



Measure R Oversight Committee Annual Report on FY13 Audits

April 1, 2014

Measure R Independent Taxpayers Oversight Committee of Metro

On November 4, 2008, Los Angeles County voters approved Measure R, a 1/2 of one percent transactions and use tax to fund transportation improvements in the County. An Independent Taxpayers Oversight Committee and an oversight process was also established to ensure that Metro is in compliance with Measure R requirements. The oversight process requires an annual audit be conducted and requires the Committee to produce an annual report on the audit(s).



Metro[®]

Measure R

April 4, 2014

**Independent
Taxpayers
Oversight
Committee of
Metro**

To: Metro Board of Directors

From: Justice Candace Cooper, Chair
Measure R Independent Taxpayers Oversight Committee

One Gateway Plaza,
Mail Stop 99-13-1
Los Angeles, CA 90012

213-922-7671

Subject: Annual Report on Audits of FY 2013 Measure R Expenditures

Committee Members

Justice Candace Cooper
Chair

Judge Robert W. Parkin
Vice Chair

Judge Richard Kolostian
Member

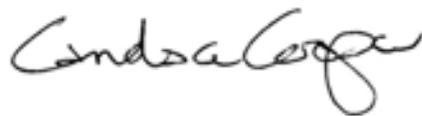
On November 4, 2008, Los Angeles County voters approved Measure R that imposed a 1/2 of one percent transactions and use tax to fund county transportation improvements. Measure R established an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority complies with the Ordinance.

In compliance with the Ordinance, independent audits of the Measure R Special Revenue Fund and local sub-recipients were prepared. In late December 2013, the Committee received the three audit reports for review. On March 7, 2014, the Oversight Committee held a special workshop to discuss the audit results with the Committee's Advisory Panel finance expert and finalized the Draft Annual Report. The Draft Annual Report and audits were distributed to Los Angeles County libraries and a notice of public hearing was posted in local newspapers.

On April 1, 2014, the Committee held a public hearing to receive comments on the Draft Annual Report and audits, and a regular meeting to approve the Report and findings. No public comment was received during the public comment period. At the meeting, the Committee approved the Annual Report and its findings.

A copy of the Committee's Annual Report is attached for your review. If you have further questions, please contact Ann Kerman at (213) 922-7671.

Respectfully Submitted,



Justice Candace Cooper
Chair
Measure R Independent Taxpayers Oversight Committee

**MEASURE R INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
OF METRO
ANNUAL REPORT ON FY13 MEASURE R AUDITS**

INTRODUCTION

On November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional half-cent transactions and use tax to fund transportation improvements in the County. Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance. The oversight process requires that an annual audit be conducted 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 audits must be provided to the Oversight Committee so that it can determine whether Metro and local subrecipients have complied with the Measure R requirements (see Exhibit 1). In compliance with the Ordinance, Metro contracted with Bazilio Cobb Associates (BCA) to perform the independent audit of the Measure R Special Revenue Fund. Metro also contracted with two firms to conduct the audits of Measure R sales tax revenues used by 87 cities (Cities) as well as the County of Los Angeles (County). The report performed by Vasquez & Company covers the audits of 49 of the cities and the report performed by Simpson & Simpson covers the audits of 38 of the cities as well as the County. (These Audits are attached as Exhibits 2, 3, and 4.)

THE AUDITS

The Independent Auditor's report on the Measure R Special Revenue Fund found that Metro complied, in all material respects, with the requirements that are applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2013.

The audits of compliance with the Local Return Guidelines found that the 87 cities and the County of Los Angeles complied with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2013. However, the auditors found 36 deficiencies in internal control over compliance, none of which were deemed material. Fourteen of those deficiencies were deemed significant deficiencies, up from 1 found in the FY12 audits.

MEASURE R OVERSIGHT COMMITTEE REVIEW

The Measure R Oversight Committee received the three audit reports in late December 2013. Each member of the Committee reviewed the reports, and the Committee met on March 7, 2014. At that meeting, the Committee received a formal presentation from each of the three auditors on their audit findings. The Committee also received a comparative analysis report on audit findings over the last four years from Metro's Chief Auditor, a status update on Measure R Local Return Compliance from Metro's Local Programming Department, and a presentation from the Committee's Advisory Panel Public Finance Expert, Lori Raineri of Government Financial Strategies.

MEASURE R OVERSIGHT COMMITTEE FINDINGS

The Committee finds that: 1) the audits were performed in accordance with the Ordinance that the voters approved in 2008; 2) Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the fiscal year ended June 30, 2013; 3) the cities and the County complied with the requirements in the Measure R Ordinance that are applicable to the Measure R Local Return program for the fiscal year ended June 30, 2013; however, the auditors found 36 deficiencies in internal control over compliance, none of which were deemed material; and 4) more timely follow-up with Local Return recipients is needed to resolve prior audit findings. The Committee requested that staff return to the next meeting with recommendations to improve local cities' compliance with the Local Return Guidelines.

**RESOLUTION OF THE INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
MAKING FINDINGS REGARDING THE ANNUAL AUDIT PURSUANT TO THE MEASURE
R ORDINANCE**

WHEREAS, On November 4, 2008, Los Angeles County voters approved Measure R that imposed an additional half-cent transactions and use tax to fund transportation improvements in the County; and

WHEREAS, Measure R, also known as the Traffic Relief and Rail Expansion Ordinance establishes an Independent Taxpayers Oversight Committee and an oversight process to ensure that the Los Angeles County Metropolitan Transportation Authority (Metro) complies with the terms of the Ordinance; and

WHEREAS, the oversight process requires that an annual audit be conducted 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; and

WHEREAS, the audits must be provided to the Oversight Committee so that the Oversight Committee can determine whether Metro and local subrecipients have complied with the Measure R requirements; and

WHEREAS, under contract with Metro, Bazilio Cobb Associates (BCA) performed the independent audit of the Measure R Special Revenue Fund, and Vasquez & Company, LLP and Simpson & Simpson audited the compliance of the 87 cities (Cities) and the County of Los Angeles (County);

NOW, THEREFORE, the Measure R Independent Taxpayers Oversight Committee of Metro finds that:

The audits were performed in accordance with the Ordinance that the voters approved in 2008;

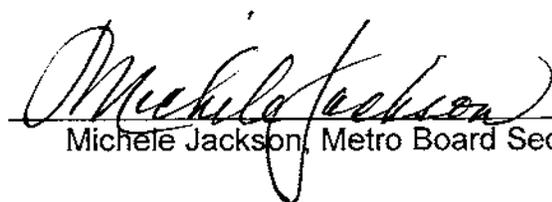
Metro complied, in all material respects, with the requirements applicable to the Measure R revenues and expenditures for the year ended June 30, 2013;

The Cities and the County complied with the Ordinance requirements that are applicable to the Measure R Local Return program for the year ended June 30, 2013, however, the audits found 36 deficiencies in internal control over compliance, none of which were deemed material; and

More timely follow-up with Local Return recipients is needed to resolve prior audit findings. Staff shall provide a follow-up memorandum to the Committee regarding cities that are deficient and create a matrix comparing audit findings for the last four years.

Prepared by: Ron Stamm, Principal Deputy County Counsel

Signed:


Michele Jackson, Metro Board Secretary

Adopted this 7th day of March, 2014.

