



Board Report

File #: 2020-0139, File Type: Informational Report

Agenda Number: 4.

MEASURE M INDEPENDENT TAXPAYER OVERSIGHT COMMITTEE MARCH 4, 2020

SUBJECT: INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES; AND MEASURE M SPECIAL REVENUE FUND AUDIT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the Independent Auditor's Report on:

- A. Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Vasquez & Company, LLP;
- B. Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines for the Fiscal Year ended June 30, 2019 completed by Simpson and Simpson, CPAs; and
- C. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund for the Fiscal Year ended June 30, 2019 completed by BCA Watson Rice, LLP (BCA).

ISSUE

On November 9, 2016, Los Angeles County voters approved Measure M that imposed a half-cent transaction and use tax for transportation and the indefinite extension of an existing half-cent sales tax (Measure R) also dedicated to transportation and originally set to expire in 2039. Measure M, also known as the Los Angeles County Traffic Improvement Plan Ordinance (Ordinance) establishes an Independent Taxpayer Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (LACMTA) complies with the terms of the Ordinance. The oversight process requires that an annual audit be completed within six months after the end of the fiscal year to determine compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during the fiscal year. The audit must be provided to the Oversight Committee so that the Oversight Committee can determine whether LACMTA and local

subrecipients have complied with the Measure M requirements.

DISCUSSION

The following summarizes the independent auditor's report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines:

Management Audit Services contracted with two firms, Simpson and Simpson, CPAs (Simpson and Simpson) and Vasquez and Company (Vasquez), to conduct the audits of Measure M sales tax revenues used by the 88 cities (Cities) as well as the County of Los Angeles (County). This report covers the audits of 39 Cities completed by Vasquez as listed in Attachment A; and audits of 49 Cities and the County completed by Simpson and Simpson as listed in Attachment B. The firms conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that the independent auditors plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements in the Ordinance which could have a direct and material effect on the Measure M Local Return program occurred.

Vasquez concluded that the Cities, except for the City of South El Monte, complied in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2019. Vasquez found seven instances of noncompliance, which are summarized in Schedule 2 of Attachment C.

Simpson and Simpson concluded that the Cities and County complied, in all material respects, with the requirements in the Ordinance that are applicable to the Measure M Local Return program for the fiscal year ended June 30, 2019. Simpson and Simpson found 13 instances of noncompliance, which are summarized in Schedule 2 of Attachment D.

The following summarizes the independent auditor's report on Schedule of Revenues and Expenditures for Measure M Special Revenue Fund:

Management Audit Services contracted with BCA to perform the independent audit of the LACMTA, as required by the Ordinance. BCA conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that BCA plan and perform the audit to obtain reasonable assurance about whether the Schedule of Measure M Revenues and Expenditures (Schedule) is free of material misstatement.

The auditors found that the Schedule referred to above present fairly, in all material respects, the Measure M Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. The auditors also found that LACMTA complied, in all material respects, with the requirements of the Ordinance for the fiscal year ended June 30, 2019.

NEXT STEPS

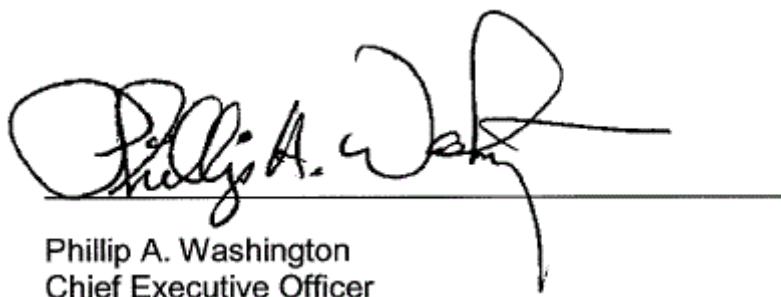
A public hearing will be scheduled.

ATTACHMENT(S)

- A. List of Entities Audited by Vasquez
- B. List of Entities Audited by Simpson and Simpson
- C. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Vasquez)
- D. Report on Compliance with Requirements Applicable to Measure M Ordinance and Measure M Local Return Guidelines (Simpson and Simpson)
- E. Independent Auditor's Report on Schedule of Revenues and Expenditures for Measure M Special Revenue Fund for the Fiscal Year Ended June 30, 2019

Prepared by: Lauren Choi, Sr. Director (Interim), Audit, (213) 922-3926
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Reviewed by: Shalonda Baldwin, Chief Auditor (Interim), (213) 418-3265



Phillip A. Washington
Chief Executive Officer

Measure M List of Cities Audited by Vasquez

| | |
|-----------------|------------------|
| Agoura Hills | Lawndale |
| Azusa | Lynwood |
| Baldwin Park | Malibu |
| Bell | Maywood |
| Bell Gardens | Montebello |
| Beverly Hills | Monterey Park |
| Calabasas | Pico Rivera |
| Carson | Pomona |
| Commerce | Rosemead |
| Compton | San Fernando |
| Cudahy | Santa Fe Springs |
| Culver City | Santa Monica |
| El Monte | South El Monte |
| Gardena | South Gate |
| Hawthorne | Vernon |
| Hidden Hills | Walnut |
| Huntington Park | West Hollywood |
| Industry | Westlake Village |
| Inglewood | |
| Irwindale | |
| La Puente | |

Measure M List of Cities Audited by Simpson

| | |
|----------------------|-----------------------|
| Alhambra | Long Beach |
| Arcadia | Los Angeles City |
| Artesia | Los Angeles County |
| Avalon | Manhattan Beach |
| Bellflower | Monrovia |
| Bradbury | Norwalk |
| Burbank | Palmdale |
| Cerritos | Palos Verdes Estates |
| Claremont | Paramount |
| Covina | Pasadena |
| Diamond Bar | Rancho Palos Verdes |
| Downey | Redondo Beach |
| Duarte | Rolling Hills |
| El Segundo | Rolling Hills Estates |
| Glendale | San Dimas |
| Glendora | San Gabriel |
| Hawaiian Gardens | San Marino |
| Hermosa Beach | Santa Clarita |
| La Canada Flintridge | Sierra Madre |
| La Habra Heights | Signal Hill |
| La Mirada | South Pasadena |
| La Verne | Temple City |
| Lakewood | Torrance |
| Lancaster | West Covina |
| Lomita | Whittier |



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

TO THE LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund Consolidated Audit Report
Fiscal Year Ended June 30, 2019**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES | 1 |
| Summary of Compliance Findings | 4 |
| Schedule 1 – Summary of Audit Results | 5 |
| Schedule 2 – Schedule of Findings and Questioned Costs | 18 |

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

**To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Measure M Independent Taxpayer Oversight Committee**

Report on Compliance

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County voter-approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on June 22, 2017 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2019 (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 management of the Cities.

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 and 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 M 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 disclaimer and unqualified opinions on compliance. However, our audits do not provide a legal determination of each City's compliance with the Guidelines and Requirements.



Basis for Disclaimer of Opinion on City of South El Monte

As described in the accompanying Summary of Compliance Findings (Finding #2019-005), the City of South El Monte was not able to provide accounting records and documents that would support the City's compliance with the Guidelines and Requirements. Accordingly, we were unable to perform any auditing procedures sufficiently to determine the City's compliance.

