



MetroTM

**City of Compton
Agreed-Upon Procedures Report**

**Payroll Expenditures Claimed under the
Measure R Local Return Fund**

For the Year Ended June 30, 2016

Report of Independent Accountants

To the Management and Board of Directors of the Los Angeles County Metropolitan Transportation Authority

We have performed the procedures enumerated below, which were agreed to by the Los Angeles County Metropolitan Transportation Authority (LACMTA) solely to assist LACMTA in evaluating whether the City of Compton (City) has adequate evidence to support its compliance with the Measure R Ordinance and Measure R Local Return Program Guidelines specifically in the area of eligibility of payroll related costs claimed under the Measure R Local Return projects for the year ended June 30, 2016. The City's management is responsible for the City's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures listed below were performed as a follow up on the results of our audit of the City's financial statements and compliance on the Measure R Local Return Program Guidelines as of and for the year ended June 30, 2016. We reported a finding on the lack of adequate evidence that the funds were expended for transportation services. During our audit, the City was not able to provide adequate evidence to support the labor hours charged were for transit/transportation purposes. The salaries and benefits expenditures claimed under Measure R projects totaling \$1,129,557 was questioned.

Our procedures and findings are as follows:

Procedure No. 1: We obtained the expenditure details report for the year ended June 30, 2016. We selected sample payroll transactions to test compliance with Measure R Local Return Program Guidelines.

Results:

There were 2 pay periods selected as follows:

- a. Pay period ended June 25, 2016 – 20 employees
- b. Pay period ended August 15, 2015 (Youth Payroll) – 75 student employees

Procedure No. 2: For the selected payroll transactions, we obtained and agreed the labor charges to the following documentation supporting allowability.

1. Labor distribution report
2. Time sheets signed by employees and approved by a supervisor or manager
3. Payroll register for the period tested
4. Authorized pay rates filed in the employee's file kept at the Human Resource Department



Results:

We agreed the hours of the 20 employees listed below for the pay period ended June 25, 2016 to the timesheets with no exceptions. Also, we agreed the pay rates in the payroll register to the authorized pay rates with no exceptions.

- a. For the pay period ended June 25, 2016, all 20 employees' timesheets were prepared and approved. Hours were coded to Measure R Local Return Fund (Fund 1520). However, the time entered did not specifically indicate to which approved MR Project those time charges were spent on. The following table lists the 20 employees tested for the pay period ended June 25, 2016, their position title and the number of hours charged to Measure R Local Return Fund.

Employee	Title/Position	Hours Charged to MR	%time Charged to MR During the Pay Period	Cost of Labor Charged to MR
Employee 1	Maintenance Worker I	40	50%	\$ 843.46
Employee 2	Maintenance Worker I	40	50%	720.94
Employee 3	Maintenance Worker II	24	30%	569.49
Employee 4	Maintenance Worker I	40	50%	720.94
Employee 5	Senior Administrative Analyst II	20	25%	727.62
Employee 6	Maintenance Worker I	40	50%	843.46
Employee 7	Street Superintendent	20	25%	932.88
Employee 8	Maintenance Worker I	32	40%	674.77
Employee 9	Maintenance Worker II	72	90%	1,708.47
Employee 10	Maintenance Worker I	32	40%	674.77
Employee 11	Maintenance Worker I	32	40%	674.77
Employee 12	Maintenance Worker I	40	50%	720.94
Employee 13	Maintenance Worker I	40	50%	720.94
Employee 14	Maintenance Worker I	24	30%	506.08
Employee 15	Maintenance Worker II	32	40%	759.32
Employee 16	Maintenance Worker I	40	50%	843.46
Employee 17	Maintenance Worker I	32	40%	674.77
Employee 18	Maintenance Worker II	72	90%	1,708.47
Employee 19	Office Assistant I	20	25%	314.35
Employee 20	Maintenance Lead Worker	64	80%	1,710.27
				\$ 17,050.17

Time charges of the Senior Administration Analyst (20 hours), Office Assistant (20 hours) and Street Superintendent (20 hours) or 25% of the total pay period hours of 80 were charged to the Measure R Local Return fund and were reported in Form II as direct charge to the MR Project Code 2.05, Traffic Signal, instead of Administration Cost or Project Code 8.10. We requested the City to provide the total actual charges of these employees for the fiscal year for proper reporting in the schedule of expenditures and to determine if administration expenses were within the 20% cap of the total annual expenditures. This request was still pending as of the date of this report. However, we estimated the administration cost based on the number of hours charged by the four employees tested above. Based on our calculation, the City's administration expenses meet the 20% cap requirement.



- b. For the pay period ended August 15, 2015, we obtained timesheets and payroll registers of the 75 participants in the City of Compton's Comprehensive Youth Training Program (Summer). The work site indicated was mostly "Parks and Recreation". We considered these costs unallowable as it does not relate to MR Project 2.05, Traffic Signal. The total questioned cost was \$28,930.

Procedure No. 3: Review the supporting documentation and evaluate the reasonableness of the labor costs charged to the Measure R Local Return Fund in compliance with the Measure R Ordinance and Measure R Local Return Program Guidelines.

Results:

The labor costs listed in 2A above appear to be eligible because they were supported by approved time sheets.

For administrative employees, reasonableness can be evaluated in relation to the amount of work necessary to administer one Measure R Local Return Fund Project in one pay period. A total of 60 hours was spent by 3 administrative employees on administration of one Measure R Local Return Fund Project in one pay period.

Charges by 17 Maintenance workers were supported by approved time sheets. However, we were not able to evaluate the reasonableness of the time charged to the program during the pay period. Reasonableness can be evaluated in comparison with a benchmark or by determining how many maintenance workers hours are required in relation to the total number of traffic signals that need to be maintained within the City. The following information was noted:

- Time charges by maintenance workers to Traffic Signal Maintenance ranged from 24 hours or 30% to 72 hours or 90% of the total pay period hours of 80.
- The City budgeted for 24 maintenance workers under Public Works/Street maintenance Division during the fiscal year 2015-2016. The Street Maintenance Division of the Public Works Department is responsible for maintenance of roadways, sewers and streetscapes. The work includes, signs and marking, street trees, alleys, traffic signals, street lights, sewer collection system and storm drain system.
- A total of 696 hours was spent by 17 maintenance workers on traffic signals for a period of 2 weeks (pay period ended June 25, 2016). This represent 36% of the total maintenance hours budgeted by the City for 2 weeks in 2016. This number of hours charged to the program was consistent all throughout the fiscal year.

We were not able to evaluate the reasonableness of the time charges of the above employees as benchmarking data was not available during the performance of these procedures.

Other Matters for Considerations

The actual time charges for the traffic signals maintenance project appears high in relation to the City's total budget for its Street Maintenance Division of the Public Works Department which encompasses other maintenance works around the City. However, because of the limited information we gathered, we are unable to perform a reasonableness test of the time charges of employees selected for testing and therefore, we are unable to state that no findings were noted as a result of performing this procedure.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specific requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



This report is intended solely for the information and use of the audit committee and management of the Los Angeles County Metropolitan Transportation Authority and is not intended to be, and should not be, used by anyone other than the specified parties.

The results of our agreed-upon procedures were discussed with LACMTA.

Vaquero & Company LLP

**Los Angeles, California
February 22, 2018**



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