**LOS ANGELES COUNTY
METROPOLITAN TRANSPORTATION AUTHORITY**

INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF REVENUES AND EXPENDITURES
FOR
MEASURE R
SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

Submitted by

BCA

Bazilio Cobb Associates

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

For The Year Ended June 30, 2013
(With Comparative Totals for 2012)

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Independent Auditor's Report

Measure R Independent Taxpayers Oversight Committee
Los Angeles County Metropolitan Transportation Authority

Report on the Schedule of Measure R Revenues and Expenditures

We have audited the accompanying Schedule of Measure R Revenues and Expenditures (the Schedule) of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the year ended June 30, 2013, 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 R 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 our 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 R Revenues and Expenditures of LACMTA as of June 30, 2013, for the year then ended 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 5 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 R 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, 2013, 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 R Revenues and Expenditures of LACTMA, and we expressed an unmodified audit opinion in our report dated December 5, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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 December 9, 2013, 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.

Bajilio Cobb Associates

Torrance, CA
December 9, 2013

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund
Schedule of Revenues and Expenditures
For the Year Ended June 30, 2013
(With Comparative Totals for 2012)
(Amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>
Revenues:		
Sales tax	\$ 684,862	\$ 645,026
Intergovernmental	1,253	1,804
Investment income	7,002	7,403
Net decline in fair value of investments	(5,752)	(601)
Total revenues	<u>687,365</u>	<u>653,632</u>
Expenditures:		
Administration and other transportation projects	58,237	51,768
Transportation subsidies	187,189	152,742
Total expenditures	<u>245,426</u>	<u>204,510</u>
Excess of revenues over expenditures	441,939	449,122
Other financing sources (uses)		
Operating transfers in	31,886	12,047
Operating transfers out	(199,903)	(157,276)
Total other financing sources (uses)	<u>(168,017)</u>	<u>(145,229)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 273,922</u>	<u>\$ 303,893</u>

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

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Schedule of Revenues and Expenditures – Budget and Actual

For the Year Ended June 30, 2013

(Amounts expressed in thousands)

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Sales tax	\$ 629,304	\$ 629,304	\$ 684,862	\$ 55,558
Intergovernmental	1,336	1,147	1,253	106
Investment income	-	-	7,002	7,002
Net decline in fair value of investments	-	-	(5,752)	(5,752)
Total revenues	<u>630,640</u>	<u>630,451</u>	<u>687,365</u>	<u>56,914</u>
Expenditures:				
Administration and other transportation projects	61,694	84,596	58,237	26,359
Transportation subsidies	213,097	200,097	187,189	12,908
Total expenditures	<u>274,791</u>	<u>284,693</u>	<u>245,426</u>	<u>39,267</u>
Excess of revenues over expenditures	355,849	345,758	441,939	96,181
Other financing sources (uses)				
Operating transfers in	9,998	8,498	31,886	23,388
Operating transfers out	(307,320)	(275,320)	(199,903)	75,417
Total other financing sources (uses)	<u>(297,322)</u>	<u>(266,822)</u>	<u>(168,017)</u>	<u>98,805</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ 58,527</u>	<u>\$ 78,936</u>	<u>\$ 273,922</u>	<u>\$ 194,986</u>

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

Los Angeles County Metropolitan Transportation Authority

Measure R Special Revenue Fund

Notes to Schedule of Revenues and Expenditures

June 30, 2013

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 fourth of California's residents - live, work, and play within its 1,433-square-mile service area.

Measure R

Measure R, also known as the Traffic Relief and Rail Expansion Ordinance is a special revenue fund used to account for the proceeds of the voter-approved one-half percent sales tax that became effective on July 1, 2009 and continuing on for the next 30 years. Revenues collected are allocated to: 1) 2% for rail capital improvements; 2) 3% for Metrolink capital improvement projects within Los Angeles County; 3) 5% for rail operations for new transit project operations and maintenance; 4) 15% for local return; 5) 20% for countywide bus service operations, maintenance, and expansion; 6) 20% for highway capital projects; and 7) 35% for transit capital specific projects.

2. Summary of Significant Accounting Policies

The Schedule of Revenues and Expenditures for Measure R Special Revenue Fund have been prepared in conformity with Generally Accepted Accounting Principles in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments. The more significant of LACMTA’s accounting policies with regard to the special revenue fund type are described below:

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to Schedule of Revenues and Expenditures
June 30, 2013

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 R 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 not 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.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to Schedule of Revenues and Expenditures
June 30, 2013

2. Summary of Significant Accounting Policies (Continued)

Budgetary Accounting (Continued)

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.

Interest Income and Appreciation (Decline) in Fair Value of Investments

The net appreciation (decline) in the fair value of investments is 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.

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.

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

The Schedule is intended to reflect the revenues and expenditures of Measure R 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. Intergovernmental Transactions

Any transaction conducted with a governmental agency outside the complete jurisdiction of LACMTA will be recorded in an account designated as Intergovernmental.

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Notes to Schedule of Revenues and Expenditures
June 30, 2013

5. 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 R Special Revenue Fund have been made in accordance with all expenditure requirements of the Measure R Ordinance.

6. Audited Financial Statements

The audited financial statements for Measure R Special Revenue Fund for the year ended June 30, 2013 are included in LACMTA's Annual Audited Financial Report.

7. Subsequent Events

In September 2012, LACMTA secured a loan for \$545,900 from the U.S. Department of Transportation under the Transportation Infrastructure Finance and Innovative Act (TIFIA) and a capital grant under the Transportation Investment Generating Economic Recovery (TIGER II) to partially finance the construction of the Crenshaw/LAX Corridor project. The Crenshaw/LAX Corridor project has a budget of \$1.75 billion. This project is an 8.5-mile double-track light rail line with a minimum of new six light rail stations that began construction in 2013 and expected to be completed by 2018. The TIFIA loan is secured by a pledge of a portion of LACMTA's Measure R sales tax revenue allocated for the funding of the Crenshaw/LAX Corridor Project. The loan, bearing an interest rate of 2.43% per annum, is due on June 1 and December 1 of each year beginning December 1, 2020 until paid in full at maturity on June 1, 2034. The scheduled principal balance due is payable on June 1 of each year beginning June 1, 2021. As of June 30, 2013, there is no liability outstanding on this loan.

**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***

Independent Citizens' Advisory and 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 R Special Revenue Fund of the Los Angeles County Metropolitan Transportation Authority (LACMTA) as of and for the fiscal year ended June 30, 2013, and the related notes to the Schedule, which collectively comprised LACMTA's basic Schedule, and have issued our report thereon dated December 9, 2013.

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*.

Restriction on Use

This report is intended for the information and use of the LACMTA Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bajilio Cabt Associates".

Torrance, California
December 5, 2013



**Independent Auditor's Report on Compliance with Requirements Applicable to
Measure R Revenues and Expenditures in Accordance with the
*Traffic Relief and Rail Expansion Ordinance***

Measure R Independent Taxpayers 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 R Revenues and Expenditures with the types of compliance requirements described in the *Traffic Relief and Rail Expansion Ordinance* (the Ordinance) for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on LACMTA's compliance with the Measure R 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 R 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 R Revenues and Expenditures. However, our audit does not provide a legal determination of LACMTA's compliance.

Opinion on Measure R 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 R Revenues and Expenditures for the year ended June 30, 2013.

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 R 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 *Traffic Relief and Rail Expansion Ordinance*, 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 R 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.

This report is intended solely for the information and use of the LACMTA's Board of Directors and management, and the Measure R Independent Taxpayers Oversight Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Bajilio Cobb Associates

Torrance, California
December 9, 2013

Los Angeles County Metropolitan Transportation Authority
Measure R Special Revenue Fund
Schedule of Current Year Findings

For the Year Ended June 30, 2013

None noted.

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

For the Year Ended June 30, 2013

None noted.

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013



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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance

We have audited the compliance of the Cities and the County identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities and the County for the year ended June 30, 2013 (collectively the Requirements). Compliance with the above noted 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 Requirements is the responsibility of the respective Cities' and County's management.

Auditor's Responsibility

Our responsibility is to express opinions on the Cities' and County's compliance with the Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guidelines. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of Requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's and the County's compliance with those Requirements and performing such other procedures as we considered necessary in the circumstances.