Disclaimer of Opinion on City of South El Monte

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the City of South El Monte's compliance with the Guidelines and Requirements referred to above. Accordingly, we do not express an opinion on the City of South El Monte's compliance with the Guidelines and Requirements.

Unqualified Opinion on Compliance of all Cities except City of South El Monte

In our opinion, as described in Schedule 2, 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 M Local Return program for the year ended June 30, 2019.

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 Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 through #2019-007. 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 of Findings and Questioned Costs (Schedule 2). 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 M 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 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 with the requirements, such that there is a reasonable possibility that material noncompliance 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 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 or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 and #2019-005, that we consider to be material weaknesses.

The City's responses to the findings identified in our audits are described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2). The City's responses 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.

Glendale, California
December 31, 2019

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2019**

The audits of the 39 cities identified in Schedule 1 have resulted in 7 findings. The table below summarizes those findings:

| Finding | # of Findings | Responsible Cities/ Finding No. Reference | Questioned Costs | Resolved During the Audit |
|---|----------------------|--|-------------------------|----------------------------------|
| Funds were expended for transportation purposes. | 2 | Baldwin Park (Finding #2019-001) South El Monte (Finding #2019-005) | \$ 351,493 149,130 | \$ - - |
| Expenditure Plan (Form M-One) was submitted timely. | 2 | Bell Gardens (Finding #2019-002) South Gate (Finding #2019-006) | None None | None None |
| Expenditure Report (Form M-Two) was submitted timely. | 3 | Malibu (Finding #2019-003) Pomona (Finding #2019-004) Vernon (Finding #2019-007) | None None None | None None None |
| Total Findings and Questioned Costs | 7 | | \$ 500,623 | \$ - |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019**

| Compliance Area Tested | Agoura Hills | Azusa | Baldwin Park |
|--|---------------------|----------------|-----------------------|
| Funds were expended for transportation purposes. | Compliant | Compliant | See Finding #2019-001 |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Compliant | Compliant | Compliant |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Bell | Bell Gardens | Beverly Hills |
|--|----------------|-----------------------|----------------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | See Finding #2019-002 | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Compliant | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Calabasas | Carson | Commerce |
|--|------------------|----------------|-----------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Not Applicable | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Compton | Cudahy | Culver City |
|--|----------------|----------------|--------------------|
| Funds were expended for transportation purposes. | Compliant | Not Applicable | Not Applicable |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Not Applicable | Not Applicable |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Not Applicable | Not Applicable |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | EI Monte | Gardena | Hawthorne |
|--|-----------------|----------------|------------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Compliant | Compliant | Compliant |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Hidden Hills | Huntington Park | Industry |
|--|---------------------|----------------------------|-----------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Not Applicable | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Inglewood | Irwindale | La Puente |
|--|------------------|------------------|------------------|
| Funds were expended for transportation purposes. | Not Applicable | Not Applicable | Compliant |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Not Applicable | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Not Applicable | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Not Applicable | Not Applicable | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Not Applicable | Compliant |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Lawndale | Lynwood | Malibu |
|--|-----------------|----------------|-----------------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | See Finding #2019-003 |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Compliant | Compliant | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Maywood | Montebello | Monterey Park |
|--|----------------|-------------------|----------------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Compliant | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Pico Rivera | Pomona | Rosemead |
|--|--------------------|-----------------------|-----------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Not Applicable |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | See Finding #2019-004 | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Compliant | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | San Fernando | Santa Fe Springs | Santa Monica |
|--|---------------------|-------------------------|---------------------|
| Funds were expended for transportation purposes. | Compliant | Not Applicable | Not Applicable |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Not Applicable | Not Applicable |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Not Applicable |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Not Applicable | Not Applicable |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | South El Monte* | South Gate | Vernon |
|--|------------------------|-----------------------|-----------------------|
| Funds were expended for transportation purposes. | See Finding #2019-005 | Compliant | Compliant |
| Funds were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | See Finding #2019-005 | Compliant | Compliant |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | See Finding #2019-005 | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | See Finding #2019-006 | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | See Finding #2019-007 |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | See Finding #2019-005 | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

*Auditor was not able to perform procedures due to the condition of the City's accounting records and unavailability of documents supporting the City's compliance with the significant compliance requirements of the Guidelines.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Walnut | West Hollywood | Westlake Village |
|--|----------------|---------------------------|-----------------------------|
| 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 |
| Signed Assurances and Understandings on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M-One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M-Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds. | Compliant | Compliant | Compliant |
| Administrative expenses are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019**

