. We received approval for the Form One from MTA on December 15, 2015.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on December 15, 2015. No additional follow up is required.</p>

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-003</b>	<b>City of Lancaster</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the purchase of the Avalanche Sweeper totaling \$263,387 with no prior approval from LACMTA.</p> <p>Although, this project was previously approved in FY 2014, the City was still required to submit Form One for FY 2015, carry over the budget, and have it approved prior to spending the money.</p> <p>LACMTA Program Manager granted retroactive approval of the said project on December 14, 2015.</p>
Cause	The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.
Effect	The City claimed expenditures totaling \$263,387 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.
Management Response	We recognize that it should have also been on our FY 2014/15 budget approval (not just FY 2013/14) and accept the audit finding. We are in the process of revising our procedures and making some personnel changes in order to avoid this happening in the future.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said project on December 14, 2015. No additional follow up is required.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-004</b>	<b>City of Palos Verdes Estates</b>
Compliance Reference	Section B(II)(2) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Report (Form Two), annually, by October 15 <sup>th</sup> (following the conclusion of the fiscal year)...."
Condition	The City submitted its Form Two on November 13, 2015, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures and controls to ensure that Form Two is filed on time.
Effect	Form Two (Expenditure Report) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form Two (Expenditure Report) is submitted by October 15 as required by the Guidelines.
Management Response	At the end of FY 2015 the City lost two and a half long term staff members. As the department has a total of 4.5 FTE positions, that was over half the department. The duties of the departed staff were highly segregated and not well known to the remaining and newly hired staff. The City will work toward developing its remaining and new staff to be able to complete all required forms in a timely manner.

**Los Angeles County Metropolitan Transit Authority**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Finding #2015-005</b>	<b>City of Whittier</b>
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity ...."</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for Project code 1.05 Palm Ave. Street Repairs project totaling \$114 with no prior approval from LACMTA.</p> <p>Although we found the expenditures to be eligible for MRLRF funding, this project had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that a Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$114 without prior approval from LACMTA. Lack of prior approval results in non-compliance which could impact future funding or result in questioned costs that require funding to be returned to LACMTA.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>The Palm Avenue project was listed as pending in the submittal to Metro due to the continued delay of waiting for the utility work to move forward. Measure R funds were already programmed in the City budget for the project and have submitted the Form One to Metro on July 20, 2015 for FY 2015/16 program year.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said project on December 14, 2015. No additional follow up is required.</p>



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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MEASURE R ORDINANCE AND  
MEASURE R LOCAL RETURN GUIDELINES**

**TO THE LOS ANGELES COUNTY  
METROPOLITAN TRANSPORTATION AUTHORITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



**Los Angeles County Metropolitan Transportation Authority  
Measure R Consolidated Audit Report  
Fiscal Year Ended June 30, 2015**

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SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE R ORDINANCE AND MEASURE R LOCAL RETURN GUIDELINES

To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority  
and Measure R Oversight Committee

### Report on Compliance

We have audited the compliance of the thirty-eight (38) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2015 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities and the County are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

### *Management's Responsibility*

Compliance with the Guidelines and Requirements is the responsibility of the respective Cities' and County's management.

### *Auditor's Responsibility*

Our responsibility is to express opinions on the Cities' and County's compliance with the Guidelines and Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County's compliance with the Guidelines and Requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinions on compliance. However, our audits do not provide a legal determination of each City's and the County's compliance.



### ***Opinion***

In our opinion, the Cities and the County complied, in all material respects, with the Guidelines and Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and Requirements and which are described in the accompanying Summary of Measure R Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2015-001 through #2015-012. Our opinion is not modified with respect to these matters.

Responses by the Cities to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

### ***Report on Internal Control Over Compliance***

The management of each City and the County is responsible for establishing and maintaining effective internal control over compliance with the Guidelines and Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guidelines and Requirements, 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 each City's and the County's internal control over compliance.

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 we consider to be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 under the Guidelines and Requirements 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 under the Guidelines and Requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding #2015-012 to be a material weakness.



*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the Guidelines and Requirements that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings #2015-004 and #2015-009 to be significant deficiencies.