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





Opinion

In our opinion, the Cities and the County complied, in all material respects, with the Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Finding Numbers 1 through 24. Our opinion is not modified with respect to these matters.

Responses by the Cities and the County to the noncompliance findings identified in our audits are described in the accompanying Schedule 2 - Schedule of Findings and Questioned Costs. The Cities' and County's 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 Requirements referred to above. In planning and performing our audits of compliance, we considered each City's and the County's internal control over compliance with the Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the 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 under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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 we consider to be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule 2 – Schedule of Findings and Questioned Costs as Findings Numbers 6 and 17 that we consider to be significant deficiencies.



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. Accordingly, this report is not suitable for any other purpose.

Simpson & Simpson

Los Angeles, California
December 23, 2013

Summary of Compliance Findings

The audit of the 38 Cities and the County of Los Angeles has resulted in 24 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding Reference	Questioned Costs	Resolved During the Audit
Accounting procedures, record keeping, and documentation were not adequate	2	Cudahy (#1) Inglewood (#2)	None \$ 74,677	None \$ 74,677
Expenditures were not approved before being incurred.	4	Culver City (#3) Maywood (#4) El Monte (#5) Bell (#6)	\$ 181,000 \$ 10,000 \$ 44,337 \$ 35,225	\$ 181,000 \$ 0 \$ 0 \$ 35,225
Form One (Expenditure Plan) was not submitted timely	6	Maywood (#7) Hidden Hills (#8) Azusa (#9) Bell (#10) Huntington Park (#11) Commerce (#12)	None None None None None None	None None None None None None
Funds were not used on approved projects and expenditures were not supported and allowable per Guidelines	7	Lawndale (#13) Monterey Park (#14) Rosemead (#15) Pomona (#16) Bell (#17) Lynwood (#18) Commerce (#19)	\$ 8,257 \$ 10,741 \$ 3,662 \$ 103,554 \$ 27,778 \$ 55,427 None	\$ 0 \$ 0 \$ 0 \$ 0 \$ 0 \$ 0 None
Administrative expenditures claimed exceeded the 20% admin cap under the Guidelines	3	Lawndale (#20) El Monte (#21) Hawthorne (#22)	\$ 21,945 \$ 21,903 \$ 5,295	\$ 21,945 \$ 0 \$ 0
Form Two (Expenditure Report) was not submitted timely	2	Compton (#23) El Monte (#24)	None None	None None
Total Findings and Questioned Cost	24		\$ 603,801	\$ 312,847

Details of the findings can be found in Schedule 2.

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013

SCHEDULE 1

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Finding #9	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Finding #6	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #17	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Finding #10	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Calabasas	Carson	Commerce
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Not Applicable	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Not Applicable	Compliant	Finding #19
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Finding #12
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Compton	Cudahy	Culver City
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Finding #3
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Not Applicable	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Finding #23	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping, and documentation were adequate	Compliant	Finding #1	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	El Monte	Gardena	Hawthorne
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Finding #5	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Finding #21	Compliant	Finding #22
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Finding #24	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Hidden Hills	Huntington Park	City of Industry
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Not Applicable
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Not Applicable
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Not Applicable	Not Applicable	Not Applicable
Expenditure Plan (Form One) was submitted on time	Finding #8	Finding #11	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Not Applicable
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Inglewood	Irwindale	La Puente
Timely use of funds	Compliant	Compliant	Compliant
Expenditures were approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Finding #2	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Lawndale	Los Angeles County	Lynwood
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #13	Compliant	Finding #18
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Finding #20	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Malibu	Maywood	Montebello
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Finding #4	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Not Applicable	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Finding #7	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Monterey Park	Pico Rivera	Pomona
Timely use of funds	Compliant	Compliant	Compliant
Expenditures were approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #14	Compliant	Finding #16
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Rosemead	San Fernando	Santa Fe Springs
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Finding #15	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Not Applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Santa Monica	South El Monte	South Gate
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Summary of Measure R Audit Results
Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Walnut	West Hollywood	Westlake Village
Timely use of funds	Compliant	Compliant	Compliant
Expenditures where approved before being incurred	Compliant	Compliant	Compliant
Funds were used on approved projects only and expenditures were supported and allowable per guidelines	Compliant	Compliant	Compliant
Fund were not substituted for property tax	Compliant	Compliant	Compliant
Administrative expenses were within the 20% cap	Compliant	Compliant	Compliant
Expenditure Plan (Form One) was submitted on time	Compliant	Compliant	Compliant
Expenditure Report (Form Two) was submitted on time	Compliant	Compliant	Compliant
Cash or cash equivalents were maintained	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation were adequate	Compliant	Compliant	Compliant
Revenues received including allocations, project generated revenues, and interest income were properly credited to the Measure R account	Compliant	Compliant	Compliant
Funds were not used to supplant existing local revenues being used for transportation purpose	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (Trade, Loans, or Gifts)	Not Applicable	Not Applicable	Not Applicable
Verification that funds expended and reimbursed by another fund were properly credited to the LR account upon reimbursement	Not Applicable	Not Applicable	Not Applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction	Not Applicable	Not Applicable	Not Applicable
Establishment of and approval by LACMTA for a reserve fund	Not Applicable	Not Applicable	Not Applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan	Not Applicable	Not Applicable	Not Applicable
Recreational Transit Form was submitted timely for the recreational transit services	Not Applicable	Not Applicable	Not Applicable

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

Finding 1	City of Cudahy
Compliance Reference	<p>According to the City’s Policy and Procedures Manual, Check Request/Disbursement Procedures, Section D (Draft): “D. RECORD KEEPING</p> <ol style="list-style-type: none"> 1. The copy of signed check and the supporting documents, such as Check Requests and original invoices and other applicable documents will be filed in the vendor files in the office of Director of Finance. (Custody of Assets) 2. The Accounting Technician stamps “PAID” on the check requests and supporting vendors’ invoices and other documentation”
Condition	<p>During our review of documentation supporting the expenditures selected for testing, we noted 7 invoice packages were not canceled or stamped “PAID.”</p>
Cause	<p>The City did not comply with its policy of the cancelation of paid vendor invoices to prevent double payment of invoices.</p>
Effect	<p>Non-cancelation of paid invoices can result in duplicate payment on the same invoice and therefore, can lead to weak internal accounting controls.</p>
Recommendation	<p>We recommend the City implement internal controls that will strictly enforce compliance with its policy that all check requests, vendor invoices, and other documentation are stamped paid to help prevent double payment on invoices. Also, we recommend the City finalize its draft Policy and Procedures Manual to ensure that the procedures established: 1) are adequately designed to achieve their intended purpose; 2) have actually been implemented; and 3) continue to function as designed.</p>
Management’s Response	<p>The City agrees with the finding. It is the City’s policy to only pay original invoices and only the current amount of the invoice.</p>

