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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
WITH THE REQUIREMENTS APPLICABLE TO
PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds Consolidated Audit Report
Fiscal Year Ended June 30, 2017**

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH THE REQUIREMENTS
APPLICABLE TO PROPOSITION A AND PROPOSITION C ORDINANCES AND
PROPOSITION A AND PROPOSITION C LOCAL RETURN GUIDELINES**

**To: Board of Directors of the Los Angeles County Metropolitan Transportation Authority
and Proposition A and Proposition C Oversight Committee**

Report on Compliance

We have audited the compliance of the thirty-nine (39) Cities identified in Schedule 1, with the types of compliance requirements described in the Proposition A and Proposition C Ordinances enacted through a Los Angeles County voter-approved law in November 1980 and November 1990, respectively; Proposition A and Proposition C Local Return Guidelines, issued by the Los Angeles County Metropolitan Transportation Authority (LACMTA), approved by its Board of Directors in FY 2006-07 (collectively, the Guidelines); and the respective Assurances and Understandings Regarding Receipt and Use of Proposition A and Proposition C Local Return Funds, executed by LACMTA and the respective Cities for the year ended June 30, 2017 (collectively, the Requirements). Compliance with the above noted Guidelines and Requirements by the Cities are identified in the accompanying Summary of Compliance Findings, Schedule 1 and Schedule 2.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express opinions on each City's compliance with the Guidelines and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs occurred. An audit includes examining, on a test basis, evidence about each City's compliance with the Guidelines and the 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 with the Guidelines and the Requirements.



Opinions

In our opinion, except for the City of Compton, as described in Schedule 2, the Cities complied, in all material respects, with the Guidelines and the Requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Local Return programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Guidelines and the Requirements and which are described in the accompanying Summary of Audit Results (Schedule 1) and Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2017-001 through #2017-025. Our opinion is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2017-008, #2017-009, #2017-010 and #2017-011, to be material weaknesses.



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. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2) as Findings #2017-006 and #2017-020, to be significant deficiencies.

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

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

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

Los Angeles, California

December 27, 2017, except for the results of the audit of the City of Lynwood, as to which the date is March 8, 2018

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Compliance Findings
Fiscal Year ended June 30, 2017**

The audits of the 39 cities identified in Schedule 1 have resulted in 25 findings. The table below summarized those findings:

Finding	# of Findings	Responsible Cities/ Finding No. Reference	Questioned Costs		Resolved During the Audit
			PALRF	PCLRF	
Timely use of funds	1	Hidden Hills (Finding #2017-017)	\$ N/A	\$ 38,714	\$ 38,714
Funds were expended without LACMTA's approval.	6	Baldwin Park (Finding #2017-002)	57,524	100,967	158,491
		Bell Gardens (Finding #2017-006)	N/A	27,063	27,063
		Calabasas (Finding #2017-007)	974	793	1,767
		Gardena (Finding #2017-015)	N/A	4,416	4,416
		Lynwood (Finding #2017-020)	N/A	176,988	176,988
		Pomona (Finding #2017-022)	655,532	N/A	655,532
Total annual expenditures exceeded more than 25% of the approved budget.	5	Bell (Finding #2017-004)	-	N/A	-
		Compton (Finding #2017-008)	N/A	-	-
		Culver City (Finding #2017-013)	N/A	-	-
		Hawthorne (Finding #2017-016)	N/A	-	-
		Huntington Park (Finding #2017-018)	-	N/A	-
Annual Project Summary Report (Form B) was not submitted on time.	5	Agoura (Finding #2017-001)	-	-	-
		Baldwin Park (Finding #2017-003)	-	-	-
		Culver City (Finding #2017-014)	-	-	-
		South El Monte (Finding #2017-024)	-	-	-
		Vernon (Finding #2017-025)	-	-	-
Accounting procedures, record keeping and documentation are adequate.	6	Compton (Finding #2017-009)	N/A	-	-
		Compton (Finding #2017-010)	-	-	-
		Compton (Finding #2017-011)	-	-	-
		Cudahy (Finding #2017-012)	8,945	8,945	-
		Monterey Park (Finding #2017-021)	-	-	-
		San Fernando (Finding #2017-023)	-	N/A	-
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	1	City of La Puente (Finding #2017-019)	-	-	-
Recreational Transit form was not submitted on time.	1	Bell (Finding #2017-005)	-	-	-
Total Findings and Questioned Costs	25		\$ 722,975	\$ 357,886	\$ 1,062,971

N/A – No finding.