The responses by the Cities to the internal control over compliance findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The responses by the Cities were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

A handwritten signature in black ink that reads "Simpson &amp; Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California  
December 28, 2015

**Los Angeles County Metropolitan Transportation Authority  
Summary of Compliance Findings  
Fiscal Year Ended June 30, 2015**

The audit of the thirty-eight (38) Cities and the County of Los Angeles has resulted in 12 findings. The table below shows a summary of the findings:

<b>Finding</b>	<b># of Findings</b>	<b>Responsible Cities/ Finding Reference</b>	<b>Questioned Costs</b>	<b>Resolved During the Audit</b>
No adequate evidence that funds were expended for transportation purposes	4	Huntington Park (#1) Lawndale (#2) Rosemead (#3) South El Monte (#4)	\$ 8,282 \$ 1,872 \$ 92 \$ 14,798	None None None None
Funds were expended without LACMTA's approval	5	Compton (#5) Cudahy (#6) Monterey Park (#7) San Fernando (#8) South El Monte (#9)	\$ 798,683 \$ 710 \$ 12,491 \$ 23,254 \$ 3,064	\$ 798,683 \$ 710 \$ 12,491 \$ 14,159 \$ 3,064
Expenditure Plan (Form One) was not submitted timely	1	Calabasas (#10)	None	None
Expenditure Report (Form Two) was not submitted timely	1	Hidden Hills (#11)	None	None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	1	Huntington Park (#12)	\$ 63,034	\$ 63,034
<b>Total Findings and Questioned Cost</b>	<b>12</b>		<b>\$ 926,280</b>	<b>\$ 892,141</b>

Details of the findings can be found in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**

<b>Compliance Area Tested</b>	<b>Agoura Hills</b>	<b>Azusa</b>	<b>Baldwin Park</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Bell</b>	<b>Bell Gardens</b>	<b>Beverly Hills</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Calabasas</b>	<b>Carson</b>	<b>Commerce</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	<b>#2015-010</b>	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Compton</b>	<b>Cudahy</b>	<b>Culver City</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	<b>#2015-005</b>	<b>#2015-006</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>El Monte</b>	<b>Gardena</b>	<b>Hawthorne</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Hidden Hills</b>	<b>Huntington Park</b>	<b>City of Industry</b>
Funds were expended for transportation purposes	Compliant	#2015-001	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	#2015-011	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	#2015-012	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Inglewood</b>	<b>Irwindale</b>	<b>La Puente</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Lawndale</b>	<b>Los Angeles County</b>	<b>Lynwood</b>
Funds were expended for transportation purposes	<b>#2015-002</b>	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Malibu</b>	<b>Maywood</b>	<b>Montebello</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Monterey Park</b>	<b>Pico Rivera</b>	<b>Pomona</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	<b>#2015-007</b>	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Not Applicable	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable



**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Rosemead</b>	<b>San Fernando</b>	<b>Santa Fe Springs</b>
Funds were expended for transportation purposes	<b>#2015-003</b>	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	<b>#2015-008</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Santa Monica</b>	<b>South El Monte</b>	<b>South Gate</b>
Funds were expended for transportation purposes	Compliant	<b>#2015-004</b>	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval	Compliant	<b>#2015-009</b>	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority**  
**Summary of Measure R Audit Results**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

<b>Compliance Area Tested</b>	<b>Walnut</b>	<b>West Hollywood</b>	<b>Westlake Village</b>
Funds were expended for transportation purposes	Compliant	Compliant	Compliant
Fund were used to augment, not supplant, existing local revenues being used for transportation purposes	Compliant	Compliant	Compliant
Evidence of signed and returned Assurances and Understandings agreement	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR purposes	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, and interest income were properly credited to Measure R account	Compliant	Compliant	Not Applicable
Verification that funds were expended with LACMTA's approval	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with Assurances and Understandings	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditures did not exceed 20% of the total annual LR expenditures	Compliant	Not Applicable	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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<b>Finding #2015-001</b>	<b>City of Huntington Park</b>
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	During our audit of the local funds, we noted that the City did not reverse the prior year's accounts payable for the MRLRF in fiscal year 2014-15. As such, the current year's expenditures were overstated by \$8,282 for MRLRF. Subsequent to our inquiries, the City prepared a journal entry to correct the expenditures and the accounts payable balances of the fund under audit.
Cause	There appears to be a lack of adequate controls over financial reporting and the accounts payable reconciliation.
Effect	Accounts payable that was not reversed in the subsequent year leads to over-reporting the program expenditures in the following fiscal year.
Recommendation	The City should update its internal accounting controls to ensure that appropriate procedures are in place to reconcile year-end accounts payable of all LRF balances in a timely manner. The City should also revise and resubmit the Form C and Form II to reflect the adjustments made for the project costs.
Management's Response	The City Staff will work more diligently to make sure Account Payable is correctly balanced, thus insuring proper reporting.