**LACMTA Consolidated Audit
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Finding 2	City of Inglewood
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), “Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines” and “It is the Jurisdictions’ responsibility to maintain proper accounting records and documentations.”
Condition	The City’s accounting period ends on September 30 th of each year. Therefore, the City prepares a trial balance for the Measure R Local Return Fund audit to reflect the financial statements as of June 30, 2013. In order for the financial statements to provide the financial position, operations and changes in the financial position of Measure R Local Return Funds, all accruals and necessary adjustments should be reflected on the trial balance. However, year-end accruals amounting to a total of \$74,677 were not recorded in the trial balance for services received in fiscal year 2012-13 but were paid in fiscal year 2013-14.
Cause	The fiscal year 2012-13 accruals were not recorded due to the untimely invoice receipt and payment submittals by the Public Works Department.
Effect	Accruals in a total amount of \$74,677 that were not recorded led to a significant audit adjustment.
Recommendation	We recommend that the City accounts all the necessary adjustments, including accruals, in order to present fairly the financial position of Measure R Local Return Fund as of June 30, 2013. Also, we recommend that the trial balance prepared is thoroughly reviewed prior to the start of the audit to ensure that all amounts reflected are properly supported and adequately documented.
Management’s Response	Public Works Department invoice payment process now requires timely receipt and processing of invoices for capital project work. Invoices are to be received no later than 30 days after the completion of work and payment of invoices will be no later than 45 days after completion of work. Also, the Accounting Department staff will ensure that the trial balance related to the LACMTA audit will be prepared and accruals will be posted to the LACMTA trial balance schedule prior to the annual LACMTA Audit.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 3	City of Culver City
Compliance Reference	<p>According to Measure R Local Return Guidelines, Section B (VII.A, Financial and Compliance Provisions), “The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines:</p> <p>Verification that funds were expended with Metro’s approval.”</p>
Condition	<p>The expenditures for the Measure R Transportation Services project in the amount of \$181,000 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on October 14, 2013.</p>
Cause	<p>The City was not aware that the project which was reported in Form 1 for LACMTA’s approval was not included as one of the approved projects.</p>
Effect	<p>The expenditures for Measure R Local Return programs were incurred prior to LACMTA’s approval. Incurred expenditures prior to LACMTA’s approval resulted in questioned costs of \$181,000.</p>
Recommendation	<p>We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.</p>
Management’s Response	<p>The City submitted Form 1 to request the approval of Transportation Services Operation project to LACMTA in a timely manner. The City was not aware that the project approval letter from LACMTA was not received and that the project was not approved. The City’s staff will follow-up with LACMTA in the future if a project approval letter is not received to ensure that all projects requested for approval were authorized.</p>

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 4	City of Maywood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA and Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City submitted its 2012-13 Form One (Budget) to LACMTA on October 15, 2013, which was due on August 1, 2012. During fiscal year 2012-13, the City incurred \$10,000 for the Corridor project (Project code 710) and included such expenditure. Since the Form One (Budget) was not submitted prior LACMTA approval, the claim may not be allowed.
Cause	The City did not submit Form One (Budget) because the City did not anticipate having expenditures.
Effect	Incurring project costs prior to LACMTA's prior approval could result in disallowed costs.
Recommendation	We recommend that the City reimburse cost in question to its Measure R Local Return account. The City should also establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City concurs with the finding and will submit Form One (Budget) for Measure R fund, notwithstanding that the City does not anticipate to have any expenditures incurred.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
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(Continued)**

Finding 5	City of El Monte
Compliance Reference	According to Measure R Local Return Guidelines, Section B.VII.A, Financial and Compliance Provisions, "The Measure R LR Audits shall include, but not limited to, verification of adherence to the following financial and compliance provisions of this guidelines: Verification that funds were expended with Metro's approval."
Condition	The expenditures of \$44,337 for Valley Boulevard and Santa Anita Avenue Traffic Signal Improvements project of the Measure R Local Return Fund were incurred without LACMTA's project approval for FY 2013.
Cause	The City did not request project approval for the Valley Boulevard And Santa Anita Avenue Traffic Signal Improvements project of the Measure R Local Return funds in FY 2013. This was caused due to an oversight by City personnel.
Effect	The unapproved expenditures resulted in questioned costs of \$44,337 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account in the amount of \$44,337. In, addition, we recommend that the City establish procedures to ensure that it obtains approval from LACMTA prior to implementing and Measure R Local Return projects, and Form One (Expenditure Plan Form) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of Measure R Local Return Fund are in accordance with LACMTA's approval and the Guidelines. In accordance with the Guidelines, the City should include all approved on-going and carryover Local Return projects in Form One.
Management's Response	The City provided Measure R guidelines to staff outlining that all Measure R projects must be approved by LACMTA in advance before expending the funds.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 6	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (II.I), "LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity."
Condition	The expenditures for the Measure R Administration project in the amount of \$35,225 were incurred prior to the approval from LACMTA. However, the project was subsequently approved by LACMTA on December 26, 2013.
Cause	Interim management was not fully aware of the importance of filing the form fully and completely on a timely manner.
Effect	The City expended Measure R Funds prior to LACMTA's approval. Incurred expenditures prior to LACMTA's approval resulted in questioned costs of \$35,225.
Recommendation	We recommend that the City establish procedures to ensure that it obtains and confirms approval from LACMTA prior to implementing any Measure R Local Return projects.
Management's Response	Even though with the challenges on hand, the City is committed improving the processes by identifying these shortfalls and amending them to improve the internal controls needed to avoid any future findings.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 7	City of Maywood
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA and Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City submitted its 2012-13 Form One (Budget) to LACMTA on October 15, 2013, which was due on August 1, 2012.
Cause	The City did not submit Form One (Budget) because the City did not anticipate having expenditures.
Effect	The City did not timely submit its Form and therefore, was not in compliance with the Measure R Guidelines.
Recommendation	We recommend the City should establish procedures to ensure that Form One is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City concurs with the finding and will submit Form One (Budget) for Measure R fund, notwithstanding that the City does not anticipate to have any expenditures incurred.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 8	City of Hidden Hills
Compliance Reference	To maintain legal eligibility and meet Measure R Local Return program compliance requirements, jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year. Form I provides a listing of projects funded with Measure R Local Return funds along with estimated expenditures for the year.
Condition	For Fiscal Year 2012-2013, the City submitted its Form I on December 2012, which is beyond the August 1, 2012 deadline.
Cause	The City was unaware of the requirement to submit its Form I on or before August 1, of each year.
Effect	The City did not timely submit its Form and therefore, was not in compliance with the Measure R Guidelines.
Recommendation	We recommend that the City establish procedures to ensure timely submission of all forms required by the Measure R Guidelines.
Management's Response	We concur with the findings and recommendations.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 9	City of Azusa
Compliance Reference	According to Measure R Guidelines, Section B (II.1), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, on or before August 1 st of each fiscal year."
Condition	The City did not meet the August 1, 2012 deadline for submission of Form One. However, the City submitted the Form One on February 20, 2013.
Cause	The City did not submit Form One by its due date due to unintentional oversight.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on timely manners.
Management's Response	The City's staff will submit separate emails to MTA to verify timely receipt of Measure R Form One.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 10	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (II.I), "Jurisdictions shall submit to LACMTA an Expenditure Plan, annually, on or before August 1 st of each fiscal year."
Condition	The City did not meet the August 1, 2012 deadline for submission of Form One. However, the City submitted the Form One on October 31, 2012.
Cause	Interim management was not fully aware of the importance of filing the form fully and completely on a timely manner.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with the LACMTA's approval and the guidelines. Furthermore, we recommend the City to retain a confirmation of receipt by LACMTA to indicate the form was submitted on a timely manner.
Management's Response	Even though with the challenges on hand, the City is committed to improving the processes by identifying these shortfalls and amending them to improve the internal controls needed to avoid any future findings.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 11	City of Huntington Park
Compliance Reference	According to Measure R Local Return Guidelines, Section (II.I), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year.
Condition	The City did not meet the August 1, 2012 deadline for submission of Form One. However, the City submitted the Form One on August 29, 2012.
Cause	This was caused due to an oversight by City personnel.
Effect	The City's Form One was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form One (Expenditure Plan) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The year-end processes such as closing the Fiscal Year and preparing for upcoming audits are time consuming, and unfortunately a couple of deadlines were missed. The City of Huntington Park will work hard to comply with future MTA reporting deadlines.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 12	City of Commerce
Compliance Reference	According to Measure R Local Return Guidelines, Section B (II.I), "Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually by August 1 st of each year."
Condition	The City submitted its 2012-13 Form One (Budget) to LACMTA on August 3, 2012, which was due on August 1, 2012.
Cause	This was due to an oversight by City personnel.
Effect	The City's Expenditure Plan (Form One) was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Expenditure Plan (Form One) is properly prepared and submitted before the due date of August 1 st so that the City's expenditures of the Measure R Local Return Funds will be in accordance with LACMTA's approval and the Guidelines.
Management's Response	The City will establish procedures that will ensure staff is aware of and can meet all deadlines.