Details of the findings are in Schedule 2.

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017**

Compliance Area Tested	Agoura Hills	Azusa	Baldwin Park
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	See Finding #2017-002
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	See Finding #2017-001	Compliant	See Finding #2017-003
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	Bell	Bell Gardens	Beverly Hills
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	See Finding #2017-006	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	See Finding #2017-004	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	See Finding #2017-005	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	Calabasas	Carson	Commerce
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	See Finding #2017-007	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	Compton	Cudahy	Culver City
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	See Finding #2017-008	Compliant	See Finding #2017-013
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Not Applicable	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	See Finding #2017-014
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Findings #2017-009, #2017-010 and #2017-011	See Finding #2017-012	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	El Monte	Gardena	Hawthorne
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	See Finding #2017-015	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	See Finding #2017-016
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Not Applicable

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)

Compliance Area Tested	Hidden Hills	Huntington Park	Industry
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	See Finding #2017-017	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	See Finding #2017-018	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Compliant	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
 Proposition A and Proposition C Local Return Funds
 Summary of Audit Results
 Fiscal Year ended June 30, 2017
 (Continued)**

Compliance Area Tested	Inglewood	Irwindale	La Puente
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Not Applicable	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	See Finding #2017-019
Local Return Account is credited for reimbursable expenditures.	Compliant	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	Lawndale	Lynwood	Malibu
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	See Finding #2017-020	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	Proposition A and Proposition C Local Return Funds	Maywood	Montebello	Monterey Park
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant	See Finding #2017-021
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Not Applicable	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested	Pico Rivera	Pomona	Rosemead
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	See Finding #2017-022	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Compliant	Compliant
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Not Applicable	Compliant	Compliant

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested Proposition A and Proposition C Local Return Funds	San Fernando	Santa Fe Springs	Santa Monica
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	See Finding #2017-023	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Not Applicable	Compliant
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Compliant	Compliant

Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)

Compliance Area Tested	South El Monte	South Gate	Vernon
Proposition A and Proposition C Local Return Funds			
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Compliant
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	See Finding #2017-024	Compliant	See Finding #2017-025
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Compliant	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Not Applicable	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
Proposition A and Proposition C Local Return Funds
Summary of Audit Results
Fiscal Year ended June 30, 2017
(Continued)**

Compliance Area Tested Proposition A and Proposition C Local Return Funds	Walnut	West Hollywood	Westlake Village
Uses the State Controller's Uniform System of Accounts and Records.	Compliant	Compliant	Compliant
Timely use of funds.	Compliant	Compliant	Compliant
Funds expended were approved and have not been substituted for property tax.	Compliant	Compliant	Compliant
Expenditures that exceeded 25% of approved project budget have approved amended Project Description Form (Form A).	Compliant	Compliant	Compliant
Administrative expenses are within the 20% cap of the total annual Local Return Expenditures.	Compliant	Compliant	Not Applicable
All on-going and carryover projects were reported in Form B.	Compliant	Compliant	Compliant
Annual Project Summary Report (Form B) was submitted on time.	Compliant	Compliant	Compliant
Annual Expenditure Report (Form C) was submitted on time.	Compliant	Compliant	Compliant
Cash or cash equivalents are maintained.	Compliant	Compliant	Compliant
Accounting procedures, record keeping and documentation are adequate.	Compliant	Compliant	Compliant
Pavement Management System (PMS) in place and being used for Street Maintenance or Improvement Projects Expenditures.	Compliant	Compliant	Not Applicable
Local Return Account is credited for reimbursable expenditures.	Not Applicable	Not Applicable	Not Applicable
Self-Certification was completed and submitted for Intelligent Transportation Systems projects or elements.	Not Applicable	Not Applicable	Not Applicable
Assurances and Understandings form was on file.	Compliant	Compliant	Compliant
Recreational Transit Form was submitted on time.	Compliant	Compliant	Not Applicable

**Los Angeles County Metropolitan Transportation Authority
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Finding #2017-001: PALRF and PCLRF	City of Agoura Hills
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Form B on August 4, 2016, 3 days after the due date of August 1.
Cause	This was an administrative oversight, as the form had been completed in July, but was inadvertently not sent to LACMTA.
Effect	The City missed its deadline of August 1 for the submission of Form B.
Recommendation	We recommend that the City consider establishment of controls to ensure that all reporting deadlines are met.
Management's Response	Current practices, a tickler reminder in MS Outlook continue to be used. Management will also request a second reminder from second management level staff to ensure timely submittals.