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**(Continued)**

<b>Finding #2015-002</b>	<b>City of Lawndale</b>
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	<p>During our review of payroll salary expenditures, we noted that four (4) positions were partially funded by the Measure R Local Return Fund (MRLRF). The allocation percentages claimed to the fund were not supported by timesheets certified by the employees or a cost allocation with verifiable data. Through our inquiry with the City's Accounting Manager, the basis of the allocation percentages were based on annual budget (predetermined). The total questioned costs are \$1,872.</p> <p>This is a repeated finding of FY 2014; however, corrective actions were taken and a new timekeeping system was implemented to track the actual hours worked on the local return funds starting October 2014.</p>
Cause	During the first few months of FY 2014-15, the Public Works Director position was vacant causing a lack of oversight of timesheets. It was overlooked until October 2014, when the Payroll Staff noticed that timesheet verification was lacking and corrective action was not taken.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF.
Recommendation	We do not have any recommendation since the City has implemented a timekeeping system to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity report, timesheet, or time study) as of October 2014.
Management's Response	Management agrees with the finding that certain Public Works employees timesheets were on the allocation basis and not actual. October 2014 corrective action was taken so all employees' time was based on actual hours worked.

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<b>Finding #2015-003</b>	<b>City of Rosemead</b>
Compliance Reference	According to the Measure R Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based on estimated percentage of actual salaries, determined by the City to be attributable to the funds for the period 7/1/2014 through 1/4/2015. The payroll charges are supported by timesheets; however, actual timesheet documentation did not accurately equal the estimated percentages used to allocate the employee' salaries to the local return fund for the period 7/1/2014 through 1/4/2015. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates was done at the end of the fiscal year. There was a total of 23 employees tested where the hours on the timesheet did not equal the estimated percentages. Total questioned costs are \$92.
Cause	The City uses its best estimate of percentage of its employees' salaries to determine its payroll charges to the MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return fund.
Effect	Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the MRLRF.
Recommendation	We recommend that the City periodically reconcile estimates (charged hours) to the timesheet hours and record the required adjustments to reflect actual hours.
Management's Response	The City will meet with staff under the Bus Shelter Maintenance department to reinforce the procedures for tracking time on these programs.

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<b>Finding #2015-004</b>	<b>City of South El Monte</b>
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), “Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines” and “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentation.”
Condition	<p>In order to ensure the propriety of expenditures being charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation, evidencing in proper detail, the nature of the charges.</p> <ol style="list-style-type: none"> <li>1. The City reimbursed Arroyo Strategy Group (Consultant) for various expenses including Outreach Education program expenses, website creation and upgrades, two extra nights at a hotel for a conference in the amount of \$14,798. The City charged these reimbursements to LACMTA’s approved SR Coalition Work project for the Measure R Local Return Fund. The Contract between the City of South EL Monte and Arroyo Strategy Group (Consultant), states that the “Consultant shall not be reimbursed for any expenses unless it receives prior written authorization from the City Council.” We requested but the City did not provide us with the evidence of Prior Written Authorization for these cost reimbursements.</li> <li>2. In addition, we noted that some reimbursements did not have proper documentation such as receipts, timesheets or a basis for the charges. Of the \$14,798 reimbursements, \$12,563 did not have proper documentation.</li> </ol>
Cause	The City ascertains that the various expenditures by the Consultant were covered under the Professional Services Agreement (PSA) Exhibit A under “Assist in the Advocacy of the SR-60 Alternative of the Eastside Goldline Corridor Phase II” and “Other tasks there onto assigned.” Because these expenditures were named in the Scope of Work, the City did not treat these expenditures as “Reimbursements” which require prior written approval by the City.
Effect	The reimbursements without proper supporting documentation and/or prior written authorization resulted in questioned costs of \$14,798.

**Los Angeles County Metropolitan Transportation Authority  
Schedule of Findings and Questioned Costs  
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(Continued)**

<b>Finding #2015-004</b>	<b>City of South El Monte (Continued)</b>
Recommendation	<p>In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$14,798. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation and properly authorized so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.</p>
Management's Response	<p>The City will amend all Professional Services Agreement (PSA) to reflect a more detailed explanation of the services encompassed by any use of Measure R funds. In addition, the PSA will also amend the language to clarify what "Reimbursable Expenses" includes and the process to differentiate between reimbursable and non-reimbursable expenses. Also, the City Council will approve a resolution authorizing specific authorization of approval for the City Manager as it pertains to the expenditures of Measure R Funds. Each assignment listed in Exhibit A of the Professional Service Agreement will only need to be approved by the City Manager upon the Execution of said Resolution.</p>