| Finding #2019-001 | City of Baldwin Park |
|-----------------------------|--|
| Compliance Reference | <p>Measure M Local Return Guidelines Section (A) (I) states that, "The Measure M Ordinance specifies that LR funds are to be used for transportation purposes. No net revenues distributed to Jurisdictions may be used for purposes other than transportation purposes". Also, Section VII states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p> <p>On February 14, 2019, the LACMTA Local Return Program Manager re-affirmed the memo issued on April 29, 2014 addressed to all Jurisdictions to provide clarification for adequate salary and related costs documentations for the audit of the Local Return funds.</p> <p>Below are recommendations to ensure that jurisdictions have adequate evidence to support its compliance with the Local Return Guidelines:</p> <ol style="list-style-type: none"> 1. All hours are required to be documented. Develop and/or maintain a system that will keep track of actual hours worked by employees whose salaries and benefits were charged to the LACMTA project. Expenditures claimed based solely on budgeted amounts is not considered adequate documentation because it does not reflect actual expenditures incurred on the LACMTA project and do not provide adequate evidence that labor hours charged has transit/transportation purpose. The record of hours worked must: a) identify the LACMTA project, b) be authenticated by the employee and approved by his/her immediate supervisor, and c) tie to hours reported in the payroll records. 2. Provide adequate support for indirect costs. For indirect expenditures allocated to LACMTA projects, develop and/or maintain a system that distributes allowable expenditures to projects based on causal or beneficial relationships. Expenditures cannot be claimed on LACMTA project if the expenditures are not allowable (i.e., not transportation or transit related) or not allocable to the LACMTA project (i.e., LACMTA project did not cause the incurrence of the expenditure or LACMTA project did not benefit from the expenditure). |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| Finding #2019-001 (Continued) | City of Baldwin Park |
|--------------------------------------|---|
| Condition | <p>The City claimed salaries and benefits expenditures under the following projects:</p> <p>Project code 01-001, Bond for Rail Safety Crossings Improvements, total amount of \$23; Project code 01-002, Street Rehabilitation Project, total amount of \$47,388; Project code 05-001, Bus Stop Maintenance, total amount of \$34,696; and Project code 08-001, Measure M Administration, total amount of \$269,386.</p> <p>The salaries and benefits claimed under MMLRF amounting to \$351,493 are based on budget and are not supported by actual time charges and documented time study or indirect cost allocation plan for administrative charges. The City historically claimed those salaries in the previous years based on actual time charges and those claims were supported by time sheets. However, because of the change in the City's payroll and time reporting system during the fiscal year, auditor was not able to perform procedures to determine reasonableness of those charges.</p> |
| Cause | <p>The City changed its payroll system during FY 2018-19. Employees started entering their timesheet electronically that replaced the manual timesheet (hard copy). The system automatically allocates the amounts charged by each employee to these funds based on the budgeted percentages.</p> |
| Effect | <p>If the labor charges are not supported by actual time charges and documented time study or indirect cost allocation plan, LACMTA will require the City to return the money to the Local Return Funds.</p> |
| Recommendation | <p>We recommend that the City provide documentation to support the salaries and benefits charges to MMLRF prior to FY 2019/20 year end audit. If these documents are not provided, the City is required to reimburse its MMLRF accounts the amount of \$351,493. In addition, we recommend that the City establish controls to ensure that the salaries and benefits charged to the Local Return funds are adequately supported by timesheets, payroll registers, personnel action forms with job descriptions, or similar documentation as required by the Guidelines.</p> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|--------------------------------------|--|
| Finding #2019-001 (Continued) | City of Baldwin Park |
| Management's Response | <p>The City changed its payroll system during FY 2018-19. Employees started entering their timesheet electronically to replace the manual timesheet. The salaries and benefits costs are the actual amounts from the City's payroll which is based on the estimated percentage of work assigned by Public Works for allocated hours per the prior year's projections and related projects in FY 2018-19. The percentage allocation is entered in Tyler Incode 10 financial system. The system allocates the charges for each employee to those funds.</p> <p><u>Corrective Action Plan</u></p> <p>The City will implement a new internal control procedure. The electronic time entry will be based on the actual hours worked on each project. We will also prepare reconciliation/adjustments as needed and/or at year-end. The time entries will be submitted by employees electronically and reviewed/approved by their supervisors. The City will also establish controls to ensure that all salaries and benefits charged to the Local Return funds are adequately supported in the future. The City considers the allocations and the charges mentioned above to be reasonable and eligible expenses under the local return guidelines.</p> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| Finding #2019-002 | City of Bell Gardens |
|---|---|
| Compliance Reference | <p>Measure M Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p> |
| Condition | The City submitted its Expenditure Plan (Form M-One) on August 13, 2018, 12 days after the due date of August 1, 2018. |
| Cause | The Expenditure Plan (Form M-One) was submitted late due to an oversight by City staff assigned to complete the task. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend for the City to establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1 st as required by the Guidelines. |
| Management's Response | The City is going to reevaluate the processes that are in place to ensure forms are submitted to LACMTA timely. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|---|--|
| Finding #2019-003 | City of Malibu |
| Compliance Reference | Section XXV of the Measure M Program Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15 th (following the conclusion of the fiscal year)." |
| Condition | The City submitted its Expenditure Report (Form M-Two) on October 25, 2019, 10 days after the due date of October 15, 2019. |
| Cause | The City of Malibu's Finance Manager retired. Due to her absence and the transition of her responsibilities, the City was unaware of the deadline. The report was filed prior to the audit, but not by the October 15 deadline. |
| Effect | The City's Expenditure Report (Form M-Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines. |
| Recommendation | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines. |
| Management's Response | An Acting Finance Manager has been appointed and will monitor future reporting requirements. A calendar of reporting deadlines has been created. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|---|--|
| Finding #2019-004 | City of Pomona |
| Compliance Reference | Section XXV of the Measure M Program Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15 th (following the conclusion of the fiscal year)." |
| Condition | The City submitted its Form M-Two on October 19, 2019, 4 days after the due date of October 15, 2019. |
| Cause | The Expenditure Report (Form M-Two) was submitted late due to last minute adjustments to ensure accuracy of the report before submission. |
| Effect | The City's Expenditure Report (Form M-Two) was not submitted timely. The City was not in compliance with the Local Return Guidelines. |
| Recommendation | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines. |
| Management's Response | Internal procedures are in place to ensure timely submission of the reports to LACMTA. The City will continue to work diligently to ensure timeliness of the submissions moving forward. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|-----------------------------|---|
| Finding #2019-005 | City of South El Monte |
| Compliance Reference | Section XXV of the Measure M Program Guidelines states that, "It is each Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines." |
| Condition | The City was not able to provide accounting records and documents that would support the City's compliance with the Measure M Program Guidelines. The City's general ledger is not updated. Account reconciliations, including bank accounts are behind and the Local Return Funds reports and Forms submitted to LACMTA do not reconcile with the accounting records. Accordingly, we were unable to perform any auditing procedures sufficiently to determine the City's compliance with the significant compliance requirements of the Guidelines. |
| Cause | We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2019. As such, there was delay in the closing of the City's books for the fiscal year 2019. Currently, the accounting personnel and support do not have the institutional knowledge to ensure the books are updated and transactions are recorded correctly. |
| Effect | <p>These conditions resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors to facilitate completion of audit procedures.</p> <p>The guidelines dictate that LACMTA reserves the right to suspend or revoke allocation to the City until the completion of the required audits.</p> |
| Recommendation | <p>We recommend that the City implement internal control procedures over timely closing of the books. The City should establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information.</p> <p>We also recommend that the City implement sufficient controls to ensure compliance with LACMTA guidelines and other regulatory requirements.</p> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| Finding #2019-005 (Continued) | City of South El Monte |
|---|--|
| Management's Response | The City has taken actions to address this finding by hiring an interim finance director to handle the closing process of the City's book of accounts and to make sure that all accounting records will be made available to the auditors. |
| Subsequent to the Audit Deadline | Metro Program Manager sent out a letter to the City on January 7, 2020 to grant the City requested time extension to complete the audit by March 31, 2020. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| Finding #2019-006 | City of South Gate |
|---|---|
| Compliance Reference | <p>Measure M Local Return Program Guideline states that, "To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdiction shall submit to LACMTA an Expenditure Plan (Form M-One), annually, by August 1st of each year.</p> <p>Expenditure Plan (Form M-One) provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year. For both operating and capital projects, Part I is to be filled out. Part II is to be filled out for capital projects (projects over \$250,000). LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan.</p> |
| Condition | The City submitted its Expenditure Plan (Form M-One) on August 9, 2018, 8 days after the due date of August 1, 2018. |
| Cause | The Expenditure Plan (Form M-One) report was submitted late due to an oversight by City staff assigned to complete that task. |
| Effect | The City was not in compliance with the reporting requirements of the Local Return Guidelines. |
| Recommendation | We recommend for the City to establish procedures and controls to ensure that the Expenditure Plan (Form M-One) is submitted by August 1 st as required by the Guidelines. |
| Management's Response | City staff assigned to complete the Form M-One has been advised of the August 1 st deadline to submit the report. In addition, a reminder has been set up on the calendar of the Director to ensure that the report is completed and submitted to the LACMTA in a timely fashion. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|---|--|
| Finding #2019-007 | City of Vernon |
| Compliance Reference | Section XXV of the Measure M Final Guidelines states that, "The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M LR program compliance requirements. Jurisdiction shall submit a Form M-Two, to Metro annually, by October 15th (following the conclusion of the fiscal year)." |
| Condition | The City submitted its Expenditure Report (Form M-Two) on October 24, 2019, nine days after the due date of October 15, 2019. |
| Cause | The City had staffing changes and tasks were reassigned, resulting in the late submission. |
| Effect | The Expenditure Report (Form M-Two) was not submitted timely as required by the Guidelines. |
| Recommendation | We recommend for the City to establish procedures and controls to ensure that Expenditure Report (Form M-Two) is submitted by October 15 as required by the Guidelines. |
| Management's Response | The City will ensure timely submission of Form M-Two to LACMTA moving forward. |
| Finding Corrected During the Audit | The City subsequently submitted the form. No follow up is required. |