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(Continued)**

Finding #2017-002: PALRF and PCLRF	City of Baldwin Park
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> a. PALRF Project code 200-01, Transit Buses, totaling to \$57,524; and b. PCLRF Project code 450-02, Corak Ave Storm Drain Project, totaling \$100,967. <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p> <p>LACMTA Program Manager subsequently granted a retroactive approval of the said projects on October 20, 2017 and July 5, 2017, respectively.</p>
Cause	<ul style="list-style-type: none"> a. The City began spending LACMTA funds based on project guidelines while Form B was finalized. The City obtained approval from LACMTA to purchase the buses. The City submitted additional funding (Prop A) request during the fiscal year from LACMTA that was needed to cover the 5% MOU contribution in the amount of \$57,524. b. Prop C funding was approved for the Corak Ave Storm Drain Project but additional funds were required to cover unforeseen underground construction expenditures in the amount of \$100,967.
Effect	Proposition A funds of \$57,524 and Proposition C funds of \$100,967 were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.

**Los Angeles County Metropolitan Transportation Authority
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 (Continued)**

Finding #2017-002: PALRF and PCLRF (Continued)	City of Baldwin Park
Management's Response	The City will ensure that prior approval from LACMTA will be obtained in the future.
Finding Corrected During the Audit	The City subsequently submitted amended Form As and obtained LACMTA's approval for the increase in the project budgets.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

Finding #2017-003: PALRF and PCLRF	City of Baldwin Park
Compliance Reference	Section I(C) of the Proposition A and C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".
Condition	The City submitted its Annual Project Update (Form B) on August 18, 2016, 17 days beyond the due date set under the Guidelines.
Cause	The CIP budget was not approved by the Governing Board by August 1, 2016.
Effect	The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	The City will ensure that the deadlines will be followed.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

Finding #2017-004: PALRF	City of Bell
Compliance Reference	Section I(C) of the Proposition A and Proposition C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PALRF's project code 480-01, Administration. Amount in excess of 25% of the approved budget was \$28,669. Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).
Cause	The City concurs with the finding that an amended Project Form A should have been submitted for approval for the projects that would exceed 25% of the approved budget. The finding was caused by an oversight by City staff.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	The City will submit a revised Form A in a timely manner for project code 480-01, Administration expenses.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval on the amended budget for this project on December 11, 2017.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

Finding #2017-005: PALRF and PCLRF	City of Bell
Compliance Reference	Under Section III (A) of the Proposition A and Proposition C Local Return Guidelines, for Jurisdictions with Recreational Transit projects, Jurisdictions are required to annually submit an accounting of Recreational Transit trips, destinations and costs. This information should be submitted along with the Form C, no later than October 15 after the fiscal year.
Condition	The Recreational Transit report was submitted on November 29, 2017, 44 days beyond the due date of October 15, 2017.
Cause	The key employees responsible for the LACMTA funds terminated their employment with the City of Bell. These key employees are the Accounting Manager (July 2017), the lead construction engineer (June 2017) and the Commercial Services Department Administrative Specialist before the audit was completed.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures and controls to ensure that the Annual Recreational Transit Report is submitted by October 15 as required by the Guidelines.
Management's Response	The City will develop a matrix of due dates for all LACMTA forms and reports. The matrix will assign responsible personnel to all tasks. In the future, when the responsible individual terminates employment or changes position within the City the matrix will be updated and the duties reassigned.

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(Continued)**

Finding #2017-006: PCLRF	City of Bell Gardens
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following PCLRF projects with no prior approval from LACMTA.</p> <p>a) Project code 270-01, Garfield and Clara Safety Improvements, totaling \$20,580; and b) Project code 400-01, Florence Ave Bridge, totaling \$6,483.</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p> <p>This is a repeat finding from prior year audit.</p> <p>LACMTA Program Manager granted a retroactive approval of the said projects on November 22, 2017.</p>
Cause	The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.
Effect	Proposition C funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.