**LACMTA Consolidated Audit
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(Continued)**

Finding 13	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdiction's responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	During our review of payroll salary expenditures, we noted positions were partially funded by Measure R Local Return Fund. The allocation percentages claimed to these funds were not supported by timesheet certified by the employees or a cost allocation with verifiable data. Through our inquiry with the City's Accounting Manager, the basis of the allocation percentages were based on annual budget (predetermined).
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to MRLRF.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentation (i.e. activity report, timesheet, or time study).
Management's Response	The City of Lawndale will implement a timekeeping system that ensures salaries and related benefits will properly be documented with adequate documentation.

**LACMTA Consolidated Audit
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(Continued)**

Finding 14	City of Monterey Park
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines."
Condition	Upon testing the payroll expenditures charged to MRLRF, we found that payroll charges were based from estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on administering approved MRLRF projects. However, based from the employee's job titles, it is reasonable to assume that such employees worked on the local return funds for the amount of time estimated. The payroll charges for maintenance workers are supported by activity logs, however, actual activities recorded on the log did not exactly equal the estimated percentages used to allocate the employees' salaries to the local return funds. No true-up of the estimates is done at the end of the fiscal year.
Cause	The City uses its best estimate of percentage of its project and administrative employees' salaries to determine its project and administrative payroll charges to MRLRF.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to the MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentation (i.e. activity report, timesheet, or time study).
Management's Response	Recommendations for improvements are always welcome by the City. The City departments can certainly implement a timekeeping log system in addition to our existing practices to support the allocations as per your recommended requirements.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 15	City of Rosemead
Compliance Reference	According to the Measure R Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.
Condition	Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based from estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentations to demonstrate that the salaries charged were expended on administering approved MRLRF projects. However, based from the employee's job titles, it is reasonable to assume that such employees worked on the local return funds for the amount of time estimated. Some of the payroll charges are supported by timesheets, however, actual timesheet documentations did not exactly equal the estimated percentages used to allocate the employees' salaries to the local return funds. Some pay periods are over the estimates and some are under the estimates. No true-up of the estimates is done at the end of the fiscal year.
Cause	The City uses its best estimate of percentage of its employee's salaries to determine its payroll charges to MRLRF. Actual timesheets filled out by employees may or may not equal the estimates used by the City's payroll system to automatically charge the local return funds.
Effect	Insufficient supporting documentation (activity report, timesheets, and/or time study) to substantiate the charges for "Direct Administrative" could result in disallowed costs claimed to the MRLRF.
Recommendation	We recommend that the City implement a timekeeping system that tracks the hours spent on the local return fund to ensure salaries and related fringe benefits are supported by adequate documentation (i.e. activity reports, timesheets, or time study).
Management's Response	The City will monitor the charges that are made to Measure R funds on a continued basis to ensure that proper timekeeping and documentation is adhered to each pay period.

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(Continued)

Finding 16	City of Pomona
Compliance Reference	According to Measure R Local Return Guidelines, Section II “Transportation Administration expenditures for those administrative costs associated with and incurred for the aforementioned eligible projects/programs. Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs. All costs must be associated with developing, maintaining, monitoring, and coordinating, reporting and budgeting specific LR project. Expenditures must be reasonable and appropriate to the activities undertaken by the locality. The administrative expenditures for any year shall not exceed twenty percent (20%) of the total LR annual expenditures.”
Condition	In order to ensure the propriety of expenditures being charged to the Local Return funds, expenditures should be supported by properly executed allocation analysis, invoices, voucher, or other official documentation evidencing in proper detail, the nature of the charges. However, administrative costs were allocated to Measure R in the amount of \$103,554, with no documentation to support the allocations.
Cause	The City was aware of the importance of providing supporting documentation for the administrative costs charged to the Local Return Funds. However, the City was not able to provide proper documentation to support the allocation percentage in a timely manner.
Effect	The unsupported administrative costs resulted in questioned costs of \$103,554 for MRLRF.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its MRLRF account by \$103,554. In addition, we recommend that the City establish controls to ensure that the costs allocated to the Local Return funds are adequately documented and are in compliance with the Guidelines.
Management’s Response	The finding for Measure R is the result of a 20% administrative service charge that is charged to many city funds. This charge was discussed directly with MTA and the City was advised that this expense is allowable. If MTA would like the City to conduct a cost allocation study for this charge, the City will conduct a study if it would be considered an allowable cost to the Measure R program.

LACMTA Consolidated Audit
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(Continued)

Finding 17	City of Bell
Compliance Reference	According to Measure R Guidelines, Section B (VII. Audit Section), "Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes, as defined by the Guidelines" and "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation."
Condition	<p>In order to ensure the propriety of expenditures being charged to the Measure R Local Return Funds, non-payroll expenditures should be supported by properly executed contracts, invoices, vouchers, or other official documentation evidencing in proper detail, the nature of the charges. However:</p> <p>The City hired an outside company, NBS, to perform a cost allocation study on the City-wide overhead costs. However, the allocations in a total amount of \$27,778 could not be traceable or supported by the study performed.</p>
Cause	The allocations that were determined by the City's management were approved by the City Council and were allocated to all funds, including Measure R fund.
Effect	The payments made without appropriate supporting documents resulted in questioned costs of \$27,778.
Recommendation	In accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account by \$27,778. We also recommend that the City establish controls to ensure that the expenditures charged to the Local Return funds are adequately supported by contracts, invoices, canceled checks or similar documentation so that the City's expenditures of Local Return funds will be in compliance with the Guidelines.
Management's Response	Even though with the challenges on hand, the City is committed improving the processes by identifying these shortfalls and amending them to improve the internal controls needed to avoid any future findings.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 18	City of Lynwood
Compliance Reference	<p>According to Measure R Guidelines, “To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1st of each year. Form One provides a listing of projects funded with Measure R LR funds along with estimated expenditures for the year. For both operation and capital projects, Part I is to be filled out. For capital projects (projects over \$250,000), Part II is required. Pursuant to AB 2321, LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following:</p> <ol style="list-style-type: none"> 1. The estimated total cost for each project and/or program activity. 2. Funds other than Measure R that will be expended on the projects and/or program activity. 3. The active finding schedule for each project and/or program activity; and 4. The expected completion dates for each project and/or program activity.”
Condition	<p>Upon testing the expenditures for Measure R projects, we noted that two (2) projects were not included on the City’s Form One and therefore were not approved by Metro.</p>
Cause	<p>The City expended Measure R funding on two projects that were not budgeted for and approved by Metro and therefore were not in the City’s Form One.</p>
Effect	<p>Two projects funded by Measure R did not comply with the Measure R Guidelines.</p>
Recommendation	<p>We recommend for the City to only expend Measure R funding for projects approved by Metro. The City should implement policies to ensure that the City’s Form One are properly prepared and reviewed.</p>
Management’s Response	<p>This was due to a management’s oversight. Going forward, we will ensure that projects are properly included on the Form One and approved by the Metro.</p>

