



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.

Simpson & Simpson

Los Angeles, California
December 31, 2018

**Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Summary of Audit Results
Fiscal Year Ended June 30, 2018
(Continued)**

Compliance Area Tested	Redondo Beach	Rolling Hills	Rolling Hills Estates
Funds were expended for transportation purposes	Not Applicable	Not Applicable	Not Applicable
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	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	Not Applicable
Funds were expended with LACMTA's approval.	Not Applicable	Compliant	Not Applicable
([S H Q G L W X U H 3 O D Q	Compliant P	Compliant Q	Compliant D
([S H Q G L W X U H 5 H S R U	Compliant R	Compliant U	Compliant 7 Z
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	Compliant	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, 2018
(Continued)**

Compliance Area Tested	San Dimas	San Gabriel	San Marino
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 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	Not Applicable	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, 2018
(Continued)**

Compliance Area Tested	Santa Clarita	Sierra Madre	Signal Hill
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 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 #2018-005
Expenditure Plan (Form M-One) was submitted timely.	Not Applicable	Compliant	Compliant
Expenditure Report (Form M-Two) was submitted timely.	Not Applicable	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, 2018
(Continued)

Compliance Area Tested	South Pasadena	Temple City	Torrance
Funds were expended for transportation purposes	Not Applicable	Not Applicable	Not Applicable
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	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.	Not Applicable	Not Applicable	Not Applicable
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 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, 2018
(Continued)**

Compliance Area Tested	West Covina	Whittier
Funds were expended for transportation purposes	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	Not Applicable
Signed Assurances and Understandings 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.	Compliant	Not Applicable
Expenditure Plan (Form M-One) was submitted timely.	Compliant	Not Applicable
Expenditure Report (Form M-Two) was submitted timely.	Compliant	Compliant
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, 2018**

Finding #2018-001	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, 2017. The City submitted the Form M-One to LACMTA on October 4, 2018.
Cause	The City was unaware that the Form M-One was not submitted.
Effect	The City’s Form M-One was not submitted to LACMTA by August 1, 2017 as required by the Guidelines.
Recommendation	We recommend that the City establish internal control procedures to ensure that the 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.

**Los Angeles County Metropolitan Transportation Authority
 Measure M Local Return Fund
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2018
 (Continued)**

Finding #2018-002	City of Downey
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, Administrative: Audit Requirements, “It is each Jurisdiction’s responsibility to maintain proper accounting records and documentation...”
Condition	To support the propriety of expenditures being charged to the Measure M Local Return Fund, non-payroll expenditures should be supported by properly executed contracts, invoices, and vouchers. Although a payment to the vendor, Smith Emery Laboratories, was allowable and was properly supported by an invoice and cancelled check, the expenditure was not supported by an existing contract or purchase order form that were charged to MMLRF’s Brookshire Avenue Pavement Rehabilitation Project Code 1.05 in the amount of \$3,347. The total payments made to the vendor during fiscal year 2017-18 was \$5,437.
Cause	The vendor, Smith Emery Laboratories, billed the City in one consolidated invoice relating to multiple services performed which caused the amount to exceed the threshold of \$3,000 that requires the issuance of a purchase order.
Effect	No contract or purchase order form to support the payment made to the vendor, Smith Emery Laboratories, indicates a weakness in the City’s internal control.
Recommendation	We recommend that the City establish controls to ensure that the costs charged to the Local Return Funds, although allowable, are adequately supported by contracts, purchase orders, invoices, canceled checks or similar documentation so that Local Return expenditures are in compliance with the Guidelines.
Management’s Response	The vendor, Smith Emery Laboratories performed materials testing and Quality Assurance (QA) testing for various projects throughout the City. Most invoices were under the amount required for a purchase order. However, in this case, Smith Emery Laboratories sent one consolidated invoice for materials and QA testing. The City is in the process of requesting bids in order to have PSA’s with a minimum of three (3) companies for QA and materials testing.

Los Angeles County Metropolitan Transportation Authority
Measure M Local Return Fund
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2018
(Continued)

Finding #2018-003	City of Hawaiian Gardens
Compliance Reference	According to Measure M Local Return Guidelines, Section XXV, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. If Local Return Funds have been expended prior to Metro’s approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...”
Condition	The City incurred expenditures prior to receiving approval from LACMTA for MMLRF’s Project Code 1.05 Street Overlay for Pavement Management Plan in the amount of \$150,000. However, the project was subsequently approved on October 5, 2018.
Cause	Since it was the first year of the MMLRF award, the checklist used by the City staff did not have the appropriate deadlines.
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	The checklist being used by the staff to monitor and ensure compliance with the reporting deadlines of various LACMTA funds has been updated.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said expenditures on October 5, 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, 2018
(Continued)

Finding #2018-004	City of Hawaiian Gardens
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, 2017 deadline for submission of Form M-One. However, the City submitted the Form M-One on October 5, 2018.
Cause	Since it was the first year of the MMLRF award, the City staff overlooked at the filing of Form M-One.
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 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 is aware of the filing deadline for all MMLRF forms.
Findings Corrected During the Audit	The City subsequently submitted Form M-One on October 5, 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, 2018
(Continued)

Finding #2018-005	City of Signal Hill
Compliance Requirement	According to Measure M Local Return Guidelines, Section XXV, “New, amended, ongoing and carryover projects must file an Expenditure Plan Form M-One by August 1st. If Local Return Funds have been expended prior to LACMTA’s approval and/or used for ineligible purposes, Jurisdictions will be required to reimburse the Local Return account...”
Condition	The City incurred \$47,061 for Street Repaired and Maintenance Project in fiscal year 2017-18 prior to any approval from LACMTA.
Cause	The City did not submit the accurate and complete Expenditure Plan (Form M-One) with a listing of projects to LACMTA due to an oversight.
Effect	The City’s Measure M funds were expended prior to LACMTA’s approval.
Recommendation	We recommend that the City establish internal control procedures to ensure all expenditures are approved by LACMTA prior to expending the funds by submitting a complete and accurate Expenditure Plan (Form M-One) to LACMTA.
Management’s Response	We 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 December 17, 2018. No follow-up is required.