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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



Simpson & Simpson, LLP
Certified Public Accountants

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Consolidated Audit Report**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MEASURE M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES | 1 |
| Summary of Compliance Findings | 4 |
| Schedule 1 – Summary of Audit Results | 5 |
| Schedule 2 - Schedule of Findings and Questioned Costs | 22 |



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 M ORDINANCE AND MEASURE M LOCAL RETURN GUIDELINES

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

Report on Compliance

We have audited the compliance of the forty-nine (49) Cities and the County of Los Angeles identified in Schedule 1, with the types of compliance requirements described in the Measure M Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2016; Measure M Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on June 22, 2018 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure M Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2019 (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 the County's management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' and the 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; and 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 M 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 with the Guidelines and Requirements.





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 M Local Return program for the year ended June 30, 2019.

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 M Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2019-001 through #2019-013. 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 Guidelines and Requirements that could have a direct and material effect on the Measure M 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.

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 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 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 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 we consider to be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The 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 & Simpson". The signature is written in a cursive, flowing style.

Los Angeles, California
December 31, 2019

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Compliance Findings
Fiscal Year Ended June 30, 2019**

The audit of the 49 cities and the County identified in Schedule 1 have resulted in 13 findings. The table below shows a summary of the findings:

| Finding | # of Findings | Responsible Cities/ Finding Reference | Questioned Costs | Resolved During the Audit |
|---|----------------------|--|---|---|
| Funds were expended prior to LACMTA's approval | 4 | Lancaster (#2019-005) Manhattan Beach (#2019-006) Torrance (#2019-011) West Covina (#2019-012) | \$ 149,335 140,000 43,051 23,030 | \$ 149,335 140,000 43,051 23,030 |
| Expenditure Plan (Form M-One) was not submitted on time | 4 | Avalon (#2019-001) Diamond Bar (#2019-002) San Gabriel (#2019-008) Temple City (#2019-010) | None | None |
| Expenditure Report (Form M-Two) was not submitted on time | 5 | El Segundo (#2019-003) La Habra Heights (#2019-004) Manhattan Beach (#2019-007) Signal Hill (#2019-009) Whittier (#2019-013) | None | None |
| | | | | |
| Total Findings and Questioned Costs | 13 | | \$ 355,416 | \$ 355,416 |

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019**

| Compliance Area Tested | Alhambra | Arcadia | Artesia |
|--|-----------------|----------------|----------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Not Applicable |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Not Applicable |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Avalon | Bellflower | Bradbury |
|--|-----------------------|-------------------|-----------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | See Finding #2019-001 | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Compliant | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Burbank | Cerritos | Claremont |
|--|----------------|-----------------|------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Covina | Diamond Bar | Downey |
|--|----------------|--------------------------|----------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | See Finding #2019-002 | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Duarte | El Segundo | Glendale |
|--|----------------|-----------------------|-----------------|
| Funds were expended for transportation purposes | Compliant | Not Applicable | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Not Applicable | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | See Finding #2019-003 | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Compliant |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Compliant |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Glendora | Hawaiian Gardens | Hermosa Beach |
|--|-----------------|-------------------------|----------------------|
| Funds were expended for transportation purposes | Compliant | Not Applicable | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Not Applicable | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Not Applicable | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | La Cañada Flintridge | La Habra Heights | La Mirada |
|--|---------------------------------|-----------------------------|------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | See Finding #2019-004 | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | La Verne | Lakewood | Lancaster |
|--|-----------------|-----------------|-----------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | See Finding #2019-005 |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Compliant | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Compliant |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Lomita | Long Beach | Los Angeles City |
|--|----------------|-------------------|-----------------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Compliant | Compliant |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Los Angeles County | Manhattan Beach | Monrovia |
|--|-------------------------------|----------------------------|-----------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | See Finding #2019-006 | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | See Finding #2019-007 | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Compliant | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Norwalk | Palmdale | Palos Verdes Estates |
|--|----------------|-----------------|---------------------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Compliant | Not Applicable | Compliant |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Paramount | Pasadena | Rancho Palos Verdes |
|--|------------------|-----------------|--------------------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Compliant | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)

| Compliance Area Tested | Redondo Beach | Rolling Hills | Rolling Hills Estates |
|--|----------------------|----------------------|------------------------------|
| Funds were expended for transportation purposes | Not Applicable | Not Applicable | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Not Applicable | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Compliant |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | San Dimas | San Gabriel | San Marino |
|--|------------------|------------------------|-------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Not Applicable |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | See Finding # 2019-008 | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | Santa Clarita | Sierra Madre | Signal Hill |
|--|----------------------|---------------------|-----------------------|
| Funds were expended for transportation purposes | Compliant | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Compliant | Compliant | Not Applicable |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | See Finding #2019-009 |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | South Pasadena | Temple City | Torrance |
|--|---------------------------|------------------------|------------------------|
| Funds were expended for transportation purposes | Not Applicable | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Not Applicable | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | Not Applicable | Compliant | See Finding # 2019-011 |
| Expenditure Plan (Form M - One) was submitted timely. | Not Applicable | See Finding # 2019-010 | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | Compliant | Compliant |
| Timely use of funds | Compliant | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2019
(Continued)**

| Compliance Area Tested | West Covina | Whittier |
|--|------------------------|------------------------|
| Funds were expended for transportation purposes | Compliant | Compliant |
| Fund were used to augment, not supplant, existing local revenues being used for transportation purposes unless there is a funding shortfall. | Compliant | Compliant |
| Signed Assurances and Understandings was on file. | Compliant | Compliant |
| Separate Measure M Local Return Account was established. | Compliant | Compliant |
| Revenues received including allocations, project generated revenues and interest income was properly credited to the Measure M Local Return Account. | Compliant | Compliant |
| Funds were expended with LACMTA's approval. | See Finding # 2019-012 | Compliant |
| Expenditure Plan (Form M - One) was submitted timely. | Compliant | Compliant |
| Expenditure Report (Form M - Two) was submitted timely. | Compliant | See Finding # 2019-013 |
| Timely use of funds | Compliant | Compliant |
| Administrative expenditures are within the 20% cap. | Not Applicable | Not Applicable |
| Fund exchanges were approved by LACMTA. | Not Applicable | Not Applicable |
| A separate account was established for Capital reserve funds and Capital reserve was approved by LACMTA. | Not Applicable | Not Applicable |
| Recreational transit form was submitted timely. | Not Applicable | Not Applicable |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019**