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 19	City of Commerce
Compliance Reference	According to Measure R Local Return Guidelines, "It is the Jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit prescribed in these guidelines.
Condition	<p>Upon testing the payroll expenditures charged to MRLRF, we found that the payroll charges were based from estimated percentage of actual salaries, determined by the City to be attributable to the funds. However, for some payroll charges, the percentages utilized cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on administering approved MRLRF projects.</p> <p>However, based from employees' job titles, it is reasonable to assume that such employees worked on the local return funds for the amount of time estimated.</p>
Cause	The City uses its best estimate of percentage of its project employees' salaries to determine its project payroll charges to MRLRF.
Effect	Lack of supporting documentation (activity report, functional timesheets, and/or time study) to substantiate the charges for project expenditures could result in disallowed cost claimed to MRLRF.
Recommendation	We recommend that the City implement a timekeeping system to ensure salaries and related fringe benefits be supported by adequate documentations.
Management's Response	The City will implement record keeping procedures that will provide adequate documentation to support the salary and benefit charges.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
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(Continued)**

Finding 20	City of Lawndale
Compliance Reference	According to Measure R Local Return Guidelines, Section II, “ <i>Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment and other overhead costs.</i> ” Also, according to Measure R Local Return Guidelines, Section B (II.1), “LACMTA will provide Local Return funds to a capital project or program sponsor who submits the required expenditure plan containing the following: (1) The estimated total cost for each project and/or program activity.”
Condition	During our review of the payroll expenditures charge to Measure R for fiscal year 2012-13, we noted that the administrative positions were included in the various project codes rather than the Direct Administrative project code 08 for Measure R. Also, the City did not create a separate line item on the Form One (Expenditure Plan) for transportation administration expenditures for Measure R.
Cause	The City was not aware that there was a separate line to input administration costs on the Expenditure Plan (Form One).
Effect	Incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.
Recommendation	We recommend that the City establish procedures so Form One is properly prepared with the correct project codes for administrative projects to ensure that the City’s administrative expense for Measure R Local Return Funds will be in compliance with LACMTA’s approval guidelines.
Management’s Response	The City of Lawndale has submitted a revised Expenditure Plan (Form One) for fiscal year 2012-13, both budget and actual to LACMTA separating the administration cost from planning and engineering cost subsequent to the MTA audit. The City will ensure that future Expenditure Plans (Form One) will reflect the correct project codes.

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(Continued)**

Finding 21	City of El Monte
Compliance Reference	According to Measure R Local Return Guidelines, Section A.II. 8, “The administrative expenditures for any year shall not exceed twenty percent (20%) of the total local return annual expenditures.”
Condition	The City’s administrative expenditures exceeded more than twenty percent of its total Measure R local return annual expenditures in the amount of \$21,903. The amount of \$21,903 represents the excess over 20% of the Measure R’s total local return annual expenditures.
Cause	Due to the vacant Public Works Director position, planned CIP projects were not executed in a timely manner.
Effect	The City’s MRLRF administrative expenditures exceeded 20 percent of its local return annual expenditures and the City did not comply with the Guidelines. Amount exceeded 20 percent cap resulted in questioned costs of \$21,903.
Recommendation	In Accordance with the Guidelines, we recommend that the City reimburse its Measure R Local Return account \$21,903. In addition, we recommend that the City establish procedures to ensure that expenditures are reported in the correct fiscal year and administrative expenditures are within the 20% cap of the MRLRF’s total annual expenditures.
Management’s Response	The City management has committed to a mid-year budget review process which should lessen the impact and/or rectify this issue.

**LACMTA Consolidated Audit
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013
(Continued)**

Finding 22	City of Hawthorne
Compliance Reference	According to Measure R Local Return Guidelines, Section II, "Direct administration includes those fully burdened costs that are directly associated with administering LR program or projects, and includes salaries and benefits, office supplies and equipment, and other overhead costs."
Condition	During our review of the payroll expenditures charged to Measure R for fiscal year 2012-13, we noted that the administrative position was included in one of the project codes rather than the Direct Administrative project code 08 for Measure R.
Cause	The costs for administrative positions were incorrectly charged through the city payroll system.
Effect	Incorrectly reporting the project and administrative expenditures could result in over-or-under reported approved project costs.
Recommendation	We recommend that the City establish procedures so that the Form One (Budget and Actual) is properly prepared with the correct project codes for administrative projects to ensure that the City's administrative expenses for Measure R Local Return Funds will be in compliance with LACMTA's approval and Guidelines.
Management's Response	The City of Hawthorne will review all administrative positions to guarantee that they are coded correctly for existing and future projects.

**LACMTA Consolidated Audit
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(Continued)**

Finding 23	City of Compton
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form a Form Two, to LACMTA annually, by October 15 (following the conclusion of the fiscal year.)"
Condition	The City did not meet the October 15, 2012 deadline for submission of Form Two. However, the City submitted the Form Two of LACMTA on November 15, 2012.
Cause	The untimely submission of the required form was due to the staff turnover.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (Expenditure Report) is properly prepared and submitted prior to the October 15 th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City Controller's Office has implemented cross-training procedures to prevent this issue from occurring.

**LACMTA Consolidated Audit
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Year Ended June 30, 2013
(Continued)**

Finding 24	City of El Monte
Compliance Reference	According to Measure R Guidelines, Section B (II.2), "Jurisdictions shall submit a Form Two, to LACMTA annually, by October 15 th (following the conclusion of the fiscal year.)"
Condition	The City did not meet the October 15, 2012 deadline for submission of Form Two. The City submitted the Form Two to LACMTA on November 19, 2012.
Cause	The late submission was due to miscommunication between Public Works/Engineering and Finance staff employees.
Effect	The City's Form Two was not submitted timely.
Recommendation	We recommend that the City establish procedures to ensure that the Form Two (expenditure Report) is properly prepared and submitted prior to the October 15 th deadline and that the City retain a confirmation of receipt by LACMTA to comply with the Guidelines.
Management's Response	The City has established procedures that assigning the Finance department will be responsible for submitting Form II and Public Works/Engineering department will be responsible for submitting Form I.

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

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

Report on Compliance

We have audited the compliance of the Cities identified in Schedule 1, with the types of compliance requirements described in the Measure R Ordinance enacted through a Los Angeles County (the County) voter approved law in November 2008; Measure R Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors on October 22, 2009 (the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Measure R Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2013 (collectively the Requirements). Compliance with the above noted Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express opinions on the Cities' compliance with the Requirements referred to above based on our audits. We conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guidelines. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of Requirements referred to above that could have a direct and material effect on the Measure R Local Return program occurred. An audit includes examining, on a test basis, evidence about each City's compliance with those Requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion

In our opinion, the Cities complied, in all material respects, with the Requirements referred to above that could have a direct and material effect on the Measure R Local Return program for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and which are described in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2 as Findings Number 1 through 12. Our opinion is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

The management of each City is responsible for establishing and maintaining effective internal control over compliance with the Requirements referred to above. In planning and performing our audits of compliance, we considered each City's internal control over compliance with the Requirements that could have a direct and material effect on the Measure R Local Return program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Requirements, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of each City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance under the Requirements on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance under the Requirements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the 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 we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule 2 – Schedule of Findings and Questioned Costs as Findings Number 1 through 12 that we consider to be significant deficiencies.

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. Accordingly, this report is not suitable for any other purpose.



Los Angeles, California
December 27, 2013

Summary of Compliance Findings

The audits of the 49 cities have resulted in 12 findings. The table below shows a summary of the findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs	Resolved During the Audit
Revenues received, including allocations and interest income, were not properly recorded in Measure R Local Return Fund account.	1	Sierra Madre (# 10)	\$ 1,996	\$ 0
No adequate evidence that funds were expended for transportation purposes	1	Duarte (# 3)	20,000	0
Funds were expended without LACMTA's approval.	7	Diamond Bar (# 2), Hawaiian Gardens (# 5), Hermosa Beach (# 6), Lancaster (# 8), Palmdale (# 9), Signal Hill (# 11), Whittier (# 12)	2,453,540	2,306,175
Form One (Expenditure Plan) was not submitted timely.	3	Artesia (# 1), El Segundo (# 4), La Verne (# 7)	0	0
Total Findings and Questioned Costs	12		\$ 2,475,536	\$2,306,175

Details of the findings can be found in Schedule 2.

**Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013**

Compliance Area Tested	Alhambra	Arcadia	Artesia
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Finding 1
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Covina	Diamond Bar	Downey
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Finding 2	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Compliant

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Duarte	El Segundo	Glendale
Funds were expended for transportation purposes.	Finding 3	Compliant	Not applicable
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Not applicable
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Not applicable
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Not applicable
Timely submission of Expenditure Plan (Form One)	Compliant	Finding 4	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Not applicable
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Not applicable
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Glendora	Hawaiian Gardens	Hermosa Beach
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Finding 5	Finding 6
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Not applicable	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	La Verne	Lakewood	Lancaster
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Compliant	Finding 8
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Finding 7	Compliant	Not applicable
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Palos Verdes		
	Palmdale	Estates	Paramount
Funds were expended for transportation purposes.	Compliant	Compliant	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 9	Compliant	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Compliant	Compliant
Timely submission of Expenditure Report (Form Two)	Compliant	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Sierra Madre	Signal Hill	South Pasadena
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.	Not applicable	Compliant	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant	Compliant	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant	Compliant	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Finding 10	Compliant	Compliant
Verification that funds were expended with LACMTA's approval.	Compliant	Finding 11	Compliant
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Not applicable	Compliant	Compliant
Timely submission of Expenditure Plan (Form One)	Compliant	Not applicable	Compliant
Timely submission of Expenditure Report (Form Two)	Not applicable	Compliant	Compliant
Timely use of funds	Compliant	Compliant	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Not applicable	Compliant	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable	Not applicable	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable	Not applicable	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Compliant	Not applicable	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable	Not applicable	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable	Not applicable	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable	Not applicable	Not applicable

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

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

Los Angeles County Metropolitan Transit Authority
Summary of Measure R Audit Results
Fiscal Year Ended June 30, 2013
(Continued)

Compliance Area Tested	Whittier
Funds were expended for transportation purposes.	Compliant
Funds were used to augment, not supplant, existing local revenues being used for transportation purposes.	Compliant
Evidence of signed and returned assurances and understanding agreement.	Compliant
Accounts and records have established a separate operating Measure R Local Transportation Assistance Account for LR Purposes.	Compliant
Verification of revenues received, including allocations, project generated revenues, interest income properly recorded.	Compliant
Verification that funds were expended with LACMTA's approval.	Finding 12
Verification that funds were not substituted for property tax and is compliant with assurances and understanding.	Compliant
Timely submission of Expenditure Plan (Form One)	Not applicable
Timely submission of Expenditure Report (Form Two)	Compliant
Timely use of funds	Compliant
Administrative expenditure did not exceed 20% of the total annual LR expenditures.	Compliant
Approval obtained from LACMTA for fund exchange (trades, loans, or gifts).	Not applicable
Verification that funds expended and reimbursed by another fund, were properly credited to the LR account upon reimbursement.	Not applicable
Verification that funds exchanged with another jurisdiction were properly recorded by that jurisdiction.	Not applicable
Establishment of, and approval by LACMTA for, a reserve fund.	Not applicable
For capital reserve fund, verification that a separate account has been established, and the current status is reported in the expenditure plan.	Not applicable
Where recreational Transit Services, Recreational Transit Form submitted timely.	Not applicable

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 1	City of Artesia
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One (Expenditure Plan) on August 7, 2012, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	The City will continue to calendar the due date and provide for two persons to remember in advance of the due date in order to prevent any oversight.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 2	City of Diamond Bar
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for Diamond Bar Blvd. at Clear Creek Canyon project totaling \$1,200 with no prior approval from LACMTA. Expenditures were incurred in September 2012 but the approval was obtained in March 2013. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$1,200 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to obtain approval from LACMTA prior to implementing any Measure R-funded project.</p>
Management Response	<p>The City of Diamond Bar spent \$1,200 on expenditures related to the Median Modification Project at Diamond Bar Blvd and Clear Creek Canyon without prior authorization by LACMTA. Subsequent to the fiscal year end, the City of Diamond Bar was granted a waiver by LACMTA for these amounts. In the future, the City will obtain prior approval before implementing any Measure R funded projects.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on March 7, 2013. No additional follow up is required.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 3	Duarte
Compliance Reference	Section VI of the Measure R Guideline provides that Jurisdictions are required to expend their Measure R Local Return funds for transportation purposes as defined by the Guidelines. LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan [Section B(II)(1)].
Condition	The salaries and benefits totaling \$20,000 for Project 8.10, Transportation Administration was based on the budget for the project. The City indicated that the budget reflects a reasonable allocation of administrative salaries and benefits attributable to the LACMTA project. However, the amount charged cannot be supported by timesheets or similar time and effort documentation to demonstrate that the salaries charged were expended on approved Local Return projects.
Cause	The City is unaware that its current practice of allocating labor costs to projects is not adequate to support salaries claimed.
Effect	The salaries and benefits claimed of \$20,000 under a Measure R funded project may include expenditures which may not be an allowable Measure R expenditure.
Recommendation	We recommend that the City revise its current labor reporting procedures to ensure that labor costs charged to LACMTA projects are adequately supported by timesheets or similar documentation.
Management Response	<p>The City of Duarte has instituted a project to accumulate the cost charged to the General Fund in support of the Duarte Transit.</p> <p>For FY14, the City is considering creating a project number, where based on the position, one could charge directly to the project for <i>specific</i> hours worked on transit activities and/or in the case of management staff, allocate a portion of their costs based on their activities that support transit. For those individuals who support transit on a percentage basis, questionnaires will be completed semi-annually to determine the accurate level of support (as well as other areas). These questionnaires will be maintained in our payroll department. The percentages will be adjusted as needed.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 4	City of El Segundo
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One (Expenditure Plan) on December 28, 2012 which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	Due to shortage of staff in 2012 the City was not able to compile the Form on time. The City has filled the position in 2013 so this will be resolved.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 5	City of Hawaiian Gardens
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the Annual Pavement Rehabilitation project totaling \$147,365 with no prior approval from LACMTA. We were informed that the Director of Finance who was responsible in securing the project approval by submitting a Form One left the City in November 2013 and transmittal documents were not maintained in the file. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$147,365 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>A copy of the completed form was found in the file and on that basis the City believes the form was filed. Unfortunately, the City does not have evidence that the form was actually received by the LACMTA in the form of an email acknowledging receipt and we cannot account for any emails which may have been deleted in the ensuing period. The City does not need to establish a new procedure as all emails are currently being kept. The form for FY 2013-2014 was submitted on a timely basis and evidence of receipt was maintained by the City.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 6	City of Hermosa Beach
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Protective Bollards at Pier Plaza totaling \$23,225 b. Hermosa View School ST2S Project totaling \$28,042 <p>Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>These projects were previously approved in FY2012. However, the City was not aware that these projects should be carried over in the new Form One submitted for FY 2013.</p>
Effect	<p>The City claimed expenditures totaling \$51,267 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>City staff shall ensure project approval have been granted by LACMTA prior to commencing any Measure R-funded projects.</p>

Los Angeles County Metropolitan Transit Authority
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Fiscal Year Ended June 30, 2013
(Continued)