Los Angeles County Metropolitan Transportation Authority
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(Continued)

Finding #2017-006: PCLRF (Continued)	City of Bell Gardens
Management's Response	The City concurs with the finding. The City will establish procedures and controls to ensure that Form A is properly submitted for approval prior to expending funds toward the projects.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the increase in project budget on November 22, 2017. No follow up is required.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

Finding #2017-007: PALRF and PCLRF	City of Calabasas
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following projects with no prior approval from LACMTA.</p> <p>a. PALRF: Project code 150-01, Bus Stop Maintenance, totaling \$974; and</p> <p>b. PCLRF: Project code 150-01, Bus Stop Maintenance, totaling \$793</p> <p>Although we found the expenditures to be eligible for Local Return funding, these projects had no prior approval from LACMTA.</p>
Cause	There was an emergency need to repair and maintain bus stops in a constraint time frame.
Effect	Proposition A and Proposition C LR funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	Management will establish controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said projects on September 13, 2017.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year ended June 30, 2017
(Continued)**

Finding #2017-008: PCLRF	City of Compton
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for PCLRF's Project code 450-51, Wilmington Ave Safe Street Pedestrian/Bicycle Improvement. Amount in excess of 25% of the approved budget was \$860,152.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p>
Cause	The City concurs with the finding that an amended Project Form A should have been submitted for approval for the projects that would exceed 25% of the approved budget. The finding was caused by an oversight by City staff.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City to submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement controls to ensure compliance with this requirement at all times.
Management's Response	As of the date of this report, the City management has not provided a response to this finding.
Finding Corrected During the Audit	The City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

Finding #2017-009: PCLRF	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines indicates that all projects must have Project Codes. This code is critical in Form submittal as it is used in the LR database system. Section II (A)(1) of the Proposition A and Proposition C Local Return Guidelines specifically identified Project 480 for Administration costs.
Condition	Salaries of administrative personnel were reported under Project code 450-51, Wilmington Ave Safe Street Pedestrian/Bicycle Improvement, totaling to \$75,238 instead of Project code 480 for administration costs.
Cause	There was a breakdown in internal controls over compliance to ensure that all administration costs related to the implementation of Proposition C projects are reported in the proper project code categories as stated in the Guidelines.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to revise the Project code used for the administration costs to align with the Local Return Guidelines.
Management's Response	The City will reclassify the administrative expenditures from project code 450-51 to project code 480 to comply with the approved budget. The project manager is beginning to check time sheets to ensure that admin expenses are coded to the appropriate project.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year ended June 30, 2017
(Continued)**

Finding #2017-010: PALRF and PCLRF	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>We noted during our audit that the City had not prepared its monthly bank reconciliation statements since the beginning of the fiscal year. The reconciliation of bank account balances with accounting records is a necessary element of an effective internal control system for cash. This process should be a routine procedure in the City's accounting process.</p> <p>Internal control is key to ensuring that account balances are accurate so that financial positions of the municipality is accurate and the City's governing body can make informed decisions. The timely preparation of the monthly bank reconciliation statements enables management to detect and resolve any discrepancies and problems in the account balances within a reasonable period of time.</p>
Cause	We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2017.
Effect	As such, preparation of the monthly bank reconciliation statements was delayed as account balances are not properly adjusted. Delay in the preparation and review of the bank reconciliation statements can lead to the risk that discrepancies will not be detected or resolved in a timely manner, and also can lead to a higher risk of misappropriation.
Recommendation	Bank and cash reconciliations should be performed monthly to ensure accuracy and accountability for all cash transactions. The City should review its internal control procedures to determine what changes need to be made to ascertain bank accounts are always reconciled on a timely basis. Some changes to consider could be cross-training as well as developing relationships with consultants that could assist the accounting department when employee turnover occurs.
Management's Response	Not available as of date of report.

**Los Angeles County Metropolitan Transportation Authority
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(Continued)**

Finding #2017-011: PALRF and PCLRF	City of Compton
Compliance Reference	Proposition A and Proposition C Local Return Guidelines Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".
Condition	<p>This year's closing process was delayed because some important procedures were not performed on time. These include:</p> <ul style="list-style-type: none"> • Reconciliation of major balance sheet accounts including bank accounts. • Cut off procedures. Cut off procedures relating to year-end accruals were inadequate to ensure the recording of transactions in the proper period. • Beginning Fund balances were not reconciled with the prior year audited reports.
Cause	We learned that the City lost several key employees in the finance and accounting department during the fiscal year 2017.
Effect	As such, there was delay in the closing of the City's books for the fiscal year 2017. Currently, the accounting personnel and support do not have the institutional knowledge to ensure the books are updated and transactions are recorded correctly. These conditions resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analysis, and other financial reports needed by management and the auditors.
Recommendation	We recommend that the City of establish and document proper closing and reconciliation procedures and assign responsibility for completing the procedures to specific City personnel. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and is accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. These reconciliations will provide assurance that financial statements are meaningful and accurate.
Management's Response	Not available as of date of report.