| | |
|------------------------------------|--|
| Finding #2019-001 | City of Avalon |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not submit the Expenditure Plan (Form M-One) to LACMTA by August 1, 2018. However, the City submitted the Form M-One late to LACMTA on August 7, 2018. |
| Cause | The late submission was due to an oversight. |
| Effect | The City’s Form M-One was not submitted to LACMTA by August 1st, as required by Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish internal control procedures to ensure that the Expenditure Plan (Form M-One) is properly prepared and submitted prior to the August 1st deadline, and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines. |
| Management’s Response | Management will submit the budget form by the due date going forward. |
| Finding Corrected During the Audit | The City submitted the Form M-One on August 7, 2018. No follow-up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|------------------------------------|--|
| Finding #2019-002 | City of Diamond Bar |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not meet the August 1, 2018 deadline for submission of Form M-One. However, the City submitted the Form M-One on August 14, 2018. |
| Cause | Due to position vacancies in the Public Works Department, the Form M-One was not submitted to LACMTA by the due date. |
| Effect | The City’s Form M-One was not submitted timely as required by the Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure M Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management’s Response | The City personnel is now aware of the reporting deadlines for the Measure M's Form M-One and will be submitting all future forms in a timely fashion to meet the required deadlines. |
| Finding Corrected During the Audit | The City subsequently submitted Form M-One on August 14, 2018. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|------------------------------------|--|
| Finding #2019-003 | City of El Segundo |
| Compliance Reference | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition | The City did not meet the October 15, 2019 deadline for submission of Form M-Two. However, the City submitted the Form M-Two on October 28, 2019. |
| Cause | The City failed to submit Form M-Two before the deadline. This was an oversight by the City. |
| Effect | The City did not comply with Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City strengthen internal control procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15 to meet Measure M Local Return Guidelines. |
| Management’s Response | The City’s fiscal year ends on September 30, 2019, and the reports were not finalized as of October 15, 2019. City staff submitted Form M-Two on October 28, 2019 when the reports were more accurate. In the future the City will make sure to submit the Form M-Two by the October 15th deadline to ensure compliance with the regulations. |
| Finding Corrected During the Audit | The City’s Form M-Two was submitted on October 28, 2019. No follow-up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|-------------------------------------|--|
| Finding #2019-004 | City of La Habra Heights |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition | The City did not meet the October 15, 2019 deadline for submission of the Form M -Two. However, the City submitted the Form M-Two on October 17, 2019. |
| Cause | It was due to the staff’s oversight. |
| Effect | The City did not comply with the Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-Two is submitted before the due date of October 15th in accordance with the Measure M Local Return Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the Form M-Two was submitted in a timely manner. |
| Management’s Response | The City will establish procedures to ensure the timely filing of all required listings. In addition, the City will retain a confirmation of receipt by LACMTA to indicate the Form M-Two was submitted in a timely manner. |
| Findings Corrected During the Audit | The City subsequently submitted the Form M-Two on October 17, 2019. No follow-up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|-------------------------------------|--|
| Finding #2019-005 | City of Lancaster |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.” |
| Condition | During FY 2018-19, the City used Measure M Local Return funds totaling \$149,335 for the following three projects: (1) 1.20 15th St West/Lancaster Blvd Roundabout in the amount of \$55,375; (2) 2.03 LED Light Signals in the amount of \$34,498; and (3) 2.09 REPL-Equipment & Machinery in the amount of \$59,462 prior to LACMTA’s approval as the Project was not reported on the Expenditure Plan (Form M – One). |
| Cause | The City did not submit an accurate and complete Expenditure Plan (Form M-One) with a listing of projects to LACMTA due to an oversight. |
| Effect | The City was not in compliance with Measure M Local Return Guidelines in obtaining an approval from LACMTA prior to expenditure of funds. |
| Recommendation | We recommend that the City strengthen internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Form M-One to LACMTA. |
| Management’s Response | Staff did not submit corrected form on time with the updated information due to staff turnover. |
| Findings Corrected During the Audit | The City’s revised Form M-One was submitted and retroactively approved by LACMTA on October 29, 2019. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|-------------------------------------|---|
| Finding #2019-006 | City of Manhattan Beach |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.” |
| Condition | The City used Measure M Local Return funds for Ped Safety Improvement Highland/34th project in the amount of \$140,000 prior to LACMTA’s approval. |
| Cause | The City did not submit the complete Expenditure Plan (Form M-One) to LACMTA due to an oversight. |
| Effect | The City did not comply with the Measure M Local Return Funds Guidelines. |
| Recommendation | We recommend that the City strengthen internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure M Local Return Funds before incurring expenditures. We also recommend that the City obtain LACMTA’s retroactive approval for any new projects that are not reported on the original Form M-One. |
| Management’s Response | The City did not submit an amended Form M-One with updated information on time, since the guideline was not clear regarding submissions after the August 1 deadline. |
| Findings Corrected During the Audit | The City’s revised Form M-One was submitted and retroactively approved by LACMTA on November 7, 2019. No follow-up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|-------------------------------------|--|
| Finding #2019-007 | City of Manhattan Beach |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition | The City did not meet the October 15, 2019 deadline for submission of Form M-Two. However, the City submitted the Form M-Two on October 18, 2019. |
| Cause | This was an oversight by the City due to onsite ERP implementation training. |
| Effect | The City did not comply with the Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City strengthen internal control procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15 to meet the Measure M Local Return Guidelines. |
| Management’s Response | The City was delayed in submitting the Form M-Two on or before the deadline due to onsite ERP implementation training. The City will endeavor to submit it on or before the deadline in the future. |
| Findings Corrected During the Audit | The City’s Form M-Two was submitted on October 18, 2019. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|-------------------------------------|--|
| Finding #2019-008 | City of San Gabriel |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not meet the August 1, 2018 deadline for submission of Form M-One. However, the City submitted the Form M-One on August 21, 2018. |
| Cause | The person responsible for the submission of the reports has since retired from the City. As a result, the City was not able to determine the reason for the late filing. |
| Effect | The City’s Form M-One was not submitted timely. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One (Expenditure Plan) is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure M 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 in a timely manner. |
| Management’s Response | To ensure that all future filings will be submitted timely, the reporting responsibility has been reassigned and calendared. |
| Findings Corrected During the Audit | The City subsequently submitted the Farm M-One on August 21, 2018. No follow- up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|-------------------------------------|--|
| Finding #2019-009 | City of Signal Hill |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition | The City did not meet the October 15, 2019 deadline for submission of the Expenditure Report (Form M-Two). However, the City submitted the Form M-Two on October 23, 2019. |
| Cause | It was due to an oversight. |
| Effect | The City’s Form M-Two was not submitted timely. |
| Recommendation | We recommend the City strengthen internal control procedures to ensure that the Form M-Two is properly prepared and submitted before the due date of October 15th in accordance with Measure M Local Return Guidelines. Furthermore, we recommend the City retain a confirmation of receipt from LACMTA to indicate the form was submitted in a timely manner. |
| Management’s Response | This was due to staff turnover in the Public Works Department. As soon as the Finance Department became aware, Form M-Two was submitted to LACMTA. |
| Findings Corrected During the Audit | The City’s Form M-Two was submitted and retroactively approved by LACMTA on October 23, 2019. No follow-up is required. |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|-------------------------------------|---|
| Finding #2019-010 | City of Temple City |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Plan (Form M-One), “To maintain legal eligibility and meet Measure M LR program compliance requirements, Jurisdictions shall submit to Metro an Expenditure Plan (Form M-One), annually, by August 1 of each year.” |
| Condition | The City did not meet the August 1, 2018 deadline for submission of Form M-One. However, the City submitted the Form M-One on August 7, 2018. |
| Cause | The preparation and submission of the form was assigned to a new employee who was not aware of the deadline. |
| Effect | The City’s Form M-One was not submitted timely as required by Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-One is properly prepared and submitted before the due date of August 1st so that the City's expenditures of the Measure M Local Return Funds will be in accordance with LACMTA' s approval and the Guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by MTA to indicate the form was submitted in a timely manner. |
| Management’s Response | In FY 2019-20, the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops. |
| Findings Corrected During the Audit | In FY 2019-20, the newly assigned employee has been made aware of the reporting deadline and has attended the necessary LACMTA training workshops. |