Finding 7	City of La Verne
Compliance Reference	Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year...."
Condition	The City submitted its Form One (Expenditure Plan) on March 19, 2013, which is beyond the due date set under the Guidelines.
Cause	The City lacks adequate procedures to ensure that Form One is filed on time.
Effect	Form One (Expenditure Plan) was not submitted timely as required by the Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that Form One (Expenditure Plan) is submitted by August 1 as required by the Guidelines.
Management Response	In the past, we have relied on annuals email prompts from staff at the Metropolitan Transportation Authority (Metro). Metro staff would typically send an email out to local agencies noting when the forms were due. Whether or not this remains the case, La Verne staff will begin to calendar these reporting dates each July 1 and September 1 in an effort to prompt La Verne staff to prepare and submit each report.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 8	City of Lancaster
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	The City claimed expenditures for 18 capital projects under the Measure R local return fund totaling \$1,251,363 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the projects had no prior approval from LACMTA.
Cause	The person responsible for submission of the Form One (Expenditure Plan) to LACMTA has a Form One signed and dated 7/21/2012 on file. However, it is unknown why it was not sent to the LACMTA Program Manager for approval of the projects.
Effect	The City claimed expenditures totaling \$1,251,022 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines. The Program Manager's records did not show that a Form One was submitted on the due date.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.
Management Response	The City is of the opinion that the Form One was submitted by email on July 27, 2012. We are unable to provide backup documentation as the city email retention policy is 120 days. In the future, the City will maintain email documentation to MTA as proof of submission, as well as email confirmation of receipt by MTA. The City obtained subsequent approval from MTA for these expenditures.
Finding Corrected During the Audit	LACMTA Program Manager granted retroactive approval of the said projects on October 14, 2013. No additional follow up is required.

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 9	City of Palmdale
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Project T0023, Ave R & 55th St. East Traffic Control totaling \$800 b. Project P0009, Sam Yellen Street Improvements totaling \$600,000 <p>Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City was not aware that a new Form One needs to be submitted for each new project prior to implementation.</p>
Effect	<p>The City claimed expenditures totaling \$600,800 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>This usually does not happen. However, the City has put in place regular monitoring of all grant projects through bi-monthly meetings with project managers to get updated on current expenditures, and to better track the status of projects. General ledger reports will be generated on a monthly basis and staff will notify MTA of any changes in the budget and expenditures. All projects will be approved by MTA in a timely manner.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on November 7, 2013. No additional follow up is required.</p>

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Schedule of Findings and Questioned Costs
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(Continued)

Finding 10	City of Sierra Madre
Compliance Reference	Section B(VI) of the Measure R Local Return Program Guidelines states that "...LACMTA will allow Jurisdiction's [sic] to pool Measure R LR funds in order to obtain maximum return on investments. Such investment earnings must be reported and expended consistent with these guidelines...."
Condition	The City allocated interest earned to the Measure R Local Return Account. However, the amount allocated was net of bank analysis fees and bank merchant fees. MRLRF has no expenditures in FY 2013 and the City was unable to provide evidence that those bank fees are allocable to the Measure R Local Return Fund or its projects.
Cause	The City has its policy to net out various bank fees against interest income.
Effect	The MRLRF shows \$0 interest income in FY 2013 although the average cash balance was \$650,000. We estimate the interest due to the MRLRF to be \$1,996, based on average annual yield of 0.307% published in the California State Treasurer website.
Recommendation	We recommend that the City review its current interest allocation policy to make sure that it is reasonable and does not include expenditures that are not allocable to the Measure R Local Return Account.
Management Response	The City of Sierra Madre adopted an Interest Allocation Policy in 2010. Per section 4(b) of the adopted Investment Policy, interest allocation is net of bank fees. This policy has been approved by the City Council and in place for almost five years. The policy has been applied equally to all funds year over year. As a percentage of actual cash for June 30, 2013, Prop C funds were less than 1% of the City's total cash and Measure R was less than 4% of the total cash as compared to the major funds of the City: General Fund, 33% of total cash; Water Fund, 11% of total cash; Sewer Fund, 9% of total cash; and the Internal Services funds, 25% of total cash. No funds received interest earnings in 2013, because of the high bank fees.

**Los Angeles County Metropolitan Transit Authority
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2013
 (Continued)**

Finding 10 (Continued)	City of Sierra Madre
<p>Management Response (Continued)</p>	<p>First, the auditor did not acknowledge the costs of managing the funds held by the City. Additionally, bank fees have continued to increase despite the extremely low earnings in the market. To mitigate the bank fees, the City has been consciously balancing the funds between the City’s operating bank accounts where daily cash balances help lower the transaction fees and the balances in the City’s pooled investment fee where a very small interest earning is offered by LAIF.</p> <p>Secondly, the auditor’s findings suggest bank fees and interest can be directly linked to one fund or another. The City’s funds are operated under a pooled cash basis for both operational banking purposes and for investment purposes. The notion that the Prop C and Measure R should get their fair share of interest but not be responsible for the associated fees is contrary to the matching principle of GAAP. The fees are applied in total and the City neither finds it reasonable or practical to attempt to dissect the individual fees as they apply to each and every fund operated by the City. This would cause an unnecessary burden on staff and gain very little for Measure R and Prop C funds as they would still remain in the City’s pooled bank and investment funds and be subject to a very small allocation of interest as compared to all other major funds.</p> <p>The City would have liked to have reported a financial gain in interest this year, but the market is not in our favor. Until either the cash balances rebound for the City or LAIF experiences higher interest earnings, this will continue to be the trend in Sierra Madre.</p> <p>If LACMTA requires us in writing, we will adopt the audit recommendation to future periods, and not retrospectively as this has been the approved method for five consecutive years.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 11	City of Signal Hill
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for a project named: ADA Improvements and Traffic Signal Upgrades (Walnut/Willow) totaling \$94,500 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Measure R funding, the said project had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$94,500 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to obtain approval from LACMTA prior to implementing any Measure R-funded project.</p>
Management Response	<p>Management has taken corrective action by establishing a procedure by which the expenditure plan is submitted before the August 1 deadline. This will prevent this finding from happening in the future.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted a retroactive approval of the said project on August 7, 2013. No additional follow up is required.</p>

Los Angeles County Metropolitan Transit Authority
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2013
(Continued)

Finding 12	City of Whittier
Compliance Reference	<p>Section B(II)(1) of the Measure R Local Return Program Guidelines states that "...LACMTA will provide LR funds to a capital project or program sponsor who submits the required expenditure plan containing the following: 1. The estimated total cost for each project and/or program activity"</p> <p>To maintain legal eligibility and meet Measure R LR program compliance requirements, Jurisdictions shall submit to LACMTA an Expenditure Plan (Form One), annually, by August 1 of each year.</p>
Condition	<p>The City claimed expenditures for the following projects with no prior approval from LACMTA:</p> <ul style="list-style-type: none"> a. Carretera Drive from Colima Road to La Serna Drive Asphalt Overlay project totaling \$68,491 b. Villaverde Drive from Youngwood Drive to Mar Vista St. Asphalt Overlay project totaling \$238,479 c. Community Center Walkway Repair project totaling \$75 <p>Although we found the expenditures to be eligible for Measure R funding, these projects had no prior approval from LACMTA.</p>
Cause	<p>The City lacks adequate procedures to ensure that Form One is submitted to obtain approval prior to implementation of a Measure R-funded project.</p>
Effect	<p>The City claimed expenditures totaling \$307,045 without prior approval from LACMTA, and therefore, the City did not comply with the Guidelines.</p>
Recommendation	<p>We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to implementing any Measure R-funded projects.</p>
Management Response	<p>City submitted the form to LACMTA on May 8, 2012, however the City will monitor to ensure approvals are received in advance through written documentation in the future.</p>
Finding Corrected During the Audit	<p>LACMTA Program Manager granted retroactive approval of the said projects on December 27, 2013. No additional follow up is required.</p>