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 (Continued)**

Finding #2017-012: PALRF and PCLRF	City of Cudahy
Compliance Reference	<p>Proposition A and Proposition C Local Return Guidelines Section II states that, "A proposed expenditure of funds shall be deemed to be for public transit purposes to the extent that it can reasonably be expected to sustain or improve the quality and safety of and/or access to public transit services by the general public or those requiring special public transit assistance". Also, Section V states that, "It is the jurisdictions' responsibility to maintain proper accounting records and documentation to facilitate the performance of the audit as prescribed in these Guidelines".</p>
Condition	<p>The City charged transit marketing project expenditures totaling to \$53,668 to the Local Return Funds as follows:</p> <ul style="list-style-type: none"> a. PALRF: Project code 280-01, Cudahy Transit Marketing Program - \$26,834; b. PCLRF: Project code 280-01, Cudahy Transit Marketing Program - \$26,834; and <p>These expenditures relate to the production of the City's quarterly magazine. Although a budget for this project was approved by LACMTA, there was a question with respect to reasonableness of cost allocated to the funds.</p> <p>As per City report, funding source allocation from LACMTA is 60% of total costs incurred for the quarterly magazine production. However, based on the initial review of documents provided which includes copies of magazines, it was determined that the allocation of 60% made to the Local Return funds is higher than what is initially determined to be reasonable.</p> <p>Based on the supporting documents provided by the City, Vasquez agreed that 40% was the more reasonable allocation rate and was determined by the City based on the number of featured and news articles related to transportation.</p>

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(Continued)**

Finding #2017-012: PALRF and PCLRF (Continued)	City of Cudahy
Cause	The budget submitted to LACMTA was based on expectation that the magazine would be a viable source of educating the residence of City on how the Local Return Funds of Cudahy can be and are being used to benefit the lives of the residence of Cudahy. The City had anticipated 60% of the magazine to educate the public on the availability of transit services in the City and what is being done to improve transportation within the City.
Effect	Proposition A funds of \$26,834 and Proposition C funds of \$26,834 were expended towards project expenditures. Based on revised allocation rate to which Vasquez agreed, only \$17,889 should be charged each to Proposition A and Proposition C, resulting in overcharging of expenditures of \$8,945 each to Proposition A and Proposition C, respectively for a total of \$17,890.
Recommendation	We recommend for the City to establish a methodology for allocating this type of costs. The City should also consider returning the total amount of \$17,890 to the Local Return Funds.
Management's Response	The City anticipated that 60% of the magazine would educate the public on the availability of transit services in the City and what is being done to improve transportation within the City. Based upon a review of the actual publication the City found that 40% of the magazine related to transportation. The City utilized a method of allocating costs based upon the number of feature articles, news articles, and the number of advertisement (whether full page, half page, quarter page) of transportation supported events or services. Direction had not been given as to the acceptable methodology that could be utilized by the City when determining allocation of costs to Local Return Funds. During the next fiscal year, the City will discuss and reach an agreement with LACMTA an acceptable methodology that the City may use to allocate expenses to Local Return Funds.

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Finding #2017-013: PCLRF	City of Culver City
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25% without obtaining approval through a revised Form A for PCLRF's Project Code 300-04, CCMBL Facility Reserve. Amount in excess of 25% of the approved budget was \$8,181.</p> <p>Projects with greater than 25% change from the approved project budget should be amended by submitting a Project Description Form (Form A).</p>
Cause	The condition was due to oversight by City Staff. The additional funds expended had been carried over from the prior year and staff was not aware that use of those previously approved funds required a formal amendment submission to LACMTA.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend for the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance to this requirement at all times.
Management's Response	The City submitted an amended Form A (and B) to LACMTA upon discovery that this had not been done; the amendment was submitted to LACMTA on October 25, 2017, and approved by LACMTA staff on October 26, 2017. In the future, the City will submit an amended Form A for any years in which funds were expended in exceeding 25% of the approved budget.
Finding Corrected During the Audit	On October 25, 2017, the City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

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 (Continued)**

Finding #2017-014: PALRF and PCLRF	City of Culver City
Compliance Reference	Section I(C) of the Proposition A and C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".
Condition	The City submitted its Annual Project Update (Form B) on August 8, 2016, 7 days beyond the due date set under the Guidelines.
Cause	The condition was due to oversight by City Staff.
Effect	The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	The City will establish clear program schedules and implement procedures to ensure that all reporting deadlines are met.