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

| | |
|--------------------------|--|
| Finding #2019-011 | City of Torrance |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.” |
| Condition | <p>During FY 2018-19, the City used Measure M Local Return funds for an eligible Project Code 1.10, T 177, Plaza del Amo at Western Ave. (Project) in the amount of \$43,051; however, the funds for the Project were expended without Metro’s prior approval as an Expenditure Plan (Form M-One) was not submitted to LACMTA.</p> <p>On December 13, 2019, the City submitted the Form M-One to obtain LACMTA’s retroactive approval and received subsequent approval on December 13, 2019.</p> |
| Cause | The City represented that a Form M-One was not submitted because the Project was not budgeted by the City prior to August 1, 2018. Subsequently, the City budgeted for the Project and incurred expenditures which were reported on the Form M-Two. Although the City budgeted funds for the Project and reported these expenditures on the Form M-Two, the City did not obtain LACMTA’s prior approval before incurring expenditures (Form M-One). |
| Effect | The City did not comply with the Measure M Local Return Guidelines. |
| Recommendation | <p>We recommend that the City strengthen its internal control procedures by obtaining prior approval from LACMTA for all projects that are funded by Measure M Local Return Funds before incurring expenditures.</p> <p>We also recommend that the City work closely with the City Council to obtain timely approval for all Measure M LR projects prior to the expenditures of funds, and the Form M-One is properly prepared and submitted to LACMTA before the due date of August 1.</p> |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|---|--|
| <p>Finding #2019-011 (Continued)</p> | <p>City of Torrance</p> |
| <p>Management’s Response</p> | <p>The Plaza del Amo at Western Ave, T-177 (“T-177 Project”) is an eligible Measure M project conforming to the requirements in MM-Guidelines Section XXV Local Return, Subsection Eligible Uses beginning on page 75. On September 18, 2018, the Torrance City Council approved \$100,000 of FY2018-19 Measure M-LR funds for the T-177 Project. This approval occurred AFTER the August 1 annual deadline for submitting the Form M-One. Therefore, the City was correct and accurate not to include (budget) the T-177 Project on the Form M-One submitted by August 1, 2018, as the budget for use of these Measure M-LR funds was not yet approved by the City.</p> <p>MM-Guidelines Section XXV Local Return, Subsection Administrative-Reporting Requirements on pages 85 through 87 indicate repeatedly that the submittal of the Form M-One is only required ANNUALLY and by August 1. There is no requirement in the MM Guidelines for a Jurisdiction to submit a “revised” Form M- One, nor a Form M-One, more frequently than annually. The MM-LR Guidelines are, in fact, explicitly clear in this same Subsection on page 86 that a Form M-One for “New, amended, ongoing and carryover projects; Capital projects require additional information” is due ANNUALLY and on August 1.</p> <p>Additionally, MM-Guidelines Section XXV Local Return, Subsection Administrative-Reporting Requirements on pages 85 through 87 do not prohibit a Jurisdiction from obtaining approval from Metro AFTER incurring eligible expenditures. Furthermore, MM-Guidelines Section XXV Local Return, Subsection Administrative-Audit Requirements; Financial and Compliance Provisions on pages 91 and 92 do not prohibit Metro from approving eligible expenditures AFTER they are incurred. The Auditor’s role is to verify if funds were expended with Metro’s approval. The City reported the T-177 Project’s eligible expenditures on the FY2018-19 Expenditure Report submitted to Metro on October 15, 2019, as required by the MM Guidelines. On October 17, 2019, Metro acknowledged by email the City’s submittal of the FY2018-19 Expenditure Report and did not indicate any concerns or non-approval.</p> <p>In our opinion, the City fully complied with the requirements in the MM Guidelines to maintain legal eligibility of the use of Measure M-LR funds, including accurate and timely reporting. The City spent the funds on an eligible T-177 Project. Metro approved of the eligible expenditures. Therefore, the City objects to this finding.</p> |
| <p>Findings Corrected During the Audit</p> | <p>On December 13, 2019, the City received retroactive approval from LACMTA Program Manager to expend Measure M funds for project entitled 1.10, T 177, Plaza del Amo at Western Ave. No follow-up is required.</p> |

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2019
 (Continued)**

| | |
|---|--|
| <p>Finding #2019-011 (Continued)</p> | <p>City of Torrance</p> |
| <p>Auditor’s Rejoinder</p> | <p>City’s management responded to Finding No. 2019-011 by stating that the Measure M Local Return Guidelines do not require the submission of a “revised” Form-One.</p> <p>However, Measure M Local Return Guidelines, Section XXV, Reporting Requirements, states “Form M-One provides a listing of projects funded with Measure M LR funds along with estimated expenditures for the year.” The City was not in compliance with the requirement to submit a Form M-One which provides a listing of projects funded with Measure M LR funds with estimated expenditures for the fiscal year 2019, which is also the means by which the City obtains Metro’s approval of Measure M LR funded projects. Additionally, it is the jurisdiction’s responsibility to obtain its City Council’s approval of a project’s budget promptly and to properly prepare its Form M-One with a complete list of projects funded with Measure M LR funds to Metro. The City’s management also stated in their response that the Measure M Local Return Guidelines require jurisdictions to submit a Form M-One annually. However, the Guidelines do not prohibit a City from submitting an amended Form M-One or a separate request to Metro to obtain project approval prior to expending the funds during the fiscal year. The intent of the Guidelines, XXV Local Return, Form M-One DETERMINATION is for jurisdictions to obtain Metro’s approval of new, amended, ongoing, and carryover projects annually and prior to expending the funds.</p> <p>Additionally, the City’s management also stated in their response that the Measure M Local Return Guidelines “<i>do not prohibit Metro from approving eligible expenditures AFTER they are incurred.</i>” We disagree with the City’s statement on the basis that Section XXV, Financial and Compliance Provisions, of the Measure M Local Return Guidelines clearly state that expenditures require “Verification that funds were expended <u>with</u> Metro’s approval” (Auditors have added the underscore for emphasis). In our opinion, the preposition “with” can only be interpreted as occurring “temporally before” or “concomitantly with” Metro’s approval, and that funds should not be expended <u>without</u> said approval. Because the City expended funds without Metro’s approval, we stand by our compliance finding and recommendation.</p> |