**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
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<b>Finding #2015-005</b>	<b>City of Compton</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for MRLRF’s Administration project in the amount of \$798,683 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on November 24, 2015.</p>
Cause	<p>The Public Works department unintentionally did not include Fund Administration as a line item in the budget request from MTA.</p>
Effect	<p>The City did not comply with the Guidelines when expenditures for MRLRF project is incurred without LACMTA’s approval.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City received approval subsequently on November 24, 2015. However, in the future the Public Works department will ensure they receive approval for MRLRF Fund Administration prior to expending the funds.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the MRLRF project on November 24, 2015. No additional follow up is required.</p>

**Los Angeles County Metropolitan Transportation Authority**  
**Schedule of Findings and Questioned Costs**  
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**(Continued)**

<b>Finding #2015-006</b>	<b>City of Cudahy</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for MRLRF’s Administration project in the amount of \$710 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on October 7, 2015.</p>
Cause	<p>The City did not anticipate administrative expenditures during fiscal year 2014-15 for MRLRF. Therefore, the City did not include a request for approval for the project in the Annual Project Update Form (Form I) submitted to LACMTA on July 31, 2014. However, the City failed to submit a Form I for the project when the audit fee in the amount of \$710 was allocated to the fund in April 2015.</p>
Effect	<p>The City did not comply with the Guidelines when expenditure for MRLRF project is incurred without LACMTA’s approval.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City will ensure that the Administration Cost is included in Form I for Measure R when budget is submitted to Metro.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the MRLRF project on October 7, 2015. No additional follow up is required.</p>

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<b>Finding #2015-007</b>	<b>City of Monterey Park</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s Approval.”</p>
Condition	<p>The expenditures for the Measure R Transportation Services project in the amount of \$12,491 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on October 6, 2015.</p>
Cause	<p>Form R forms have Macros built into the spreadsheets that sometimes do not function properly with City software. While the project code 1.05, Localized Pavement Repairs, was identified in the Form One budget, costs associated for that project were inadvertently left out.</p>
Effect	<p>The expenditures for Measure R Local Return programs were incurred prior to LACMTA’s approval. Incurred expenditures prior to LACMTA’s approval resulted in questioned costs of \$12,491.</p>
Recommendation	<p>We recommend the City establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1st so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines.</p>
Management’s Response	<p>Staff will revise the mapping spreadsheet to incorporate the budget expenditures in order to identify discrepancies with the actual expenditures prior to submittal to MTA. In addition, a review will be properly done by both Program and Finance personnel to ensure proper data submittal.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the MRLRF project on October 6, 2015. No additional follow up is required.</p>

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<b>Finding #2015-008</b>	<b>City of San Fernando</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s Approval.</p>
Condition	The project expenditures for project codes 1.90 and 7.90 funded by Measure R totaling \$14,159 and \$9,095 respectively, were incurred without an approval from LACMTA. Total questioned costs are \$23,254.
Cause	<p>The City represented to us that the expenditures for project codes 1.9 and 7.90 were budgeted under project code 1.05 in the amount of \$592,000 and was approved in the Form 1. However, when preparing the Form II, the City separated the project codes in accordance with the Guidelines.</p> <p>The City was granted a subsequent approval for project code 1.90 by LACMTA on December 15, 2015. Expenditure for project code 7.90 was not subsequently approved by LACMTA.</p>
Effect	The expenditures for Measure R Local Return programs were incurred prior to LACMTA’s approval and incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.
Recommendation	<p>We recommend the City establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1<sup>st</sup> so that the City’s expenditures of the Measure R Local Return Funds will be in accordance with LACMTA’s approval and the Guidelines. The City should prepare a journal entry to transfer funds from the general fund to reimburse the Measure R for the disapproved project cost.</p> <p>We also recommend the City return the unapproved project expenditure of \$9,095 to LACMTA.</p>