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(Continued)**

Finding #2017-015: PCLRF	City of Gardena
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	<p>The City claimed expenditures under the following PCLRF projects with no prior approval from LACMTA.</p> <ul style="list-style-type: none"> a. Project code 440-66, Pavement Management Program 2015 - 2016 (JN 883), totaling \$195; and b. Project code 480-65, General Project Management, totaling \$4,221; <p>Although we found the expenditures for these projects to be eligible for Proposition C Local Return funding, these projects had no prior approval from LACMTA.</p> <p>The City submitted a Form A to the LACMTA Program Manager and obtained a retroactive approval of the said projects on October 6, 2017.</p>
Cause	The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.
Effect	Proposition C funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	The City will ensure in the future that Project Form A's will be submitted for prior approval.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of projects' budget on October 6, 2017. No follow up is required.

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 (Continued)**

Finding #2017-016: PCLRF	City of Hawthorne
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	The City exceeded LACMTA's approved budget by more than 25% without obtaining prior approval through a revised Form A for Project code 480-08, Administration. Amount in excess of 25% of the approved budget was \$3,749. Projects with greater than 25% change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).
Cause	The approved budget was exceeded due to an increase in liability expense, the increase was allocated to all funds, this was the primary cause for the increase.
Effect	The City's PCLRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City submit a Form A to obtain LACMTA's approval for the change in project budget and for the City to implement control to ensure compliance with this requirement at all times.
Management's Response	For future changes which may exceed approved budgeted amounts, the City will submit Form A to obtain LACMTA's approval as recommended.
Finding Resolved During the Audit	LACMTA Program Manager granted a retroactive approval on the amended budget for the said project on October 20, 2017.

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(Continued)**

Finding #2017-017: PCLRF	City of Hidden Hills
Compliance Reference	Section IV (E) of the Proposition A and Proposition C Local Return Guidelines states that "Under the Proposition A and Proposition C Ordinance, jurisdictions have the three years to expend LR funds." Funds must be expended within 3 years of the last day of the fiscal year in which funds were originally allocated.
Condition	The City has \$38,714 of Proposition C funds from FY 2014 allocation that have lapsed as of June 30, 2017. LACMTA granted the City a one-year extension through June 30, 2018 to use the funds.
Cause	The condition was due to oversight of the City's staff.
Effect	The City has lapsed funds which is required to be returned to LACMTA for reallocation to jurisdictions for discretionary programs of countywide significance.
Recommendation	We recommend for the City to establish procedures and controls to monitor the funding allocation and ensure timely use of the funds to prevent from lapsing.
Management's Response	We agree with the findings and recommendation. We have created a restricted fund matrix that was incorporated in our adopted budget FY2017-18 showing the fund balances, past and ongoing projects and uses for each fund. This matrix has been revised recently to show the lapsing funds as of this fiscal year that will help us to closely monitor proper and timely use of each fund.
Findings Resolved During the Audit	LACMTA granted the City a one-year extension through June 30, 2018 to use the funds.

**Los Angeles County Metropolitan Transportation Authority
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Fiscal Year ended June 30, 2017
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Finding #2017-018: PALRF	City of Huntington Park
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit for approval a Project Description Form (Form A) prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent or greater change in an approved LR project budget or scope on all operating or capital LR projects."
Condition	<p>The City exceeded LACMTA's approved budget by more than 25 percent without obtaining prior approval through a revised Form A for Project code 480-03, Administration Prop A. The amount in excess of 25 percent of the approved budget was \$875.</p> <p>Projects with greater than 25 percent change from the approved project budget should be amended by submitting an amended Project Description Form (Form A).</p> <p>This is a repeat finding from prior year audit.</p>
Cause	The Public Works Department did not submit the Form A in a timely manner in the amount of \$875.
Effect	The City's PALRF project expenditures exceeded 25 percent of LACMTA's approved budget without LACMTA's approval and the City did not comply with the Guidelines.
Recommendation	We recommend that the City submit Form A to obtain LACMTA's approval for any changes in the project's originally approved budget. Also, we recommend for the City to implement controls to ensure compliance with this requirement.
Management's Response	The Public Works Director and the Finance Director will monitor the budget vs actuals on a monthly basis to ensure administrative charges do not exceed 25 percent of the local annual expenditures. The Finance Department will not process any cost over the approved budgeted amount without the approved Form A.
Findings Resolved During the Audit	On December 14, 2017, the City subsequently submitted an amended Form A and obtained LACMTA's approval for the increase in the budget.