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)

| | |
|-------------------------------------|---|
| Finding #2019-012 | City of West Covina |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, “The Measure M LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of these guidelines: Verification that funds were expended with Metro’s approval.” |
| Condition | The City incurred expenditures prior to receiving approval from LACMTA for MMLRF's Project Code 1.05 18033 - Purchase of Aerial Boom 1 Ton Truck in the amount of \$23,030. However, the project was subsequently approved on November 6, 2019. |
| Cause | The MMLRF Project Code 1.05, 18033 – Purchase of Aerial Boom 1 Ton Truck, was originally approved by LACMTA in fiscal year 2017-18, the City mistakenly did not carry over the unexpended balance of the previously approved project into fiscal year 2018-19. |
| Effect | The City did not comply with the Guidelines when expenditures for MMLRF project are incurred before LACMTA’s approval. |
| Recommendation | We recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing any Measure M Local Return projects. Form M-One (Expenditure Plan) should be properly prepared and submitted before the due date of August 1st so that the City's expenditures of Measure M Local Return Funds are in accordance with LACMTA's approval and the Guidelines. |
| Management’s Response | MMLRF Project Code 1.05 - Purchase of Aerial 1 Ton Boom Truck, was originally approved by LACMTA in the previous year. However, the City did not, within the program year, request the subsequent approval needed to carry the unexpended balance forward due to administrative error. The City received retroactive LACMTA approval on November 6, 2019. In the future, the City will incorporate a second level of review of submittals and request a project listing from LACMTA at mid-year to identify and correct any discrepancies of the projects approved. |
| Findings Corrected During the Audit | LACMTA Program Manager granted retroactive approval of the said expenditures on November 6, 2019. No follow-up is required. |

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2019
(Continued)**

| | |
|-------------------------------------|--|
| Finding #2019-013 | City of Whittier |
| Compliance Requirement | According to Measure M Local Return Guidelines, Section XXV Administrative: Reporting Requirements – Expenditure Report (Form M-Two), “The submittal of an Expenditure Report (Form M-Two) is also required to maintain legal eligibility and meet Measure M Local Return program compliance requirements. Jurisdictions shall submit a Form M-Two, to LACMTA annually, by October 15th (following the conclusion of the fiscal year). |
| Condition | The City did not meet the October 15, 2019 deadline for submission of Expenditure Report Form M-Two to LACMTA. The City subsequently submitted the Form M- Two on October 30, 2019. |
| Cause | The late submission of Form M-Two was caused by the transition of City staff. The employee responsible for the submission of the form has since left the City due to retirement. |
| Effect | The City’s Form M-Two was not submitted timely as required by Measure M Local Return Guidelines. |
| Recommendation | We recommend that the City establish procedures to ensure that the Form M-Two (Expenditure Report) is properly prepared and submitted before the due date of October 15th so that the City's expenditures of the MMLRF will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend that the City retain a confirmation of receipt by LACMTA to indicate the form was submitted in a timely manner. |
| Management’s Response | In the future, the City management will ensure timely submission of Form M-Two. |
| Findings Corrected During the Audit | The City subsequently submitted the Form M-Two on October 30, 2019. No follow-up is required. |

Los Angeles County
Metropolitan Transportation Authority

**Independent Auditor's Report
On Schedule of Revenues and Expenditures
For
Measure M Special Revenue Fund**

**For the Fiscal Year Ended June 30, 2019
(With Comparative Totals For 2018)**



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Los Angeles County Metropolitan Transportation Authority
Independent Auditor’s Report on
Schedule of Revenues and Expenditures
For
Measure M Special Revenue Fund

For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for 2018)

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditor’s Report..... | 1 |
| Schedule of Revenues and Expenditures | 3 |
| Schedule of Revenues and Expenditures - Budget and Actual For the fiscal year ended June 30, 2019 | 4 |
| Notes to the Schedule of Revenues and Expenditures for Measure M Special Revenue Fund..... | 5 |
| Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 9 |
| Independent Auditor’s Report on Compliance with Requirements Applicable to Measure M Revenues and Expenditures in Accordance with the <i>Los Angeles County Traffic Improvement Plan</i> | 11 |
| Summary of Current Year Audit Findings..... | 13 |
| Status of Prior Year Audit Findings | 14 |

Independent Auditor's Report

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Schedule of Measure M Revenues and Expenditures

We have audited the accompanying Schedule of Measure M Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, which collectively comprise LACMTA's basic Schedule as listed in the table of contents.

Management's Responsibility for the Schedule of Measure M Revenues and Expenditures

LACMTA's management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above present fairly, in all material respects, the Measure M

Revenues and Expenditures of LACMTA for the fiscal year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 4 be presented to supplement the Schedule. Such information, although not a part of the basic Schedule, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic Schedule in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic Schedule, and other knowledge we obtained during our audit of the basic Schedule. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As discussed in Note 3 to the Schedule, the accompanying Schedule of the Measure M Fund is intended to present the revenues and expenditures attributable to the Fund. They do not purport to, and do not, present fairly the financial position of the LACMTA, as of June 30, 2019, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Prior-Year Comparative Information

We have previously audited the Schedule of Measure M Revenues and Expenditures of LACMTA, and we expressed an unmodified audit opinion in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of LACMTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACMTA's internal control over financial reporting and compliance.



Torrance, CA
November 7, 2019

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2019
(With Comparative Totals for 2018)
(Amounts expressed in thousands)

| | 2019 | 2018 |
|--|-------------|-------------|
| Revenues | | |
| Sales tax | \$ 836,173 | \$ 826,969 |
| Investment income | 10,160 | 1,887 |
| Net appreciation (decline) in fair value of investments | 4,706 | (2,171) |
| | 851,039 | 826,685 |
| Total revenues | | |
| Expenditures | | |
| Administration and other | 20,682 | 4,996 |
| Transportation subsidies | 198,481 | 182,415 |
| | 219,163 | 187,411 |
| Total expenditures | | |
| Excess of revenues over expenditures | 631,876 | 639,274 |
| Other financing sources (uses) | | |
| Transfers out | (382,763) | (209,707) |
| | (382,763) | (209,707) |
| Total other financing sources (uses) | | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ 249,113 | \$ 429,567 |

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual
For the Fiscal Year Ended June 30, 2019
(Amounts expressed in thousands)

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------------|------------------|-------------------|---------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Sales tax | \$ 844,000 | \$ 844,000 | \$ 836,173 | \$ (7,827) |
| Investment income | - | - | 10,160 | 10,160 |
| Net appreciation in fair value of investments | - | - | 4,706 | 4,706 |
| Total revenues | 844,000 | 844,000 | 851,039 | 7,039 |
| Expenditures | | | | |
| Administration and other | 27,768 | 32,843 | 20,682 | 12,161 |
| Transportation subsidies | 197,188 | 198,618 | 198,481 | 137 |
| Total expenditures | 224,956 | 231,461 | 219,163 | 12,298 |
| Excess of revenues over expenditures | 619,044 | 612,539 | 631,876 | 19,337 |
| Other financing sources (uses) | | | | |
| Transfers in | 2,403 | 2,403 | - | (2,403) |
| Transfers out | (549,095) | (549,095) | (382,763) | 166,332 |
| Total other financing sources (uses) | (546,692) | (546,692) | (382,763) | 163,929 |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ 72,352 | \$ 65,847 | \$ 249,113 | \$ 183,266 |

The Notes to the Schedule of Revenues and Expenditures are an integral part of this Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2019

The Notes to the Schedule of Revenues and Expenditures are summaries of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying schedule of revenues and expenditures.