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**(Continued)**

Finding #2015-008	City of San Fernando (Continued)
Management's Response	<p>The City maintains that Form One was properly prepared and submitted prior to August 1<sup>st</sup> and fiscal year 2014-2015 expenditures were in accordance with Metro's approval. The original Metro approved budget included \$592,000 in Street and Roads expenditures, classified broadly using Sub-category 1.05 – Street Repair and Maintenance.</p> <p>The revised budget, submit during the fiscal year in which the funds were expended, included a total of \$34,278 in expenditures using more defined expenditure categories, including \$25,000 in Streets and Roads expenditures, Sub-category 1.20 – Consulting Services/Professional Services; and \$9,278 in Transportation Administration, Sub-category 8.10 – Fund Administration. As the City understands the guideline referenced above, the funds were expended with Metro's approval. Metro approved \$592,000 for Streets and Roads under the broad Sub-category of Street Repair and Maintenance.</p> <p>Of the \$23,254 in questioned costs, \$14,159 was reported using a more defined Sub- category under the originally approved Streets and Roads category. The remaining \$9,095 in questioned costs were reported under the Transportation Administration Category to better reflect actual activity during the year. We concur that all activities funded by Measure R Local Return must be accurately reported; however, it is also required to be preapproved by MTA. In an effort to make reporting as accurate as possible, staff reported expenses using more detailed codes rather than the broad codes approved in the budget. Going forward, staff will ensure that the same codes used for budgeting purposes will be used for reporting purposes.</p> <p>Additionally, City staff responsible for management and reporting of the Measure R Local Return Program attended training on July 22, 2015, to ensure that expenditures of the Measure R Local Return Funds will continue to be in accordance with Metro's approval and program Guidelines.</p>
Finding Corrected During the Audit	<p>Out of the \$23,254 questioned costs, LACMTA Program Manager partially granted retroactive approval of project codes 1.9 in the amount of \$14,159 on December 15, 2015.</p>

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<b>Finding #2015-009</b>	<b>City of South El Monte</b>
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for the Measure R Administration project in the amount of \$3,064 were incurred prior to the approval from LACMTA for fiscal year 2014-15. However, the City subsequently received LACMTA’s approval on the MRLRF project on October 15, 2015.</p> <p>This is a repeated finding of FY 2014.</p>
Cause	<p>The Grants Coordinator of the Finance Department has been catching up on her duties since she was on an extended leave of absence due to illness. There were instances, such as that identified in finding, that lead to documents being submitted late to entities. The Grants Coordinator of the Finance Department has trained the Accountant of the Department to avoid issues such as mentioned in this finding.</p>
Effect	<p>The City did not comply with the Guidelines when the expenditures for MRLRF project were incurred without LACMTA’s approval.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City will continue to monitor its program to ensure that the expenditures for projects/programs have been prepared correctly and submitted to LACMTA on a timely manner to ensure the expenditures are approved by LACMTA prior to incurring the cost.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the MRLRF project on October 15, 2015. No additional follow up is required.</p>

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<b>Finding #2015-010</b>	<b>City of Calabasas</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1st of each fiscal year."
Condition	The City did not meet the August 1, 2014 deadline for submission of Form One. However, the City submitted the Form One on September 23, 2014.
Cause	During the transition period of hiring a new staff, the previous employee did not inform the supervising staff the reporting deadline for the submission of Form One to Metro.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
Management's Response	Besides the City employee who is responsible for submitting the Form One, the supervising staff is also aware of the required forms and their due dates to ensure that the City does not miss the LACMTA reporting deadlines in the future.

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 (Continued)**

<b>Finding #2015-011</b>	<b>City of Hidden Hills</b>
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year)."
Condition	The City did not submit Form Two to LACMTA until November 17, 2014.
Cause	The condition was due to oversight of the City's management.
Effect	The City's Form Two were not submitted timely.
Recommendation	The City should establish procedures to ensure that Form Two be submitted timely.
Management's Response	The City will make a better effort to file in a timely manner.



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<b>Finding #2015-012</b>	<b>City of Huntington Park</b>
Compliance Reference	According to Measure R Local Return Guidelines, Section A.II. 8, "The administrative expenditures for any year shall not exceed twenty percent (20%) of the total local return annual expenditures."
Condition	The City's administrative expenditures exceeded more than twenty percent of its total Measure R local return annual expenditures in the amount of \$63,034. Subsequently, the City transferred \$63,034 to its Measure R Local Return account on December 23, 2015.
Cause	The condition was due to oversight of the City's management.
Effect	The City's MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditures and the City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned costs of \$63,034.
Recommendation	We recommend that the City establish procedures and controls to ensure that administrative expenditures are within the 20% cap of the MRLRF's total annual expenditures.
Management's Response	City staff will work more diligently to adhere to the Metro approved budget which includes but not limited to tracking expenditures and monitoring compliance to City Budget as well.
Finding Corrected During the Audit	The City subsequently transferred \$63,034 to its Measure R Local Return account on December 23, 2015. No additional follow up is required.