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Finding #2017-019: PALRF and PCLRF	City of La Puente
Compliance Reference	<p>Under Section II(C)(7) of the Proposition A and Proposition C Local Return Guidelines, Jurisdictions are required to certify that they have conducted and maintain Pavement Management Systems (PMS) when proposing “ Street Repair and Maintenance” or “Bikeway” projects.</p> <p>Self-certifications executed by the Jurisdiction’s Engineer or designated, registered civil engineer, must be submitted with a Form A for new street maintenance or bikeway projects, or Form B (biannually) for ongoing projects, to satisfy “Street Repair and Maintenance” and “Bikeway” project eligibility criteria.</p>
Condition	The City has not submitted a signed Pavement Management System (PMS) certification in FY 2016/17, which is required to be obtained every 3 years. The City’s latest certification submitted to LACMTA in June 2015 had a December 2013 inventory update and review of pavement condition completion date which was over 3 years already.
Cause	Due to circumstances beyond the City’s control, the City was delayed in retaining a consultant to update the City’s PMS prior to the audit report.
Effect	The City was not in compliance with respect to the certification of PMS in conformance with the criteria stipulated in the Local Return Guidelines. As such, any Local Return funds spent may be required to be returned to the Local Return Funds.
Recommendation	The City should submit to LACMTA a signed certification that it has a PMS for eligibility of its new or ongoing street maintenance or bikeway projects and keep it on file.
Management’s Response	The City of La Puente has budgeted \$50,000 in the fiscal year 2017-18 to update its Pavement Management System (PMS). The City has retained the services of Willdan Engineering to complete the update and it is anticipated that the PMS will be fully updated by April 2018. The City will notify LACMTA once the PMS update has been completed.

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Finding #2017-020: PCLRF	City of Lynwood
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	The City claimed expenditures amounting to \$176,988 under PCLRF Project code 440-58, State Street Improvement Project, with no prior approval from LACMTA. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.
Cause	The City concurs with the finding that Project Form A should have been submitted for prior approval on our transit and capital project expenditures. The finding was caused by an oversight by City staff.
Effect	Proposition C LR funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	Staff did obtain prior approval on State Street Improvement Project Code 440-58 as part of FY17 project. When we were amending the projects, Project 440-58 budget was inadvertently zeroed out by mistake.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said projects on December 15, 2017.

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Finding #2017-021: PALRF and PCLRF	City of Monterey Park
Compliance Reference	Proposition A and Proposition C Local Return Guidelines indicates that all projects must have Project Codes. This code is critical in Form submittal as it is used in the LR database system. Section II (A)(1) of the Proposition A and Proposition C Local Return Guidelines specifically identified Project 480 for Administration costs.
Condition	<p>Although the City's administration costs were approved by the LACMTA, the amounts were lumped into the Fixed Route Transit Program (Project code 110) instead of Project code 480 for administration costs.</p> <p style="margin-left: 40px;">a) PALRF - \$189,000 b) PCLRF - \$ 27,000</p> <p>On December 6, 2017, the City subsequently submitted an amended Form A.</p>
Cause	The direct administration costs were always grouped into the Transit Project and received approval from the LACMTA. This way of grouping had never been challenged by the LACMTA or the past audits.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to revise the Project code used for the administration costs to align with the Local Return Guidelines. In addition, the administration costs should be shared by both Proposition A and Proposition C funds.
Management's Response	The City concurs with the audit recommendation to reflect the Administrative Costs in Project Code 480 and make the charges equitably among LACMTA funds. The City has already revised the 16-17 Administration Costs per audit suggestion and received the LACMTA's approval on December 12th.
Finding Corrected During the Audit	On December 12, 2017, the City obtained LACMTA's approval for the reclassification of project code relating to administration costs.