Unless otherwise stated, all dollar amounts are expressed in thousands.

1. Organization

General

The Los Angeles County Metropolitan Transportation Authority (LACMTA) is governed by a Board of Directors composed of the five members of the County Board of Supervisors, the Mayor of the City of Los Angeles, three members appointed by the Mayor, and four members who are either mayors or members of a city council and have been appointed by the Los Angeles County City Selection Committee to represent the other cities in the County, and a non-voting member appointed by the Governor of the State of California.

LACMTA is unique among the nation's transportation agencies. It serves as transportation planner and coordinator, designer, builder and operator for one of the country's largest and most populous counties. More than 10 million people, about one third of California's residents, live, work, and play within its 1,433-square-mile service area.

Measure M

Measure M, also known as Ordinance No. 16-01, the Los Angeles County Traffic Improvement Plan, is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on November 8, 2016 and the rate of the tax shall increase to one percent on July 1, 2039, immediately upon expiration of the one-half percent sales tax imposed by Traffic Relief and Rail Expansion Ordinance (Measure R).

Revenues collected are required to be allocated in the following manner: 1) 5% for Metro rail operations; 2) 20% for transit operations (Metro and Municipal Providers); 3) 2% for ADA Paratransit for the disabled and Metro discounts for seniors and students 4) 35% for transit construction; 5) 2% for Metro State of Good Repair projects; 6) 17% for highway construction; 7) 2% for Metro active transportation program; 8) 16% for local return - base for local projects and transit services; and 9) 1% for local return for regional rail.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for the Measure M Special Revenue Fund was prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments.

The most significant of LACMTA's accounting policies with regard to the special revenue fund type are described below:

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2019

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

LACMTA utilizes fund accounting to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Governmental Funds are used to account for most of LACMTA's governmental activities. The measurement focus is a determination of changes in financial position, rather than a net income determination. LACMTA uses governmental fund type Special Revenue Fund to account for Measure M sales tax revenues and expenditures. Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Basis of Accounting

The modified accrual basis of accounting is used for the special revenue fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, which means measurable (amount can be determined) and available (collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period).

Budgetary Accounting

The established legislation and adopted policies and procedures provide that the LACMTA's Board approves an annual budget. Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles in the United States of America for all governmental funds.

Prior to the adoption of the budget, the Board conducts public hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but no later than June 30, adopts the final budget. All appropriations lapse at fiscal year-end. The budget is prepared by fund, project, expense type, and department. The legal level of control is at the fund level and the Board must approve additional appropriations.

By policy, the Board has provided procedures for management to make revisions within operational or project budgets only when there is no net dollar impact to the total appropriations at the fund level. Budget amendments are made when needed.

Annual budgets are adopted by LACMTA on the modified accrual basis of accounting for the special revenue fund types, on a basis consistent with GAAP as reflected in the Schedule.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2019

2. Summary of Significant Accounting Policies (Continued)

Investment Income and Net Appreciation (Decline) in Fair Value of Investments

Investment income and net appreciation (decline) in fair value of investments are shown on the Schedule of Revenues and Expenditures. LACMTA maintains a pooled cash and investments account that is available for use by all funds, except those restricted by state statutes. For the fiscal year ended June 30, 2019, the Measure M fund had investment income of \$10,160 and net appreciation in fair value of investments of \$4,706. The net appreciation in investments was mainly due to an increase in fair market value of the investment portfolios mostly invested in bonds, which are sensitive to changes in interest rates.

Use of Estimates

The preparation of the Schedule in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Comparative Financial Data

The amounts shown for 2018 in the accompanying Schedule are included only to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation in accordance with Generally Accepted Accounting Principles.

3. Schedule of Revenues and Expenditures for Measure M Special Revenue Fund

The Schedule is intended to reflect the revenues and expenditures of the Measure M fund only. Accordingly, the Schedule does not purport to, and does not, present fairly the financial position of the LACMTA and changes in financial position thereof for the year then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

4. Operating Transfers

Amounts reflected as operating transfers represent permanent, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. All operating transfers in/out of the Measure M Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure M Ordinance.

5. Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses

The Measure M fund at June 30, 2019 had an excess of revenues and other financing sources over expenditures and other financing uses of \$249,113 due to lower expenditures incurred for its planning activities and capital projects notably to the Westside Subway Extension Section 3, Airport Metro Connector, Goldline Foothill Extension Phase 2B, and Bikeshare Program expansion costs. Measure M fund balance at June 30, 2019 is \$678,681.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Notes to the Schedule of Revenues and Expenditures
June 30, 2019

6. Audited Financial Statements

The audited financial statements for the Measure M Special Revenue Fund for the fiscal year ended June 30, 2019 are included in LACMTA's Audited Comprehensive Annual Financial Report (CAFR).

7. Contingent Liabilities

LACMTA is aware of potential claims that may be filed against them. The outcome of these matters is not presently determinable, but the resolution of these matters is not expected to have a significant impact on the financial condition of LACMTA.

8. Subsequent Events

In preparing the Schedule of Measure M Revenues and Expenditures, LACMTA has evaluated events and transactions for potential recognition or disclosure through November 7, 2019, the date the schedule was issued. No subsequent events occurred that require recognition or additional disclosure in the schedule.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Revenues and Expenditures (the Schedule) for Measure M Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) for the fiscal year ended June 30, 2019, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated November 7, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

BCA Watson Rice, LLP

Torrance, California
November 7, 2019

**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure M Revenues and Expenditures in Accordance with the
Los Angeles County Traffic Improvement Plan
*Ordinance No. 16-01***

Measure M Independent Taxpayer Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the Los Angeles County Metropolitan Transportation Authority (LACMTA) compliance of the Measure M Revenues and Expenditures with the types of compliance requirements described in the *Los Angeles County Traffic Improvement Plan* (the Ordinance) for the fiscal year ended June 30, 2019.

Management's Responsibility

LACMTA's management is responsible for compliance with the requirements of laws and regulations applicable to the Measure M Revenues and Expenditures.

Auditor's Responsibility

Our responsibility is to express an opinion on LACMTA's compliance with the Measure M Revenues and Expenditures based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and 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 audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on Measure M Revenues and Expenditures occurred. An audit includes examining, on a test basis, evidence about the LACMTA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the Measure M Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure M Revenues and Expenditures

In our opinion, LACMTA complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Measure M Revenues and Expenditures for the fiscal year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the LACMTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the LACMTA's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure M Revenues and Expenditures as a basis for designing 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 *Los Angeles County Traffic Improvement Plan*, 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 the LACMTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the Measure M Revenues and Expenditures 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

BCA Watson Rice, LLP

Torrance, California
November 7, 2019

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Summary of Current Year Audit Findings
For the Fiscal Year Ended June 30, 2019

None noted.

Los Angeles County Metropolitan Transportation Authority
Measure M Special Revenue Fund
Status of Prior Year Audit Findings

None noted.