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Finding #2017-022: PALRF	City of Pomona
Compliance Reference	Section 1(C) states that, "Jurisdiction shall submit for approval a Project Description Form prior to the expenditure of funds for: 1) a new project; 2) a new route; 3) a 25 percent change (increase or decrease) in route or revenue vehicle miles for an established LR Funded transit service; 4) a 0.75 miles or greater service change that duplicates/overlays an existing transit service; or 5) a 25 percent greater change in an approved LR project budget on all operating or capital LR projects."
Condition	The City claimed expenditures under Project code 160-09, Bus Stop Improvement, totaling \$655,532 with no prior approval from LACMTA. Although we found the expenditures to be eligible for Local Return funding, this project had no prior approval from LACMTA.
Cause	City had received Metro approval for project in FY 2015/16 in the amount of \$730,000 which was intended to be rolled over to FY 2016/17. The code was administratively entered as OG (on-going) instead of CO (carry-over).
Effect	Proposition A LR funds were expended towards project expenditures without prior approval by the LACMTA.
Recommendation	We recommend for the City to establish procedures and controls to ensure that approval is obtained from LACMTA prior to spending on any Local Return-funded projects.
Management's Response	For future carry-overs, City Staff has developed a Master spread-sheet to ensure these errors are captured. This sheet will be shared with Finance to review the information as needed.
Finding Corrected During the Audit	LACMTA Program Manager granted a retroactive approval of the said project on October 31, 2017.

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Finding #2017-023: PCLRF	City of San Fernando
Compliance Reference	Proposition A and Proposition C Local Return Guidelines indicates that all projects must have Project Codes. This code is critical in Form submittal as it is used in the LR database system. Section II (A)(1) of the Proposition A and Proposition C Local Return Guidelines specifically identified Project 140 for Recreation Transit Service.
Condition	The City's Recreational Trips Program was coded under Project code 200 instead of Project code 140. This is a repeat finding.
Cause	The City was not aware that the incorrect project code for "Recreational Transit" was being used. The City has been using project code 200 rather than project code 140 for a number of years until it was cited in the prior year audit. However, the City failed to correct the project code used in this year's Form B and Form C.
Effect	The City was not in compliance with the reporting requirements of the Local Return Guidelines.
Recommendation	We recommend for the City to revise the Project code used for the Recreational Trips Program to align with the Local Return Guidelines.
Management's Response	Staff was unable to correct the project code from 200 to 140 in FY 2016/17 because the error was brought to staff attention in October 2016 and staff had already submitted the Forms in August 2016.
Finding Corrected During the Audit	The project codes have been corrected with LACMTA for FY 2017/18.

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Finding #2017-024: PALRF and PCLRF	City of South El Monte
Compliance Reference	Section I(C) of the Proposition A and C Local Return (LR) Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR Projects".
Condition	The City submitted its Annual Project Update (Form B) on August 25, 2016, 24 days beyond the due date set under the Guidelines.
Cause	Assigned staff who normally takes care of Proposition A and Proposition C Local Return Funds' reporting was out on medical leave during the period the forms were due.
Effect	The City's Annual Project Update (Form B) was not submitted timely. The City was not in compliance with the Local Return Guidelines.
Recommendation	We recommend for the City to establish procedures to ensure that all reporting deadlines are met.
Management's Response	Finance Department has updated our calendar of deadlines so these tasks will get completed on a timely basis. The forms for FY 2017/18 have already been submitted prior to the deadline.

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Finding #2017-025: PALRF and PCLRF	City of Vernon
Compliance Reference	Section I(C) of the Proposition A and C Local Return Guidelines states that, "Jurisdictions shall submit on or before August 1 of each fiscal year an Annual Project Update (Form B) to provide current information on all approved on-going and carryover LR projects. Metro will review and accept or return the report for changes. Cities shall report the anticipated expenditure cash flow amounts for the covered fiscal year."
Condition	The City submitted its Form B on October 2, 2017, 14 months after the due date of August 1, 2016.
Cause	The City of Vernon Public Works Department is tasked with submitting Form B to LACMTA for the Transit Bus Trash Removal project. The Public Works Department was in a transition and the mishap of not meeting the deadline of August 1, 2016 was overlooked.
Effect	The City missed its deadline of August 1, 2016 for the submission of Form B.
Recommendation	We recommend that the City consider establishment of controls to ensure that all reporting deadlines are met.
Management's Response	The City of Vernon Public Works Department Management and staff have calendared the submittal deadline for Form B and will strive to meet the deadline as required.



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